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Barney S. Heath
Director

Community Preservation Committee

MINUTES

3 November 2016

The meeting was held on Thursday, 3 November 2016 at 7:00 pm in City Hall Room 204.

Community Preservation Committee (CPC below) members present: chair Jane Sender, vice chair Jonathan Yeo, and members Jim Robertson, Peter Sargent, Rick Kronish, Don Fishman, Beryl Gilfix, Mike Clarke.

Community Preservation Program Manager Alice Ingerson served as recorder.

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

review of funding forecast & potential proposals for the next 5-10 years

In comparing the list of known potential future projects and the program's current 5-10 year funding forecast, Alice Ingerson noted that as it has for the past several years, the total of potential CPA funding requests significantly exceeds Newton's total CPA funding forecast for the same period. The listed projects also allocate significantly less to housing and open space acquisition, and more to historic preservation and recreation land rehabilitation -- primarily for existing City buildings and parks -- than suggested by the CPC's allocation targets. If all listed projects were funded, the two organizations responsible for managing the largest amounts of CPA funding would be the City's Public Buildings Dept. (\$16,291,000) and the City's Parks & Recreation Dept. (\$7,175,000).

Totals from these comparisons are shown at the end of these minutes. The full list of future projects, along with these comparisons to program funding forecasts, is online in the [Community Preservation Plan](#).

Museum Archives, Accessibility & Fire Suppression

final project report (Public Buildings Dept. & Historic Newton)

Rafik Ayoub, the Public Buildings' Dept. project manager, summarized this report as submitted. The project's goals were to expand Historic Newton's archival collections storage and consultation space, provide a welcoming and accessible reception space, add new electrical service and new fire alarms, and for the first time add climate control and fire suppression systems at the 1809 Jackson Homestead. The Homestead is operated as Newton's local history museum by Historic Newton, as a partnership between the City and the private Newton Historical Society.

The firm of Durkee, Brown was hired as the project architect in 2007. Over the next several years, they worked with Historic Newton and the Public Buildings Dept. to complete the project's design. Construction was bid in 2015. Some delays and change orders resulted from the Fire Dept.'s request to convert part of the water-based fire suppression system to a dry system, wherever pipes ran through uninsulated spaces, and from the discovery of significant rot and other structural issues. The renovated building received its Certificate of Occupancy in May 2016 and was dedicated in September 2016. The CPC allowed Public Buildings to use most of the project's remaining unspent CPA funds to replace the rotted exterior hand railing along the back stairs. However, approximately \$850 out of the total \$1,142,345 appropriated will be returned to Newton's Community Preservation Fund.

website www.newtonma.gov/cpa

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*Minutes
continue on
next page.*

After reviewing this project's sequential total cost estimates —

- \$394,564 as of 14 December 2007
 - \$845,897 as of 30 May 2013
 - \$1,206,345 as of 15 April 2015
- Ingerson summarized its key lessons for future funding decisions and project management:
- Suggestions made by architects and contractors serving on the volunteer boards of nonprofit or neighborhood project sponsors at all stages, including during construction, may ultimately improve the project but may also contribute to delays and cost increases.
 - Management turnover also contributes to delays and cost increases for capital projects, as each new manager takes time to learn the project plan and sometimes also suggests changes. One contributing cause of delays on this project was that it was managed over the years by 5 different Public Buildings Dept. staff members or consultants.
 - Finally, this project's increasing cost estimates and multiple supplemental funding requests were the primary impetus for the statement in the CPC's current proposal instructions that "In general, the CPC recommends construction funding only on the basis of completed professional designs and cost estimates. If you do not already have professional designs and estimates, you should start by requesting funds to create them."

Crescent Street (affordable housing & community park)

continued discussion of pre-proposal from City departments of Planning & Development, Public Buildings, and Parks & Recreation

In addition to other speakers listed below, Parks & Recreation Open Space Coordinator Carol Schein attended for this discussion.

