



Ruthanne Fuller
Mayor

Barney Heath
Director
Planning & Development

Rachel Powers
CD and HOME
Program Manager
Planning & Development

Members

Peter Doeringer, Chair
Kelley Brown, Member
Sudha Maheshwari, Member
Jennifer Molinsky, Member
Sonia Parisca, Vice Chair
Chris Steele, Member
Barney Heath, *ex officio*
Kevin McCormick, Alternate
James Robertson, Alternate

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CITY OF NEWTON

Planning and Development Board

AGENDA

DATE: **Monday, October 1, 2018**
TIME: **7:00 p.m.**
PLACE: **Newton City Hall, Room 204**

1. **Minutes:** Approve Minutes from September 17, 2018
2. **Zoning Redesign Presentation**
3. **Substantial Amendment/Vote:** 236 Auburn Street – CAN-DO/MetroWest
4. **Substantial Amendment/Vote:** Haywood House-NHA
5. **Northland Public Hearing** – Continued from September 25th Land Use Hearing
6. **Upcoming Meetings:**
 - Saturday, October 13, 2018 at 1:00PM, 156 Oak Street, Northland Development Site Walk/Tour (*Attendance welcome/not required*)
 - Monday, October 22, 2018 at 7:00PM, Room 205, ZAP (*Attendance welcome/not required*)
 - Monday, November 5, 2018 at 7:00PM in Room 204, Regular Planning & Development Board Meeting
 - Wednesday, November 14, 2018 at 7:00PM in Room 205, Joint ZAP/Planning & Development Board Hearing- *Inclusionary Zoning*

The location of this meeting is wheelchair 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/Sec. 504 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.

PLANNING & DEVELOPMENT BOARD MEETING MINUTES

September 17, 2018



Full Members Present:

Peter Doeringer, Chair
Kelley Brown, Member
Jennifer Molinsky, Member
Sonia Parisca, Vice Chair
Chris Steele, Member
Kevin McCormick, Acting Member for September Meeting
Barney Heath, *Ex Officio*

Staff Present:

Rachel Powers, Community Development and HOME Program Manager
Amanda Berman, Director
Malcolm Lucas, Housing Planner
Tiffany Leung, Community Development Planner
Alice Ingerson, Community Preservation Manager

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1. Minutes from the Planning and Development Board Meeting held on August 6, 2018

2. **Action Item:** FY18 Consolidated Annual Performance and Evaluation Report (CAPER) Presentation and Public Comment
3. **Project Update:** 236 Auburn Street – CAN-DO/MetroWest
4. **Staff Updates**
5. **Planning & Development Board Member Statements**
6. **Next Meetings**

1. Action Item: Approval of Minutes of August 6, 2018 meeting

Chair Doeringer opened the meeting at 7:00 p.m. The motion was made by Mr. Steele and Mr. Kelley and approved 7-0-0, as amended by Mr. Doeringer, to approve the minutes of August 6, 2018.

2. Project Update: 236 Auburn Street – CAN-DO/MetroWest

Jennifer Van Campen, representing CAN-DO/MetroWest CD, provided an update to the Board relative to ongoing work at 236 Auburn Street. She anticipates attending the October Planning and Development Board meeting to discuss the project's amended budget and potential request for an increase in federal funds. Ms. Van Campen presented an overview of the project, which will culminate in the development of 8 units of affordable rental housing; 5 of which are incorporated in a congregate home for severely disabled adults and involve 2 family rental units in a new modular home and one within the restored historic home.

Over 2017, CAN-DO/MetroWest worked on obtaining local approvals from the Newton Historic Commission, Community Preservation Committee, City Council and the P & D Board. They spent 2018 securing the necessary Comprehensive Permit and funding commitments. From there, CAN-DO/MetroWest architects put together

construction documents, working within parameters of Newton's procurement policy. Newton's internal policy exceeds MA Chapter 30B standards and is atypical of other municipalities. The organizations navigated several challenges with this stringent policy. Two bids were received; both extremely over budget and lacking in affordable housing experience. The exercise ultimately failed to produce viable bids. CAN-DO/MetroWest moved forward with a second procurement attempt, which more closely resembled an RFP. CAN-DO/ MetroWest solicited 16 firms. They received 3 responses, including the two who responded previously. The responses improved, and a new respondent emerged who matched the budget and had the requisite experience. The contractor is now working on finalizing budget and pricing, with value engineering in mind. Ultimately the original budget was not quite enough, so CAN-DO/MetroWest will come back in October with a revised number and potential new funding request.

The developer will most likely need to go back to the Newton Historic Commission for permission on several value engineering ideas and options; however, they will try to avoid amendments to the Comprehensive Permit. They are trying to move forward as quickly as possible, so they can apply for the building permit in October and be underway in November. Ms. Van Campen distributed a hypothetical timeline which compares where the project currently is after utilizing the City's existing procurement process, as opposed to how far along the project could be had the developer been able to select their own GC last year. The project is essentially a year behind in terms of value engineering and final pricing. Pricing could have been finalized in parallel to securing financing, as opposed to being sequential. Housing development is extremely sensitive due to the limited construction season.

Mr. Brown has not seen or experienced private non-profits following public procurement processes and inquired for the reasoning behind this. Dir. Heath agreed that it isn't necessarily time or cost-efficient but attempts to be a fair and transparent process. Mr. Brown further inquired if the CM-At risk style was the preferred methodology. Ms. Van Campen confirmed this and recommended distributing the current city policy to Board members. A past Washington Post expose reported on wild overspending relative to the HOME program, which impacted the development of the current policy. A concern has never been risen locally, but the story fed the fear. The policy is required by the City for City-funded projects. Ms. Ingerson indicated the policy initially only applied to housing projects, but eventually shifted to all federally and CPA-funded projects.

Ms. Molinsky wondered if the policy would be revisited; the short answer is yes. Chair Doeringer also asked when the process was created; Ms. Ingerson replied that it was initiated in 2011. Mr. Brown speculated when the situation could be improved. Dir. Heath said we now have an efficient model that we can point to. The Executive Office needs to give direction to the Purchasing officer. Staff can report on procurement updates by the November meeting.

3. Action Item: FY18 Consolidated Annual Performance and Evaluation Report (CAPER) Presentation and Public Comment

Dir. Heath introduced Housing and Community Development Division staff and kicked off the presentation of the FY18 CAPER. Staff discussed the activities, accomplishments and expenditures undertaken by the Housing and Community Development Division during the July 1, 2017-June 30, 2018 program year. These items are associated with the HOME, CDBG and ESG Programs and subsequently reported in the FY18 CAPER (see attached slides).

Dir. Heath commended Ms. Powers, Mr. Lucas, Ms. Leung and Ms. Berman for their work and ongoing efforts to move projects forward, given the City's limited resources. Chair Doeringer also commented that the presentation continues to get better; but he would like to see the funds that are leveraged by our federal dollars. He also encouraged the Board to be present during the RFP review process.

Going back to the WestMetro Consortium slides, Chair Doeringer questioned why other communities are producing more units, noting that they look better on paper. Mr. Steele commented that these differences could be a matter of leveraged funds. Other questions were prompted, such as what funds are they leveraging, where are those communities doing better and where we can be doing better. Ms. Molinsky asked how funds were prioritized and Ms. Powers explained the housing allocation and Action Plan RFP processes.

Mr. Brown commented that it seemed there was an enormous amount of public funds versus private funds in Newton projects. It also wasn't clear whether assistance came in the form of loans or grants. Smaller projects more often than not are just as costly as the larger ones. We need to go to scale; Newton has too many resources to allow this. Mr. Brown urged more creative options and noted his work with The Community Builders. Dir. Heath indicated that we're having these conversations.

