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Community Preservation Committee

MINUTES

9 July 2019

The meeting was held on Tuesday, 9 July 2019 starting at 7:00 pm in Newton City Hall Room 204.

Community Preservation Committee (CPC below) members present: chair Mark Armstrong, vice chair Dan Brody, and members Byron Dunker, Beryl Gilfix, Rick Kronish Susan Lunin, Jennifer Molinsky, and Peter Sargent. Member Robert Maloney was absent.

Community Preservation Program Manager Alice Ingerson served as recorder.

[Blue, underlined phrases](#) below are links to additional information online.

Proposals & Projects

[Newton Housing Authority acceptance of CAN-DO affordable housing portfolio](#) – pre-proposal for \$1.5 million in CPA funds (\$3,962,676 total project cost)

This pre-proposal was presented by Newton Housing Authority (NHA) Executive Director Amy Zarechian and NHA board member Vince O'Donnell.

Zarechian explained that CAN-DO (Citizens for Affordable Housing in Newton Development Organization) had affiliated with the slightly larger nonprofit Metro West Collaborative Development (MetroWest) following the retirement of CAN-DO's sole staff member, Executive Director Josephine McNeil. When this affiliation ended after about a year, CAN-DO asked NHA if it would accept the CAN-DO portfolio of scattered-site, deed-restricted affordable rental housing. NHA then hired development consultant Sharon Lowenthal to review CAN-DO's finances and commissioned a capital needs assessment of the CAN-DO portfolio. This review documented about \$2.1 million in capital needs for the portfolio over the next 20 years. Though only some of those needs were immediate, the portfolio had no current capital or replacement reserve, and no real ability to contribute to one. Given NHA's operating costs as a public agency, NHA also concluded the portfolio's net operating income under NHA would not be able to service its current debt.

Zarechian emphasized that many NHA voucher holders live in CAN-DO units, and that NHA was passionate about preserving this already deed-restricted affordable portfolio for these households who could not otherwise live in Newton. In response to Jennifer Molinsky, Zarechian explained that a strong priority would be extending the Housing Authority's robust supportive services program to the residents of the CAN-DO units. The Authority's existing tenants include many with disabilities or who were victims of domestic violence, for example. O'Donnell said the Authority was also working on a potential renewable federal resource for resident services, which would also strengthen the portfolio's cash flow.

NHA believes the portfolio can service about \$500,000 of debt but not its current debt load of about \$2 million. So NHA has proposed to purchase the portfolio from CAN-DO for the cost of the existing debt, eliminate all but \$500,000 of that debt, and capitalize a reserve adequate to cover 20 years of foreseeable capital needs. O'Donnell explained that the total cost of this restructuring would be \$3.86 million. The reserve would then be allowed to earn interest until specific repairs are needed, while operating income would fund additional annual contributions and eventually stabilize the reserve. Peter Sargent noted that although the submission labeled this a "replacement reserve," it was really a "capital needs" reserve.

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Of the current debt, NHA proposes simply to assume the \$83,268 owed to BlueHub Capital (formerly the Boston Community Loan Fund), a nonprofit lender, but will ask the portfolio's commercial creditors to forgive some of their debt, in proportion to their stakes in the project: so NHA would contribute \$250,000 in cash, Village Bank would be asked to forgive \$250,000, and Cambridge Savings would be asked to forgive about \$50,000. On the surface, the debt to the Village Bank is being paid, but that bank also recognized that the portfolio's overall current debt service was not sustainable. They are willing to reduce their stake in the portfolio to the proposed \$500,000 of restructured debt. In response to Dan Brody, O'Donnell said the restructured debt would have a 1-year term and 30-year amortization.

O'Donnell also said not all the proposed actions would occur in the project's first year. NHA would like to pay off the bulk of the existing debt immediately but could pre-fund the replacement reserve over several years. Cambridge Savings has also proposed to spread their contribution over several years.