For attendees not familiar with the CPC's funding process, Jane Sender explained that the CPC had received a pre-proposal for this project in January 2016, which it had then discussed at its public meetings in February, March and July 2016. The CPC uses such pre-proposal discussions to determine whether and when to invite a full proposal, on which it then holds a full public hearing before voting on whether to recommend funding to the City Council. During its most recent discussion, the CPC had recommended submission of a revised pre-proposal addressing its concerns, which has not yet been submitted. Tonight's discussion would therefore continue these working sessions but would not include a public hearing or funding recommendation vote.

statements by City staff and City Councilors

Barney Heath, Director of Planning & Development, said a Crescent Street working group had been formed to help plan this project. The group includes City staff from Public Buildings, Parks & Recreation, and Planning; City Councilor Lenny Gentile and Ward 3 City Councilors, two residents of the surrounding neighborhood, and a representative of Myrtle Baptist Church. Heath explained that the group had asked for time on this agenda to update the Committee about their work and where they hope to take the project.

The project's two major objectives are to enhance and make great use of City recreation space, and to create affordable housing through direct City sponsorship, which is unusual and an important step for Newton. The working group sees this project as an exciting opportunity to knit an ugly, underutilized public space back into the fabric of the neighborhood, and to create a place that people can be proud of.

The City is a full partner in this effort and has proposed splitting the project's total cost between CPA funding and general City funds. One important design objective is high energy efficiency, not only to benefit the environment and the housing's residents, but to reduce management and maintenance costs for the City as the housing's developer and owner. Community engagement will be an essential part of the design process. The City would like to hire an owner's project manager as quickly as possible, to get this process started.

Josh Morse, Public Buildings Commissioner, noted that he had previously presented to several other City bodies the information he was about to provide for the CPC. He also hoped the CPC would allow attending members of the public to speak about this item, even though this meeting was not a formal public hearing.

On behalf of the project, Morse requested a CPC vote at tonight's meeting to recommend \$600,000 of CPA funds toward the project's soft (non-construction) costs, including design. Morse said the City would also approve a nominal amount of non-CPA funding toward these same costs. This \$600,000 CPA request was based on the division of costs in the January 2016 pre-proposal, which envisioned using CPA funding of all costs for the project's park and 4 affordable housing units, and non-CPA City of Newton funding of all costs for the project's 4 market-rate housing units. City Councilor Lenny Gentile reported that the City's Chief Financial Officer had identified free cash or overlay surplus as the source of these non-CPA City funds.

Morse also reported that the site studies supported by the \$100,000 of CPA funding appropriated in early April 2016 had found only minor contamination from a heating oil tank. The City has already approved an additional \$100,000 of non-CPA funding for cleanup through chemical injection, a process that takes longer but also avoids sending contaminated soil to a landfill.

Morse agreed with Heath that community involvement will be critical throughout the design process: whatever the community wants will be built, for both the housing and the park. He felt the housing should be designed to blend into the neighborhood. He looks forward to working with Parks & Recreation and Planning on this exciting project.

Councilor Gentile noted that the citizen Joint Advisory Planning Group (JAPG) of volunteers appointed in 2012 to help identify future uses for this site had recommended between 8 and 22 units of housing. In response to the redevelopment of many residential lots in this neighborhood in recent years, some residents felt that 22 units at this site was too many, but the neighborhood did support 8 units, with some affordability.

City Councilor Jim Cote recalled past discussions of building up to 30 or more housing units on the site. He felt that during the discussion about possibly surplus this City property, the neighborhood consensus had been to retain the site entirely as a park, with the possible future addition of the abutting 1.3 acres currently owned by Eversource, which has said it plans to sell that parcel eventually. Based on discussions from 2012 to 2015, the City reversed its initial decision to surplus 70 Crescent Street, and the neighborhood had agreed to a maximum of 8 housing units there, with the City acting directly as the developer to ensure community control.

City Councilor Jay Harney agreed with his City Council colleagues that this project was an opportunity to do something truly new in Newton. He believed a similar approach to the Austin Street parking lot in Newtonville would have produced a better project there than the one currently planned.

