

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE REPORT

MONDAY, AUGUST 1, 2011

Present: Ald. Gentile (Chairman), Ciccone, Linsky, Salvucci, Rice, Danberg, Fuller, and Freedman; also present: Ald. Merrill, Crossley, and Fischman  
City staff present: Maureen Lemieux (Chief Financial Officer), Alice Ingerson (Community Preservation Program Manager), John Daley (President, Newton Police Association), and Jennifer Molinsky (Chief Planner for Long Term Planning)

#206-11      HIS HONOR THE MAYOR requesting a transfer from the Wage Reserve Account set aside in the Executive Department's FY12 Budget and various health benefit accounts to various departmental payroll accounts for the purpose of funding the costs associated with compensation and health care plan design changes for Hay Grade employees. [07-05-11 @ 2:55 PM]

**ACTION:**      **APPROVED 7-0 (Linsky not voting)**

**NOTE:**      See the below note for Docket Item #208-11 for discussion of this item.

#207-11      HIS HONOR THE MAYOR requesting a transfer from departmental payroll and health benefit accounts to various departmental payroll accounts in order to fund the cost items set forth in the labor contract agreement with the Newton Municipal Employee's Association (NMEA) for FY12 through FY14. [07-05-11 @ 2:55 PM]

**ACTION:**      **APPROVED 7-0 (Linsky not voting)**

**NOTE:**      See the below note for Docket Item #208-11 for discussion of this item.

#208-11      HIS HONOR THE MAYOR requesting a transfer from departmental payroll and health benefit accounts to various departmental payroll accounts in order to fund the cost items set forth in the labor contract agreement with the Newton Police Association (NPA) for FY12 through FY14. [07-05-11 @ 2:55 PM]

**ACTION:**      **APPROVED 6-0-1 (Fuller abstaining; Linsky not voting)**

**NOTE:**      Docket Items #206-11, #207-11, and #208-11 were discussed together, as they are related. Docket Items #207-11 and #208-11 are requests to transfer funds to meet obligations as part of the union contract agreements with the Newton Police Association and the Newton Municipal Employee's Association and #206-11 is a request to transfer funds to provide similar compensation and health care plan design to Hay Grade employees. The list of all the transfers that need to occur in order to fund the FY12 portions of the union agreements and provide Hay Grade compensation is attached, and totals \$425,191.

Chief Financial Officer Maureen Lemieux reviewed the details of the contracts. Funds to cover all costs associated with the FY09 through FY11 agreements were available in the FY11 budget. The union contract salary and health benefit cost agreements have been held to an increase of 2 ½%. The contracts for FY11 through FY14 and contains changes to health

insurance contributions and increases in wages through lump sum payments, increased detail wages, step increases, and cost of living adjustments. The changes to the health insurance contributions include increases in prescription co-pays, mandatory mail order for all maintenance medications and a 25% contribution for all new employees hired on or after July 1, 2011. In addition, the health insurance changes include a per year deductible of \$250 for individual coverage and \$500 for family coverage with an annual out of pocket maximum of \$1,000 for an individual and \$2,500 for family coverage. The contracts also include language to allow the introduction of a limited network plan after July 1, 2012. On implementation of the health benefit changes, union members will receive a lump sum payment of \$700. On July 1, 2012, the \$700 will be added to each step of the salary scale. The lump sum payment is to compensate employees for the newly added per year deductible. There are no signing bonuses included in either contract. For further details on the contracts, please see the attached contracts.

The police contract includes changes related to the Quinn Bill. Essentially, the City has agreed to pay 100% of the benefits set forth in the Quinn Bill even if the State fails to provide the City with any reimbursement. The Quinn Bill was accepted in order to improve the caliber of the police force through education related incentives. The administration did not want to dissuade officers from applying to the City of Newton because the Quinn Bill is not fully funded. Ald. Fuller asked if neighboring communities were also fully funding the Quinn Bill. Ms. Lemieux responded that she does not have the information but would obtain it.

The Hay grade employees would receive a \$750 lump sum payment and a 1% wage increase. The health care plan design changes will reflect increases in prescription co-pays, mandatory mail order for all maintenance medications and a 30% contribution for all new employees. In addition, the health insurance changes include a per year deductible of \$250 for individual coverage and \$500 for family coverage with an annual out of pocket maximum of \$1,000 for an individual and \$2,500 for family coverage. The lump sum payment is to compensate employees for the newly added per year deductible.

Ald. Danberg asked if there would be an impact to retirement funds because of the contracts. Ms. Lemieux stated that there is a modest cost to the retirement system. While on the subject of retirement, Ald. Danberg inquired if there would be additional funding for the other post-employment benefits (OPEB) in the upcoming budget. Ms. Lemieux responded that there would be an actuarial study to determine what the City needs to reserve for each employee to fund the OPEB. The goal is to put aside additional funds in the next budget.

Ald. Fuller pointed out that the State Legislature recently passed a local option making it easier for municipalities to join the Group Insurance Commission (GIC) without union agreement. Ald. Fuller was concerned that the teachers may want to move to the GIC, as their contract has not been negotiated. She asked if it is possible for just that union to belong to the GIC or if it is necessary for all City employees to belong to the GIC. Ms. Lemieux has been in contact with a representative of the GIC and there is a question of whether or not every employee would need to join the GIC. The City cannot join the GIC until April 1, 2012. Ms. Lemieux stated that she believes the City stands to save more with the current health insurance over the next three years. The City would still need to accept the local option before any City employees could join the GIC.

There were no further questions and Ald. Danberg moved approval of #206-11, which carried by a vote of seven in favor and none opposed. Ald. Ciccone moved approval of #207-11,

which carried unanimously. The Committee voted in favor of Ald. Salvucci's motion for approval on Docket Item #208-11 by a vote of six in favor and one abstention. Ald. Fuller abstained from voting on the item in order to review the requested information on how neighboring communities are funding the Quinn Bill.

**REFERRED TO COMMITTEES ON COMMUNITY PRESERVATION & FINANCE**

#103-11 **COMMUNITY PRESERVATION COMMITTEE** recommending that \$1,103,500 be appropriated from the fiscal 2011 housing & general reserves of the Community Preservation Fund to the control of the Director of Planning & Development, for a grant to create 4 units of affordable ownership housing in a mixed-income development at 112-116 Dedham Street, as detailed in the Committee's funding recommendation to the Board of Aldermen. [03-21-11 @ 8:48AM]

**COMMITTEE ON COMMUNITY PRESERVATION APPROVAL FAILED TO CARRY 2-2-1 (Lappin and Yates opposed; Blazar abstaining)**

**ACTION:** **MOTION TO APPROVE FAILED TO CARRY 1-5-2 (Ciccione, Salvucci, Gentile, Rice, Freedman opposed; Linsky and Danberg abstaining)**

**NOTE:** Nancy Grissom, Chair of the Community Preservation Committee presented the Committee's recommendation (attached) for approval of the request for \$1,103,500 from the Community Preservation Fund to create four units of permanently affordable, accessible housing in a 16-unit development at 112-116 Dedham Street. The project is being proposed by the developer SEB, LLC. The Board of Aldermen's Committee on Community Presentation previously discussed the recommendation and a motion to approve the item failed to carry by a vote of two in favor, two opposed and one abstention.

Community Preservation Committee Member Joel Feinberg reviewed the other development options for the site. A developer could put an unsubsidized 20-unit comprehensive permit development with five affordable units or four single-family homes on the site. Mr. Feinberg clarified that the proposed project would require a comprehensive permit. Mr. Feinberg added that the Community Preservation Committee engaged an independent consultant to review the proposal with a focus on the economic viability, funding, and project impacts.

The analysis from Dan Gaulin of Elmwood Homes is attached. In summary, the analysis concludes that the development proforma is realistic and that the developer's projected profit is approximately 12%, which is on the lower end of what developers typically aim for on this type of project. In addition, the analysis provides conclusions related to the impact on the traffic and how many school-age children are likely to reside in the new development. The traffic impact report was based on the assumption that the development would be geared towards buyers over 50; however, the development will not be age restricted. It was estimated that the development would generate four times as much traffic. The developer's consultant estimated that the development would include 4 to 5 school-aged children and that an as of right development of four single-family homes would have more school-aged children than the proposed development. The consultant concluded that this was a reasonable assessment. For further detailed information, refer to the attached analysis.

Mr. Gaulin was present at the meeting and stated that the public subsidy request is necessary for the four affordable units in the development, although some of the subsidy could be recaptured from the sale of the 12 units. Should the project be approved the developer has

agreed to share equally any profits above 14% until the 20% threshold is reached at that point all returns are to be paid to the City of Newton.

Ald. Salvucci inquired if Newton residents would be given preference for the affordable units. It has been considered but has not been finalized; therefore, there is nothing in writing. Ald. Salvucci explained that he would not be voting for the project unless there was language regarding preference for Newton residents included in project documents. Ald. Fuller asked who makes the decision on how condominium fees are set. Preservation Program Manager Alice Ingerson stated that it is part of the conditions of the Community Preservation Committee for the funding and it may also be part of the Zoning Board of Appeals' conditions for the comprehensive permit. Ald. Fischman was concerned that the City is breaking new ground with this project in terms of the amount of subsidy it is providing for the four affordable units. It appears that the Dedham Street Project has a higher per unit cost than any other community housing project in Newton. The attached list of recently funded projects was provided by Alice Ingerson and provided information on the number of units, the number of affordable units, project development costs, the amount of Newton controlled public funds invested in the project and the amount of community preservation funds invested.

There were a number of citizens from the Dedham Street neighborhood present and Chairman asked for a show of hands for the support and opposition of the project. There were four hands in support of the project and eighteen hands in opposition of the project.

Ald. Linsky stated that he feels the site is appropriate for this type of project but has some objection to the use of community preservation funds to buy down the units to create affordable housing. He will be abstaining on the vote to further consider whether the use of community preservation funds is appropriate. Ald. Freedman thinks that the project would be more appropriate for people without children if it were closer to transit or a village square. The proposed development is right next to an elementary school, which is ideal for families. The school in question is already overcrowded and cannot handle additional students. The project is also three times larger than the average density of the neighborhood. Ald. Freedman does not feel the project preserves the community, although it is tastefully designed. Ald. Rice concurred with Ald. Freedman and added that it seems like the City is becoming an investor in the project.