Ms. Molinsky questioned how much of an impediment zoning was for housing development. Dir. Heath indicated that multifamily and affordable housing development are traditionally extremely difficult, in part due to community resistance. However, City staff is doing a better job at working with the community. Dir. Heath and Dir. Berman spoke to the challenges of scaling up work and efforts to build the pipeline and craft a revised, more common-sense Inclusionary Zoning Ordinance. The City tends not to mix public dollars with private developments. Those developments generally are not represented in Division presentations; it is driven by HUD requirements.

Ms. Maheshwari inquired if Austin Street was part of the federal projects. Ms. Molinsky noted many communities' experience challenges in implement accessibility and visitability ordinances. Mr. Brown noted that he would like see less funding utilized in Neighborhood Improvement (NIP) projects. Staff indication that the NIP policy has changed moving forward; funding is being prioritized for affordable housing development. Mr. Kelley supported this shift.

Ms. Maheshwari asked how marketing occurs and how residents find out about the available services. Staff indicated that agencies must market their own services, but we often provide referrals.

Public Comment

No public comments

The motion was then moved by Ms. Molinsky and seconded by Mr. Steele and approved 7-0-0 to accept and submit the FY18 CAPER as presented.

4. Staff Updates

Dir. Heath presented a new departmental organizational chart and walked the Planning and Development Board through the Conservation, Long-Range Planning, Current Planning, Economic Development, Transportation Planning and Housing and Community Development teams. He noted the role each staff member plays and several new hires in the department.

5. Planning Board Member Statements

Chair Doeringer recommended that members produce biographies for the Board's page on the City website, so that the public has a sense of who the Board is. The deadline to submit biographies is 9/28/18.

6. Next Meetings-

The Board's joint meeting with ZAP originally scheduled for 11/12, will be moved to 11/14. That evening will cover the new Inclusionary Zoning ordinance.

Next Monday's (9/24) Public Hearing will focus on identified zones where recreational marijuana will be allowed. The hearing is ultimately about the zoning map.

Next Tuesday's (9/25) Public Hearing will focus on the opening of the Northland Rezoning process. Four Board members still need Northland project binders (Barney, Kevin, Jennifer and James).

Dir. Heath discussed merits of setting the schedule at the opening Northland LUC hearing and suggested implementing a subcommittee option. Anywhere from 1-7 members, plus alternates, can make up subcommittee; a quorum would not have to be present at subsequent LUC public hearings. If the matter is left open until the closing hearing, the P & D Board has more time to obtain information. If the subcommittee option is not exercised, not having a requisite quorum at hearings could present a problem. The item would remain on regular P & D Board agendas until the matter is closed. Mr. Brown asked if the proponents could potentially present at P & D Board meetings; while this is an option, the Board can also opt for continued joint meetings with LUC, utilizing the public testimony received at the joint hearing. In any event, the Board could carve out time for each topic at regularly-scheduled meetings. The P&D Board, part of the initial publicized hearings, could publicize and commence other hearings, closing out the matter at the final hearing. Dir. Heath will follow up with the Legal Department as to how the Board's schedule should be set.

7. Action Item: Adjournment

Upon a motion by Mr. Steele, seconded by Ms. Parisca, and unanimously passed 7-0-0, the meeting was adjourned at 8:59 p.m.



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Barney Heath
Director

MEMORANDUM

To: Planning and Development Board Members

From: Rachel Powers, Community Development and HOME Program Manager

Cc: Jennifer Van Campen, Executive Director, CAN-DO & Metro West CD
Shaina Korman-Houston, Deputy Director, CAN-DO & Metro West CD
Justin Sallaway, Executive Director, The Barry Price Center

Date: September 28, 2018

Re: Request for a Substantial Amendment to the FY19 Annual Action Plan and FY16-FY20 Consolidated Plan to Support Increased Funds for the 236 Auburn Street Affordable Housing Proposal

1. Executive Summary

Project Sponsor, Citizens for Affordable Housing in Newton Development Organization (CAN-DO, Inc.), affiliated with MetroWest Collaborative Development (MetroWest) for the redevelopment of 236 Auburn Street, is requesting a funding increase in the amount of \$437,310 through a combination of Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds. The project will create eight units of affordable rental housing, consisting of a 5-BR congregate home for severely disabled adults, affordable to households at 30% AMI; and one 2-BR and two 3-BR family units affordable to households earning at or below 60% of Area Median Income (AMI).



CAN-DO/MetroWest, in conjunction with TBA Architects, worked with the City's Procurement Office to bid development of 236 Auburn Street from June to July of 2018. The process culminated in two unviable bids that were both extremely overbudget and lacking in the requisite housing development expertise. Subsequently, an alternative procurement process was permitted, which produced three proposals; Contractor LD Russo Co. emerged with the lowest, most feasible bid and was ultimately selected as the project's general contractor.

The total development cost is now estimated to be \$3,992,905, a 12% increase from the original budget of \$3,555,595. Project Sponsor CAN-DO/MetroWest, is requesting a substantial amendment supporting the increase of CDBG and HOME funds, by \$152,939 and \$284,371 respectively; this culminates in a total CDBG allocation of \$1,172,939 and HOME allocation of \$732,271. The project also leverages \$977,700 in Community Preservation Act (CPA) funding, \$659,995 in State allocated Facilities Consolidation Funds (FCF) and \$450,000 in private resources. The project sponsor received their Comprehensive Permit in February 2018.

The project at 236 Auburn Street targets extremely low and low-income households, identified as priority populations in the FY16-FY20 Consolidated Plan, and will be eligible for listing on the Massachusetts Subsidized Housing Inventory (SHI).

2. Project Description

The project includes the partial demolition and restoration of a nineteenth century house, the construction of a new modular, two-family duplex building, and a five-bedroom congregate house on an 18,760 square foot lot in the Auburndale village of Newton, MA. The historic single family home will front the public way, Auburn Street. The duplex unit will be located behind the historic house, and the congregate unit will be located at the rear of the site. There will be 10 parking spaces, including a dedicated space for a handicapped accessible van.

The property includes an existing 1,512 sq. ft. nineteenth century historic single-family house built in 1861. The structure, located on a 18,760 sq. ft. lot in an MR1 zone, is 2.5 stories, colonial-style with clapboard shingles, brick foundation and an asphalt-shingled gable roof. The existing property has twelve rooms, five bedrooms, five bathrooms, a 184 square foot porch and 354 square foot deck area. At the time of acquisition there were three separate units inside the existing house structure. Work will include the relocation of the historic home onto a new poured in-place concrete foundation, replacing the existing rubble base which has been cosmetically patched but is not structurally sound. Several additions to the existing property were made in the 1930s, and 1950s, but are not in character with the existing historic home. The additions will be removed, the building exterior restored, and the interior reconstructed to provide for a three-bedroom home. A small addition is proposed that will contain an office to provide a meeting space for tenants and service providers.

The new duplex building will be of modular construction and will contain two family housing units. The duplex will provide a 1,020 square foot two bedroom, one bath, kitchen/dining and living room, and a 1,280 square foot three bedroom, one and a half baths, kitchen, dining room, and living room unit. The units will be two stories, with simple intersecting gable roof, wood siding and double hung window units.

A 2,493 square foot congregate house for individuals with severe disabilities will also be constructed. The congregate house will be fully accessible and include five bedrooms, two baths, a kitchen, dining, and living room with a live-in staff office/bedroom and bath. The house will be a single story building of modular construction. Gable roofs, wood siding, and double hung windows will match the character and geometries of the duplex and historic home.

