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**Community Preservation Committee**

**MINUTES**

21 June 2018

The meeting was held on Thursday, 21 June 2018 starting at 7:00 pm in Newton City Hall Room 204.

Community Preservation Committee (CPC below) members present: chair Peter Sargent, vice chair Mark Armstrong, and members Dan Brody, Byron Dunker, Beryl Gilfix, Rick Kronish, Susan Lunin and Robert Maloney. The Planning & Development Board appointment to the CPC is currently vacant.

Community Preservation Program Manager Alice Ingerson served as recorder.

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

**Proposal – Working Session**

[Crescent Street](#) (Auburndale, new affordable housing & Rev. Ford Playground expansion) – City of Newton request for \$2,575,000 in additional CPA funding for final design & construction

At Peter Sargent's request, City Councilor Leonard Gentile summarized the [Crescent Street Working Group's 18 June 2018 letter asking the CPC to defer its funding vote on this proposal](#) to a future meeting, so the Group could potentially develop a revised proposal in response to both the independent consultant's report to the CPC and to any comments or concerns expressed by the CPC at tonight's meeting. The Group planned to submit revised proposal budgets with its request for project site plan approval by the City Council's Public Facilities Committee. Councilor Gentile hoped the plan with these revisions would be reported out promptly to the full Council. If a 2/3 majority of the Council does not approve the revised plan and budgets, the Mayor's Office will submit a new proposal for the site to the Council and the CPC, with no housing component.

City Councilor Deborah Crossley, chair of the Council's Public Facilities Committee, explained that her committee had voted in favor of postponing its vote on the proposal until after the CPC received its consultant report and had weighed in as a committee on whether the proposal should be funded as currently proposed. Public Facilities' concerns had less to do with the budgets than with the project's complete reliance on Newton public funds. She believed other Councilors shared these concerns about whether the project was a good use of City funds and about the potential risks to the City of the project's future operating and management costs. She explained that because this project was a City project, the City Council process for it differed from the one used for past housing proposals to the CPC. Like other municipal buildings, Crescent Street must go through the 558 site plan review process, in which site plans and designs are usually based on clearly stated budgets and programs of municipal services. Councilor Crossley noted that for all past housing proposals to the CPC, the project's program (site uses) was designed by a private organization with experience in housing development and access to housing funding sources that are not available to the City as a developer.

Sargent then introduced the CPC's consultant, Gerry Joseph, who provided a [brief summary](#) of [his assignment from and full report to the CPC](#). Joseph explained that the CPC had asked him to provide a financial analysis of the current project's housing component and to suggest any potential options for improving both its economic feasibility and public benefits. Design review was not part of his assignment. He found that the project was

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significantly more expensive than a typical affordable housing project, due primarily to the parameters the City established for the project; to design decisions such as including an elevator on a 2-story building, a private exterior entrance for each unit, and all 2- and 3-bedroom units; and to the costs associated with the City's role as a developer and as the housing's owner. These parameters limit the project to local Newton-controlled municipal funding and rule out state funding programs that would typically be available for affordable housing. Crescent Street's per-unit development costs were well above the official maximum of \$355,000 set by the Dept. of Housing and Community Development (DHCD) for state funding. In short, Joseph could not identify any plausible funding sources in addition to those already identified for the project.

Two funding plans were submitted for review, one with and one without general obligation bonds. Joseph assumed that debt financing had been proposed to make the project self-supporting, and that the two units targeted for households at 120% of Area Median Income (AMI) had been included partly to help repay the debt. However, given that the proposed bonds would be backed by the good faith and credit of the City of Newton rather than project revenue, he advised focusing instead on maximizing the project's public benefits by serving households at lower income levels. He felt that households able to pay the rents proposed for the 120% AMI units could find units with roughly comparable rents in developments with significantly more amenities, such as covered parking or swimming pools. The City would therefore face a greater market risk – that is, a risk of vacancies -- for these higher-income units than for the lower-income units at Crescent Street.

Joseph noted that although he had suggested adjusting some of the cost estimates in the development budgets upward, these adjustments would only change the project's overall cost by \$50,000 or \$100,000. The project's main cost drivers were site preparation and construction.

Joseph had reviewed the project's operating budget with an experienced property manager active in Newton's market area. Some of the operating cost estimates seemed slightly high, but Joseph also felt it was prudent to use high estimates, given the project's small number of units. He also noted that the proposed rents assumed tenant household incomes at the maximum of the range for each unit. He recommended the more typical and prudent practice of setting rents based on incomes 5-10% less than the maximum for each unit.