Ald. Fuller moved approval of the item. She respects the residents and her fellow Aldermen's opinion but there is a lack of affordable housing in Newton due to the high cost of land. The project is accessible and permanently affordable. She has spoken to many of the neighbors and feels that they would prefer a 16-unit development over a 20-unit development, which is possible. The proposed project is fairly close to Needham Street and Newton Highlands. The estimated number of additional school age children is not compelling enough to oppose the proposal. Ald. Danberg stated that she will be abstaining because she needs further information on the finances for the possible 20-unit comprehensive permit development. Ald. Gentile added that he believes the proposed project is an appropriate use of community preservation funds. However, Ald. Gentile will not support the project because he believes the size of the project is not in scale with the neighborhood. With that, the Committee voted on the motion for approval, which failed to carry by a vote of one favor, five opposed, and two abstentions.

**COMMITTEE CLERK'S NOTE:** The developer has requested that the application for Community Preservation Act funds be withdrawn. Therefore, the Community Preservation

Committee is requesting that the Board of Aldermen vote the item no action necessary, as stated in the attached memo.

**REFERRED TO COMM. ON COMMUNITY PRES AND FINANCE COMMITTEES**

#192-11 COMMUNITY PRESERVATION COMMITTEE recommending that \$4,000 be appropriated from the open space reserves of the Community Preservation Fund to the control of the Planning and Development Department, for consulting services to speed completion of Newton's next 5-year *Open Space and Recreation Plan*, as detailed in the CPC's funding recommendation to the Board of Aldermen.[05-26-11 @ 11:39AM]

**COMMITTEE ON COMMUNITY PRESERVATION APPROVED 5-0**

**ACTION: APPROVED 7-0 (Danberg not voting)**

**NOTE:** The Chair of the Community Preservation Committee presented the recommendation that \$4,000 be appropriated from the Community Preservation Fund to hire a consultant to accelerate the completion of the next 5-year Open Space and Recreation Plan. The completion of plan will enhance the City's ability to qualify for grants and improve open space planning for parks and recreation sites throughout the City. The plan is also helpful in setting priorities for park and recreation projects. The City's last 5-year plan was done in-house in 2003 and it expired in 2007. The plan is out of date and needs to be updated.

The Committee asked if the \$4,000 would be sufficient to cover the completion of the plan. Chief Planner for Long Term Planning Jen Molinsky stated that the \$4,000 should suffice. The Planning Department already has a consultant in mind with experience in Newton. The project will be printed in-house, which will reduce the costs of the plan as well. With that, Ald. Ciccone moved approval, which carried unanimously.

#214-10(5) HIS HONOR THE MAYOR requesting the approval of the Economic Development Proposal for the Chestnut Hill Square Project and authorization of the final joint City of Newton and New England Development Corporation application for funding through the Infrastructure Investment Incentive Program (I-Cubed) of the Economic Development Proposal once the developer has received preliminary approval and settled all outstanding issues. [06/13/11 @ 6:05 PM]

**ACTION: HELD 8-0**

**NOTE:** The Committee had a discussion on the Infrastructure Investment Incentive Program (I-Cubed) to provide information on the program as it relates to the Chestnut Hill Square Project on June 27, 2011. At that meeting, the Committee requested that the Executive Department check with Moody's Investor Services and First Southwest to determine if there is any impact on the City's bond rating or bonding capacity if the City decides to enter into an agreement with New England Development for the I-Cubed Program. Ald. Gentile informed the Committee that a conference call with Moody's Investor Services and First Southwest took place a few weeks ago and at the time, it was stated that there would not be any negative impact on the bond rating. Ald. Gentile added that since then the City has learned that its Aaa bond rating is under review. It is a 90-day review process and the City does stand the chance of having its bond rating reduced.

John Twohig provided the attached agenda for an update on where the I-Cubed application is in terms of the process. The Mass Development Board approved the application on July 14, 2011 subject to the submittal of the Peer Review Confirmation of Infrastructure Costs and the Peer Review Report on Revenue Projections. The draft peer review confirmation of infrastructure costs were due to be submitted to the Mass Development Board on August 1, 2011. The revenue projections are being certified for the number of jobs, job incomes, and sales tax revenue. The draft Infrastructure Development Assistance Agreement (IDAA) is being tailored to the project but a preliminary outline of the agreement is attached...

Mr. Twohig reviewed the presentation that was given to the Finance Committee on June 27, 2011 for the Committee members who were not present at that meeting. The attached Chestnut Hill Square I-Cubed Application Frequently Asked Questions provides information on the project, such as information on the bonds, when the bonds are expected to be paid, and what safeguards are in place to protect the City from any obligation to pay the bonds.

The Committee will not be voting the item until it has the full agreement, which has been reviewed by the City's Law Department. It is expected that New England Development will have the preliminary approval letter and a draft agreement with the State and be back to the Committee in September. New England Development would like to begin the infrastructure projects in April 2012 and complete them by November 15, 2012.

Ald. Salvucci moved hold on the item, which carried unanimously.

The Committee adjourned at 9:40 p.m. and all other items before the Committee were held without discussion. Draft Board Orders for the above items are attached.

Respectfully submitted,

Leonard J. Gentile, Chairman



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SETTI D. WARREN  
MAYOR

To: Alderman Leonard Gentile, Chairman, Finance Committee  
From: Maureen Lemieux, Chief Financial Officer *ML*  
Subject: Transfer Request – Supporting NPA and NMEA Contracts and “H” Grade Health Plan Benefit Design Changes  
Date: July 7, 2011

Attached please find the list of transfer requests supporting the newly ratified Newton Police Association and Newton Municipal Employees Association FY2012 – FY2014 contracts, as well as transfer requests associated with changes to the “H” Grade employee health benefit plan design.

Sufficient funds are available in the FY2012 Budget to cover these costs. Although the total amount of all changes equals \$425,191, there is no net impact on the budget. This list represents a request to move funds from the savings that will be generated by the health benefit plan design changes for all departments as well as transfers from wage reserve that was approved within the Executive Department specifically for “H” grade employees.

These contracts follow the pattern that the administration has developed of ensuring that the growth rate of the cost of salaries and health insurance is contained to 2.5% for the three years covered by these contracts.

I look forward to discussing these contracts with you.

Cc: Setti D. Warren, Mayor  
Honorable Board of Aldermen  
Robert Rooney, C.O.O.  
David Wilkinson, Comptroller

11 JUL -8 A 11:19  
CITY CLERK  
NEWTON, MA. 02159



City of Newton, Massachusetts  
Account Transfers

Required to Fund FY2012 Portions of NPA, NMEA, and "H" Grade Positions

<u>From Account</u>	<u>Municipal Departments</u>	<u>To Account</u>	<u>Amount</u>
0110301-5197	Dept 101-01 - Clerk of the Board	Personal Services	\$ 2,826
0110301-5197	Dept 101-02 - City Clerk	Personal Services	\$ 606
0110301-5197	Dept 104-01 - Comptroller	Personal Services	\$ 3,135
0110301-5197	Dept 104-91 - Retirement	Personal Services	\$ 1,775
0110301-5197	Dept 105-01 - Purchasing	Personal Services	\$ 6,387
0110301-5197	Dept 106-01 - Assessing	Personal Services	\$ 7,288
0110301-5197	Dept 107-01 - Treasury	Personal Services	\$ 2,524
0110301-5197	Dept 108-01 - Legal	Personal Services	\$ 8,789
0110301-5197	Dept 109-01 - Human Resources	Personal Services	\$ 5,954
0110301-5197	Dept 111-01 - Information Technology	Personal Services	\$ 5,532
0110301-5197	Dept 112-01 - Census Records	Personal Services	\$ 933
0110301-5197	Dept 114-01 - Planning	Personal Services	\$ 6,020
0110301-5197	Dept 115-01 - Public Buildings	Personal Services	\$ 3,355
0110301-5197	Dept 201-01 - Police	Personal Services	\$ 4,748
0110301-5197	Dept 210-01 - Fire Dept	Personal Services	\$ 2,095
0110301-5197	Dept 220-01 - Inspectional Services	Personal Services	\$ 2,485
0110301-5197	Dept 240-01 - Weights & Measures	Personal Services	\$ 675
0110301-5197	Dept 401-01 - Public Works	Personal Services	\$ 10,944
0110301-5197	Dept 501-01 - Health & Human Services	Personal Services	\$ 3,469
0110301-5197	Dept 502-01 - Senior Services	Personal Services	\$ 885
0110301-5197	Dept 503-01 - Veteran Services	Personal Services	\$ 821
0110301-5197	Dept 601-01 - Library	Personal Services	\$ 1,860
0110301-5197	Dept 602-01 - Parks & Recreation	Personal Services	\$ 3,237
0110301-5197	Dept 603-01 - Historic Newton	Personal Services	\$ 1,581
Health Insurance	Dept 101-01 - Clerk of the Board	Personal Services	\$ 3,000
Health Insurance	Dept 101-02 - City Clerk	Personal Services	\$ 1,500
Health Insurance	Dept 104-01 - Comptroller	Personal Services	\$ 3,000
Health Insurance	Dept 104-91 - Retirement	Personal Services	\$ 1,500
Health Insurance	Dept 105-01 - Purchasing	Personal Services	\$ 1,500
Health Insurance	Dept 106-01 - Assessing	Personal Services	\$ 6,750
Health Insurance	Dept 107-01 - Treasury	Personal Services	\$ 2,250
Health Insurance	Dept 108-01 - Legal	Personal Services	\$ 7,500



