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James Freas
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Community Preservation Committee

MINUTES

11 February 2016

The meeting was held on Thursday, 11 February 2016 at 7:00 pm in City Hall Room 204.

Community Preservation Committee (CPC below) members present: chair Jim Robertson, vice chair Jane Sender, Don Fishman, Jonathan Yeo, Joel Feinberg, Beryl Gilfix, and Rick Kronish. Members Mike Clarke and Laura Fitzmaurice were absent.

Community Preservation Program Manager Alice Ingerson served as recorder.

Note: [blue, underlined phrases below](#) are links to the program website.

PRE-PROPOSALS

Cherry Street (424-32, West Newton) affordable housing (CAN-DO, potential \$3 million request)

Josephine McNeil, Executive Director of CAN-DO, and Bart Lloyd, CAN-DO Board member, explained this project, proposed for a 15,000 square foot site in West Newton Square. The project continues to target homeless households and include supportive services, but the original twelve units, including nine efficiencies for one-person households, have been reduced to a total of 9 units, all for families: 7 with two bedrooms and 2 with three bedrooms. In response to Jim Robertson, McNeil said CAN-DO would request project-based vouchers, as a rental subsidy. The project will also need a Comprehensive Permit. McNeil confirmed that all of the project's units would be listed on the state's Subsidized Housing Inventory (SHI).

Four 2-bedroom units will be in the existing, approximately 5,000-square-foot building. The other five units will be in new attached buildings on the same site. The new three-bedroom units will have about 1150 square feet each, and the new two-bedroom units will have about 900 square feet each. In response to Jonathan Yeo, McNeil explained that the new buildings would be sited at the corner of the lot and would be designed to avoid detracting from the existing, 18th-century structure.

The \$3 million in CPA funds requested by CAN-DO would leverage about \$3.3 million in affordable housing tax credits. CAN-DO is asking the CPC to consider its request off-cycle so it can take advantage of two time-limited opportunities: to acquire the site and to qualify for tax credit funding. Although the state Dept. of Housing and Community Development (DHCD) rejects almost 50% of tax credit pre-applications, it accepted a pre-application for this project. The full application to DHCD is due on March 11th. The state typically receives total requests for 5 times its available funding.

Jane Sender was concerned about the difference between the property's \$2.5 million asking price, which CAN-DO had agreed to pay, and its assessed value of about \$1.16 million. McNeil said CAN-DO had offered the asking price as an incentive for the seller to accept a Purchase & Sale agreement with multiple extension options. McNeil acknowledged that an appraisal by Thomas Mulhern for the

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Village Bank had valued the property at significantly less than the asking price: \$1.8 million.

PUBLIC COMMENTS

Bill Moriarty, a Webster Street neighbor, felt the property's high acquisition cost made its per-unit cost too high, and that the project was too dense compared to the neighborhood's other land uses. He suggested dividing the proposed 9 units between this site and either the City's property on Crescent Street or the Aquinas College property recently acquired by the City in Newton Corner.

Benjamin Krikorian, also a Webster Street neighbor, also felt the project's total development cost per unit of \$739,000 was much higher than the average for the neighborhood, and that less expensive properties could be purchased for such a project. He also noted that if all current pre-proposals before the CPC were funded, almost 70 percent of Newton's available CPA funds would be spent on housing. He did not feel this reflected the intentions of Newton voters in adopting had the CPA. He would like to see more current CPA funds retained for future projects, including housing.

City Councilor Ted Hess-Mahan noted that his ward, Ward 3, had less deed-restricted, permanently affordable housing than many other Newton neighborhoods. He applauded the leadership of City Councilor Leonard Gentile on the housing component of the Crescent Street project, to be discussed next, but he also saw the 5,000 homeless families currently living in hotels throughout the state as demonstrating a need for the Cherry Street project. He hoped that CAN-DO could get some concessions on the property's purchase price. He noted that the Mayor had written a letter supporting CAN-DO's tax credit application. He hoped that Cherry Street could be funded as well as other projects on the CPC's pending proposals list, such as Allen House.

Newton Housing Partnership member Phil Herr reported that the Partnership had voted unanimously to support the Cherry Street project, though they had some questions that could only be answered by the full proposal, not yet submitted.