Joseph also reviewed the City's Request for Proposals (RFP) from property managers for this project with two companies that had received the RFP, who provided frank feedback. They felt the RFP asked for more from the property manager than they could justify taking on for the compensation offered. The draft contract included in the RFP was written as a government contract, using language that was not typical for real estate management contracts. Joseph recommended asking a local affordable housing provider with other properties in Newton, such as the Newton Housing Authority, to consider managing the Crescent Street property.

Joseph noted that producing affordable housing requires site, capital, and community support, all of which the Crescent Street project had. Nevertheless, he thought the process required to pull these three resources together had produced a product that might not be as good as could have resulted from another process. The amount of Newton public funding being considered for this project was unprecedented and might not seem reasonable.

Joseph said the state housing funders he had consulted had applauded Newton's willingness to consider committing this level of public funding and other resources for affordable housing, but they also had said they could not consider using state resources for the project as currently configured. He concluded that Newton could get far more than 8 units of affordable housing by using the \$5 million of local public resources proposed for Crescent Street in a different way.

## **CPC DISCUSSION**

Peter Sargent asked all CPC members to assist the Working Group in thinking about what kind of revised proposal, if any, could be supported by the CPC by summarizing how the members saw the current proposal, including whether and how it could be improved, or specific concerns could be addressed.

Mark Armstrong explained that he had been a member of the original Joint Advisory Planning Group that had made recommendations to the Planning Dept. and City Council for the re-use of this site. He believed that the Public Buildings' Department's experience in managing construction and avoiding cost overruns for multimillion-dollar schools and fire stations would allow them to manage this much smaller construction project successfully. He also recognized that Newton has few opportunities to provide small-scale affordable housing and felt that this project's larger (2- and 3-bedroom) units were needed for families. He was disappointed to see the proposed housing's high costs, including the added costs for the private exterior entrances and the elevator, bring the project to this point. He still hoped the Working Group could revise the proposal so the housing could be built. The funding structure seemed like a difficult obstacle to overcome.

Susan Lunin felt that the City of Newton should provide more affordable housing whenever it had the opportunity, especially when the City could contribute land for that purpose. She found this project's small scale appealing, given the many large projects underway in Newton. She did not see how anyone could oppose either a park or affordable housing in principle. At the same time, the thought that with different parameters, \$5 million of funding for affordable housing could provide more benefits for more people also resonated with her. She felt the process of considering this proposal had been long, and she would like to see action on it.

Bob Maloney commended the City for its commitment to creating affordable housing, and the Working Group for the countless hours it had invested in this proposal. However, he shared the concerns expressed by others about the project's high costs. In his experience as a developer, every project starts with a budget, against which a wish list of project features is tested and cut back to fit the budget. It appeared that the Crescent Street project began without a budget, and the budget was then derived from the design, rather than the design being adapted to the budget. He felt this had led to inordinately high requests for CPA funds and for other Newton public funds, which could be used to meet other public needs. If the project's funding and ownership structure could be revised to allow the project to leverage other, non-Newton funding sources, the same amount of Newton public funds might create up to twice as many units of affordable housing.

Rick Kronish agreed with many of the points already made. He also appreciated the work that had brought the project to its current point. Joseph and Sargent agreed with Kronish that in practice, the maximum per-unit cost that the state would consider for state affordable housing funds was closer to \$475,000 than the official \$355,000 limit. Based on his experience in financing affordable housing, Kronish supported Joseph's recommendations to make all units at Crescent Street affordable at lower income levels and to use all cash rather than debt financing. He felt the elevator contributed to the project's high costs and would prefer to see it paid for with non-CPA City of Newton funds. He would also prefer to see significantly more than 8 units of housing, as that small number was another significant driver of the project's high per-unit costs. However, he was comfortable with the City's proposed role as the developer, because this would ensure that workers on the project were paid Massachusetts prevailing wages and received full benefits and insurance. He also felt that City ownership would ensure permanent affordability, in contrast to for-profit projects.

Byron Dunker said that as a new CPC member, he felt somewhat overwhelmed by the proposal, but he too wondered whether the City could accomplish more with an investment of \$5 million in public funds. He agreed with the recommendation to eliminate the 120% AMI units. He had been inclined to vote to recommend the requested CPA funding, but he was rethinking his position in light of the contrast between the original, almost unanimous 2015 Board of Aldermen vote for the project's current parameters and the recent, much more divided City Council vote to remove the project from the City's *Capital Improvement Plan*.

Dan Brody seconded others' appreciation for the Crescent Street Working Group's hard work on the project, but he felt that the constraints imposed by the 2015 Board order made it impossible for the project to use City funds efficiently. He agreed with Kronish that City ownership had some positive effects, but he also felt it had some negative effects, such as eliminating access to affordable housing funds from outside Newton, as well as local tax revenue that might otherwise help to cover the cost of public services for the project and its residents. [His analysis](#), shared in writing with the CPC, showed that the project budgets as submitted did not account adequately for some City costs, such as City staff time and the value of the public land being

contributed. With all of these costs taken into account, the project was far more expensive than it already appeared to be. He estimated a public cost closer to \$8 million than the stated \$5 million. He did not see how the project could be improved within the constraints of the 2015 Board order so that he could support it.