City of Newton, Massachusetts

Account Transfers

Required to Fund FY2012 Portions of NPA, NMEA, and "H" Grade Positions

<u>From Account</u>	<u>Municipal Departments</u>	<u>To Account</u>	<u>Amount</u>
Health Insurance	Dept 109-01 - Human Resources	Personal Services	\$ 5,250
Health Insurance	Dept 111-01 - Information Technology	Personal Services	\$ 4,500
Health Insurance	Dept 112-01 - Census Records	Personal Services	\$ 750
Health Insurance	Dept 114-01 - Planning	Personal Services	\$ 4,500
Health Insurance	Dept 115-01 - Public Buildings	Personal Services	\$ 2,250
Health Insurance	Dept 201-01 - Police	Personal Services	\$ 3,750
Health Insurance	Dept 210-01 - Fire Dept	Personal Services	\$ 1,500
Health Insurance	Dept 220-01 - Inspectional Services	Personal Services	\$ 2,250
Health Insurance	Dept 240-01 - Weights & Measures	Personal Services	\$ 750
Health Insurance	Dept 401-01 - Public Works	Personal Services	\$ 9,000
Health Insurance	Dept 501-01 - Health & Human Services	Personal Services	\$ 5,250
Health Insurance	Dept 502-01 - Senior Services	Personal Services	\$ 750
Health Insurance	Dept 503-01 - Veteran Services	Personal Services	\$ 750
Health Insurance	Dept 601-01 - Library	Personal Services	\$ 1,500
Health Insurance	Dept 602-01 - Parks & Recreation	Personal Services	\$ 2,250
Health Insurance	Dept 603-01 - Historic Newton	Personal Services	\$ 2,250
0120103-57HLTH	Dept 201-03 - Police Dept	Personal Services	\$ 81,348
0160210-57HLTH	Dept 602-10 - Grounds Maintenance	Personal Services	\$ 14,489
0140104-57HLTH	Dept 401-04 - Public Works	Personal Services	\$ 107,100
26A401A-57HLTH	Stormwater	Personal Services	\$ 4,987
27A401Y2-57HLTH	Sewer/Wastewater	Personal Services	\$ 20,516
28A401Z3-57HLTH	Water	Personal Services	\$ 34,577
			\$ 425,191

#206-11  
#207-11  
#208-11

CITY OF NEWTON  
IN BOARD OF ALDERMEN

, 2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, a transfer of funds from a wage reserve account, various departmental payroll, and health benefit accounts in the amount of four hundred twenty-five thousand one hundred ninety-one dollars (\$425,191) to settle collective bargaining agreements with the Newton Municipal Employees Association (NEMA) and the Newton Police Association for FY11 through FY14 and to provide compensation to the Hay Grade employees in accordance with the attached schedules be and is hereby approved.

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTID. WARREN  
Mayor

Date \_\_\_\_\_



Setti D. Warren  
Mayor

**DOCKET ITEM**  
**103-11**

**City of Newton, Massachusetts**  
Department of Planning and Development  
1000 Commonwealth Avenue Newton, Massachusetts 02459

**#103-11**  
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Candace Havens  
Director

**Community Preservation Committee**  
**MEMORANDUM**

date: 15 July 2011  
from: Alice Ingerson, Community Preservation Committee Program Manager  
to: Board of Aldermen, Finance Committee  
about: table of contents for Dedham Street proposal (docket 103-11) materials  
in the packet for your 1 August 2011 meeting

At the request of your chairman Alderman Gentile, this packet focuses on the most current financial information related to this proposal.

Earlier financial information and documents/comments about project design from all stages of the proposal process are available online, including documents related to land use, zoning, drainage, traffic, & schools. This packet includes a snapshot of the proposal webpage, to help you find additional information of particular interest to you.

document	starts on page
CPC funding recommendation	1
Newton-controlled public funds used for recent affordable housing projects	4
Snapshot of project webpage, including older financial information & project design documents/discussions: <a href="http://www.newtonma.gov/cpa/projects/dedham-st/dedham-st.htm">www.newtonma.gov/cpa/projects/dedham-st/dedham-st.htm</a>	5
CPC-commissioned independent consultant analysis of project finances, assessing sponsor's cost & revenue projections, need for requested subsidy, & alternative options for affordable housing on this site	8
Project development budget, unit pricing, and condominium operating budget/fees	17
Sponsor's summary of most recent changes to this proposal	28
Most recent site & floor plans	35
Recent additional comments by sponsor's consultant on his earlier analysis of projected fiscal impacts (full earlier analysis available from proposal webpage)	40

website [www.newtonma.gov/cpa](http://www.newtonma.gov/cpa)  
contact Alice E. Ingerson, Community Preservation Program Manager  
email [aingerson@newtonma.gov](mailto:aingerson@newtonma.gov) phone 617.796.1144



Setti D. Warren  
Mayor

**City of Newton, Massachusetts**  
Department of Planning and Development  
1000 Commonwealth Avenue Newton, Massachusetts 02459

**DOCKET ITEM**  
**103-11**

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Candace Havens  
Director

**Community Preservation Committee**  
**FUNDING RECOMMENDATION**

date: 6 April 2011, corrected 13 April 2011  
from: Community Preservation Committee  
to: The Honorable Board of Aldermen  
for: **112-116 DEDHAM STREET** (community housing)

**PROJECT GOALS & ELIGIBILITY**

This project will create 4 units of fully accessible ownership housing, permanently affordable to households at 70 percent of area median income, in a 16-unit building with underground parking and an elevator. The site is not in a traditional village center but is within walking distance of an elementary school, shopping, restaurants, and the Newton Highlands stop on the D line of the MBTA.

The project is eligible for funding under the Community Preservation Act as the creation of affordable housing. It satisfies the CPA's emphasis on using previously developed sites for affordable housing, as well as priorities set by Newton's *Comprehensive Plan, Community Preservation Priorities & Funding Guidelines*, and *Consolidated Plan for Housing & Community Development*.

**RECOMMENDED FUNDING**

On 16 March 2011 the Community Preservation Committee recommended by a vote of 5 in favor, 1 opposed, 1 abstaining that \$1,103,500 be appropriated for this project, drawn first from the fy11 community housing reserve and then from the fy11 general reserve, and allocated 100% to community housing. Member Wally Bernheimer was opposed because he preferred more stringent profit-sharing requirements (see following page). Member Jim Robertson abstained because he would have preferred to encourage an unsubsidized 20-unit Comprehensive Permit project on the same site, with 5 affordable units.

Appropriated funds may be used for all eligible purposes, explicit or implied, in this summary budget:

<b>Development Budget for 112-116 DEDHAM STREET</b>			
<b>USES</b>		<b>SOURCES</b>	
<b>HARD COSTS</b>		<b>CP funds</b>	<b>\$1,103,500</b>
site acquisition	\$1,680,000	PROJECTED SALES REVENUE:	
site work & construction (incl. contingency)	\$6,150,900	affordable units (3 @ 2 bdrms, 1 @ 3 bdrms)	\$579,400
<b>SOFT COSTS</b>		market-rate units (11 @ 2 bdrms, 1 @ 3 bdrm)	\$9,350,000
general (accounting, architect, construction mgr, engineering, insurance, legal, marketing, etc.)	\$1,362,367	<b>TOTAL SOURCES, including CP funds \$11,032,900</b>	
bank charges & interest	\$652,199	PROJECTED PROFIT	\$1,183,934
CPC costs: housing planner assistance, site sign	\$3,500	% PROFIT	12.0%
<b>TOTAL USES \$9,848,966</b>			

website [www.newtonma.gov/cpa](http://www.newtonma.gov/cpa)  
contact Alice E. Ingerson, Community Preservation Program Manager  
email [aingerson@newtonma.gov](mailto:aingerson@newtonma.gov) phone 617.796.1144

6 April 2011

CPC Funding Recommendation for 112 DEDHAM STREET

page 2 of 3

## SPECIAL ISSUES CONSIDERED BY THE CPC

**Profit/Revenue-Sharing** The independent analysis commissioned by the Committee concluded that the requested subsidy for the 4 affordable units was necessary and appropriate. However, the consultant agreed with the Newton Housing Partnership that some of the subsidy could probably be recaptured from profits on the sale of the project's 12 market-rate units. CPC member Wally Bernheimer urged the Committee to require profit-sharing after the developer received the 13% profit projected in the original proposal. The developer counter-proposed a threshold of 16% but ultimately accepted the proposal by the majority of CPC members to set this threshold at 14%. When reviewing projects proposed under MGL Chapter 40B, state regulators generally treat 15% profit as the minimum needed for economic viability.

**Populations Served /Accessibility** The project's underground parking, elevator, and floor plans meet all legal requirements by providing Group I accessibility for all units. However, the project far *exceeds* requirements in providing Group II accessibility for 2 affordable units and 1 market-rate unit. Opportunities to achieve this level of accessibility at a reasonable cost are extremely rare in Newton, because they require finding sites for new construction. Some CPC members felt that even the project's market-rate units also met an important community need, by allowing older residents with mobility concerns to downsize but still remain in Newton.

**Design & Land Use Issues** The developer's original funding request included \$300,000 to subsidize preservation of the existing stone barn on this site. Many CPC members endorsed this goal. However, after lengthy discussion the Committee concluded that this funding could not be justified as affordable housing, because maintaining the barn as common space would increase the cost of ownership for the affordable units. The Committee also determined that the barn was not a priority for historic resources funding, because it would not be open to the public. At the CPC's request, the developer eliminated this item from the budget.

Most neighborhood concerns focused on land use issues, which will be fully explored by the Zoning Board of Appeals during the Comprehensive Permit process. Many CPC members felt that limited, well-designed multifamily housing could be a justifiable or even desirable addition to a primarily single-family neighborhood. However, the majority of Committee members also agreed that a 16-unit, subsidized building was preferable to a 20-unit, unsubsidized building on this particular site.

