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**Community Preservation Committee**

MINUTES  
8 June 2017

The meeting was held on Thursday, 8 June 2017 at 7 pm in Newton City Hall Room 204.

Community Preservation Committee (CPC below) members present: vice chair Peter Sargent and members Mark Armstrong, Dan Brody, Susan Lunin, Jim Robertson, Rick Kronish and Beryl Gilfix. Chair Jonathan Yeo and member Don Fishman were absent.

Community Preservation Program Manager Alice Ingerson served as recorder.

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

Before starting on the formal agenda, Adrienne Hartzell, Director of the Newton Cultural Alliance (NCA), thanked the Committee for recommending the CPA funds being used to rehabilitate the Nathaniel Allen House. She described the building as now “coming back to life” through CPA-funded exterior work, following the interior work done last year for the Junior League’s Show House fundraiser. She extended a special invitation to come see the house at the NCA’s annual Strawberry Festival on June 15<sup>th</sup>.

**PROPOSALS & PRE-PROPOSALS**

**Proposal – working session for [236 Auburn Street](#)** (Auburndale), CAN-DO/Metro West Collaborative Development/ Barry Price Center – \$977,700 (\$300,000 historic resources, \$677,700 housing) in CPA funds to create 8 rental units affordable at up to 50% of area median income (AMI): 3 family units and 5 units in a congregate home for adults with disabilities, by combining modular new construction with rehabilitation of a historic 1860s Italianate home

Mark Armstrong summarized the discussion of the two organizations’ affiliation and finances at the 5 June 2017 meeting of the Planning & Development Board. Metro West had been founded to create affordable housing in Watertown but later expanded into a west-suburban regional organization. The Planning Board noted that Metro West was currently in a stronger financial position than CAN-DO. Their now-shared executive director Jennifer Van Campen had emphasized that the joint board of directors and shared staff would be developing strategies to strengthen both organizations. One option for improving CAN-DO’s bottom line would be to revise the way its rental properties are taxed locally. Many towns assign lower assessed values to properties with rents or resale prices constrained by permanent affordability deed restrictions than to comparable properties without such restrictions. This does not appear to be the case consistently in Newton. Jim Robertson commented that it seemed odd to subsidize affordable housing projects with taxpayer funds, then tax them at rates that may undermine the projects’ long-term financial viability.

In response to Dan Brody, Jim Robertson said his observations during the CPC site visit agreed with those of Van Campen and CAN-DO Executive Director Emeritus Josephine McNeil: that the historic house had no emergency conditions that must be addressed immediately, while waiting for confirmation of project funding.

Rick Kronish and Peter Sargent requested clarification about the finances of the CAN-DO/Metro West affiliation. They both felt that the two organizations had done good work in affordable housing but that Metro

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West's balance sheet was stronger than CAN-DO's. Kronish hoped Metro West would be assuming some of CAN-DO's debt for past projects. Sargent hoped this would at least be the case for future projects. In one project supported by Sargent's company, the Massachusetts Housing Investment Corporation, Metro West had performed beyond expectations, even in the face of unanticipated problems.

Van Campen appreciated the confidence expressed in Metro West, but characterized both organizations as "struggling nonprofits." Both rely heavily on developer fees. Since these can arrive several years apart, both organizations have an uneven cash flow. CAN-DO and Metro West now share offices, staff and a board of directors of 14 people, 7 of whom are from Newton. The joint board is committed to improving the financial strength of both organizations, which will remain distinct. The sharing of administrative costs should produce some efficiencies, but it is too early to predict possible cost savings. Metro West will not be assuming any of CAN-DO's existing debt, and no assets have been transferred between the two organizations. Metro West is not participating financially in the Auburn Street project, for which the only debt envisioned is the mortgage the Price Center will use to purchase the congregate house.

Robertson noted that as Newton's only Community-based Housing Development Organization (CHDO), CAN-DO was no worse off now than it was than 6 months ago. Its portfolio of rental properties still exists, and the new affiliation makes more staff available to help manage it. Sargent noted that vacancies always posed a higher financial risk for small projects than for large ones, but he did not think that would be a problem for the Auburn Street project.

Kronish asked about the sequence of funding commitments for Auburn Street. He wondered why Newton's CPA funds should not be committed last rather than first. Sargent thought a conditional commitment of CPA funds would send a signal to other funders. Ingerson explained that CPC funding recommendations to the City Council outline basic funding conditions, and that the grant agreement governing the release of any CPA funds appropriated for Auburn Street would impose additional, more detailed conditions. On Ingerson's recommendation, Sargent and Kronish agreed to review a draft of any future grant agreement to ensure it reflects the CPC's expectations.