Michael Lepie, of Waban, had also attended the Partnership meeting and felt that the other voting member other than Herr had questioned CAN-DO's capacity to manage the project. He reported that some past CAN-DO units had not been added to the SHI because tenants had not been selected through lotteries, the cost of which CAN-DO questioned for such small projects. He also noted that both of CAN-DO's immediately preceding projects were not yet occupied, including Taft Ave., for which CPA funds were appropriated in April 2015, and Cambria Road, which is awaiting a City Council decision on CPA funds. He questioned the \$537,611 developer fee proposed for Cherry Street, on the grounds that CAN-DO does not have the capacity to complete a 9-unit project in a timely manner.

Julia Malakie, West Newton, read email comments from Kathleen Kouril Grieser, Newtonville. Grieser supported housing homeless families but believed that CAN-DO's traditional, smaller-scale projects were more acceptable to neighbors and better for the homeless than this larger project. She would like to see the units proposed for Cherry Street split between at least two sites. Grieser opposed converting the Cherry Street site from commercial to residential use, because she felt this would reduce City tax revenue from the site. She also favored using Newton public funds first for housing homeless individuals, to satisfy the City's recent agreement with the federal Dept. of Housing and Urban Development (HUD).

Malakie shared Grieser's concern about reducing Newton's commercial tax base. Though Lloyd believed the proposed project would increase the City's gross tax revenue from this property, Malakie believed net revenue would decrease, because the project's residents would need more City services than the site's current professional offices. Malakie also favored reserving CPA funds for

other proposals, such as preserving open space at Webster Woods or adding the Eversource property off Auburndale Avenue to the planned City park on Crescent Street. She noted that CAN-DO as the developer had little incentive to negotiate a lower purchase price, because the developer fee in the pre-proposal was calculated partly as a percentage of that price.

Acting Planning & Development Director James Freas confirmed that Mayor Warren supported the project as part of the City's vision for allowing low-income families to benefit from Newton's community assets and opportunities. The site is near social services, businesses, and transportation. The City's Health & and Human Services Dept. will work with CAN-DO on supportive services.

CPC DISCUSSION

In response to Robertson's request for updates on other current CAN-DO projects, McNeil reported that the mortgage for Taft Ave. had been paid down using both CPA and CDBG funds, and CAN-DO will start construction as soon as DHCD approves the required regulatory agreement and marketing plan. The City Council Finance Committee had held the Cambria Road proposal so CAN-DO could answer questions at the next meeting about its organizational finances and its progress in meeting the conditions imposed for CDBG and HOME funding of the Taft Ave. project.

Robertson noted that the CPC has debated at length many of the issues highlighted by the public comments, including the merits of large vs. small projects and the siting of affordable housing. Jonathan Yeo and Rick Kronish both encouraged the idea of supporting larger projects, with lower per-unit costs and a greater reliance on state rather than local funding. Kronish felt that services could be delivered to the Cherry Street project's 9 households, all on one site, more efficiently than to scattered sites.

Much of the CPC discussion focused on project costs. Robertson noted that as a private developer, he based his fee solely on hard/construction costs, whereas CAN-DO's developer fee was calculated as a percentage of all costs, including acquisition. Lloyd explained that developer fees were set differently for affordable housing than for-profit developments because income-based restrictions on what could be charged to the future tenants or buyers of affordable housing left no residual value for the developer to capture. One national standard recommends setting an affordable housing developer's fee at 15% of acquisition and other capitalizable costs. The fee in the Cherry Street pre-proposal was calculated as about 5% of acquisition and 15% of other costs. Kronish noted Mass Development usually limited the combined total of developer fee plus overhead to 12%.

Kronish suggested that, since the project projected almost no net operating income in its first year, the full developer fee should not be taken until the project was shown to be viable. Lloyd explained that CAN-DO hoped to provide supportive services for much less than the \$80,000 listed in the budget and to put any savings from that toward either the developer fee or an endowment. CAN-DO hopes to get funding for supportive these services from third parties.

Lloyd acknowledged that scaling the Cherry Street project back from 12 units to 9 had increased per-unit costs. However, since living in Newton helps families, CAN-DO also considered a focus on families appropriate. The project is now at the smallest possible scale that can attract state funding. At about \$333,333 of CPA funding per unit, it requests less Newton-controlled public funding per unit than most recent past CAN-DO projects.