The proposal includes the following unit mix and characteristics for the three affordable family housing units:

Units	Affordability Level	# of Bedrooms	# of Baths	Living type	Gross Living Area
1	Up to 60% AMI	3	1.5	Single-family detached, two-story	1,512 square feet (existing)
1	Up to 60% AMI	2	1	Single-family attached, two-story	1,020 square feet (proposed)
1	Up to 60% AMI	3	1.5	Single-family attached, two-story	1,280 square feet (proposed)

	Household Size	50% AMI	60% AMI
2 Bedroom	3 person	\$48,550	\$58,260
3 Bedroom	4 person	\$53,900	\$64,680

2018 HUD Income Limits

The Division staff recommends that the three affordable family units set both a target rent and a maximum rent. The target rent would be equal to the current published Low HOME rent which is set to be affordable to households whose incomes are less than 50% AMI and the maximum rent be set based on the High HOME rent affordable to households whose incomes are less than 60% AMI. It is anticipated that the project owner would continue to utilize this lower rent. The structure also assumes that tenants will pay for utilities. Rents are underwritten to be affordable to households not receiving rental assistance (e.g., a Section 8 housing voucher) because these subsidies are scarce and there is no guarantee or requirement that a tenant would have a rental assistance voucher. The following chart details this recommended target and maximum rent for the units:

	Max Rent* HIGH HOME Gross Rent <60% AMI	Target Rent* LOW HOME Gross Rent <50% AMI
2 br	\$ 1,614.00	\$ 1,213.00
3 br	\$ 1,857.00	\$ 1,401.00
3 br	\$ 1,857.00	\$ 1,401.00

* *Gross Rent inclusive of utility allowance.*

The congregate, group home will be owned and operated by the Barry L. Price Rehabilitation Center and the five units will be affordable for individuals with disabilities whose income is less than 30% AMI.

The rent and income thresholds as proposed are in line with the affordability requirements set forth by the 40B Comprehensive Permit guidelines, and all units will be eligible for listing on the Massachusetts Subsidized Housing Inventory (SHI).

3. Underwriting Recommendation

Daniel Gaulin from FinePoint Associates, our HOME underwriting consultant, performed the project's underwriting and financial analysis based on the full CPC proposal received April 28, 2017, consistent with guidelines set forth by the U.S. Department of Urban Development and the WestMetro HOME Consortium. Mr. Gaulin acknowledges the complicated nature of the proposed project as it involves three development entities: CAN-DO, MetroWest and the Price Center. The success of the project will depend on the ability of each entity to execute its part of the development.

The proposed project is not allowed under current zoning, but received its Comprehensive Permit during February 2018. Additionally, Newton conditioned the previous commitment of HOME funds upon receipt of commitment from all other funding sources. Further, Mr. Gaulin noted negligible market risk. Given that proposed rents represent a third of current market rents in Newton, there is a sufficient pool of target households and overall the project reflects community needs. Cash flows projected an initial 17.5% cushion, about \$5,331 annually and no debt service.

The underwriting will be updated to reflect the most current working proforma. Taking into account Mr. Gaulin's recommendations, the Housing and Community Development Division encourage the project sponsor to allow rents up to 60% AMI (the high HOME rent), while continuing to target 50% rents (the low HOME rent). This slight change would help to strengthen cash flows and the project's sustainability in the long term.

4. Development Entity and Capacity

In September 2017, CAN-DO affiliated with MetroWest Collaborative Development in the operation and management of CAN-DO's housing portfolio and development projects, particularly 236 Auburn Street. While the two organizations are no longer affiliated as of June 1, 2018, because Jennifer Van Campen continues to be the Acting Executive Director of CAN-DO/MetroWest, this will not impact completion of 236 Auburn Street. A Development Services Agreement was executed between CAN-DO and MetroWest on September 29, 2017 that engages MetroWest to oversee development of 236 Auburn Street through to completion.

Given this transition, the Division is working closely with CAN-DO/MetroWest to ensure continued management and development capacity of 236 Auburn Street. Their development team has completed projects of larger size and intricacy; however, the City must do its due diligence in reviewing the final plans, specifications and contractor qualifications.

5. CDBG and HOME Requirements

5.A. Eligible Costs

The proposed use of CPA, CDBG and HOME funds, as allowable by each programs rules and regulations, has assisted in refinancing/ buying down the previously held mortgage, and provided

reimbursement for allowable hard and soft project costs thus far. Remaining and requested funds would be allocated, as allowable, toward those costs associated with demolition, site improvements, rehabilitation of the historic structure and construction of the modular units.

5.B. Affordability Period

The City has already imposed a 20-year HOME affordability period and a general affordability restriction in perpetuity or for the maximum duration permitted by law, with approval from the Commonwealth of Massachusetts. The terms of the affordability will be enforced by a declaration of affordable housing covenants which will run with the land.

5.C. Labor Requirements/ Procurement

The wage requirements of the Davis-Bacon Act will not apply to this project because it consists of less than eight total units. Group Homes are considered a one-unit project under HOME guidelines. The Division has worked closely with CAN-DO/MetroWest on the competitive bid process in conjunction with the Purchasing Department in accordance with the City's Procurement Policy for Affordable Housing Projects and HUD regulations.

5.D. Environmental Review

The City was required to conduct an environmental review prior to the commitment of federal funds. As part of the assessment, staff reviewed evidence that the property is free of potentially hazardous materials and would not have any adverse effect on the surrounding environment. The lead inspection report found the presence of lead, so this will be abated as part of renovations on the existing property. Additionally, since the existing property is a historic structure, the City coordinated with the Massachusetts Historical Commission on the property's historic preservation. Also, given the property's proximity to the Massachusetts Turnpike, a noise analysis was performed, and attenuation measures incorporated into the development's scope of work. The U.S. Department of Housing and Urban Development's (HUD) Authority to Use Grant Funds was received on February 20, 2018.

6. Design and Construction

6.A. Site Plans & Zoning / Permitting

As noted previously, the proposed construction did not meet the requirements for a special permit for in a Multi-Residence zone. The project applied for and received a Comprehensive Permit under Massachusetts General Law Chapter 40B during February 2018. DHCD, managing the Facilities Consolidation Fund (FCF) through the Community Economic Development Assistance Corporation (CEDAC), is acting as the State subsidizing agency.

6.B. Proposed Project

The Division has worked closely with the Project Sponsor, Partners and Architects in refining the development proforma and project scope of work; costs are determined to be reasonable based on the extensive nature of the work proposed and the extreme market forces at play. The total project construction cost is now estimated at \$2,403,682; 23% higher from initial estimates of \$1,937,129. This includes relocation and extensive renovation of the existing historic structure containing a three-bedroom unit, construction of a duplex building containing a 2 and 3-bedroom unit behind the

historic structure, construction of a fully accessible congregate living five-bedroom dwelling and all site development work.

7. Financials

7.A. Subsidy Per Unit

The subsidy-per-unit has risen to \$499,113, up from \$444,449; and the per-unit public subsidy is \$438,514. The principal reason for this is escalating market conditions and inflation as Newton’s land cost continues to increase, and the construction labor market gets tighter within the Greater Boston region. The Warren Group reported that the median sales price for a single-family dwelling in June 2018 was approximately \$1,396,250, up 15% from the \$1,214,000 reported June 2017.¹ Data on the median price for two-family dwellings was not available. The cost is further compounded by the project’s scale, historic preservation and complexity, resulting in a higher cost per-unit. This situation is not likely to change in the near future.

For comparative purposes, the table below shows the total development costs, total *public* subsidy per-unit and *public* subsidy per-bedroom of similar projects since 2005.