Mark Armstrong wondered if the CAN-DO portfolio had special value because it was distributed throughout the city. He felt CAN-DO had devoted great care to design for those of its projects that came through the Newton Historical Commission. Sargent believed this portfolio's scattered geography simply could not be replicated under current conditions. O'Donnell said the CAN-DO properties blended well into their neighborhoods, serve a unique purpose and have been well-maintained. However, because it is not well-capitalized, the portfolio must be restructured to improve its cash flow. Zarechian said the Housing Authority's own scattered-site portfolio of "management units" was interwoven geographically with the CAN-DO portfolio.

Although NHA had conducted its due diligence with deliberate speed, this opportunity is now becoming more urgent. MetroWest has contracted to manage the CAN-DO portfolio only through 31 December 2019. CAN-DO tenants are already calling NHA with concerns about property maintenance and management. As chair of the NHA board, CPC member Rick Kronish was concerned that the portfolio now has 3 vacant units, and neither regular repairs nor supportive services are being provided as intended.

Brody was troubled by the small size of the portfolio's projected cash flow after 20 years. He would like to see a 30-year projection. O'Donnell said that net cash flow can sometimes actually increase over time even for affordable housing, but that will not be true in this case. NHA could do some stress testing to identify future costs that are truly unpredictable. He also felt NHA's existing scattered-site portfolio could serve as a model and that combining the two portfolios would provide economies of scale. Over the past 40 years many housing professionals have repeatedly recommended consolidating some of the field's many small affordable housing nonprofits, but only limited, recent progress has been made in this direction. Kronish believed that NHA could consider requesting 4% housing tax credits from the state of Massachusetts for refinancing the portfolio, but that requires restructuring and simplifying the portfolio's finances first.

Zarechian and O'Donnell said they had discussed with City staff requesting CPA funds primarily as a lump sum for debt reduction and CDBG funds over several years to address capital needs. Sargent was concerned that if the CDBG funding was not available in future years, NHA might request additional CPA funding. The Planning Department's CDBG and HOME Program manager Rachel Powers explained that the program could make pre-commitments, contingent on the receipt of funds from the federal Dept. of Housing and Urban Development. Kronish said NHA had been satisfied with the envisioned pre-commitment of \$700,000 over two years. Powers did not believe the CDBG program would have the envisioned total \$1.3 million available in any one year.

Ingerson noted that the availability and timing of CDBG funding would depend partly on whether and when the CDBG funds pre-committed to NHA's Haywood House tax-credit project would actually be needed. Unlike CPA funds, CDBG funds are subject to federal expenditure deadlines. Zarechian and O'Donnell clarified that this project's February 2019 Low-Income Housing Tax Credit (LIHTC) application had apparently not been funded, but the project had been invited to re-submit for the September/October 2019 "mini" funding round, which requires completing 70% project design. If this application is not successful, the project would be in a very favorable position for the next regular funding round, with applications due in February 2020.

Ingerson shared some comments and questions on the pre-proposal, which she had received too late to read in advance of forwarding it to the CPC. She promised to share her full notes in writing with NHA after reviewing and, she hoped, combining those notes with any comments from the Planning Dept.'s housing and CDBG staff. For example, the pre-proposal was missing some past CPA funding for CAN-DO projects, which could be confirmed by reviewing the CPC's webpages for past CAN-DO projects. She felt the City Council was likely to ask the CPC what the total per-unit Newton public subsidy would be for each project, if the new funding were approved. Ingerson also suggested clarifying that public funding for the "purchase" of the portfolio would go to past lenders rather than to CAN-DO as discretionary revenue; simplifying the presentation of "sources" and "uses," particularly eliminating the current listing of "sources" and "uses" for both NHA and CAN-DO; clarifying projected changes in the portfolio's debt service coverage ratio over time; and if possible, presenting graphically rather than just in tables the intended balance of spending from each source over time, with debt reduction concentrated near the start and capital needs spending over multiple years.