McNeil and Lloyd acknowledged that CAN-DO's experience does not include projects comparable to like Cherry Street, so the project budget assumes hiring additional expertise, through a partner or consultant. Overall, Lloyd explained that after almost 20 years of developing small projects and taking

minimal developer fees of 8-10%, CAN-DO is seeking to transform itself into an organization that can do a larger project about every 3 years. To carry itself through 1-2 years of that organizational transition, CAN-DO is looking for a larger developer fee for Cherry Street.

A second focus of CPC discussion was the project's funding sources. Robertson explained that the CPC had encouraged larger projects in the hope of lowering both development costs and the CPA share of each project's total public subsidy. Though Cherry Street's total cost per unit was lower than some past CAN-DO projects, the proposal still relied on the CPA for about 50% of its total public funding.

Kronish and Gilfix wondered why whether the City had not also committed some of its CDBG and HOME funds to the project. McNeil explained that the City had designated these federal funds for a Request for Housing Proposals, based on the forthcoming Housing Strategy. Though Freas expected that strategy to be released in early March, CAN-DO felt the RFP would be too late for this project.

Lloyd felt this proposal drew on sources as diverse as past Newton housing projects, and that it was impractical to pursue multiple sources. In response to Joel Feinberg, Lloyd said historic tax credits were not worthwhile, given the limited funding available and the cost of applying for them.

Kronish supported the public comments in favor of reserving current CPA funds for future projects. He was concerned that committing \$3 million of CPA funds to Cherry Street might rule out funding for any other housing projects in the next few years. Robertson also suggested that the CPC should follow the City's lead by retaining some current funds for future, more efficient housing proposals.

Jane Sender could only support the current proposal if the purchase price of the property was reduced. Lloyd said CAN-DO had told the seller that the project's potential public funders would not support paying more than the appraised value. CAN-DO is renegotiating the Purchase & Sale agreement on that basis, though the seller is also seeking an alternative appraisal. Kronish asked whether CAN-DO would reduce its CPA request by the amount of any reduction in the purchase price. Lloyd said CAN-DO was committed to not increasing its CPA request above the current \$3 million.

The final focus of CPC comments was the project's proposed timeline. Feinberg felt that the schedule in the current Purchase & Sale agreement was not realistic, given the time it has taken for recent Comprehensive Permits to be approved in Newton, and given that zoning approval is usually a prerequisite for state acceptance of a full tax credit application. He thought the financial incentives offered for the seller to grant multiple extensions were potentially unwise. He believed that both the timeline and the price could be renegotiated. Kronish noted that state funding constraints might mean the project's chances of tax credit approval would be higher in 2017 than in 2016.

Lloyd explained that the state had relaxed some of its usual requirements, recognizing how difficult it was to keep a property under agreement for a prolonged time in Newton's competitive real estate market. He believed that the state would accept a full application for tax credits based on a CPC recommendation vote alone, without requiring an appropriation vote by the City Council.

Initially, Yeo and Kronish supported inviting an off-cycle full proposal, as long as CAN-DO understood that this would not commit the CPC to recommending funds. Sender and Fishman preferred to invite a full proposal in the regular fall funding round, when it could be evaluated more directly against other competing uses of CPA funds. Gilfix agreed with CAN-DO that the opportunity to acquire this property would not last until fall. Robertson and Feinberg doubted that there were other potential buyers competing for the property, especially at its current high asking price. Both preferred not to invite a full proposal off-cycle, based on the project's current costs and heavy reliance on CPA funds.

MOTION Kronish moved *not* to invite an off-cycle proposal. Robertson seconded this motion. There was no vote on the motion.

ACTION As an alternative to the motion, Sender, Kronish and Feinberg suggested that the CPC invite CAN-DO to submit a further revised pre-proposal after renegotiating the price and timeline in the P&S, with a lower CPA request. All members endorsed this invitation by sense of the meeting, without a formal vote.

[Crescent Street \(70, Auburndale\) – affordable housing & community park](#) (City of Newton Planning & Development, Public Buildings and Parks & Recreation Depts.)– pre-proposal for \$1.5 million to support partial design & development, out of a total \$3.3 million request

This site was originally part of the historically African-American neighborhood around Myrtle Baptist Church. In the late 1950s/early 1960s, the land was taken and homes on it were demolished for the Massachusetts Turnpike. When the Turnpike Authority decided it did not need the full parcel, it sold this portion to the City of Newton, which used it as the headquarters of the Parks & Recreation Dept.