Project Address/ Sponsor/Year	Project Type and Scope	Affordable Units	Total Development Cost	Total Public Subsidy/Unit²	Total Public Subsidy/Bed
236 Auburn Street CAN-DO (Proposed)	Rental – Acquisition, Rehab/Construction	8	\$3,992,905	\$438,514	\$307,147
10-12 Cambria Road CAN-DO 2015	Rental – Acquisition, Rehab/Construction	2	\$905,410	\$427,705	\$213,853
54 Taft Avenue CAN-DO 2014	Rental – Acquisition, Rehab/Construction	2	\$1,170,729	\$534,515	\$213,806
54 Eddy St. CAN-DO 2012	Rental – Acquisition and Rehab	2	\$1,115,250	\$472,625	\$189,050
61 Pearl Street CAN-DO 2010	Rental – Acquisition and Rehab	3	\$1,370,000	\$381,667	\$190,833
2148 Commonwealth Ave. CAN-DO 2009	Rental – Acquisition and Rehab	2	\$950,000	\$337,500	\$135,000
11-13 Cambria Road CAN-DO 2006	Rental – Acquisition and Rehab	2	\$1,437,511	\$315,512	\$126,205
20-22 Falmouth Street CAN-DO 2005	Rental – Acquisition and Rehab	2	\$1,178,933	\$325,601	\$130,240
163 Jackson Road CAN-DO 2005	Rental – Acquisition and Rehab	2	\$1,178,048	\$325,158	\$130,063

The Planning and Development Department does not have a per-unit subsidy limit. Instead, a project’s subsidy amount is evaluated on a case-by-case basis through a federally-required subsidy layering analysis. Our goal is to provide enough financing to serve the greatest number of eligible households, to make the deal feasible and affordable to the target population and not over-subsidize the project or unduly reward those implementing it. Costs of affordable housing are a state-wide topic of interest.

¹ As of June 2018, [The Warren Group, Golda Meir Residential Market Study](#)

² Includes all HOME, CDBG and/or CPA public subsidy grants and loans

7.B. Developer Fee

The developer fee and overhead will remain at the original projections of \$321,872, or 9.1%, of total development costs, excluding the replacement reserve fund. The proposed fee is within the standard recommended by the National Council of State Housing Agencies of 15%.

7.C. Cash Flow

Initially, cash flows projected a 17.5% cushion, receiving about \$5,331 annually without debt service. Cash flows will raise slightly due to increases in HUD's 2018 Income Limits. However, an updated review will be completed.

8. Architectural Accessibility

8.A. Design and Construction Applicability

The City's Accessibility in Affordable Housing Guidelines encourages applicants to enhance the accessibility of their projects to the extent that it is financially feasible. The congregate home will be fully accessible as required by the state Dept. of Developmental Services for the intended population.

9. Fair Housing and Equal Opportunity

CDBG or HOME does not require affirmative marketing for a project of this size. However, the Massachusetts State Department of Housing and Community Development will require the submittal of an affirmative marketing plan prepared in accordance with the Chapter 40B Guidelines for the three family units, and a description of the lottery process that will be used for the project. This project to the greatest extent possible, will provide employment and training opportunities to lower-income area residents and businesses during construction, as required by Section 3 of the Housing and Urban Development Act of 1968.

10. Community Need

As stated in the City's *FY16-20 Consolidated Plan* and the *FY19 Annual Action Plan*, it is a priority objective to provide deeper subsidies in a project where the developer provides at least one of the following: 1) units that are accessible to persons with disabilities, where not required by applicable law and there is a substantiated market demand; and 2) units for low-income households (at or below 50% of AMI) that do not have rental assistance.

This proposal creates new affordable rental housing opportunities for three households earning up to 60% of AMI, while targeting rents affordable to households earning 50% AMI; and creates 5 accessible units for severely disabled adults through the congregate home.

11. Recommendation

CAN-DO/Metro West, in conjunction with the Housing and Community Development Division of the City of Newton Planning Department, originally presented the project submitted herein at the Planning and Development Board meeting held on June 5, 2017 and July 10, 2017. The proposal is well within the statutory intent of the HOME and CDBG programs and is necessary to create the proposed levels of affordability and construction and sustainability objectives.

Based on the merits of the proposal, consistency with community need identified in the 2016-2020 Consolidated Plan, evidence of community support, and project's monetary needs, the Division recommends increasing the Project Sponsor's CDBG and HOME awards by \$152,939 and \$284,371 respectively; allocating \$1,172,939 in total to CDBG and \$732,271 in total to HOME, with the following pre-conditions:

- a) Project cost savings are returned proportionally to the respective grant program(s) upon completion.
- b) Notify City if/when Operating reserves are disbursed for this project.
- c) Project proponents CAN-DO/MetroWest provide the final scope of work, cost estimates, procurement summary and construction contract.
- d) FinePoint Associates performs an updated review and underwriting to reflect the project's most current working proforma and financials.
- e) The WestMetro HOME Consortium awards the requisite HM19 (EN) Consolidated Funds and HM19 CHDO Set-Aside made available in the FY19 Request for Proposals released on September 26, 2018 and due October 17, 2018.
- f) Project proponents CAN-DO/Metro West must report to the Planning and Development Board at various benchmarks throughout implementation of the project to monitor the financial viability of the project:
 1. Following receipt of construction bids to verify project costs
 2. Four months following the start of project construction to report on progress;
 3. At project lease-up to submit a project completion report;
 4. Every 6 months thereafter for the first two years;
 5. As needed.

USES	Prior Budget Estimates		9/24/2018			
	Total 5/2017 (CPA Approval)	Congregate	Historic	Family	Total 9/2018	
ACQUISITION						
Acquisition: Land	900,000	218,041	112,119	149,521	479,680	
Acquisition: Building			420,320		420,320	
Acquisition: Carrying Costs	45,000	20,455	10,518	14,027	45,000	
Acquisition Subtotal	945,000	238,495	542,957	163,548	945,000	
CONSTRUCTION						
Direct Construction: *	1,539,275	451,809	644,847	524,495	1,621,151	
modular units and lifts	243,601	308,625	-	239,666	548,291	
Construction Contingency (5-15%)	154,253	45,626	128,969	38,208	212,803	
Construction Subtotal	1,937,129	806,060	773,816	802,369	2,382,245	
SOFT COSTS						
Architecture & Engineering	176,182	55,658	58,484	55,403	169,545	
Survey & Permits	20,000	6,767	6,497	6,736	20,000	
Clerk of the Works	-	-	-	-	-	
Environmental Engineering	25,000	8,459	8,121	8,420	25,000	
Bond Premium		-	-	-	-	
Legal - Developer Only	25,000	8,459	8,121	8,420	25,000	
Title / Recording	10,000	3,384	3,248	3,368	10,000	
Accounting & Cost Certification		-	-	-	-	
Marketing & Rent-up	3,000		900	2,100	3,000	
Real Estate Taxes	9,812	3,320	3,187	3,305	9,812	
Insurance	10,000	3,384	3,248	3,368	10,000	
Relocation		-	-	-	-	
Appraisal	-	-	-	-	-	
Security	-	-	-	-	-	
Construction Loan Interest	-	-	-	-	-	
Inspecting Engineer	9,000	3,045	2,923	3,031	9,000	
Fees: Construction Loan		-	-	-	-	
Fees: Permanent Loan		-	-	-	-	
Development Consultant	10,000	3,384	3,248	3,368	10,000	
Other: Lender Legal	5,000	1,692	1,624	1,684	5,000	
Other: LIP app fee	3,000	1,015	974	1,010	3,000	
Soft Cost Contingency 10%	10% 30,600	9,958	9,560	9,913	29,431	
Soft Costs Subtotal	336,594	108,524	110,136	110,127	328,788	
Subtotal Acq. + Const. + Soft	3,218,723	1,153,080	1,426,909	1,076,044	3,656,033	
DEVELOPER FEE % OH, RESERVES						
Developer Overhead 5%	5% 160,936	54,455	52,276	54,205	160,936	
Developer Fee 5%	5% 160,936	54,455	52,276	54,205	160,936	
Capitalized Operating Reserves	15,000		4,500	10,500	15,000	
Subtotal Dev Fee & OH, Reserves	336,872	108,909	109,053	118,910	336,872	
TOTAL DEVELOPMENT COST	3,555,595	1,261,989	1,535,961	1,194,955	3,992,905	
per unit	444,449	252,398	1,535,961	597,477	499,113	
per bedroom across all	273,507	252,398	511,987	238,991	307,147	
units		5	1	2	8	
bedrooms		5	3	5	13	



