Real Property Reuse Committee Agenda

City of Newton
In City Council

Tuesday, March 21, 2017

7:00 PM
Room 211

Items Scheduled for Discussion:

Chair's Note: There will be a discussion regarding methods of funding affordable housing.

Item recommitted by the full Council on February 6, 2017:

#360-16 **Reuse of the Stanton Avenue water tower site**
DIRECTOR OF PLANNING& DEVELOPMENT submitting on October 7, 2016 a letter stating that the water tower site located at Stanton Avenue declared surplus by the COMMISSIONER OF PUBLIC WORKS on September 15, 2016, should be declared unnecessary for municipal purposes pursuant to Ordinance Section 2-7. [10/10/16 @ 10:48 PM]

Respectfully submitted,

Susan S. Albright, Chair

The location of this meeting is accessible and reasonable accommodations will be provided to persons with disabilities who require assistance. If you need a reasonable accommodation, please contact the city of Newton's ADA Coordinator, Jini Fairley, at least two business days in advance of the meeting: jfairley@newtonma.gov or (617) 796-1253. The city's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.

Shawna Sullivan

From: Susan Albright <susansophia.albright@gmail.com>
Sent: Monday, March 20, 2017 1:34 PM
To: Scott F. Lennon; Barbara Brousal-Glaser; Leonard J. Gentile; Deborah J. Crossley; Victoria Danberg; Ruthanne Fuller; David Kalis; Shawna Sullivan
Subject: Fwd: assessment question about the stanton ave site

Dear all

I asked Ms Dromey for guidance on the values of the Stanton Ave Water Tower site. I'm forwarding her response to the Committee to help inform our discussion on Tuesday night.

Thanks
Susan
---------- Forwarded message ----------
From: **Elizabeth Dromey** <dromey@newtonma.gov>
Date: Mon, Mar 20, 2017 at 10:35 AM
Subject: RE: assessment question about the stanton ave site
To: Susan Albright <susansophia.albright@gmail.com>

Dear Councilor Albright,

The assessed value for the land locked 16,900 square foot parcel with the water tower at 160 R Stanton Avenue is $518,200.

The parcel has a limited buyer pool, since it is land locked. The most probable buyers would be abutters: the Golda Meir House, the Brae Burn Country Club, or the MBTA.

I have contacted John Lojek to get his opiinion on what it would take to get permission to construct a single family house on this parcel. I suspect it would be a long process

and involve securing an easement from one of the abutters who has street frontage. John was about to go into a meeting and says he will call me later today.

While this land locked parcel abuts a golf course, usually considered a desirable attribute for a developable residential property, it also abuts the Golda Meir parking lot, usually considered a negative attribute, and

is near the MBTA tracks, also a negative attribute.

If this property can be developed as a single family house, the developer would expect to earn 2 ½ times what he or she paid to acquire the property. If the developer has to pay the legal fees to

secure the development rights, he or she will have to include those costs as part of the cost to purchase and would subsquently pay less to acquire the property. If the cost to demolish the water tower

will be the developer's responsibility, that cost will also come out of the property acquisition price.

If you would like to talk about this, I am available most of today.

Best regards,

Elizabeth

Elizabeth Dromey

Director of Assessment Administration

City of Newton

1000 Commonwealth Avenue

Newton, MA 02459

dromey@newtonma.gov

617-796-1160

From: Susan Albright [mailto:susansophia.albright@gmail.com]
Sent: Sunday, March 19, 2017 10:02 AM
To: Elizabeth Dromey
Subject: assessment question about the stanton ave site

Dear Elizabeth,

As you may know the stanton ave water tower site, once taken from the golf course for the water tower, has now been made available for reuse. The Real Property Reuse Committee will be meeting this Tuesday night to discuss whether and how much money the city should get for the land. Because whoever gets the land will have to take down the water tower at a cost of approximately $300,000 there are some who say that that is enough to pay for the land which will be reused to create affordable housing (most likely by Golda Meir).

I realize that what the committee decides to ask for the land is a policy decision to be made by the committee but it would be useful to have an approximate idea about the value of the land. Some say it is a small land locked piece of land and has little value and others say a multi-million dollar house could be build on the property so it has tremendous value.

I wonder if you have time to talk about this on Monday. Your help in thinking this through would be appreciated. Let me know when you might have time to talk. We can either talk by phone or I can come into City Hall.

--

Susan Albright
Councilor-at-Large Ward 2

Newton City Council

When responding, please be aware that the Massachusetts Secretary of State has determined that most email is public record and therefore cannot be kept confidential.

--
Susan Albright
Councilor-at-Large Ward 2
Newton City Council

Real Property Dispositions

You must issue a request for proposals (RFP) to dispose of real property with a value of more than $25,000. The procedures are triggered by the *value* of the property, not the price your local government will receive for the disposition.