## KEY OUTCOMES

The Community Preservation Committee will evaluate this project based on these key outcomes:

1. on-time, within-budget completion of the scope of construction described in the proposal and its attached supplemental information
2. partial recapture of the initial public subsidy, based on state-certified costs and returns and the City's grant agreement with the developer (see next section)
3. ownership & occupation of the 4 affordable units, through both initial and subsequent sales as verified by the City of Newton, by households with up to 70% of the area-wide median income

## ADDITIONAL RECOMMENDATIONS

1. SPENDING AUTHORITY: All funds should be appropriated to the spending authority of the Director of Planning and Development, for disbursement to the developer through a legally binding grant agreement.
2. GRANT AGREEMENT: The agreement should include, but not be limited to, these provisions:
  - pre-conditions for the initial release of funds, including submission of: commitments for all other funds needed to complete the project; executed contracts finalizing all development costs; all required permits; final approval and recording of the regulatory agreement and perpetual affordable housing deed restriction; mortgage securing the developer's obligations under a revenue-sharing agreement; and City approval of the project's affirmative marketing plan.
  - procedures for the release of construction funds on a reimbursement basis only, and of funds for any other project purposes

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CPC Funding Recommendation for 112 DEDHAM STREET

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- requirements to assist in publicizing the project and to provide progress reports as requested by the Community Preservation Committee or Board of Aldermen
  - pre-conditions for releasing the final 10 percent of funds, including verified completion of construction through the standard process under MGL Chapter 40B, and a final report/presentation on project costs & results to the CPC
3. REVENUE-SHARING: The grant agreement should allot an absolute amount of profit to the developer equivalent to 14% of costs, finalized as noted above, and adjusted if necessary once state-audited costs are confirmed; and should require returns above that amount to be shared equally by the developer and Newton’s Community Preservation Fund until the 20% threshold is reached, at which point MGL Chapter 40B requires all returns to be paid to the City of Newton (not the CP Fund).
  4. DEADLINES: All funds must be spent within 24 months after they become available, or by any extension of that deadline granted in writing by the Director of Planning and Development
  4. RETURN OF UNSPENT FUNDS: Any CP funds not used for the purposes stated in the attached proposal or this recommendation should be returned to the Newton Community Preservation Fund.

**ATTACHMENT**

March 2011	public funds for recent housing projects in Newton
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See also project webpage from: [www.newtonma.gov/cpa/projects.htm](http://www.newtonma.gov/cpa/projects.htm).

Base data from City of Newton Housing Office, reformatted & updated by A Ingerson, 31 March 2011

## COMMUNITY HOUSING in NEWTON, Massachusetts Public Funding of Recent Projects

Project	Year First Funded	Total Units	Affordable		Total Project Funding & Cost			Per Affordable Unit		
			Units	Bed-rooms	CP funds	Total Newton Public Funds	Total Development Cost	CP funds	Total Newton Public Funds	Total Development Cost
unmarked = rehab only ▶ = included some new construction ▼ = all-new construction ▲ = group home / congregate living facility										
112 Dedham Street	funds recommended	16	4	7	\$1,103,500	\$1,103,500	\$9,848,966	\$275,875	\$275,875	\$2,462,242
61 Pearl Street	funds recommended	3	3	6	\$665,000	\$1,145,000	\$1,370,000	\$221,667	\$381,667	\$456,667
Covenant Residences	2006	44	11	17	\$907,825	\$907,825	\$17,430,711	\$82,530	\$82,530	\$1,584,610
▶ Millhouse Commons	2005	6	4	10	\$738,383	\$1,130,566	\$3,922,000	\$184,596	\$282,642	\$980,500
▶ Linden Green	2004	5	3	6	\$618,600	\$912,940	\$2,261,394	\$206,200	\$304,313	\$753,798
Falmouth Road	2005	2	2	5	\$275,000	\$651,202	\$1,178,933	\$137,500	\$325,601	\$589,467
Jackson Road	2005	2	2	5	\$275,000	\$650,317	\$1,178,048	\$137,500	\$325,159	\$589,024
▼ Parkview Homes	2009	10	10	30	\$2,046,000	\$3,086,727	\$5,322,027	\$204,600	\$308,673	\$532,203
Veteran House	2010	2	2	5	\$375,000	\$675,000	\$950,000	\$180,000	\$337,500	\$475,000
Cambria Road (18-20)	2003	2	2	6	\$200,000	\$532,461	\$922,461	\$100,000	\$266,231	\$461,231
Forte Property (Dolan Pond) \$300,000 of Habitat for Humanity donations & sweat equity incl. in costs, not counted as subsidy	2003	3	3	10	\$991,010	\$991,010	\$1,291,010	\$330,337	\$330,337	\$430,337
Wyman Street	2005	10	10	20	\$1,000,000	\$2,567,995	\$3,567,995	\$100,000	\$256,800	\$356,800
Cambria Road (11-13)	2006	2	2	5	\$351,025	\$631,025	\$610,500	\$175,513	\$315,513	\$305,250
▲ Pelham House	2003	10	10	10	\$311,936	\$1,748,593	\$2,841,460	\$31,194	\$174,859	\$284,146
▼ ▲ Nonantum Village Place	2003	34	34	34	\$850,000	\$1,712,000	\$6,213,100	\$25,000	\$50,353	\$182,738
West Street	2004	5	5	5	\$263,000	\$600,000	\$676,400	\$52,600	\$120,000	\$135,280

[Newton, Massachusetts](#) >> [Community Preservation Program](#) >> [Proposals & Projects](#)

## 112-116 Dedham Street Community Housing

*location:* 112-116 Dedham Street  
Newton Highlands, MA 02461

*goals:* Create 4 home-ownership units, three with 2 bedrooms and one with 3 bedrooms, permanently affordable to homeowners at 70 percent of the area-wide median income, in a 16-unit, mixed-income development. All units will meet Group 1 architectural accessibility standards; three units (two affordable and one market-rate) will meet Group 2 standards.

<i>project funding:</i>	<b>\$1,100,000</b>	<b><i>requested CP funds</i></b> (community housing)
	\$6,465,698	<i>private bank loan</i> (acquisition & construction)
	\$1,794,886	<i>developer equity</i>
	\$9,360,583	<b>TOTAL PROJECT COST</b>

*contacts:* Geoffrey Engler, Vice President  
SEB, LLC  
165 Chestnut Hill Avenue, No. 2  
Brighton, MA 02135  
*email:* [gengler@s-e-b.com](mailto:gengler@s-e-b.com)  
*phone:* 617.792.2300 x202  
*website:* [www.s-e-b.com](http://www.s-e-b.com)

### PROPOSAL REVIEW & APPROPRIATIONS

15 October 2010  
original proposal  
& attachments

[proposal](#): front cover, summary, community needs & outreach

[sponsor's qualifications & past projects](#)

project finances:

[budgets & funding](#): development budget, funding sources, condominium association operating budget, offer to purchase

[appraisal](#) (long file, may take time to load)

project design:

[accessibility](#) & fair housing considerations

[neighborhood context & zoning](#)

[site plan](#)

[specifications](#)

[traffic impacts](#)

*Note: This study assumed all residents would be 55 or older, but the development as proposed is not age-restricted.*

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*CPC review process:*



November 2010 public hearing	<p>project finances &amp; design:</p> <p><a href="#">presentation</a>, including floor plans (<i>long file, may load slowly</i>)</p> <p><a href="#">additional elevations</a> (<i>long file, may load slowly</i>)</p>
December 2010- February 2011 updates	<p>project finances &amp; design:</p> <p><a href="#">sponsor's summary</a>, 16 December 2010 (including response to comments at public hearing)</p> <p><a href="#">sponsor's summary</a>, 7 January 2011</p> <p>project finances:</p> <p><a href="#">development budget</a>, updated 7 January 2011</p> <p><a href="#">cost estimates - sponsor's analysis</a>, 8 February 2011, incl. comparisons with similar projects</p> <p>project design:</p> <p><a href="#">site &amp; floor plans</a>, updated 7 January 2011</p> <p><a href="#">simulated views</a> from street &amp; abutting properties, 7 January 2011 (<i>long file, may load slowly</i>)</p>
January-March 2011 City boards & committees	<p>letters of support from:</p> <p><a href="#">Newton Housing Partnership</a>, 19 January 2011</p> <p><a href="#">Mayor's Committee for People with Disabilities</a>, 15 March 2011</p>
March 2011 updates	<p>project finances:</p> <p><a href="#">sponsor's summary</a>, updated 4 March 2011, including revised funding request, response to neighborhood concerns</p> <p><a href="#">budget &amp; funding</a>, updated 4 March 2011: development budget, condominium association operating budget, percent interests assigned to affordable vs. market-rate units</p>
March-April 2011 CPC actions	<p>project finances:</p> <p><a href="#">independent economic analysis commissioned by the CPC</a>, 4 March 2011</p> <p><a href="#">CPC funding recommendation</a>, 18 April 2011, including table comparing public funding of recent affordable housing projects in Newton</p>
<hr/> <p><i>Board of Aldermen review process:</i></p>	
March-April 2011 updates	<p>project finances &amp; design:</p> <p><a href="#">sponsor's summary</a>, 19 April 2011, including response to neighborhood concerns and intent not to propose a 20-unit, unsubsidized bldg as an alternative to 16-unit, subsidized bldg</p> <p>project finances:</p> <p><a href="#">fiscal impacts - sponsor analysis</a>, 28 March 2011 (anticipated property tax revenues &amp; cost of public services)</p>

[bank letter of interest](#) in providing construction funding, 21 April 2011

project design:

[neighborhood context - sponsor analysis](#), updated 19 April 2011 (maps & aerial photos)

[site & floor plans](#), updated 26 April 2011

sponsor analyses of [sight lines](#) & [lot coverage](#), 26 April 2011 (compares proposed development with current bldgs on & around the site, alternative future uses of the site)

June-July 2011 updates

project finances:

[fiscal impacts - sponsor analysis](#), additional comments 6 July 2011

project design:

[accessibility - sponsor summary](#), 10 July 2011

[site drainage - sponsor analysis](#), 8 July 2011

[site drainage - City staff comments](#), 14 July 2011

site drainage - history

*For nearby streams & wetlands that may have been culverted or diverted, see maps link under "Project News" below.*

[traffic impacts - sponsor analysis](#), 30 September 2010

[traffic impacts - City staff comments](#), 2 June 2011

zoning & by-right uses - City staff comments

2011 Board order (appropriation)

**GENERAL BACKGROUND INFORMATION**

Massachusetts Chapter 40B/ Comprehensive Permits

The project as proposed requires a Comprehensive Permit. Release of any CPA funds appropriated would be contingent on the granting of that permit.