If CPA funds are used primarily for debt reduction, Ingerson felt that the CPC should consider the project under the CPA statute's provision for the "support" of affordable housing, rather than "preserve," which refers primarily to physical preservation. If funded, this project would be Newton's first-ever use of CPA funds either to "preserve" or "support" affordable housing. Past Newton CPA funds had only been used to "create" affordable housing, in contrast to many other CPA communities' relative focus of housing funds only on "preserve" and "support." At some point, the CPC might want to re-examine its target allocations to clarify the desirable balance between "preserving" or "supporting" existing affordable units and "creating" new ones. The Committee would face this same question in its future discussion of the Newton Homebuyer Assistance Program, if it became clear that those units would periodically require additional subsidies. Sargent felt that the preservation of affordable units such as those in the CAN-DO portfolio, which simply could not be re-created today, was a critical need statewide.

VOTE: Sargent moved to consider a full proposal for this CPA request, while strongly encouraging that proposal to include an additional update from the Village Bank. This motion, seconded by Armstrong and Molinsky, was approved by a vote of 8-0.

Ingerson outlined potential submission deadlines for such a full proposal, based on the hope of holding a joint CPC/Planning & Development Board public hearing for the requested CPA and CDBG funds.

[Allen House](#) project management/funding release request

This historic property at 35 Webster Street in West Newton is being adapted as a community arts and cultural center by its owner, the Newton Cultural Alliance (NCA). NCA Managing Director Adrienne Hartzell and Ingerson explained that the CPA grant agreement amendment currently being completed for the additional \$600,000 in CPA funding appropriated in January 2019 would require an "interim progress report" to release the final \$200,000 of the previously appropriated \$2 million in CPA funding. In the meantime, NCA would like the CPC to delegate to its officers and staff the authority to approve releases from that \$200,000 this summer, pending NCA's submission and presentation of the next report to the Committee.

VOTE Based on a motion by Sargent, seconded by Kronish, the CPC approved this request by a vote of 8-0.

Program Planning & Committee Business

Planning Dept. Housing staff report on recent training/ conference attendance funded by CPC

In May, Ingerson had authorized the use of CPC administrative funds to cover the registration costs for Housing & Community Development Director Amanda Berman and Housing Planner Eamon Bencivengo to attend the Mass Housing Partnership's annual Housing Institute, at which affordable housing practitioners, policymakers, developers, and local officials discuss housing strategies and tactics. In response to Sargent, Berman confirmed that conference participants had come from throughout the state, including western Massachusetts, Cape Cod and the islands, as well as from Connecticut and New Hampshire.

Berman and Bencivengo briefly summarized some key points from the conference:

The drop in the number of new housing units developed each year in Massachusetts, from about 30,000 in the 1970s to only 15,000 now, has contributed to the state's current affordability crisis. Massachusetts has the 3rd highest home values and 8th highest rents in the United States. Berman said the program's keynote speaker provided several ideas for drawing attention to the housing crisis, against the background of the many other issues competing for the attention of the public and elected officials, including emphasizing housing's "we" and "why" rather than "what," and characterizing housing as a human right. This seemed especially important in places like Newton that offer economic opportunity, which should be proactive rather than simply react to development proposals as they come in.

Bencivengo said small breakout groups had worked on shared issues, including the pre-development and RFP processes and inclusionary zoning (IZ). Bencivengo noted that Newton's City Council had adopted the new IZ ordinance just last night, after three years of hard work by Planning Dept. staff. Salem is working on theirs now. Walpole is just getting started and was represented by a volunteer rather than staff.

In response to Armstrong's question about how Newton compared to other communities, Berman said Newton had been criticized by some other attendees for being exclusionary, but she felt the conference demonstrated the importance of allowing staff to step away from their daily tasks to participate in regional policy conversations with academics, regional and state policymakers, and other local staff and officials. It was good to know that Newton's difficulties are not unique to Newton. As a former staff member in Newton's Planning Dept., Molinsky emphasized the importance of these conversations not only for staff, but also for elected officials. She also drew attention to [The State of the Nation's Housing 2019](#) report recently issued by Harvard's Joint Center for Housing Studies, where she is a Senior Research Associate.