CPC discussion

Before asking for questions or comments from other Committee members, Jane Sender summarized the CPC's prior discussions of this project as having supported the project's basic concept, but also having expressed consistent concern about the per-unit development cost and public subsidy for the housing (both \$500,000), and about the plan to cover all development costs for both the affordable and market-rate housing from Newton public funds. To help reduce unit costs and leverage financial resources from outside of Newton, the CPC had urged the City to find a partner organization that had affordable housing development experience and that would also be eligible for funding from sources the City itself could not access. The CPC also felt that, since Crescent Street had been identified as a model for future affordable housing projects using other publicly owned sites in Newton, it was particularly important for this project to set a precedent of using City funds and land as efficiently as possible.

Sender and Jim Robertson noted that, in an average year, the CPC's allocation targets suggest spending about \$1 million on housing, which made this project's requested subsidy of \$500,000 in CPA funds per affordable unit seem very high.

In response to Gilfix, Morse acknowledged that the City of Newton has never built affordable housing. However, he also felt that having the City act as the developer would eliminate the need for any developer fee; and that using public land would eliminate acquisition costs.

Peter Sargent agreed that the City's offer of a public site was a wonderful opportunity, since land is usually the most expensive component of housing projects. However, Sender noted that \$500,000 a unit was close to the maximum per-unit public subsidy (from all Newton-controlled sources, including but not limited to CPA) for past housing projects in Newton that also had to purchase development sites. If Crescent Street needed \$500,000 of public funding per unit with no acquisition costs, its per-unit costs actually appeared to be higher than for these most heavily subsidized past projects.

Robertson commented that most affordable housing built in Massachusetts uses a capital stack that includes state and federal as well as local public funds. In this case, the citizens of Newton would bear 100% of the cost. Rick Kronish said a public subsidy from any one source of \$500,000 per unit was very uncommon; recent housing projects in Cambridge, Chelmsford, and other communities had been built with much lower local subsidies. Sargent said it was disconcerting to see CPA funds requested for 100% of the affordable units' costs, with no funds leveraged from other sources. Though Kronish and Sargent acknowledged that Newton had invested over \$300,000 of local public funds per unit in some past housing projects, they explained that the CPC was trying hard to encourage new requests for lower per-unit local subsidies, and the use of CPA funds as "gap funding," rather than as any project's sole or primary funding source.

Jonathan Yeo noted the CPC was also hoping that CPA funds might leverage some of the City of Newton's federal (CDBG/HOME) housing dollars for one or more projects submitted in response to the City's current RFP. Heath explained that the deadline for responding to that RFP was November 17.

Robertson, Kronish and Sargent all agreed that several aspects of the current plan for Crescent Street, including having the City serve as the developer, might make it difficult to access other funding sources. Robertson suggested that more affordable units might be built at a larger site somewhere else in the City, with a much lower per-unit subsidy from Newton public funds, by bringing in a developer who could leverage other funding sources. Kronish and Sargent wondered whether the project might qualify for project-based vouchers.

Robertson noted that the Crescent Street project's small size might also contribute to its high per-unit costs. The CPC has been complaining about lack of scale as a cause of high costs for private affordable housing projects, such as those developed by Citizens for Affordable Housing Development in Newton (CAN-DO). Yet this project has a similar problem. Sargent noted that the usual way to decrease per-unit costs is to increase density. At 8 units, the project at Crescent Street is too small to use affordable housing tax credits efficiently.

Yeo noted that one plus for CAN-DO's past small, relatively expensive projects was that all the units were affordable. Kronish commented that CAN-DO's units were also often affordable to families at 60 percent or less of the area median income (AMI), whereas the Crescent Street affordable units were apparently targeted for households at 80 percent of AMI. (Ingerson explained that, although the Crescent Street pre-proposal had not specified an income target for the affordable units, City Housing staff had inferred this 80 percent AMI level from the affordable rents listed in the submitted operating budget.)

Beryl Gilfix agreed with other members' comments about the Crescent Street affordable units but also felt that that Newton non-CPA public funds and public land should not be used to subsidize the 4 market-rate housing units proposed for this site. Robertson agreed that this was a legitimate question to raise.