If you are leasing space, you determine the value of the disposition by calculating the lease price over the entire contract term. For example, if you are leasing out a portion of a municipal building for five years with a monthly rent of $1,000, the entire contract costs $60,000; therefore, it must be awarded using an advertised request for proposals.

Most often, jurisdictions dispose of property when it is no longer needed, although sometimes even property that could be used by the jurisdiction may be leased to promote some public purpose. In assessing whether and how to dispose of surplus property, consider both current and possible future needs. It is best to be systematic: develop an inventory of your jurisdiction's property, survey department heads, and invite public comment. If you find that your jurisdiction might need the property in the future, be sure to structure a lease term so that the property is available for use when needed.

Step 1: Declare property available for disposition and identify reuse restrictions

Before you can sell or lease property, regardless of its value, it must be declared available for disposition by the individual or body with the authority to make such a determination for your jurisdiction. If your jurisdiction wishes to impose any restrictions on reuse of the property, they must be specified as part of the declaration that the property is available for disposition. For example, if you are selling or leasing a surplus school building, you may not care what use the building will be put to by the new owner or lessee, except that the use be legal and conform to local zoning requirements. In that case, you would not specify a reuse restriction. However, if you were leasing only part of a school building, M.G.L. c.40, §3 would require you to specify that the reuse be compatible with the functioning of the school.

Step 2: Determine the value of the property

You must determine the value of the interest you propose to dispose of before you can dispose of any property. Chapter 30B requires that you determine the property's value by using procedures customarily accepted by the appraising profession as valid. You may hire an appraiser, although you are not required to do so. You may also rely on the municipal assessment of a property's value if it is current, if the municipality is assessed at 100 percent, and if the assessment is determined through valid procedures. Given the rapid escalation of real estate prices in Massachusetts in recent years, the value of most parcels of property will likely exceed the $25,000 threshold for advertised competition. For a lease, you may use market rent data or even advertised rental rates, if the number of similar properties on the market is sufficient to determine the lease value.

Step 3: Develop the RFP

Your RFP provides interested parties with the information they need to decide whether they want the property you are selling or leasing and to submit a responsive proposal. The major components of a real property disposition RFP are as follows:

- description of the property and interest in the property you plan to sell or lease (the "property description") and any reuse restrictions,
- evaluation criteria,
- rule for award,
- proposal submission requirements, and
- the contract terms and conditions.

Property description. The property description must be detailed enough for interested parties to understand what you are offering. Be sure to identify reuse restrictions established by your jurisdiction. If the property is being offered for sale, include a reference to a deed or survey. Also identify in the property description the buildings and structures included in the disposition and any restrictions on their use, such as deed restrictions. Drawings, plot plans, or other relevant documents should either be appended to the specifications or incorporated by reference.[103] The notice must state the terms of the disposition, including whether it is a sale or lease. If it is a lease, state its duration and whether utilities will be included in the lease price or must be paid separately by the lessee.

Evaluation criteria. You should indicate how you will select a proposal from among the competing proposals. The process is similar to developing evaluation criteria for supplies or services (described in Chapters 4 and 5). You should establish:

> **You may establish any rating scheme that preserves open and fair competition, keeps proposers on a common footing, and allows manageable and meaningful comparisons.** You have the option to use the same rating categories that are used in Chapter 30B RFPs for supplies and services: highly advantageous, advantageous, not advantageous, and unacceptable.

- criteria to evaluate *responsiveness* (whether the proposer agrees to meet your terms and the proposal contains all the required documents and forms properly completed) and *responsibility* (whether the proposer has the capability, integrity, and reliability to perform under the contract);
- *comparative criteria* if you decide that you want to weigh the relative merits of proposals rather than just selecting the responsive and responsible proposal that offers the best price; and
- a method to evaluate *prices*.

Note that although Chapter 30B requires proposals, you have the discretion to structure your RFP so that it is, in effect, an invitation for bids. If your objective is simply to dispose of property you do not need, you should sell the property to the proposer offering the highest price. In this instance, your RFP should set out simple criteria and award the contract to the qualified proposer offering the highest price for the property. Your criteria might include:

[103] You can incorporate a document by reference in your specifications, describe the document, and indicate where the document is located and how it can be obtained.

- a proposal deposit requirement to ensure that only serious proposers participate (a successful proposer that fails to close on the deal would forfeit the deposit),
- evidence of the proposer's ability to obtain financing, and
- best price.

You should inform proposers how you will determine the best price. For example, in a multi-year lease, specify whether proposers may propose level monthly payments over the term, or if they may propose escalating rents for each year of the lease. If rent escalators may be proposed, you should state how you will calculate the present value of the rental payments and include the formula in the RFP. To simplify lease price comparisons it is helpful to provide a standard price form for all proposers to complete.