Ruthanne Fuller
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Barney S. Heath
Director

MEMORANDUM

DATE: September 28, 2018

TO: Planning & Development Board Members

FROM: Rachel Powers, Community Development and HOME Program Manager
Amanda Berman, Director of Housing and Community Development

CC: Amy Zarechian, Newton Housing Authority Executive Director

RE: Request for a Substantial Amendment to the FY19 Annual Action Plan and
FY16-FY20 Consolidated Plan to Support an Allocation of CDBG Funds to the
Newton Housing Authority's Haywood House Project

1. Executive Summary

Project Sponsor, the Newton Housing Authority, is proposing to create 55 one-bedroom units of new construction rental housing totaling approximately 25,200 square feet. The proposed project is located at 83-127 Kennedy Circle in Newton, an undeveloped wooded property owned by the Newton Housing Authority and sited next to the existing Jackson Gardens Federal Public Housing development.



Thirty-two of the proposed units will be designated for low-to-moderate income seniors with incomes at or below 60% of AMI. Eleven of these units will be occupied by households with incomes at 30% of AMI or below. In addition, 23 of the units will be designated for residents with income between 80% and 99% of AMI. Four of the units will be set aside for homeless or at risk of being homeless individuals. The project will include parking and new community spaces to be utilized by residents of the development and all others within the Jackson Gardens' community. The proposed project targets extremely low and low-income households, identified as priority populations in the FY16-FY20

Consolidated Plan, and will be eligible for listing on the Massachusetts Subsidized Housing Inventory (SHI).

The total development cost is budgeted at \$26,106,427. Newton Housing Authority is seeking a conditional pre-commitment of \$625,000 in FY20 Newton Community Development Block Grant (CDBG) funds. The Housing Authority is currently preparing its pre-application to DHCD for these LIHTC funds, anticipated for submission in November. If invited to submit a full application, the earliest the Housing Authority could receive notice of approval of LIHTC funding is July / August 2019. Therefore, the proposed CDBG funds would likely be committed in FY20 (7/1/19 – 6/30/20). This commitment is dependent on the Housing Authority receiving approximately \$11,000,000 in Low Income Housing Tax Credit (LIHTC) Funds from DHCD in the coming years and the availability of federal funds.

Additional Newton-controlled public funds identified in the Haywood House development budget include: \$3,000,000 in Newton Community Preservation Act (CPA) funding, and \$625,000 in Newton Inclusionary Zoning Funds, for a total of \$4,250,000 in Newton-controlled public funds. The Community Preservation Committee voted in July 2018 to approve the \$3,000,000 funding request, and approval from the City Council is scheduled to take place before the end of 2018 (*see attached CPC Staff Readers' Guide to the Haywood House Proposal, and the July 26, 2018 CPC Funding Recommendation to the City Council*).

The identified Inclusionary Zoning Funds, \$625,000, are funds paid by developers in lieu of providing affordable units on site otherwise required by the City's Inclusionary Zoning (IZ) ordinance. Per the ordinance, IZ funds are split equally between the Housing Authority and the City of Newton. As of June 2018, the Housing Authority's available balance of these funds is \$374,176, but the Authority will also be allocated half of the \$1.2 million payment committed by the Benchmark Senior Living project to be constructed over the next year under a special permit, on the former campus of Andover Newton Theological School in Newton Centre.

Other sources of funds for the project include State allocated Facilities Consolidation Funds (FCF), State allocated HOME funds, a deferred development fee, funds from the DHCD administered Affordable Housing Trust Fund, Housing Stabilization Fund, Community Based Housing (CBH) funds, and a permanent loan.

The Project Sponsor received a Comprehensive Permit from the Newton Zoning Board of Appeals, through G.L. Chapter 40B in July 2018.

2. Project Description

The proposed site of the Jackson Road Senior Housing Development is approximately 25,200 square feet of undeveloped, wooded property owned by the Newton Housing Authority (NHA), next to its existing Jackson Gardens Federal Public Housing development. The proposed development will consist of 55 one-bedroom units of newly constructed rental housing. Thirty-two of these units will be designated for low-income seniors with incomes at or below 60% of AMI. Eleven of these units will be occupied by households with incomes at 30% of AMI or below. In addition, 23 of the units will

be designated for residents with incomes between 80% and 99% of AMI. Four of the units will be set aside for homeless or at risk of being homeless individuals.

The development will have at least three accessible units specifically designed for mobility impaired residents and all units will be designed to be visitable and potentially adaptable. In addition, all common and community spaces will be fully accessible to all residents. Additionally, the NHA will be coordinating the provision of social services through partnerships with a variety of local service providers based on the needs of the residents. The project also provides parking and new community spaces to be utilized by residents of the development and others within the Jackson Gardens community.

The NHA recognizes the need for affordable housing in Newton and currently has extensive waiting lists for all of its housing programs. As described in the City of Newton’s Consolidated Plan, the number of older adults is expected to increase dramatically over the next twenty years and, with it, the demand for affordable and accessible multifamily rental housing in the City of Newton. The proposed development will meet the needs of this growing population by providing 32 units of affordable and accessible housing within the NHA’s extensive housing portfolio. In addition, the NHA has identified a need for affordable housing for moderate-income households as described in City of Newton’s Consolidated Plan, which states that over half of Newton households with incomes between 80% and 100% of AMI are also cost burdened. This need is further described in the City of Newton’s Housing Strategy, which recognizes rental units as the best opportunity to address the growing lack of affordable housing options in the City for low and moderate-income households.

The proposal includes the following unit mix and characteristics for the proposed housing units:

Units	Affordability Level	# of Bedrooms	# of Baths	Gross Living Area
11	Up to 30% AMI	1	1	683 square feet
21	Up to 60% AMI	1	1	683 square feet
23	Up to 99% AMI	1	1	683 square feet

The following charts detail the 2018 maximum rents for the proposed units affordable to households at or below 80% AMI and the 2018 HUD Income Limits for Newton. These are both subject to change during the fiscal year in which this project is formally committed.

2018 Maximum Affordable Rents, City of Newton (all utilities included in rent)			
Unit Type	Household Size (# of BR + 1)	30% AMI	60% AMI
1 Bedroom	2	\$647.50	\$1,294.50

2018 HUD Income Limits			
Unit Type	Household Size	30% AMI	60% AMI
1 Bedroom	2 person	\$25,900	\$51,780

The project also includes middle-income units which will be affordable to households at or below 99% AMI. These rents are projected to be priced at \$1,774 per unit.

The rent and income thresholds as proposed are in line with the affordability the provisions set forth by the 40B Comprehensive Permit guidelines and subsequently will be eligible for listing on the Massachusetts Subsidized Housing Inventory (SHI).

3. Underwriting Recommendation

While the use of CDBG funding does not require formal project underwriting, staff will review the project's development and operating proformas and utilize an on-call consultant to underwrite and conduct a full financial analysis prior to a full commitment of CDBG funds.

4. Development Entity and Capacity

The Newton Housing Authority (NHA), established in 1959, is the largest provider of affordable housing in the City of Newton. With over 1300 residents, the NHA owns and operates over 500 units of federal and state-sponsored public housing and 441 Section 8 Housing Choice Vouchers, as well as other housing programs for residents with special needs, victims of domestic violence, and single, homeless men.