Beryl Gilfix thanked Joseph for his analysis and agreed with him that it would be difficult to attract tenants at the rents projected for the 120% AMI units at Crescent Street, without the amenities available for roughly comparable rents in other, larger developments (swimming pool, covered parking, etc.). She agreed with other CPC members that all of the project's rents should be affordable at lower income levels. She agreed with Brody that the project's actual cost per unit was far higher than it seemed, both because it did not count the value of the City's contributed land and because of potential City costs for future management. She also noted that the proposal did not include the potential cost of supportive services, which were important to pair with affordable housing. She felt the number of units was too small – 16 units would cost significantly less per unit than the proposed 8 units. Overall, she commended the good intentions of the Working Group but thought one reason the project had been designed so it could not access non-City funding might be because the Working Group had not received adequate guidance from affordable housing experts. She would like to see a revised project that validated the work done to date, but with a larger number of units and lower per-unit costs.

Peter Sargent thought the comments of all CPC members reflected a shared desire to revisit the conditions imposed by the 2015 Board order governing this project. He believed that the City Council would not impose the 8-unit limit if they had the chance to start over. All CPC members would like to see all of the project's units affordable, without the 120% AMI units, and all questioned the added cost of the elevator. Sargent was very concerned about the property manager and thought it would be very hard to attract a qualified property manager with the project as currently structured. He also hoped modular construction, which had been presented as an option during the request for CPA design funds, would indeed be considered to lower costs, as much excellent modular construction was being built throughout the Commonwealth. Despite having much to criticize, he noted that the project was also almost the only opportunity in the CPC's current queue for family housing. He reminded the CPC that since this was a City project, they could only enforce conditions to be met before, and not after, their funding vote. Prior to any CPC vote, for example, Sargent would like to see a clear agreement with the Myrtle Baptist Church about access, lighting, fencing, and other issues of concern to the church. In conclusion, he would like to see City government as a whole agree on a reconfigured project before the CPC was asked to vote on funding for that project.

In response to Alice Ingerson, all CPC members agreed that progress in finding a property manager and resolving the concerns of Myrtle Baptist Church would be prerequisites for any future CPC funding vote.

Ingerson recommended generating a memo from the CPC to the Mayor and City Council summarizing the Committee's collective views on this project. As all members appeared to support this recommendation, Ingerson requested a formal motion and vote.

**VOTE** Gilfix moved that the CPC chair and any other member he designates draft a memo summarizing the CPC's comments and concerns about the Crescent Street project, to guide any future revised proposals. Lunin moved an amendment to the motion requiring the memo either to list the Committee's concerns in order of importance, or to state clearly that they are not in order of importance. The amended motion was seconded by Kronish and was adopted by a vote of 8-0.

After the vote, there was a brief CPC discussion of possible key points for this memo, including more affordability, no CPA funds for the elevator, progress in finding a property manager and in addressing the concerns of Myrtle Baptist Church, and increasing the number of housing units. The Committee agreed by sense of the meeting to discuss and approve final wording of this memo at its next meeting on 10 July 2018.

### **Committee Business**

Ingerson explained her request for a vote to encumber the remaining \$11,000 in the "consultants" line of the CPC's Fy18 administrative budget for completion of outstanding conservation restrictions on past CPA-funded

land acquisitions. Acting City Solicitor Ouida Young had recruited Catherine Farrell, a former member of the City Law Dept. who had worked on some of these acquisitions originally, to take on this task at a very reasonable hourly rate. Ingerson strongly endorsed taking advantage of this opportunity.

VOTE Sargent moved encumbering the CPC's remaining \$11,000 in Fy18 consulting funds for completion of outstanding conservation restrictions on past CPA-funded land acquisitions as requested by Ingerson. Kronish seconded the motion, which was approved 8-0.

Ingerson briefly summarized the agenda for the CPC's next meeting on July 10, which all 8 current members had previously said they could attend. As the agenda will be tightly packed, the Committee urged Ingerson to allot approximately 15 minutes for each substantive item.

By sense of the meeting, the CPC agreed to Ingerson's recommendation to cancel the August CPC mtg.

Based on a motion by Sargent, seconded by Armstrong, the minutes as submitted for 8 May 2018 were approved by a vote of 6-0, as Brody and Gilfix had not attended the May meeting.

Sargent's motion to adjourn was approved unanimously. The meeting was adjourned at 8:28 pm.