[Newton's Comprehensive Permit process](#), as of 2005

[state guidance on local Comprehensive Permit review](#), including land use & environmental impacts, as of 2005

[state guidance on design review as part of local Comprehensive Permit review](#), as of 2011

school impacts

[Housing School-Age Children](#), 2006 Rutgers study (cited in CPC-commissioned independent consultant report)

accessibility

[Massachusetts state standards](#)

**PROJECT NEWS**

ca. 1700-1946

project [site history](#) (historic maps)

**CONTACT:**

Alice E. Ingerson, Ph.D., Community Preservation Program Manager

City of Newton

Setti D. Warren  
Mayor

## City of Newton, Massachusetts Community Preservation Committee



### REQUEST for QUOTATIONS

*DATE:* 24 January 2011

*TO:* Affordable Housing Consultants

*FROM:* Alice Ingerson, Community Preservation Program Manager, for the CPC

**DEADLINE for QUOTATIONS** 12:00 pm (noon) on Tuesday, 1 February 2011 by email to Alice Ingerson Community Preservation Program Manager, [aingerson@newtonma.gov](mailto:aingerson@newtonma.gov). The CPC expects to award a contract by Wednesday, 3 February 2011.

**DEADLINE for REPORT** Please submit a short analysis (3-5 pages) of the issues below by 25 February 2011, to inform the CPC's final deliberations on this proposal at its March 2011 meeting.

**PROJECT SUMMARY** online: [www.newtonma.gov/cpa/projects/dedham-st/dedham-st.htm](http://www.newtonma.gov/cpa/projects/dedham-st/dedham-st.htm)

NOTE: The proposal is still evolving. The developer has agreed to provide additional information reasonably requested by the CPC's consultant, including updated development & operating budgets. At 112-116 Dedham Street, Newton Highlands, MA 02461, developer SEB, LLC proposes to construct a 16-unit, 3-floor condominium project with elevator and underground parking, including 4 units affordable to households at 80% of AMI. In anticipation of applying for and receiving a comprehensive permit, they have also requested a direct public subsidy of between \$1.1 and \$1.4 million from Newton's Community Preservation Fund. Based on information submitted to date, the CPC has indicated it prefers the lower-cost option of demolishing rather than rehabilitating the existing barn on the site.

#### SCOPE OF SERVICES

**ECONOMIC FEASIBILITY & PUBLIC SUBSIDIES** How realistic is the latest development pro forma, in the context of current industry standards and market conditions? What total return is the project likely to generate for the developer, including all charges allowable under MGL Ch. 40B (profit, marketing, overhead, etc.)?

How realistic is the latest proposed operating budget? What is the impact of both the proposed basis (square footage of units, as allowed by MGL Ch. 183, Acts of 2010) and estimated cost of condo fees on the project's economic feasibility & sustainability, especially for the affordable units?

How necessary and appropriate is the requested direct public subsidy, in addition to the implicit subsidy of a comprehensive permit? What feasible alternatives, if any, could achieve equal or greater affordable housing on the same site for a smaller direct public subsidy?

**FUNDING TERMS** How should any grant agreement for CP funds be structured to: (a) ensure that CP funds do not subsidize any market-rate units; (b) require revenue-sharing as recommended by the Newton Housing Partnership, based on the tiered model used for Covenant Residences/33 Comm (see link from [www.newtonma.gov/cpa/projects.htm](http://www.newtonma.gov/cpa/projects.htm))?

**PROJECT IMPACTS** These fall outside the scope of the requested analysis, but please review & comment very briefly on the predictions commissioned or obtained by the developer of this project's potential traffic impacts and number of school-age children. These materials are available upon request.

The final report commissioned to address these questions appears on the following pages.

**WEBSITE:** [www.newtonma.gov/cpa](http://www.newtonma.gov/cpa)

**CONTACT:** Alice E. Ingerson, Community Preservation Program Manager,  
[aingerson@newtonma.gov](mailto:aingerson@newtonma.gov), 617.796.1144

To: Newton Community Preservation Committee  
From: Dan Gaulin, Elmwood Homes  
Re: **Analysis of Proposal for 112-116 Dedham Street, Newton**  
Date: March 4, 2011

The CPC engaged Elmwood Homes to review the development proposal submitted for CPC funding by SEB LLC, with instructions to focus on the Economic Feasibility and Public Subsidies, Funding Terms and Project Impacts. SEB originally requested \$1,400,000 in order to subsidize 4 low-income condominium units (\$1.1 of the \$1.4 million) and to restore an old barn onsite (\$300,000 of the \$1.4 million). It subsequently presented an alternative scenario which indicated a willingness to demolish the barn at a cost of \$50,000 and reduce the request for CPC funding to \$1,100,000 (\$275,000) for the 4 low income units alone. This analysis is based on a revised development budget (proforma) sent to me by SEB LLC dated January 31, 2011. This proforma also noted a reduction in the proposed acquisition price.

*Q's asked in the CPC Scope of Work are marked \*\* below.*

## **Economic Feasibility and Public Subsidies**

*\*\* How realistic is the latest development proforma, in the context of current industry standards and market conditions?*

In order to answer this question, one must take a closer look at the four main components of the project costs (acquisition, hard cost, soft cost and developer profit) and the two components of project revenue (sales prices and subsidy funding).

The acquisition cost of \$1,680,000 is based on an appraisal of the property that concluded that the highest and best use of the property under current zoning would be as a subdivision of 4 lots. Originally, the appraiser assumed a second means of egress which would have allowed a highest and best use as a 5-lot subdivision. This is the developer's estimate of what a revised appraisal would conclude. I reviewed the appraisal and concur with SEB that a reduction of \$475,000 is appropriate for the one lost lot (see page 31 of the Mulhern appraisal which valued the last two lots at \$939,000 or \$469,822 each). I also concur with the conclusion that the highest and best use is as a 4-unit subdivision, but it would have been better if the appraiser tried to find comparable sales of multifamily properties and then had made a determination what the value would be as an ongoing rental property or as a conversion back to a single-family. That said, the value that the appraiser used (i.e. the City of Newton's assessed value of \$1,092,000) strikes me as in the right ballpark, and it is unlikely that the property would be worth more than \$600,000 above the assessed value to someone continuing to operate it as a rental or as someone converting it to one large estate-type home.

The hard costs of \$150/sq ft were provided by Landmark Structures, which is currently working on the Lexington Street development for SEB. This figure is a reasonable estimate at this stage of the project's development. For comparison, I worked on a 24-unit affordable non-elevator rental building in Worcester that started construction in early 2010; it will cost of \$135/sq ft, and it is a

March 4, 2001, D. Gaulin / Elmwood Homes  
**Analysis of Proposal for 112-116 Dedham Street, Newton**

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for Newton CPC

prevailing-wage job. The Dedham Street building will be more expensive due to a later starting date, its location nearer Boston, the inclusion of an elevator, and a higher level of finishes in the market units. The only thing that makes it a little less expensive is that it will not be a prevailing-wage job. I also asked for the opinion of an estimator for a large general contractor, who indicated that a similar project that they just completed was closer to \$200/sq. ft. A third point of comparison is the QuickEstimate provided by RS Means which suggests a range from \$4,827,600 to \$6,705,000 for a union-built 3-story brick-faced building in Boston of 32,200 sq ft. As in the case of the comparable building in Worcester, a more detailed cost estimate would take into account the key differences from the simple model: non-union labor, an elevator, and higher-than-average finishes.

The three data points that I have provided suggest that the construction estimate is reasonable. If it were to change in the future, it is more likely to go up than down.

The soft costs (defined for this analysis as including all sales and marketing costs) run approximately 20.5%, which is lower than the 28% allowable under Chapter 40B guidelines. None of the line items are unreasonable; all will be subject to a strict cost review audit if a comprehensive permit is granted.

The Comprehensive Permit Regulations restrict developer profit on ownership projects to 20%. The projected developer profit is defined as 20% of all allowable development costs. There are three important nuances to this rule.

1. The developer can include a cost for overhead of \$4,000/unit for a project of 5-20 units. SEB has included a \$64,000 overhead cost (\$4,000 x 16) in its proforma, as is permitted by the regulations.
2. If a third party performs a task that is traditionally done by the developer, then the cost would no longer be an allowable development cost. Rather, it would be deducted from the developer fee. SEB is proposing to do all traditional developer tasks itself.
3. A developer (or a related party of the developer) is allowed to perform and receive compensation for performing tasks that are not traditionally considered developer tasks. For example, a developer could also be the contractor, architect, marketing agent, etc. The cost charged for those services must be in line with what non-related parties would charge. SEB is planning to market the affordable units, at a cost to the project of \$17,382. That is 3% of the affordable sales prices, which is the fee allowed by the regulations. I am not aware if SEB is planning to perform any other services or to use any related parties on this project.

*(discussion continued on following page)*

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**Analysis of Proposal for 112-116 Dedham Street, Newton**

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	<b>SEB Proposed</b> (based on 1/31/11 proforma)	<b>Maximum Allowable</b>
Developer Overhead	\$ 64,000	\$ 64,000
Marketing Affordables	\$ 17,382	\$ 17,382
All Other Dev. Costs	<u>\$9,764,083</u>	<u>\$9,764,083</u>
Total Development Cost	\$9,845,565	\$9,845,565
Development Fee	\$1,183,935	\$1,969,113
Development Fee %	12%	20%

The total projected developer fee is \$1,183,935 or 12%. This is on the low side of allowable developer profit under Chapter 40B, which limits profit to 20%.

The affordable sales prices are calculated using the formula used by the Massachusetts Department of Housing and Community Development Local Initiatives Program, which takes into account the median income in the metropolitan area, the projected condo fees, the local tax rate, and prevailing interest rates. HUD tends to publish new median incomes in the late winter or spring so there may be a change in that number and interest rates are constantly changing. The developer used a slightly higher interest rate than the prevailing (5.75% vs 5.12%), but [at that time](#) he had not updated the condo fees on the price calculator to reflect his February 16, 2011 condo budget. It turns out that these differences almost cancel out each other and the projected affordable sales prices (\$154,000 for the 3BR and \$141,800 for the 2BR) are within a few thousand of the updated prices (\$159,000 for the 3BR and \$145,250 for the 2BR). Should the CPC recommend funding the project, and should it require the developer to use value-based condo fees, then the affordable sales prices would need to be recalculated to account for the lower condo fees. A fuller discussion of condo fees appears later in this report.