The NHA also owns and operates a unique Management Program consisting of 57 units throughout the City that are occupied by Section 8 voucher holders and purchased through the City of Newton's Inclusionary Zoning Ordinance. This Management Program enables the NHA to broaden the scope of services it provides to the community by expanding the number of affordable housing opportunities in the City. The NHA has also successfully utilized three units in its Management Program as emergency shelter units for residents of Newton experiencing emergency loss of housing, due to fire, flood, unsafe sanitary conditions, and other exigent habitability concerns. These units have allowed the NHA to respond to the emergency needs of residents of Newton, often on the very day the loss of housing occurs, in collaboration with the City of Newton Health and Human Services Department. These units are the only such resource in the City.

The mission of the Newton Housing Authority is to provide and maintain a high standard of housing, which allows its residents a safe, clean and affordable home in which to reside. The creation of 55 new affordable housing units adjacent to its Jackson Gardens development greatly furthers the NHA's organizational mission and future plans. In addition, the creation of expanded community and social service programming space in the new development will enable the NHA to grow its social services program and further its mission to enhance the quality of life for its residents.

Seventy-five percent of NHA units are one-bedroom units for elders or persons with disabilities. Therefore, the one-bedroom units for elders planned in the new development fit seamlessly within the NHA's current portfolio. The NHA consistently scores highly on the extremely rigorous Real Estate Assessment Center inspections performed by HUD on federally-funded public housing units, recently receiving a score of 93c on the 2017 inspection of the four original federal public housing

developments in Newton. In addition, the NHA has received a Section 8 Management Assessment Program (SEMAP) score of 100% for the last ten years.

5. CDBG Requirements

5.A. Eligible Costs

The proposed use of CDBG funds would reimburse the project for site development costs, as this is the only cost eligible under CDBG for new construction. The NHA will submit a complete breakdown of site development costs prior to the full commitment of funds.

5.B. Affordability Period

If funding for this project is approved, the City will impose an initial 20-year affordability period and a general affordability restriction will be held in perpetuity by the subsidizing agency or for the maximum duration permitted by law with approval from the Commonwealth of Massachusetts. The terms of the affordability will be enforced by a declaration of affordable housing covenants which will run with the land.

5.C. Labor Requirements/ Procurement

The wage requirements of the Davis-Bacon Act will apply to this project because it consists of more than eight total units. The Division will manage the competitive bid process in conjunction with the Purchasing Department in accordance with the City's Procurement Policy for Affordable Housing Projects and HUD regulations.

5.D. Environmental Review

The City is required to conduct an environmental review prior to commitment of federal funds. As part of the assessment, if funding for this project is approved, staff will review evidence that the property is free of potentially hazardous materials and that the project will not have any adverse effect on the surrounding environment.

6. Design and Construction

6.A. Site Plans & Zoning / Permitting

The Sponsor sought zoning relief in the form of a comprehensive permit under Massachusetts General Law Chapter 40B, which was approved by the City's Zoning Board of Appeals in July 2018. The project sponsor worked with the State subsidizing agency, DHCD, to apply for a project eligibility letter and then submitted a comprehensive permit application to the City.

6.B. Proposed Project

The Division has reviewed the preliminary scope of work submitted by the project architect and found the costs to be reasonable based on the extensive nature of the work proposed. The total project construction costs are estimated to be \$26,106,417. This includes substantial site work, demolition of an existing community space and offices, and the construction of the new building, including 55 one-bedroom units and a new shared community space.

7. Financials

7.A. Subsidy Per Unit

The subsidy per unit is estimated to be \$474,662 and \$455,915 without considering the shared community space; the public subsidy per-unit amounts to \$336,364. Contributing factors include escalating market conditions due to Newton’s increasing land cost and tight construction labor market. However, the project’s access to private resources helps to stretch public dollars and the per-unit public subsidy.

For comparative purposes, the table below shows the total development costs, total subsidy per-unit and subsidy per-bedroom of other publicly-funded projects in Newton, as far back as 2005.

Project Address/ Sponsor/Year	Project Type and Scope	Affordable Units	Total Development Cost	Total Public Subsidy/Unit¹	Total Public Subsidy/Bed
Haywood House NHA	Rental- Site Development, Construction	55	\$26,106,417	\$350,000	\$350,000
236 Auburn Street CAN-DO (Proposed)	Rental – Acquisition, Rehab/Construction	8	\$3,992,905	\$438,514	\$307,147
10-12 Cambria Road CAN-DO 2015	Rental – Acquisition, Rehab/Construction	2	\$905,410	\$427,705	\$213,853
54 Taft Avenue CAN-DO 2014	Rental – Acquisition, Rehab/Construction	2	\$1,170,729	\$534,515	\$213,806
54 Eddy St. CAN-DO 2012	Rental – Acquisition and Rehab	2	\$1,115,250	\$472,625	\$189,050
61 Pearl Street CAN-DO 2010	Rental – Acquisition and Rehab	3	\$1,370,000	\$381,667	\$190,833
2148 Commonwealth Ave. CAN-DO 2009	Rental – Acquisition and Rehab	2	\$950,000	\$337,500	\$135,000
11-13 Cambria Road CAN-DO 2006	Rental – Acquisition and Rehab	2	\$1,437,511	\$315,512	\$126,205
20-22 Falmouth Street CAN-DO 2005	Rental – Acquisition and Rehab	2	\$1,178,933	\$325,601	\$130,240
163 Jackson Road CAN-DO 2005	Rental – Acquisition and Rehab	2	\$1,178,048	\$325,158	\$130,063

The Planning and Development Department does not have a per-unit subsidy limit. Instead, a project’s subsidy amount is evaluated on a case-by-case basis through a federally-required subsidy layering analysis. Our goal is to provide enough financing to serve the greatest number of eligible households, to make the deal feasible and affordable to the target population and not to over-subsidize the project or unduly reward those implementing it. Costs of affordable housing are a state-wide topic of interest.

¹ Includes all HOME, CDBG, CPA and/or other public subsidy grants and loans

7.B. Developer Fee

The developer fee and overhead are projected at \$2,240,000, or 8.6% of total development costs. Staff believes this fee to be reasonable given the size and complexity of the proposed project. The proposed fee is within the standard recommended by the National Council of State Housing Agencies of 15%.

7.C. Cash Flow

Cash flows project an initial 10% cushion, about \$58,614 annually, after debt service. However, as noted previously, cash flow projections will be reviewed and analyzed prior to a full commitment of CDBG funds.

8. Architectural Accessibility

8.A. Design and Construction Applicability

The City's Accessibility in Affordable Housing Guidelines encourages applicants to enhance the accessibility of their projects to the extent that it is financially feasible. Given that the project is completely new construction with two elevators, accessibility will be maximized, including:

- All approaches / entrances / exists are fully accessible
- Minimum 36" doors are provided along the accessible route and within units for access to building entrances and interior rooms
- Accessible public use and common spaces will be provided, such as the management offices, public toilet facilities, library, lounges, community rooms, studio, fitness center, laundry, trash areas, mailboxes, walks, sidewalks, parking lots, entrances, elevators, lobbies and foyers, as well as corridors and stairways leading to dwelling units
- 52 Group 1 Units (MAAB), 2 of which will be sensory adapted
- 3 Group 2B Units (MAAB)

9. Fair Housing and Equal Opportunity

The Massachusetts State Department of Housing and Community Development (DHCD) will require the submittal of an affirmative marketing plan prepared in accordance with the Chapter 40B Guidelines, and a description of the lottery process that will be used for the project. If approved, this proposal would, to the greatest extent possible, provide employment and training opportunities to lower-income area residents and businesses during construction, as required by Section 3 of the Housing and Urban Development Act of 1968.

10. Community Need

As stated in the City's *FY16-20 Consolidated Plan* and the *FY19 Annual Action Plan*, it is a priority objective to provide deeper subsidies in a project where the developer provides at least one of the following: 1) units that are accessible to persons with disabilities, where not required by applicable

law and there is a substantiated market demand; and 2) units for low-income households (at or below 50% of AMI) that do not have rental assistance.

