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**Community Preservation Committee
Funding Recommendation for
ALLEN HOUSE Phase 2, Additional Rehabilitation**

date: 4 April 2016
from: Community Preservation Committee
to: The Honorable City Council

PROJECT GOALS & ELIGIBILITY

This project will substantially complete the Newton Cultural Alliance's (NCA) plan to preserve and rehabilitate the historic Nathaniel Allen House (35 Webster Street, West Newton) for use as a community cultural center, as revised from the initial plan submitted to the CPC in November 2013. The rehabilitated building will provide offices, meeting rooms, and classrooms for nonprofit arts groups, as well as event spaces for recitals, lectures, poetry readings, theater performances and other community gatherings.

The Allen House's 1977 listing on the National Register of Historic Places and its 1998 local designation as a Newton historic landmark both make it eligible for CPA funding. In addition, the Massachusetts Historical Commission's acceptance of NCA's initial applications for historic tax credits confirmed that the project's treatment plan complies with the federal historic rehabilitation standards required by the state CPA statute.

RECOMMENDED FUNDING

On 10 March 2016 by a vote of 8-0 (member Don Fishman absent) the Community Preservation Committee recommended appropriating \$2,000,000 for this project from the Community Preservation Fund's historic and general fund balances and reserves to the control of the Planning & Development Department, for a grant to the Newton Cultural Alliance for all purposes included implicitly in the summary budget below. The CPC's recommended conditions for the phased release of these funds are listed on the following page.

Allen House: Uses of Funds		<i>% of Total Project</i>
PHASE 1 TOTAL COSTS (incl. acquisition of 35 Webster Street)	\$1,204,000	20.4%
PHASE 2		
Hard Costs (Construction)	\$4,006,000	67.9%
Soft Costs (Architecture, Engineering, Finance, Insurance, Utilities, etc.)	\$690,000	11.7%
PHASE 2 TOTAL COSTS	\$4,696,000	79.6%
TOTAL USES of FUNDS, PHASES 1 - 2	\$5,900,000	100.0%
Allen House: Sources of Funds		
CPA - appropriated 2014, applied to Phase 1	\$300,000	5.1%
CPA - recommended, for Phase 2	\$2,000,000	33.9%
Bank Debt: 35 Webster Street	\$750,000	12.7%
Mass. Cultural Council	\$600,000	10.2%
Private Donations to Date	\$550,000	} 21.2%
Foundations / Capital Campaign (quiet phase spring 2016)	\$700,000	
Historic Credits in Basis	\$1,000,000	16.9%
TOTAL SOURCES of FUNDS, PHASES 1 - 2	\$5,900,000	100.0%

website www.newtonma.gov/cpa

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SPECIAL ISSUES CONSIDERED BY THE CPC

Funding Leverage: The budget submitted with the 2016 proposal shows CPA as less than 40 percent of this project's total funding. As it did in 2014, the CPC considers this high leverage for CPA funds appropriate for a privately owned building, even one that will benefit multiple community organizations and the community at large. The CPC also recognizes that an early and substantial commitment of CPA funds is critical for raising funds from other sources. To minimize the risks of that commitment, yet allow the building to begin generating revenue as soon as possible, the CPC recommends phasing the release of CPA funds.

Development & Operating Budgets: In 2013-14, the CPC was concerned that NCA's construction budget for Allen House was based only on preliminary designs, and that its projected 10-year operating budget omitted some foreseeable future costs. The CPC considers the revised, 2016 versions of both budgets credible. The 2016 construction budget now reflects lessons learned from the project's phase 1 and 50% construction drawings, revised to support significantly different uses than those envisioned in 2013. NCA also has contingency plans to phase the work if it takes longer than anticipated to raise all required construction funding. The 2016 operating budget, created in collaboration with an independent consultant (SOAR 55), uses conservative revenue assumptions and includes previously omitted costs, such as a replacement reserve. Finally, the CPC recognizes that inadequate maintenance was a key reason why Newton's past investment of its public funds (primarily CDBG) in Allen House fell short of truly preserving this historic building. The CPC therefore supports NCA's plan to charge for community use of the building, while also encouraging such use.

ADDITIONAL RECOMMENDATIONS *(funding conditions)*

1. **Deadlines:** All recommended funds will be appropriated within 6 months, and the project will be completed within 36 months, after the date of this recommendation. If either deadline cannot be met, the Newton Cultural Alliance should submit to the CPC a written request for that deadline's extension.
2. **Grant agreement & release of CPA funds:** CPA funding for the project will be governed by a written grant agreement that includes but is not limited to the following conditions, with the understanding that the project will raise required non-CPA funds from sources other than Newton-controlled public funds:
 - ◆ initial 30% of CPA grant (\$600,000) – to be released upon recording an expanded historic preservation restriction and meeting the other conditions usual for CPA-funded private construction projects (City-approved procurement process, final construction contract, building permit, etc.)
 - ◆ second 30% of CPA grant (\$600,000) – to be released upon state allocation of all historic tax credits listed in the proposal budget (\$1 million basis) and commitment of an additional \$600,00 in non-CPA funds
 - ◆ third 30% of CPA grant (\$600,000) – to be released when the capital campaign has raised an additional \$700,000 in non-CPA funds, anticipated but not required to come from private foundations and individuals
 - ◆ final 10% of CPA grant – to be released upon receipt of a written and in-person final report to the CPC, including a summary of project results and a budget-to-actual comparison of project costs
 - ◆ City approval required for any future significant changes in the building's ownership or use, and the option to require repayment of CPA funds under specified conditions (for example, if the building is sold for market-rate commercial or residential uses)
3. **Return of unspent CPA funds:** Any CPA funds appropriated but not used for the purposes stated herein will be returned to the Newton Community Preservation Fund.

KEY OUTCOMES

The Community Preservation Committee will evaluate this project based on how well

- ◆ the project meets conditions 1 and 2 above
- ◆ NCA's long-term management preserves the building's historic features, which were the basis of the project's CPA funding and historic tax credits, without additional public funding

Attachments listed on next page.

ATTACHMENTS

(delivered to the clerks of the Zoning & Planning and Finance committees)

- ◆ Detail for budgeted uses (backup for budget on p. 1 of this recommendation)
- ◆ CPC webpage for this project, listing information available online that has been omitted from this packet:
www.newtonma.gov/gov/planning/cpa/projects/allen.asp
- ◆ Proposal and selected supporting documents submitted to the CPC