The developer obtained a Brokers Price Opinion (BPO) from Hammond Residential. The list of comparable sales used in the analysis is found in the attached table labeled "Comparable Analysis." The property at 629 Hammond Ave in Brookline is an excellent comparable sale, as it is a newer building with units that are nearly identical in size, with a similar condo fee and amenities to the proposed development for Dedham Street.

**CONCLUSION** – The development proforma is realistic. At the proposed profit of 12%, the project is on the low side of what developers typically aim for (15-20%) on a project of this size and risk.

**\*\*** [What total return is the project likely to generate for the developer, including all charges allowable under MGL Ch. 40B?](#)

The developer profit is projected at \$1,183,935, or 12%. Additional fees that the developer is projecting to earn that are not counted against the 20% profit limitation will be a \$64,000

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**Analysis of Proposal for 112-116 Dedham Street, Newton**

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developer overhead charge and a \$17,382 marketing charge, if SEB handles the marketing of the affordable units itself. This would amount to \$1,265,317, or 13% on all other costs.

**CONCLUSION** – Even if the committee wished to consider developer overhead and marketing costs as additional profit, this project is still on the lower end of the fee schedule. Please note that the marketing cost for the affordable units represents fair compensation for the work involved. I consulted on a similar project with 4 affordable units, and that is what it cost us between my time and that of the outside marketing firm we hired.

**\*\* How realistic is the proposed operating budget?**

The original operating budget appeared low, primarily due to the lack of an elevator maintenance contract. I asked the developer if he had a more recent version, and he sent one dated February 16, 2011. The updated budget added lines for elevator maintenance and common area cleaning, and it increased the budget for repairs. The updated budget assumes that the barn will be demolished.

**CONCLUSION** – The updated budget with condo fees ranging from \$253 to \$440 (as opposed to the earlier one projecting \$225 to \$297) is realistic. Please note that these condo fees are based on square footage, as this is the method proposed by the developer.

**\*\* What is the impact of both the proposed basis and estimated cost of the condo fees on the project's economic feasibility and sustainability, especially for the affordable units?**

I'll address the cost question first. In the long term, condo fees are subject to adjustment in both directions; therefore, if the projected condo fees were insufficient to pay the bills, the condo association could vote in higher fees. In other words, a condominium association is as sustainable as it wants to be. If the condo budget does not adequately provide for major capital replacements, there will be special assessments when the time comes to replace the roofs, furnaces, elevator, etc. Since condo fee increases and special assessments are painful to both affordable and market owners, the most important thing a developer can do is to get the budget right from the beginning, which appears to be the case here.

The condominium would be better served in the long-term by determining the condominium fees on the basis of value rather than square footage, since this would have the effect of transferring the cost of operations from those least able to pay for extraordinary increases to those who are able to do so. In the case of Dedham Street, the affordable buyers will likely have annual incomes between \$40,000 and \$64,400, while the market buyers would typically have annual incomes in excess of \$160,000.

Another way of looking at it is that on a square footage basis, the affordable owners are responsible for 25% of the units and 20.7% of the operating costs and special assessments. A value-based approach would reduce this percentage from 20.7% to 6.9%. Since any future special

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 for Newton CPC

assessments would be 75% less under the value approach, affordable buyers would more likely be able to pay those assessments. Moreover, even if the affordable buyers could not afford these assessments, the association would be able to move forward with any given project, assuming that it would be obtaining 93.1% of the revenue needed from the wealthier owners.

There are two benefits to the affordable buyers of basing condo fees on unit value.

1. As described above, in the context of the benefit that basing condo fees on value has for the long-term feasibility of the project, any future increases on either the basic fee or any special assessments will be much lower, which is clearly a benefit to the affordable buyer.
2. Resale prices are a function of the initial price. So the higher the initial price, the higher the profit an affordable buyer could make when they sell. In this case, basing condo fees on value would allow the affordable units to sell for roughly \$25,000 more (e.g., if you sell a \$145,000 condo five years from now at a restricted appreciation of 10%, that is a profit of \$14,500, versus a profit of \$16,900 for the same 10% profit on a \$169,000 initial price). It is important to note that even though the initial price is higher, the exact same buyer can afford it, since the savings in condo fees are put into a larger mortgage payment.

It is important to note that the benefits described above come at some cost. The higher condo fees (and the larger responsibility for future operations) that the market buyers would be assuming most likely would have a negative effect on the price the potential buyers of these units would be willing to pay. Value-based condo fees have the potential to increase the market-rate unit owners' resentment of the affordable-unit owners, even though market-rate buyers know the price and condo fee going in, and that price is determined by supply and demand.

If condo fees are based on:	% beneficial interest	est. sales price	est. condo fee
<b>SQUARE FOOTAGE</b>			
2BR	4.96%	\$145,250	\$253/mo
3BR	5.78%	\$159,000	\$298/mo
<b>VALUE</b>			
2BR	1.69%	\$169,000	\$87/mo
3BR	1.88%	\$188,000	\$95/mo

**CONCLUSION** – The proposed condo budget appears to be reasonable. This is important as the more accurate the developer's initial condo budget, the less likely that there will be a need for large increases or special assessments in the near future. The affordable-unit buyers should be able to handle reasonable increases in condo fees over time, whether those fees are based on value or square footage. The assumption is that affordable buyers' incomes will increase as they advance in their jobs, or as wages increase generally. However, special assessments would be much harder for affordable buyers to pay, as the amount of income they have left over after paying all housing expenses is much lower than that of the market buyers. Therefore, the CPC should seriously consider requiring a value-based condo fee schedule.



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**Analysis of Proposal for 112-116 Dedham Street, Newton**

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for Newton CPC

**\*\*** *How necessary and appropriate is the requested direct public subsidy, in addition to the implicit subsidy of a comprehensive permit? What feasible alternatives, if any, could achieve equal or greater affordable housing on the same site for a smaller direct public subsidy?*

The requested direct public subsidy is absolutely necessary to build the proposed 16-unit condominium containing 4 affordable units. The developer's numbers are reasonable, and the developer fee is well below the maximum allowed by the comprehensive permit law.

The developer submitted a proforma indicating that a 20-unit development would provide an additional affordable unit and require no subsidy. I concur with those projections.

Since the acquisition cost is a fixed cost, running the proforma at 12 or 8 units would require more subsidy and deliver fewer units than the proposed 16-unit case.

In order to determine if the requested direct public subsidy is appropriate, the committee should consider the possible implications of its decision whether or not to fund this project.

If the CPC approves the funding for the proposed 16-unit development, the developer would then start the comprehensive permit process. The city's permitting authority would then decide to approve, approve with conditions, or deny the application for a permit. If the permit were denied, or if it was approved with conditions that the developer believed made the project uneconomic, the developer could appeal the decision to the state Housing Appeals Committee, which may uphold the city's decision, overturn the city's decision and require that a permit be issued, or require that a permit be issued with the unreasonable conditions amended.

If the CPC does not recommend funding for the proposed 16-unit development, SEB could apply for a comprehensive permit for a 20-unit (or larger) development, or it could attempt to develop the site in compliance with the current zoning, which appears to allow a 4-unit subdivision. The buildings could be renovated and continue to operate as a 4-unit rental, or the site could be converted to some less intensive use, e.g. a single-family estate or development/renovation of 2-3 ownership units.

Should SEB not desire to pursue any of these options, another developer could.

## **Funding Terms**

**\*\*** *How should any grant agreement for CP funds be structured to: (a) ensure that CP funds do not subsidize any market rate units; (b) require revenue-sharing as recommended by the Newton Housing Partnership, based on the tiered model used for Covenant Residences (the B'nai B'rith project at 33 Commonwealth Avenue)?*

The best way to ensure that CP funds do not subsidize any market-rate units happens prior to the grant agreement. In ownership deals, the CPC should compare the overall Total Development Cost (TDC)/unit to the average sales prices of the market-rate units. If the TDC/unit is lower than the

March 4, 2001, D. Gaulin / Elmwood Homes  
**Analysis of Proposal for 112-116 Dedham Street, Newton**

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 for Newton CPC

average market sales prices, then the market-rate units are not receiving any benefit from the CP subsidy. In the case of the proposed 16-unit development, the overall TDC is roughly \$689,000, and the projected market sales prices are \$779,000.

The tiered revenue-sharing model used at Covenant Residences (33 Commonwealth Avenue) is an effective method to ensure that projects are given enough subsidy to induce private developers and lenders to put their money at risk, while balancing the public's interest in keeping the subsidy to the minimum needed to complete the project. All real estate projects take on a life of their own once construction starts – some go smoothly and do not utilize any of the contingencies that are part of every prudent development budget, and some hit more than their share of unforeseen issues. On the revenue side, especially with ownership housing, our real estate market has experienced large swings in both directions over the past 30 years. The basic structure of the Covenant Residences deal should continue to be utilized – the first increment of profit to the developer, the next increment split 50/50 between the developer and the CPC, the next increment to the developer, and if needed the next increment split between the developer and other lenders. However, the numbers (both absolute and percentage) of the first and second increments should be flexible from project to project, based on

- ◆ the size of the project (smaller projects should have more of the initial fee going to the developer)
- ◆ the perceived risk/difficulty of a project (risky or difficult projects should have more of the initial fee going to the developer)
- ◆ the split between the first increment and the second (a developer who can make a greater % of his fee in the first increment may be more likely to agree to splitting a larger amount in the second increment), and
- ◆ potential upside (if there is a bigger possibility of windfall, the CPC may want to consider building in an ability to recapture more than the 25% it did on Covenant House).

## **Project Impacts**

**\*\* Review and comment on the predictions commissioned or obtained by the developer of this project's potential traffic impacts and number of school-age children.**

The original traffic report was prepared under the assumption that the project would be age-restricted. While the type of units that are being proposed will appeal to buyers 50+, the development will not be age-restricted, and the traffic report will be amended to reflect that. If my reading of the traffic report is correct, the proposed use would be the same category as the current use; thus it would generate 4 times as much traffic, or an increase from 26 trips per day to 104 per day. I am not qualified to make a judgment as to the significance of that increase.