This proposal creates new affordable rental housing opportunities for 32 senior households earning up to 60% of AMI, of which 11 are targeted to households earning at or below 30% AMI. Additionally, the project creates new affordable rental housing opportunities for 23 senior households earning up to 99% of AMI.

11. Recommendation

The Housing and Community Development Division of the City of Newton Planning Department invited the Newton Housing Authority to present the project submitted herein at the Planning and Development Board meeting to be held on October 1, 2018.

Based on the merits of the proposal, consistency with community need identified in the 2016-2020 Consolidated Plan, evidence of community support and the project's monetary needs, the Division recommends a conditional, pre-commitment of CDBG funding at \$625,000 in FY20 Newton Community Development Block Grant (CDBG) funds, with the following pre-conditions:

- a) CDBG funds cannot be committed until firm commitments are received from all other sources, including LIHTC funding, identified in the most recent Development Budget (this is a federal requirement).
- b) Project cost savings are returned proportionally to the respective grant program(s) upon completion.
- c) Notify City if/when Operating reserves are disbursed for this project.
- d) FinePoint Associates perform a review and underwriting of the project's most current working proforma and financials, prior to the full commitment of funds.
- e) CDBG funds also cannot be committed until completion of the Environmental Review Record and HUD issues the Authority to Use Grant Funds.
- f) Project proponents, Newton Housing Authority, must report to the Planning and Development Board at various benchmarks throughout implementation of the project to monitor the financial viability of the project:
 - 1. Following receipt of construction bids to verify project costs
 - 2. Four months following the start of project construction to report on progress;
 - 3. At project lease-up to submit a project completion report;
 - 4. Every 6 months thereafter for the first two years;
 - 5. As needed.

Attachments:

- Community Preservation Committee (CPC) Staff *Readers' Guide* to the Haywood House June 2018 Proposal
- Community Preservation Committee (CPC) Funding Recommendation for Haywood House / Jackson Road New Senior Housing to City Council, July 26, 2018

28 September 2018 notes to P&D Board: CPC staff suggests funding conditions and questions to ask for each proposal; the CPC does not necessarily ask all suggested questions. Funding conditions supported by the CPC appear in their final recommendation to the City Council. More detailed conditions are included in the grant agreement, which in this case will be executed only if the CPC votes to do so after all funding sources are confirmed.

orig.9 January 2018,
revised 21 June 2018,
p. 1 of 3

Newton, Massachusetts Community Preservation Program
CPC Staff *READER'S GUIDE* to New Proposal
Jackson Road/Haywood Housing New Senior Housing

CPA REQUEST:
\$3,000,000, slightly over 11% of

TOTAL COSTS:
\$26,106,417

RECOMMENDED CONDITIONS for CPC FUNDING RECOMMENDATION
(mostly identical to those in the CPC recommendation voted in January 2018)

For attachment to any new CPC funding recommendation to the City Council, the CPC should require submission of updated, corrected versions of the following information:

Haywood House Costs per Square Foot		
use	net square feet	% of gross total sq ft
residential	37,565	67.0%
common areas	3,081	5.5%
operating & administration	2,137	3.8%
(all costs & sq ft below exclude parking)		
total sq ft (net uses above)	42,783	76.3%
total sq ft (gross)	56,080	
total development cost (TDC)		\$26,106,417
total construction cost		\$18,759,200
TDC/sq ft (gross)		\$465.52
construction cost/sq ft (gross)		\$334.51

- In the project timeline, typos should be corrected (for ex. June 6, 2017 should be June 6, 2018) and the major steps for Newton public funding (CPA and CDBG) should be added.
- Based on instructions from the project's development consultant, CPC staff has corrected the \$227 "building cost/sq ft" in the submitted project's "assumptions" spreadsheet as \$335 "construction cost/gross sq ft." The CPC staff summary at left is correct as of 21 June 2018.
- As with the previous CPC recommendation, staff has requested an updated breakdown of per-square-foot costs by these categories: site preparation & foundations vs. nonresidential space vs. residential space. This breakdown allows the CPC recommendation to show that the project's extraordinary costs are due in large part to the first category, and to a lesser degree to the second category.

1. As previously agreed by the CPC and the Housing Authority, any CPC funding recommendation should require **a second CPC vote to authorize execution of a grant agreement**, once tax credits and the funds required from other sources to complete the project have been committed.
2. The Housing Authority should provide the CPC with periodic updates on the status of its Comprehensive Permit and tax-credit application(s), including any changes made to the project's design, costs or funding sources. **If tax credits have not been committed for the project within 2 years of the date of any new CPC recommendation, that recommendation should expire**, and the Housing Authority should re-start the CPA funding process with an updated proposal.
3. All recommended CPA funds should be appropriated by the City Council within 6 months, and **project construction should begin within 3 years, of the date of any new CPC recommendation**. If either deadline cannot be met, the Housing Authority must request a written extension from the CPC, which the CPC may grant at its discretion.
4. The release of CPA funds should be governed by a grant agreement that includes but is not limited to the **usual conditions for the phased release of CPA funds** for housing projects, including a final report to the CPC and return of unspent funds.
5. In addition, in response to recent problems with accessibility construction, the grant agreement should require an independent **"accessibility audit,"** including review of 100% plans as soon as these are available, and spot inspection at the rough plumbing/electrical stage of construction.

RECOMMENDED CONDITIONS in CPA GRANT AGREEMENT

Until a grant agreement is executed, any CPA funds appropriated will be reserved for this project but cannot be released or spent.

As a condition for the *initial* release of CPA funds, the grant agreement should require submission of final details for the project (which will continue to evolve during the funding process), including:

- ♦ unit mix and floor plans showing all units by their actual square footage (the proposal includes only average square footage), location/floor within the building, and income level
- ♦ development & operating budgets
- ♦ final affirmative marketing plan

Most if not all of this information will also be required by the project's Comprehensive Permit.

As a condition for the final release of CPA funds, the grant agreement should also require submission of a **capital needs assessment for the Housing Authority's overall portfolio**. See notes below on sponsor finances.

DETAILED NOTES

NON-CONSTRUCTION COSTS

The following costs have been a focus of City Council questions in the past. Both have been updated in the current proposal from previous submissions to both the CPC and the state (which differed from each other):

- ♦ **developer overhead & fee;** listed consistently in the current proposal as \$1,120,000 each; combined they equal about 9% of total development costs (excluding developer overhead & fee from the base)
- ♦ **soft costs/general development costs;** these are listed only once in the current proposal as \$3,699,135, about 14.2% of total development costs (including soft costs, reserves and developer overhead & fee all in the base)

FUNDING SOURCES: INCLUSIONARY ZONING

These funds are paid by developers in lieu of providing the affordable units otherwise required by Newton's inclusionary zoning (IZ) ordinance. IZ funds are split equally between the Housing Authority and the City of Newton.

The Haywood House budget lists \$625,000 of these funds. As of 14 June 2018, the Housing Authority's currently available balance of these funds is \$374,176. However, the Authority will also be allocated half of the \$1.2 million payment committed by the Benchmark Senior Living project to be constructed under a special permit, on the former campus of Andover Newton Theological School in Newton Centre.

PROJECT OPERATING BUDGET

These questions were asked previously but have not yet been answered:

- ♦ How will NHA obtain **project-based vouchers** for this project?
- ♦ The market study for this project (submitted with the July 2017 proposal) **assumes all units at Haywood House will be occupied by 2-person households**. Is that realistic, based on the Housing Authority's current portfolio of 1-bedroom age-restricted units? Under HUD rules, allowable rents are higher for 2-person than for 1-person households. If many units at Haywood House are either initially or eventually occupied by 1-person households, how could this affect the project's operating revenue and overall viability?