Based on the Planning & Development Board's June 5 discussion, Armstrong reported that CAN-DO would only apply for the Auburn Street project's Comprehensive Permit once all funding sources had been at least conditionally committed. Van Campen explained that CAN-DO is requesting conditional commitments from all funders. For the anticipated state funding of the congregate home, the Community Economic Development Assistance Corporation (CEDAC) will coordinate a site visit and project review with the state Dept. of Developmental Services (DDS), then make a recommendation to the state Dept. of Housing and Community Development (DHCD) about whether and when to commit the state funds. Plans are being tweaked for a hoped-for July site visit and August recommendation to DHCD.

Ingerson said the Planning & Development Board's advisory vote on the project's requested CDBG and HOME funding had been scheduled for July 10. In response to Sargent, Community Development Programs Manager Rachel Powers and Housing Programs Manager Elizabeth Valenta said they did not expect that vote to make significant changes in the conditions their June 1 memo had recommended to the Planning & Development Board: releasing funds for reduction of the acquisition loan only after receipt of the Comprehensive Permit, committing HOME funds last, returning to the funders any funds awarded but not spent on the project, and notifying the City when operating reserves were disbursed. Powers was confident that the Planning & Development Board would support the project.

Robertson thought the Auburn Street location was excellent. The project's one weakness is its cost. At \$2.2 million of Newton-controlled public funding for 3 units of family housing, the project raises the same questions the CPC has been asking about all CAN-DO projects during the past 6 years. At a CPA subsidy of about \$300,000 per unit, and based on the CPC's current target allocations, Newton's CPA program can only create about 3 units of housing per year. This falls very far short of meeting Newton's affordable housing needs. The CPC would like to receive more proposals that use local CPA funds to leverage other funds, and that produce many more units. Van Campen said CAN-DO would look for future opportunities to do this.

Armstrong felt it was very difficult to find sites in Newton of even this size, let alone larger sites for larger projects. As proposed, the Auburn Street project would save a historic structure, and it enjoyed strong community support, including from abutters. Susan Lunin drew an analogy to open space acquisition; few sites are available, and when an opportunity arises, the community must act quickly. She agreed that it was not enough to create 3 units of affordable housing per year but felt that was better than nothing. Gilfix noted that CAN-DO's previous proposal for a site on Cherry Street had included more units, but that proposal had not gone forward because of the high asking price for that property. Auburn Street is at least larger than most past CAN-DO projects, so it is moving in the right direction. Sargent also recalled the strong support expressed for the project at the CPC's public hearing. He felt that the CPC might evaluate the project differently if it did not include the Price Center house, with its 5 additional units and potential state funding.

In discussion, the Committee then agreed on several conditions for any CPA funding recommendation for the Auburn Street project, including: granting of a historic preservation restriction to the City for the historic house; as recommended in the underwriting analysis by consultant Dan Gaulin, granting of a permanent affordability restriction to the City that allowed for high HOME rents, rather than the low HOME rents listed in the proposal's operating budget; listing of all units created by the project on the state's Subsidized Housing Inventory (SHI); and initial release of funds contingent on receipt of the Comprehensive Permit. All CPC members also supported the funding conditions that have been usual in recent CPA-supported housing projects, including but not limited to: making the initial release of funds for construction contingent on City-approved procurement of a construction contract and receipt of the building permit; and making release of the final 10% of any CPA grant contingent on receipt and presentation of a final report to the CPC. Ingerson noted that Gaulin's underwriting analysis had pointed to a gap between the project's construction budget and its submitted construction cost estimates. The Committee agreed that CPA funds for the developer fee should be released only upon receipt of the project's Certificate of Occupancy, so that fee would be at risk to cover any construction cost overruns. At Van Campen's request, the Committee clarified that CAN-DO could requisition developer overhead during construction, based on the proposal budget's allocation of equal amounts to developer overhead and to the developer fee.

Ingerson explained that CPC recommendations normally include two deadlines: first, the recommendation itself is valid for a few months, to avoid having recommended funds remain unappropriated yet not available for other projects; second, the funded project must be completed within a 1-2 years, depending on the type of project. However, CPC recommendations also allow for extension of either deadline in writing by the CPC, upon request by the proposal sponsor and after discussion at a CPC public meeting. Ingerson circulates a draft of each recommendation to all CPC members before submitting it to the Council. She can make any corrections to the draft that all CPC members agree are needed to reflect their public vote accurately. Any revisions not accepted by all members as corrections must be discussed and agreed upon at another CPC public meeting.