Kronish suggested that the Planning Dept. propose some broad ideas for discussion with groups such as the CPC after attending conferences and workshops. For example, would it make sense to consider a transfer or surcharge tax on high-value turnovers, to help fund affordable housing? Berman felt one role for the newly reconstituted Newton Housing Partnership would be to bring attention to innovative policy ideas.

Susan Lunin was heartened to hear from people working on this issue professionally whose average age was well below that of the CPC. By sense of the meeting, the Committee agreed that supporting Planning staff attendance at this conference had been an appropriate use of their administrative funds. Ingerson encouraged the CPC to consider using administrative funds in the future to support similar education or policy initiatives aimed at achieving CPA-eligible purposes without actually requesting CPA project funds.

updates on program outreach, CPA ordinance

CPC member Buzz Dunker and Ingerson briefly summarized their meeting about CPA funding priorities with the Parks & Recreation Commission, which appointed Dunker to the CPC. Ingerson noted that the Commission did not seem to be aware of which potential Parks & Recreation projects were listed on the City's *Capital Improvement Plan*. Needs identified by the Commission included artificial turf and lights for night play. In the absence of opportunities to add new playing fields, options such as these will allow more intensive use of existing fields. Dunker preferred to allocate CPA funds in smaller amounts across many smaller projects, rather than in large amounts to just a few projects, such as replacing the Gath Pool or the Crystal Lake Bathhouse. Kronish suggested that tree planting and shade structures would make playgrounds more usable in the summer. Dunker felt the community would contribute significant funding for some small projects. Ingerson noted that leverage promised in Parks & Recreation Dept. proposals to the CPC had repeatedly been withdrawn in practice once the CPA funds were appropriated.

Ingerson noted that a group of City Councilors had drafted revisions for the CPA ordinance, after meeting with the CPC officers. The draft is under review by the Law Dept. and will be discussed by the Council's Zoning & Planning Committee later this summer. She also noted she was working on a draft job description for use in hiring her successor.

approval of minutes for 11 June 2019

VOTE As moved by Armstrong and seconded by Lunin, the Committee approved the minutes for 11 June 2019 as submitted by a vote of 7-0. Sargent abstained because he had not attended that meeting.

Proposals & Projects – Executive Session

300 Hammond Pond Parkway (“Webster Woods”)

Following instructions from the City of Newton Law Dept., Armstrong requested a roll call vote of the CPC to enter into an Executive Session in accordance with the provisions of Massachusetts Chapter 30A, sec. 21(a)(6) for the purpose of considering the purchase, exchange, lease or value of real property if the chair declares that an open meeting may have a detrimental effect on the City’s negotiating position regarding the potential acquisition of real property rights for the protection of open space at 300 Hammond Pond Parkway/Webster Woods. Executive sessions are closed to the public.

At 8:40 pm, the following roll call vote was held to begin an executive session as the last item of business at this meeting, without resuming the public session:

ROLL CALL VOTE to begin executive session as final agenda item	Yes	No
Armstrong	✓	
Brody	✓	
Dunker	✓	
Gilfix	✓	
Kronish	✓	
Lunin	✓	
Molinsky	✓	
Sargent	✓	
TOTALS	8	0

At approximately 9:10 pm, the following roll call vote was held to adjourn both the executive session and the meeting as a whole:

ROLL CALL VOTE to adjourn executive session and meeting as a whole	Yes	No
Armstrong	✓	
Brody	✓	
Dunker	✓	
Gilfix	✓	
Kronish	✓	
Lunin	✓	
Molinsky	✓	
Sargent	✓	
TOTALS	8	0