Note added 27 Sept 2018: The CPC did not ask about this for Haywood House. In August 2018 JCHE explained that they set rents for 1-bedroom units based on occupancy by 1.5 persons at the given income level (i.e., more than that HUD-determined income for 1-person household, but less than the HUD-determined income for a 2-person household).

SPONSOR FINANCES

Note to CPC members: both pages of the Housing Authority 's fy18 consolidated operating budget were included in the online proposal, but **p.2 was inadvertently omitted in the sponsor-provided printed copies distributed by mail.** Both pages have been included in the packet for the 10 July 2018 CPC meeting.

Any CPC funding recommendation for this proposal should acknowledge the Housing Authority's listed financial contributions to the project, including

- ♦ **deferring \$656,417 of developer fee & overhead** (about 30% of the total), and
- ♦ **imputed value of the land being sold to the project for \$1;** even with this site's extraordinary preparation and foundation costs, 25,200 square feet of developable land in Newton has some significant value

The unrestricted operating reserve of over \$5.7 million, as listed in the Housing Authority's consolidated fy18 operating budget, may raise questions about why the Authority cannot make an additional "developer's equity" contribution to the project.

The same budget's \$518,843 of annual costs for "extraordinary maintenance" may hint at the answer to this question – because the entire reserve is needed to address deferred capital needs. See recommendation above to request a capital needs assessment for the Authority's overall portfolio through the CPA grant agreement.

FAIR HOUSING COMPLAINTS

A recent draft "Newton Fair Housing Study" by the Fair Housing Center of Greater Boston, commissioned by Newton's Fair Housing Committee, referred to a few findings of "probable cause" in recent fair housing complaints against the Housing Authority. The final version of this study is not yet available, but in response to the draft study, the Housing Authority has provided slightly more detailed information about such complaints in this proposal than in previous proposals.

Very detailed information about recent complaints was included with the previous tax credit pre-application, which is online here: <http://www.newtonma.gov/civicax/filebank/documents/86387>



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Barney S. Heath
Director

Community Preservation Committee Funding Recommendation for HAYWOOD HOUSE/Jackson Road New Senior Housing

date: 26 July 2018
from: Community Preservation Committee
to: The Honorable City Council

PROJECT GOALS & ELIGIBILITY This project will construct a new building served by two elevators, with a community center and 55 one-bedroom rental units restricted to residents at least 62 years old. All units will be permanently income-restricted: 11 units for households at up to 30% of the Area Median Income (AMI), 21 units at up to 60% AMI, and 23 units at up to 99% AMI. 4 units will be designated for households that have been homeless or are at risk of homelessness. The Housing Authority has requested state approval to allocate 70% of the units to current Newton residents. This project is CPA-eligible as the creation of affordable housing.

RECOMMENDED FUNDING On 10 July 2018 by a vote of 8-0 (Planning & Development Board appointment vacant), the Community Preservation Committee recommended appropriating \$3,000,000 from the Community Preservation Fund's current reserve and fund balance for housing, and as needed from its general reserve and fund balance, to the control of the Planning & Development Department for a grant to the Newton Housing Authority for any purposes stated or implied in this summary budget for Haywood House:

USES	July 2018	SOURCES	July 2018
Acquisition	\$1	Low Income Housing Tax Credits Equity - federal (9%) and state	\$11,000,000
Construction (75% of all costs; includes 4.8% contingency)	\$19,697,160	other state funds: Affordable Housing Trust Fund, Community Based Housing, Facilities Consolidation Fund, HOME, Housing Stabilization Fund	\$4,000,000
Site Development & Foundations (20% of construction costs)	\$3,757,565		
Non-Residential Space (5% of construction costs; includes community center, library, laundry, offices, etc.)	\$894,812		
Residential Space	\$14,106,824		
Soft Costs (14% of all costs; includes 4.8% contingency)	\$3,699,135	Newton-controlled public funds	
Architectural & Engineering Services (survey, permitting, environmental)	\$1,200,000	CPA	\$3,000,000
Other Professional Services (legal, accounting, appraisal, market study, marketing, development)	\$875,000	Inclusionary Zoning	\$625,000
Interest & Insurance	\$837,342	CDBG	\$625,000
Taxes & Fees	\$421,793	Deferred Developer Fee	\$656,417
Owner's Project Manager, Security	\$165,000	Permanent Loan - Bank	\$6,200,000
Furniture, Fixtures, Equipment	\$75,000		
Reserves	\$470,121	TOTAL SOURCES	\$26,106,417
Developer Fee + Overhead (9.4%)	\$2,240,000		
TOTAL USES	\$26,106,417		

website www.newtonma.gov/cpa

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SPECIAL ISSUES CONSIDERED BY THE CPC

Funding leverage & project costs: The CPC especially appreciated this project's leverage of non-Newton funding. Of the project's total funding, federal and state tax credits are about 42%, Newton CPA funds are only about 11%, and all Newton public funds combined are only about 16%.

The project's total development cost of \$475,000 per unit is about the maximum for state funding. However, construction costs are about 75% of that total, and about 20% of construction costs are for the intensive sitework and special foundations required by the location's loose soils and steep slope, with another 5% of construction costs for nonresidential spaces, including those described below. Construction costs for the residential space are about \$342,000 per unit, or \$322 per square foot.

Community space & services: Haywood House will have multiple common spaces, including terraces and balconies, a library, and new laundry facilities, which will also serve residents of the existing Jackson Gardens development. The building's new community center will host activities for non-residents as well as services for residents. The Housing Authority has committed to using its developer fee from this project to expand its program of services for residents, including pre-dementia support.

Project design & permitting: Haywood House will have 52 visitable and adaptable units, including 2 adapted for residents with sensory disabilities, and 3 fully accessible units (Group 2B). The building will be curved to fit its site, will be energy-efficient (LEED silver certifiable), and will allow vehicular access only from Kennedy Circle. The existing pedestrian path from Kennedy Circle to Jackson Road will be rebuilt to make it wheelchair-accessible. Existing large trees near the edges of the site will be preserved, and new plantings will be added. In response to neighborhood concerns about parking, the Housing Authority has reduced the project's parking needs by eliminating its previously proposed market-rate units.

ADDITIONAL RECOMMENDATIONS (*funding conditions*)

1. The CPC assumes all recommended funds will be appropriated within 6 months, and project construction will begin within 3 years, after the date of this recommendation. If either of these deadlines cannot be met, the Housing Authority should submit a written request to the CPC to extend that deadline.
2. As soon as practical, the Housing Authority should provide the CPC with a brief written and in-person update on the results of the tax credit application it expects it will be invited to submit in fall 2018/winter 2019. If tax credits have not been committed for the project by 1 September 2020, the Housing Authority should re-start the CPA funding process with an updated proposal.
3. The grant agreement governing the phased release of CPA funds for this project should be executed only after the project's other required funding sources have been committed, particularly the housing tax credits. In addition to the other conditions usual in recent past grants for CPA-funded housing projects, such as permanent affordability and a final report to the CPC, the grant agreement should require an independent "accessibility audit" to ensure as-built compliance with accessibility standards.
4. Any CPA funds appropriated but not used for the purposes stated herein should be returned to the Newton Community Preservation Fund.

KEY OUTCOMES

The Community Preservation Committee will evaluate this project based on its success in using Newton CPA funds to leverage non-Newton funds and its provision of not only the income-restricted housing but also the supportive services and community activities described in the Housing Authority's proposal.

ATTACHMENTS

(delivered to the clerks of the Programs & Services Committee and Finance Committee)

- Proposal and selected attachments submitted to the CPC in June 2018, plus minor corrections July 2018
- Presentation, updated from January 2018 CPC public hearing
- Copy of CPC project webpage, with links to additional information not attached to this recommendation:

www.newtonma.gov/gov/planning/cpa/projects/housing_authority.asp#Jackson-Sr