If you are interested in promoting a public purpose and price is less important, you will have to carefully think through what you want and how you will evaluate it. The box on the next page presents information on dispositions to promote public purposes.

Rule for award. Your RFP should contain a clear rule for award stating how the winning offer will be selected. For example, if you plan to select the highest-priced offer meeting your evaluation criteria, your rule for award might be stated as follows:

> *The highest-priced proposal from a responsive and responsible proposer will be selected.*

If you plan to weigh offers from responsive and responsible proposers, your rule for award might be stated as follows:

> *The most advantageous proposal from a responsive and responsible proposer, taking into consideration price and all other evaluation criteria set forth in the RFP, will be selected.*

If, when leasing surplus real property, your objective is to promote a public purpose such as an affordable day care center, you may award a fixed-rent contract to the responsive and responsible proposer that meets your evaluation criteria. Thus, your rule for award would not include price as a selection factor; for example:

> *The most advantageous proposal from a responsive and responsible proposer, taking into consideration all evaluation criteria set forth in the RFP, will be selected.*

The box below contains additional information about real property dispositions to promote public purposes.

Real Property Dispositions to Promote Public Purposes

Your jurisdiction may like to offer for lease or sale in order to promote a public purpose rather than to raise revenue. Based on long-standing interpretations of the Massachusetts State Constitution, if you intend to dispose of real property for less than its fair market value, you must define a valid public purpose to be achieved. Individuals or private organizations may realize incidental benefits from a disposition of public property, but the primary purpose must be to promote the public welfare.

You must structure an open, fair, and competitive disposition process to accomplish your public purpose.

Example 1: Affordable Day Care. Your jurisdiction has a shortage of affordable day care and you decide to lease available space to a day care provider.

Since the primary objective of this disposition is not to obtain the maximum amount of rent, you set a fixed rent and specify the lease terms for insurance, utilities, maintenance, etc. You require all proposers to meet requirements such as staff training and experience, staff/child ratio, number of children from low-income families to be served, parent participation on governing board, nutrition programs, hours of operation, etc. You then develop evaluation criteria to choose the proposal that best meets your objective of providing high-quality, affordable day care. For example, you might require proposers to submit a sliding fee scale based on family income, and select the responsive and responsible proposal offering the lowest fees to the maximum number of families in need of affordable day care.

Example 2: Affordable Housing. You decide to create affordable housing by dividing surplus land into lots for sale to low-income or moderate-income purchasers.

You specify qualifications for purchasers including maximum income and asset limitations and determine the methods you will use to verify these qualifications. You restrict the use of the property and the profit that can be realized by the resale of the property to ensure that the plan meets its objective of creating and preserving affordable housing and does not result in a windfall profit to any individual. You create a fair and accountable method for proposal selection. You could, for example, establish a set price for each lot, advertise for proposals from eligible families and individuals, and use a public lottery to select winners from among the responsive and responsible proposals.

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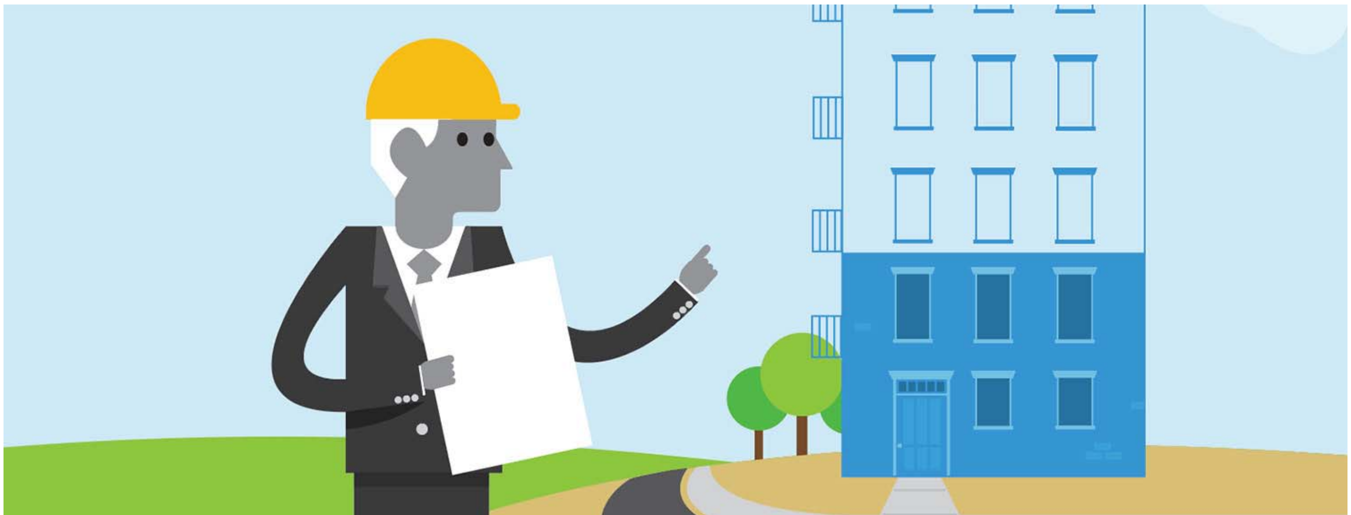
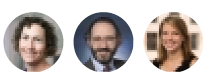