**VOTE** Based on a motion by Robertson, seconded by Kronish, the Committee voted 7-0 to recommend CPA funding for the Auburn Street project of \$300,000 for historic rehabilitation and \$677,700 for affordable housing, for the uses detailed in the submitted proposal and with the conditions required for recent CPA-supported housing projects, plus those agreed upon in tonight's CPC discussion.

**Pre-proposal discussion - [Jackson Road New Senior Housing / Haywood House](#) (Newton Corner), Newton Housing Authority – pre-proposal revised from February 2016, \$2 million for 8 rental units affordable at 30% AMI, 24 units affordable at 60% AMI, and 10 units affordable at 80-99% of AMI**

Newton Housing Authority director Amy Zarechian and consultant Charles Eisenberg summarized the pre-proposal. The primary change from the previous version is increasing the total number of units from 32 to 42, by adding 10 moderate-income units affordable at 81-99% of the Area Median Income (AMI). The affordability levels of the low-income units have also been revised, from primarily 30% of AMI to primarily 60% of AMI. As new construction, the project is not eligible for CDBG funds, and the Authority has chosen not to request HOME funds for various reasons, including the uncertain future of that federal program. The other public funding sources envisioned for the project cannot subsidize the moderate-income units. The potential CPA

request has therefore been increased from \$1 million to \$2 million, primarily to reduce the bank debt required to finance the moderate-income units to a level that the project can cover from its projected future rental income. Of that CPA request, the Authority is allocating \$1.6 million toward the development of the 10 moderate-income units, and the remaining \$400,000 to the low-income units, which are also eligible for tax credits. Eisenberg also characterized the CPA request as the local funding commitment that is a prerequisite to apply for those credits.

Armstrong commented that the taller, 4-story side of the building as envisioned would face the site's lower side and larger street. Eisenberg said the design was intended to be energy-efficient and certifiable at the Silver level under the Leadership in Energy and Environmental Design (LEED) program, but that the Housing Authority did not consider it worthwhile to pay the extra costs of actual LEED certification. The site's orientation does not make solar energy workable.

In response to Ingerson, Eisenberg also explained that, although the site plans in the pre-proposal showed a vehicular service driveway across the land along Jackson Road controlled by the Newton Parks & Recreation Commission, that driveway is now being relocated to Kennedy Circle, based on advice from City staff. Only a pedestrian path will cross the Parks & Recreation land. Kronish added that the project will preserve the site's existing large trees.

Sargent observed that the requested \$2 million of CPA funds would leverage a very large amount of funding from other sources. The project's total cost is about \$17 million. Robertson commented that this project's less than \$50,000 per unit of Newton-controlled public funding was exactly what the CPC has been looking for.

Sargent calculated the project's debt coverage ratio at about 1.15, with debt used for only about 11.5% of total development costs. Eisenberg confirmed that the project's debt-to-costs and debt-to-value ratio would be very low. In further response to Sargent, Eisenberg and Kronish said the Authority had made some initial contacts with banks about the project. Kronish explained that the Authority also owns 55 "market" or "management" units, which are not public housing and which for bank financing purposes therefore count as equity. Eisenberg explained that these units show both net worth and liquidity.

Sargent noted that even with no land acquisition costs, the project's per-unit development costs were about \$414,000 per unit. Eisenberg and Kronish confirmed that the project must be built under Mass. Chapter 149, which requires prevailing wages and filed sub-bids. Kronish noted that the development would have no structured parking and only a limited developer fee.

Ingerson said the community center seemed to be the project's only major amenity. That center will be used in part to deliver supportive services to residents, and its estimated cost is lower in this pre-proposal than in the February 2016 one. Eisenberg explained that this cost reduction reflected mainly design and budget refinement, not reducing the center's size. Kronish emphasized that the Housing Authority sees supportive services as critical for this project. He said the Authority had added a social worker to its staff about a year ago and planned to add a whole new group of services with this project. Eisenberg said these services would be shared by the residents of the new housing and the residents of the existing housing on Kennedy Circle. Robertson felt that the projected annual operating costs, including services to residents, were reasonable.

Sargent and Eisenberg explained that Massachusetts has complex requirements for low-income housing tax credits. Tax credit allocations are awarded not to the project itself but to a sponsor organization, which sells them to investors to raise capital for the project. Tax credits also require ownership of the project by a special-purpose for-profit entity, even if the project is being developed by a nonprofit organization. The Authority is seeking additional, detailed legal advice on the tax credit process and structure for Haywood House.