Robertson wondered whether the best use of the entire Crescent Street site might not be as a park that would expand and improve access to the site's existing small playground. Working with Myrtle Baptist Church, it might also be possible to provide pedestrian access from the site to West Newton Square and the commuter rail stop. Kronish and Yeo agreed that the CPC had no concerns about the project's planned park component.

Councilor Gentile felt the requested \$500,000 public subsidy per unit for Crescent Street was justified because of continuing City ownership. Sender pointed out that the affordable units will be permanently restricted, so

they cannot be sold in the future for an appreciated market value. Councilor Gentile noted that the City would not face such constraints on its future choices about the project's market-rate housing. He also felt that the land at this site would always be an economically valuable asset for the City.

Sargent noted that, in an 8-unit rental development, a single vacancy or a single tenant falling behind on the rent could have a major impact on the overall project's operating viability. Kronish noted that if the development subsidy from grants were decreased, the internal operating subsidy – from the market-rate units to the affordable ones – might have to increase.

Heath explained that the housing would be managed not by the Public Buildings Dept. but by another agency or organization, possibly the Housing Authority. Councilor Gentile noted that the operating budget included the costs of property management. Elaine Rush Arruda, a member of working group, explained that the 4 market-rate housing units were intended to subsidize the operating costs of the 4 affordable units. Councilor Gentile acknowledged that since the project's currently envisioned funding sources did not include bonding, the debt service listed in the submitted operating budget might be eliminated as an operating cost.

Morse said the City planned to hire an owner's project manager (OPM) within the next month, and to select a designer through the required City Designer Selection Committee early in 2017. To help address some of the questions raised by the CPC, the OPM would need both housing and park design experience but could also hire additional specialized real estate analysts and consultants. A revised development budget for the project, for example, would be developed by a separate consultant. Though any CPA funds appropriated would be controlled by Public Buildings, Morse said the Crescent Street OPM would report to all three department heads: Public Buildings Commissioner Josh Morse, Planning Director Barney Heath, and Parks & Recreation Commissioner Bob DeRubeis. Councilor Gentile asked Morse to provide the CPC with the working group's draft Request for Qualifications for an OPM.

Morse was confident that his success in working with OPMs on many non-housing projects would help the Crescent Street project succeed as well. Councilor Gentile agreed that Public Buildings' could apply to this project its recent experience in building schools and fire houses on time and under budget. Yeo and Robertson also complimented the project management skills of the current Public Buildings staff.

Kronish noted that the responsibilities outlined by Morse were much broader than those associated with the job title of "owner's project manager" in most development projects. Robertson said he would prefer to spend \$10-\$20,000 to have an experienced affordable housing consultant outline options that might reduce the project's unit costs or help it qualify for additional sources of funding. Yeo thought this might be useful, but he also did not want to set aside any of the work already done by the community. Gentile believed that the pre-proposal's development budget, which was created pro bono by staff at National Development, was highly professional, so there was no need to spend money on an additional housing consultant.

Heath acknowledged that the development costs and per-unit subsidies estimated to date seemed high and said the City would also like to see better participation from other funding sources. Councilor Gentile agreed that it would be difficult for the City to tap other funding sources but thought there might be more sources worth exploring. Heath saw this exploration as part of the scope of work for the OPM.

Morse and Heath felt that to some extent the project had a chicken-and-egg problem: it needed initial funding to begin design work, but it also needed initial designs to provide a clearer sense of both what the project would look like and what it would cost. They hoped the CPC would recommend the requested design funding.

Sender felt that if the designers were told to design a project with 4 market-rate housing units and 4 affordable units, that was what they would design, even if that mix and use might not be the best for this property, or would not help to leverage funding from additional sources. As a developer himself, Robertson said he did not typically start with a budget and ask for a design. Instead he asked the designer to work with a set of goals based on a market analysis – number of units or bedrooms, type of construction, etc. – then to refine the design in response to estimated costs.