Acting Director of Planning & Development James Freas and Public Buildings Commissioner Josh Morse summarized the intended use of the site for 8 units of housing, 4 of which would be affordable, and an expanded community park. The project would pilot a new approach to affordable housing, with the City as both developer and owner. The City Council order for the project also calls for it to demonstrate green design and to use “net zero” energy.

This project has been under discussion for a long time. Both housing and parks are critical issues for the City. More parks are needed in the City’s most densely settled neighborhoods. The City is asking the CPC to consider an off-cycle request for \$1.5 million to complete site assessment and design work, so the City can obtain final construction cost estimates and submit a construction funding request in the regular fall funding cycle. Morse explained that the current request also included the cost of hiring a development manager with specific expertise in affordable housing.

City Councilor Leonard Gentile explained that the Council’s Real Property Reuse Committee had debated this site for 3 years. There was considerable support for using it only as a park, both among abutters and around the City. In the end, the City Council reversed its original decision to surplus the property, with the requirement that it be used for both housing and a park.

PUBLIC COMMENTS

Elaine Rush Arruda, a neighbor of the site, has been involved in City discussions about it for the past 2.5 years. She worked closely on the compromise for both housing and a park. The neighborhood as a whole supports that approach.

In response to Michael Lepie, Morse said the project budget included no developer fee.

Julia Malakie of West Newton read an email from Kathleen Kouril Grieser, who supported having a project run by qualified City staff rather than a profit-oriented developer. She was concerned about the funding requested for consultants and about whether fully funding this project would leave adequate CPA funds available for other important proposals. She thought at least some housing at this site should be designated for homeless individuals, to satisfy the City’s recent agreement with HUD. Councilor Hess-Mahan noted that the City has a broad obligation to affirmatively further fair housing, beyond the HUD agreement.

Speaking on her own behalf, Malakie had supported the use of this site solely as a park. She would like to see more land dedicated to that use than the minimum required by the City Council.

CPC COMMENTS

Yeo, Feinberg and Robertson felt that to justify the proposed total request for \$2 million in CPA funding for housing, the project needed to include more than the proposed 4 affordable units. Morse thought it might be possible to make a higher proportion of the total 8 proposed units affordable. Robertson questioned whether the City should be involved in developing market-rate housing. Councilor Gentile noted that the rent from the market-rate units was intended to subsidize the affordable units, so the project would be self-supporting in the long run.

In response to Kronish, Morse acknowledged that environmental conditions at the site had not been fully assessed, so the costs of any cleanup required were not yet known. Kronish, Robertson, Feinberg and Sender all supported completing a full environmental assessment prior to requesting funds for design or development, since that assessment might determine the site's financially feasible uses. Feinberg felt that it would be appropriate for the City to use non-CPA funds for site assessment, and to request CPA funds only after establishing the feasibility of CPA-eligible uses for the site.

Ingerson noted that both uses required by the City Council for this site are CPA-eligible. Though this has not been done to date in Newton, other communities have invested CPA funds in site planning before knowing the exact proportion of a site that will be dedicated to specific CPA-eligible uses.

Morse suggested that if CPC recommended the full \$1.5 million requested, it could also place conditions on the phased release of those funds. Robertson noted that although the CPC could enforce specific funding conditions through grant agreements for non-City projects, it could not enforce similarly specific conditions for City projects.

Freas explained that if housing was not feasible, the Council would vote again on the site's uses. He presumed one option would be to use the entire site as a park. Councilor Gentile said the City would own any problems associated with the site. At the least, the City would have to cap the site and identify an appropriate use. If cleanup costs are more than expected, the City would cover any extra costs rather than request additional CPA funding for that purpose.

Morse then asked whether the CPC would consider an initial off-cycle request for approximately \$100,000 for site assessment work only, including geotechnical work, civil and environmental engineering, and both a phase 1 and phase 2 environmental assessments.

VOTE At Robertson's suggestion, Yeo moved inviting an off-cycle proposal for site assessment costs totaling approximately \$100,000, which should be justified by breaking out the costs of the specific services included. Fishman seconded the motion. The motion was adopted by a vote of 5-2, with Feinberg and Gilfix opposed.

POLICIES & PLANNING / COMMITTEE BUSINESS

The scheduled working discussions of CPC funding policies and outside consulting services for affordable housing projects and the proposed program budget for Fy17 were both tabled.

The CPC minutes from 14 January 2016 were unanimously approved as submitted.

The Committee adjourned by consensus at 9:20 pm.