In response to a question from Robertson about community outreach, Zarechian said City Council President Scott Lennon had seen the most recent project drawings. The Housing Authority is arranging to meet with the other two City councilors for this ward, Alison Leary and Jay Ciccone. Comments from a meeting with the residents of their existing housing on Kennedy Circle were part of the Authority's application to the federal Dept. of Housing and Urban Development to dispose of part of that site to construct the new housing.

Sargent, Eisenberg and Kronish discussed the project timeline. Competition is very stiff for the 9% low income housing tax credits. The Housing Authority intends to submit a pre-application in October 2017. A conditional commitment of local funds will be required for acceptance of a full application, if one is then invited in early 2018. Eisenberg felt that a City Council order appropriating CPA funds for the project would be sufficient evidence of that local commitment. If tax credits are not awarded based on the project's initial application, the Housing Authority would re-apply the following year.

Sargent suggested a time limit on any City of Newton CPA funding commitment. After further discussion, Ingerson proposed that any CPC funding recommendation require the Housing Authority to confirm all other required funding within two years after the appropriation of CPA funds, but include a procedure for the CPC to extend that deadline if it wished. She would not ask the Newton Law Dept. to begin drafting a grant agreement for disbursement of any CPA funds until a full tax credit application had at least been invited for the project. Eisenberg considered the process as outlined by Ingerson acceptable.

**VOTE** Based on a motion by Robertson, seconded by Lunin, the CPC then voted 6-0-1 (Kronish recused) to consider a full proposal off-cycle for the Housing Authority's Jackson Road/Haywood House project, as described in the pre-proposal, contingent on a CPC site visit prior to submission of the full proposal and on receipt of the full proposal at least 1 month prior to requested CPC public hearing date.

Zarechian said the Housing Authority had agreed with Ingerson ahead of tonight's meeting that it would be challenging to meet the CPC's normal 1-month deadline for a July 12 CPC public hearing on this off-cycle full proposal. However, the Authority was confident it could meet a July 9 deadline for a public hearing at the CPC's meeting on 9 August 2017.

### **Committee Business**

Ingerson noted that the CPC usually tries not to meet in both July and August. Without presuming the outcome of a public hearing and CPC funding vote on the Housing Authority's Jackson Road project, a hearing and CPC vote in September might be too late for the purposes of the project's tax credit pre-application. The possibility of leveraging substantial other funding through tax credits had been the CPC's primary justification for considering this project off-cycle. Of the meeting dates listed on the CPC's online calendar, Ingerson therefore recommended canceling July 12 but holding the meeting tentatively listed for August 9.

She also reported that the CAN-DO projects on Taft Avenue and Cambria Road, and the Myrtle Village project on Curve Street, were likely to complete construction in June or July. Ingerson therefore also recommended delegating to the CPC officers and staff approval of any draft written final reports for these projects, as meeting their grant agreements' requirements for releasing the final 10% of their CPA funding, if the project sponsors also committed in writing to present final reports in person at the next possible CPC public meeting.

Ingerson suggested that the CPC's August 9 or September 14 agenda should also include a formal decision requiring the Planning & Development Dept. to return, or approving the department's partial retention of, the current \$1.5 million balance of unspent CPA funds for the Newton Homebuyer Assistance Program. This program completed its last new case in 2012 and has been on formal hold for reevaluation since 2015.

Finally, Ingerson also recommended a September or October public hearing on possible revisions to the funding guidelines in the current [Community Preservation Plan](#). The most recent public hearing on these guidelines was in 2012. As staff, she would particularly appreciate clarification of the Committee's views on the current [Plan's](#) guidelines for "CPA appropriateness."

After brief discussion, the Committee accepted by sense of the meeting these staff recommendations for its summer meeting schedule, for approval of upcoming final project reports, and for upcoming agendas.

Ingerson also reported that on June 13 the City Council's Land Use Committee would be taking up a request by Chestnut Hill Realty for an amendment to its special permit, allowing substitution of affordable housing off-site for the previously required on-site affordable housing in the multifamily development at Kessler Woods. As

soon as the Planning Dept. released its advisory memo on this request, she would forward a copy to current and past members of the CPC.

Ingerson had not completed draft minutes of the CPC's May 31 meeting in time for correction and approval at tonight's meeting. However, she committed to circulating in June via email draft minutes for both the May and June meetings, so members could suggest corrections ahead of a formal August 9 vote on those minutes.

In response to a motion by Kronish, the Committee adjourned by consensus at 8:35 pm.