Councilor Gentile hoped the CPC would identify a maximum per-unit subsidy it would be willing to support for this project, so the City could then seek other sources to fill any resulting funding gap.

Robertson asked other CPC members whether they could support a subsidy of \$200,000 per unit. Sargent felt that limit would at least give the project team an incentive to find other resources. Yeo said he would be willing to support more than \$200,000 per unit, despite his continuing concern about the requested per-unit subsidy, because this project presented a unique opportunity, and the community and elected officials had thought carefully about it. However, the best choice might be a number in the middle. Robertson felt that \$250,000 or even \$300,000 per unit could be acceptable, if that were achieved by dividing the current \$2 million CPA request among 6 or 8 affordable units rather than 4. After further brief discussion, the CPC decided that it could not set an absolute maximum per-unit subsidy without additional information about options for reducing per-unit costs and for additional funding sources.

Summing up the discussion, Heath said that developing affordable housing in Newton was always difficult. The initiative taken by the City through this project will make an important statement. He did not think the views of the Crescent Street working group and of the CPC were that far apart. He believed the CPC had basically asked the working group to “sharpen its pencils on the budget.” He hoped the CPC would recommend the funding needed for design work that could both help minimize the project’s development and operating costs, and assist in identifying or applying for funding from other potential sources. Heath and Morse both felt that CPA funding for design costs at Crescent Street would be consistent with the CPC’s policy, quoted by Ingerson earlier in the meeting, of requiring completed designs before considering construction funding requests.

Sender and Ingerson asked the Committee to provide clear guidance to the Crescent Street working group about what it wanted to see in a revised pre-proposal or a full proposal, in response to the concerns expressed in its discussions of the Crescent Street project to date. After a brief further discussion,

VOTE: Robertson moved to consider off-cycle (ahead of the next annual deadline in the fall of 2017), a full proposal for Crescent Street project design funding, if accompanied by revised full development and operating budgets that address the CPC’s continuing concerns about the original pre-proposal. After seconding by Don Fishman, the motion was adopted by a vote of 7 in favor, 1 opposed (Gilfix).

After the vote, Sender, Robertson, and Yeo emphasized that this off-cycle full proposal should include a revised budget for the full project but should request funding only for design costs. On behalf of the project team, Morse accepted this requirement.

Ingerson reminded the proposal sponsors that an off-cycle proposal must be submitted 1 month ahead of the CPC meeting date requested for the public hearing. For example, a proposal would be due by 12 December 2016 if the project team wanted the CPC to hold a public hearing on that proposal at its 12 January 2017 meeting.

COMMITTEE BUSINESS

After a motion by Yeo, seconded by Gilfix, the Committee approved the CPC minutes for its 3 October 2016 meeting as submitted by a vote of 8-0.

The Committee then adjourned by consensus at 9:10 pm.

Next page: totals from comparison of funding forecast & potential proposals for the next 5-10 years. →

**Newton, Massachusetts, Community Preservation Program
 Current & Future Proposals Compared to Available Funds & Allocation Targets**

Project Title	Affordable Housing	Historic Resources	Open Space or Recreation Land	
			Acquisition	Rehabilitation
TOTAL Current Proposals + Pre-proposals & Related Proposals + Other Future Proposals ≈				
\$36,892,810	\$4,200,000	\$14,717,810	\$5,000,000	\$12,975,000
% Allocation by Resource	11%	40%	14%	35%
CPC target allocations by resource, ± 5%:	30%	25%	20%	20%

FIVE-YEAR FORECAST: Total Available Funds for Fy17-21 ≈

\$25,122,327

target allocations – 5%	\$6,280,582	\$5,024,465	\$3,768,349	\$3,768,349
target allocations + 5%	\$8,792,814	\$7,536,698	\$6,280,582	\$6,280,582

TEN-YEAR FORECAST: Total Available Funds for Fy17-26 ≈

\$38,203,760

target allocations – 5%	\$9,550,940	\$7,640,752	\$5,730,564	\$5,730,564
target allocations + 5%	\$13,371,316	\$11,461,128	\$9,550,940	\$9,550,940