The developer's consultant estimated that the proposed development would house 4-5 school-aged children, and that an as-of-right development of 4 single-family houses would contain more

March 4, 2001, D. Gaulin / Elmwood Homes  
**Analysis of Proposal for 112-116 Dedham Street, Newton**

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 for Newton CPC

school-age children than the proposed project. This appears to be a fair assessment. For the proposed 16-unit condominium development, that suggests an estimated .25-.313 children per unit. The overall number of school-age children per housing unit in Newton is roughly .354. Multifamily properties (both rental and ownership) tend to have fewer children than the average. As the value of the units increases, the number of school-age children decreases, and these market units are priced above the Newton average condo value. Therefore, predicting a number of children per unit that is somewhat below the city-wide average appears appropriate.

The same conclusion is supported by the attached study by Rutgers University for the Connecticut Partnership for Balanced Growth, which derived factors for estimating school-age children. The study estimated that

- ◆ single-family detached 4BRs valued at more than \$554,500 would average just over 1 child per unit;
- ◆ a single-family attached 2BR valued above \$257,500 would have .07 children/unit;
- ◆ a single-family attached 3BR would have .34 children/unit;
- ◆ 2BR units valued at less than \$178,500 would have .53 children/unit;
- ◆ 3BR units valued at less than \$178,500 would have 1.34 children/unit.

Applying these factors to the Dedham Street unit distribution would result in a prediction of 4.04 children ( $11 \times .07 + 1 \times .34 + 3 \times .53 + 1 \times 1.34$ ) school-age children for the proposed 16-unit development.

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#### **Attachments:**

- ◆ consultant scope of work

The following attachments are posted separately on the Newton CPC website:

- ◆ comparable analysis (sales prices & constr. costs) & site work estimates, 8 February 2011
- ◆ updated development & operating budgets:
  - ◇ development budget (pro forma), 31 January 2011  
     for 16-unit development with CP funding  
     for 20-unit development with no CP funding
  - ◇ prices for 2br & 3br units under varying assumptions
  - ◇ condo assoc. operating budget & schedule of beneficial interest, 16 February 2011
- ◆ "School Age Children Per New Housing Unit," Rutgers study

**Available online**, from [www.newtonma.gov/cpa](http://www.newtonma.gov/cpa), "Proposals & Projects":

- ◆ property appraisal submitted 15 October 2011,  
[www.newtonma.gov/cpa/projects/dedham-st/10Oct15-112DedhamSt-appraisal.pdf](http://www.newtonma.gov/cpa/projects/dedham-st/10Oct15-112DedhamSt-appraisal.pdf)

## COMMUNITY HOUSING in NEWTON, Massachusetts Public Funding of Recent Projects

Project	Year First Funded	Total Project			Affordable Units & Newton-Controlled Public Funding					
		Units	Project Development Cost	Unit Development Cost	Units	Bed-rooms	Project Funding CP funds	Newton-Controlled Public Funds	Unit Funding CP funds	Newton-Controlled Public Funds
▼ 112 Dedham Street unmarked = rehab only    ▼ = included some new construction    ▼ = all new construction    ▲ = group home / congregate living facility	recommended	16	\$9,848,966	\$615,560	4	9	\$1,103,500	\$1,103,500	\$275,875	\$275,875
61 Pearl Street	2011	3	\$1,370,000	\$456,667	3	6	\$665,000	\$1,145,000	\$221,667	\$381,667
Veteran House	2010	2	\$950,000	\$475,000	2	5	\$375,000	\$675,000	\$180,000	\$337,500
▼ Parkview Homes	2009	10	\$5,322,027	\$532,203	10	29	\$2,046,000	\$3,086,727	\$204,600	\$308,673
Covenant Residences	2006	44	\$17,430,711	\$396,153	11	17	\$907,825	\$907,825	\$82,530	\$82,530
Cambria Road (11-13)	2006	2	\$610,500	\$305,250	2	5	\$351,025	\$631,025	\$175,513	\$315,513
Wyman Street	2005	10	\$3,567,995	\$356,800	10	20	\$1,000,000	\$2,567,995	\$100,000	\$256,800
Jackson Road	2005	2	\$1,178,048	\$589,024	2	5	\$275,000	\$650,317	\$137,500	\$325,159
Falmouth Road	2005	2	\$1,178,933	\$589,467	2	5	\$275,000	\$651,202	\$137,500	\$325,601
▶ Millhouse Commons	2005	6	\$3,922,000	\$653,667	4	10	\$738,383	\$1,130,566	\$184,596	\$282,642
West Street	2004	5	\$676,400	\$135,280	5	5	\$263,000	\$600,000	\$52,600	\$120,000
▶ Linden Green	2004	5	\$2,261,394	\$452,279	3	6	\$618,600	\$912,940	\$206,200	\$304,313
Forte Property (Dolan Pond) \$300,000 of Habitat for Humanity donations & sweat equity incl. in costs but not in "public funding"	2003	3	\$1,177,400	\$392,467	3	10	\$377,400	\$877,400	\$125,800	\$292,467
Cambria Road (18-20)	2003	2	\$922,461	\$461,231	2	6	\$200,000	\$532,461	\$100,000	\$266,231
▼ ▲ Nonantum Village Place	2003	34	\$6,213,100	\$182,738	34	34	\$850,000	\$1,712,000	\$25,000	\$50,353
▲ Pelham House	2003	10	\$2,841,460	\$284,146	10	10	\$311,936	\$1,748,593	\$31,194	\$174,859

City of Newton, Massachusetts Community Preservation Fund	Fiscal 2011	Fiscal 2012
AVAILABLE FUNDS	Based on CP-1 submitted by Comptroller & Assessing, 6 July 2011	Revised from April 2011 budget, based on CP-1 submitted by Comptroller & Assessing, 6 July 2011
<b>REVENUE</b>		
local CPA surcharge (fy11 confirmed, fy12 estimate)	\$2,349,043	\$2,412,317
state matching funds (fy11 confirmed, fy12 estimate)	\$616,589	\$587,261
<b>additional local revenue:</b>		
fund balance (fy11 confirmed, fy12 estimate)	\$3,531,193	\$4,243,854
interest (fy11 estimate)	\$45,000	\$0
<b>TOTAL REVENUE</b>	<b>\$6,541,825</b>	<b>\$7,243,432</b>
<b>EXPENDITURES</b>		
<b>PROGRAM ADMINISTRATION &amp; DEBT SERVICE</b>		
program administration (max 5% of current-yr funds, fy11 confirmed year-end)	(\$114,764)	(\$145,472)
debt service for Kessler Woods (final payment in fiscal 2014)	(\$555,750)	(\$540,750)
debt service for 20 Rogers St. (final payment in fiscal 2017)	(\$327,038)	(\$317,156)
<b>TOTAL Program Administration &amp; Debt Service</b>	<b>(\$997,552)</b>	<b>(\$1,003,378)</b>
<b>AVAILABLE FUNDS after program administration &amp; debt service</b>	<b>\$5,544,273</b>	<b>\$6,240,054</b>
<b>NEW PROJECT APPROPRIATIONS by Board of Aldermen</b>		
<b>in FISCAL 2011</b>		
20 Rogers Street - Supplemental	(\$452,000)	
City Archives - Survey	(\$46,640)	
Early Architecture Survey, 1830-1840	(\$37,500)	
City Historic Buildings Survey	(\$98,780)	
61 Pearl Street (housing)	(\$665,500)	
<b>TOTAL New Appropriations</b>	<b>(\$1,300,420)</b>	
<b>AVAILABLE FUNDS after new appropriations to date</b>	<b>\$4,243,854</b>	<b>\$6,240,053</b>
<b>CPC RECOMMENDATIONS PENDING with Board of Aldermen</b>		
112-116 Dedham Street (housing)		(\$1,103,500)
Open Space Plan		(\$4,000)
<b>TOTAL Recommendations Pending</b>		<b>(\$1,107,500)</b>
<b>AVAILABLE FUNDS if all pending recommendations were funded in full</b>		<b>\$5,132,553</b>
<b>PROPOSALS submitted to CPC</b>		
Museum Archives (construction funding request)		(\$461,602)
<b>TOTAL Proposals Submitted</b>		<b>(\$461,602)</b>
<b>AVAILABLE FUNDS if all submitted proposals were funded in full</b>		<b>\$4,670,951</b>

To be corrected from Comptroller's fy11 year-end statements (Aug 2011) or Mass. Dept. of Revenue fy12 state funds distribution (Oct 2011).



Setti D. Warren  
Mayor

**City of Newton, Massachusetts**  
Department of Planning and Development  
1000 Commonwealth Avenue Newton, Massachusetts 02459

**#103-11**

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Candace Havens  
Director

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**Community Preservation Committee**  
**MEMORANDUM**

date: 3 August 2011  
from: Nancy Grissom, Chair, Community Preservation Committee, on the Committee's behalf  
& via Alice Ingerson, Community Preservation Program Manager  
to: The Honorable Board of Aldermen  
about: **Request for a vote of "no action necessary" on docket item 103-11**  
(recommended funding for community housing 112-116 Dedham Street)

In response to the email below from SEB, LLC, withdrawing their proposal for community housing at 112-116 Dedham Street, the Community Preservation Committee respectfully requests a Board vote of "no action necessary" on docket item 103-11, recommending an appropriation of \$1,103,500 for this project.

---

Date: Tue Aug 2 16:44:02 EDT 2011  
From: "Geoff Engler" <[gengler@s-e-b.com](mailto:gengler@s-e-b.com)>  
Subject: Dedham Street Proposal  
To: Alice Ingerson <[aingerson@newtonma.gov](mailto:aingerson@newtonma.gov)>

Please withdraw our CPA application for Dedham Street.