How affordable housing gets built



Pamela Blumenthal, **Ethan Handelman**, **Alexandra Tilsley** | *July 27, 2016*

A version of this post originally appeared on Redfin.

Financing affordable housing isn't easy.

Our new interactive tool shows that without subsidies, which can be hard to come by, it's virtually impossible for developers to build homes that are affordable to low- or extremely low income families. That's because lenders loan money for housing development based on the property's expected income, and when rents are set to affordable levels, there's a huge gap between the money needed to build and the money lenders and investors provide.

Yet, new affordable apartment buildings—albeit not enough of them—*are* built. So how do those developers do it?

The primary source of development funding is the Low-Income Housing Tax Credit (LIHTC), a federal tax credit administered by state agencies. Most affordable housing that gets built receives an allocation of tax credits. (You'll see in our simulation that the LIHTC tax credits are the default for 100-unit buildings.)

To receive tax credits, a proposed development must dedicate at least either 20 percent of its apartments to people who earn less than half of the area median income or 40 percent of its apartments to people who earn less than 60 percent of area median income. To be affordable, the rent for those apartments must be no more than 30 percent of the target income level. In practice, most properties dedicate most or all of the units to affordable use.

Yet, even if a proposal meets these conditions, tax credits aren't guaranteed. States allocate tax credits through a competitive process that varies by state and in most places has many more applications than available credits.

And even if you get the tax credit, as our tool shows, it's not enough. This is where developers have to get even more creative.

Most affordable housing financing deals involve a mortgage, tax credits, and two or three other sources of money. It's not uncommon, however, for developers to rely on upward of 20 financing sources as they try to fill the gap between what it costs to build affordable housing and the money they have available.

Some of that money comes from federal block grants like the HOME Investment Partnerships Program or the Community Development Block Grant Program. Some of it comes from foundations, local trust funds, or state housing trust funds. Sometimes states or localities will give developers relief from their property taxes. There are also tax credits for clean energy or for using a historic building. In rural areas, the US Department of Agriculture sometimes subsidizes affordable housing.

And then there's rental assistance; the promise of federal rental assistance can make a big difference in the development stage because developers can confidently tell lenders and investors that they will have renters and those renters will be able to pay (because the government is actually paying much of the rent). Rental assistance allows developers to serve lower-income renters while still ensuring necessary revenue to operate the property and pay debt service. Still, only about one in four people with low enough income to qualify for housing assistance actually receives it.

The problem with this multitude of funding sources—besides the fact that funds are limited—is the lack of standardization. Most of these tax credits and subsidies are awarded through competitive processes, but those processes often run on different timelines and require different applications. And if you need even three or four funding sources beyond the LIHTC to move forward with a proposed apartment building, winning one grant but having to wait six months for another can be fatal to the project. (Some states, such as Massachusetts and Minnesota, coordinate the state-run grant and tax credit programs to mitigate this problem).

Funders also change what they want to fund. For example, Illinois recently prioritized housing in areas of opportunity in awarding grants to affordable housing developers. This year, however, they've added priorities for projects that help with community revitalization. Changing allocation year to year is mostly good from a public policy perspective, because it means public dollars flow to highest need. But shifting priorities can pose a challenge to developers looking to build affordable housing, because acquiring land, planning a development, and applying for funds is a multiyear process.

Given that developers must rely on many sources—sometimes as many as 29—beyond a mortgage loan and the LIHTC tax credit to build affordable housing, it's important for states to consider ways to better coordinate the variety of grants and tax relief opportunities available, and it’s important for all levels of government to ensure there are enough subsidy funds available to meet the need. Developers must overcome many obstacles, such as permitting, land acquisition, and gaining community support. Governments should take steps to make sure closing the financing gap is not the obstacle that dooms development.

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Ethan Handelman is vice president for policy and advocacy at the National Housing Conference. He serves on the board of Housing Unlimited, a nonprofit in Montgomery County, Maryland.

Illustration by Christina Baird/Urban Institute

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