SEB

Geoffrey Engler  
165 Chestnut Hill Ave, Unit 2  
Brighton, MA. 02135

website [www.newtonma.gov/cpa](http://www.newtonma.gov/cpa)  
contact Alice E. Ingerson, Community Preservation Program Manager  
email [aingerson@newtonma.gov](mailto:aingerson@newtonma.gov) phone 617.796.1144

Preserving the Past  Planning for the Future

CITY OF NEWTON  
IN BOARD OF ALDERMEN

, 2011

ORDERED:

That, in accordance with the recommendations of the Community Preservation Committee through its Chairman Nancy Grissom; the Committee on Community Preservation through its Chairman Alderman Susan Albright; and the Finance Committee through its Chairman Alderman Leonard J. Gentile, the sum of four thousand dollars (\$4,000) be appropriated from the Community Preservation Fund's fiscal 2011 open space reserves and expended under the direction and control of the Director of Planning and Development for the purpose of hiring a consultant to complete the next 5-year Open Space and Recreation Plan.

FROM: CPA  
().....\$4,000

TO:  
().....\$4,000

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor

Date: \_\_\_\_\_

**Chestnut Hill Square**  
**I-Cubed**  
**Agenda- Newton Finance Committee**  
**8/1/11**

- Update:
  - Mass Development Vote – July 14, 2011
  - Peer Review Confirmation of Infrastructure Costs
  - Peer Review Report on Revenue Projections
  - Draft Infrastructure Development Assistance Agreement (IDAA)
- Review of Overview Booklet and Frequently Asked Questions:
- Questions and Answers
- Schedule/Next Steps



Chestnut Hill Square  
I-Cubed Application  
Frequently Asked Questions

1. *What is the timing? When will the I-Cubed proposal be before the Aldermen?*  
A&F (Administration and Finance, the State Agency which administers the State's finances) and its consultant are currently reviewing our Preliminary Economic Development Proposal ("PEDP"). We anticipate receiving preliminary approval from A&F in 4-8 weeks and then will appear before the Aldermen shortly thereafter. We hope to receive a vote of approval from the Aldermen in August. A two-thirds vote of the Aldermen is required.
2. *Who issues the bonds?*  
Massachusetts Development Financing Agency ("Mass Development") issues the bonds on behalf of the Commonwealth.
3. *Do the bonds impact the City's bonding ability or credit status?*  
Mass Development, the state agency that will issue these bonds, has indicated that the bond issuance does not impact a municipality's bonding ability or credit status.
4. *Does this impact property taxes?*  
No, I-Cubed has no impact on local property taxes. I-Cubed approval does not impact local property taxes and in fact contains a restriction that a project not benefit from a local property tax exemption in the form of a Tax Increment Financing ("TIF") Agreement. The land owner will continue to pay local property taxes at full assessment.
5. *How does the "State" pay the bonds?*  
The debt service on the bonds is repaid by the Commonwealth. The Commonwealth reviews the amount of state tax revenue it has received as the result of the project (e.g. wage, sales and meals taxes) and uses those funds to pay back the debt service on the bonds. In the event there is a "shortfall", i.e. that the revenues created are not sufficient to pay the debt service on the bonds, the developer agrees to pay the shortfall amount. If there is a surplus the bonds are paid off sooner.
6. *What are the proposed infrastructure improvements to be funded by the I-Cubed bonds?*  
The applicant is seeking approval for the financing of \$15,000,000 to cover infrastructure improvements required to support the Project and needed along the Route 9 corridor. These improvements are centered on roadway improvements to Route 9, Hammond Pond Parkway and local City of Newton roadways. All of the improvements have been reviewed by the City and established as a regional need.
7. *Will the Project go forward without the I-Cubed?*  
No. The high infrastructure costs associated with the Project make it impractical for the Project to go forward without I-Cubed funding.

8. *What are the expected State tax revenues?*  
The applicant estimates that the project will create over \$2,000,000 a year in net new state tax revenue, well in excess of the approximately \$1,000,000 required to cover the debt service on the bonds on an annual basis.
9. *Who verifies the filings by NED? What agencies approve?*  
The Commonwealth's department of Administration & Finance will review and approve the proposal, along with input from Mass Development, who will issue the bonds, and the Department of Revenue, who will be required to certify the estimates of the amount of taxes likely to be created by the Project.
10. *Will the bonds be issued without the leases and financing in place?*  
No. Final approval will not be given, and bonds will not be issued, until the applicant can show a certain level of leasing and financing in place, giving the Commonwealth comfort that the Project will proceed and create the revenues anticipated.
11. *When are the bonds anticipated to be paid off?*  
The Project is anticipated to create a significant amount of revenue for the Commonwealth, which revenue will exceed the debt service on the bonds to such a degree that the bonds will be paid off in approximately 14 years (well in advance of the 30 year term). Even if our revenue projections were overstated by more than 50%, the bonds would be repaid within 23 years.
12. *What are the job benefits of the Project?*  
The Project is anticipated to create approximately 500 short-term construction jobs and approximately 525 long-term permanent jobs at a variety of wage and skill levels, bringing significant amounts of new wage tax revenue to the Commonwealth.
13. *What is the Infrastructure Development Assistance Agreement?*  
The Commonwealth, the City and the project owner will enter into what's called and Infrastructure Development Assistance Agreement ("IDAA") detailing many of the safeguards discussed above, including the ability to lien property and the landowner's commitment to pay debt service in the unlikely event of a shortfall.
14. *Can the City lien the property if there is, in the unlikely event, an assessment by the State?*  
Yes, the City may lien the property in the unlikely event there is a shortfall and the debt service is not paid by the developer. In addition, there is an approximately \$2,000,000 "reserve account" funded by the Developer representing the debt service required for 2 years of debt service payments.
15. *Does the City assessment on the Project have priority over the financing?*  
Yes. A municipal lien to cover a debt service shortfall will have first position priority over project financing.

16. *Explain why the City should undertake even minimal risk?*

As indicated above, this Project cannot go forward without I-Cubed funding because of the high costs of the infrastructure required. Not only will the City benefit from the construction of this much-needed regional transportation infrastructure, but the Project will bring a large number of permanent and construction jobs and will transform an underutilized site into a site which brings significant revenue to the City of Newton as well, estimated at over \$1,300,000 per year.

17. *Has this ever been done before?*

Yes. To date, one I-Cubed project has been approved in the City of Somerville for Assembly on the Mystic. We understand that numerous other projects are pending approval now, including in the City of Boston.

18. *Simply, what are the “benefits” and what are the “risks” to the City?*

The benefits are the needed transportation improvements, increased local property tax revenue and jobs created; the risks are the obligation to pay the debt service on the bonds in the unlikely event that all built-in safeguards fail.

19. *How does NED make this “risk-free” to the City?*

While there is no way to make this absolutely risk-free to the City, the applicant has agreed to put into place a number and wide variety of safeguards designed to make it unlikely that the City will have any obligation under the bonds. These include a liquidity reserve in the amount of two times the debt service (approximately \$2,000,000) and the developer agreeing to fund the shortfall. Further, because of the significant amount of revenue expected to be created (resulting in an approximately 2.0 debt service coverage ratio) and the surplus generated therefrom, it is likely that the bonds will be repaid in 14 years, well in advance of the 30 year time frame indicated by the statute.

20. *What if the State approves something other than \$15,000,000 in bond financing?*

We have included in the power point a projection of debt service coverage if the state only approved \$10,000,000 in funding. As is clear from the chart, even in the instance where the state applies a higher displacement factor (resulting in less net new revenue) and agrees to fund only \$10,000,000, the Project generates more than adequate revenue to cover the debt service on the bonds and the bonds will be repaid in 22 years.

21. *Will the current status of the Atrium, effect the Project? Security?*

No. The Applicant understands that the owners of the Atrium are taking this opportunity to refocus and reinvigorate this asset and does not believe that these changes are reflective of any uncertainties or undesirability in the marketplace. With regard to the protections afforded to the City of Newton in the very unlikely event of a failure of this project, the City does have the power to lien the property to recover the shortfall and could draw on a liquidity reserve, required to be maintained, at all times, by the applicant in an amount equal to two times the debt service on the bonds.

22. *What is the status of the appeal of the Special Permit?*

The appeal of the Special Permit has been settled and the case is being dismissed.

**Chestnut Hill Square**  
**I-Cubed Application**

**Outline of Infrastructure Development Assistance Agreement (“IDAA”)**

- Parties:
  - Commonwealth of Massachusetts,
  - The City of Newton, and
  - Developer.
  
- IDAA Sections:
  - Definitions (Liquidity Reserve {2-years}; Revenue; Displacement)
  - Bond Issuance
  - Construction of Public Infrastructure Improvements (“PII”); Disbursement of Bond Proceeds; Insurance; Equal Opportunity
  - Infrastructure Assessments; Annual Certification of New State Tax Revenues; Priority of City Lien; Prepayment of Debt Service; Municipal Liquidity Reserve
  - Representations and Warranties (Authority; Indemnities to City/State)
  - Termination (Upon Repayment; Default; Bankruptcy)
  - Misc. (Limited Liability; Notices; Priority of Lien; Approval by City/State of Assignment)
  
- Approval and Bond Issuance Process:
  - State preliminary approval of Economic Development Proposal (“EDP”);
  - City approval of EDP;
  - State final approval of EDP;
  - Execution of IDAA and other bond contracts;
  - Bond issuance (in one or more tranches) to a trust account for payment requisitions from Developer as Public Infrastructure Improvements are built and costs are incurred.
  - Annual Certificate of New State Tax Revenues
  
- Municipal Safeguards relating to Construction of PII:

- During construction- The City and the Commonwealth have the right to monitor the construction and may hire an Independent Construction Agent (“ICA”) to oversee the construction (the costs of which are paid by the Developer but are eligible for reimbursement from the trust account).
- Prior to payment requisition- City’s ICA verifies eligibility of costs incurred for repayment.
- Municipal Safeguards relating to Repayment of Debt Service:
  - City holds Municipal Liquidity Reserve in an amount equal to two (2) times the projected debt service on the bonds.
  - City has ability to lien property (through tax lien foreclosure process) if Developer does not pay infrastructure assessment and lien takes priority over other senior liens on property (except for real estate tax liens, which are most senior).