

CPA Application Analysis

Cambria Road

11-13 Cambria Rd., West Newton, MA

February 23, 2006

Project Sponsor: CAN-DO, Inc., is the project sponsor. CAN-DO is a local, non-profit affordable housing development organization formed in 1994. From 1994 – 2004, CAN-DO primarily developed small rental projects for special needs residents and low-income families and individuals, completing 20 units in a ten year period. Since 2004, CAN-DO has 24 units in construction and/or predevelopment, including 11-13 Cambria Rd. Eleven (11) of the 24 units are affordable condominiums and 5 units are a group residence.

CAN-DO's full-time staff person is Executive Director, Josephine McNeil. The 11 person board of directors includes 7 members who have served on the board for 3 or more years.

A review of CAN-DO's current balance sheet and older audited financial statements reflect the organization's stature as a small organization with limited resources.

Project Owner: CAN-DO will own and manage the two-family house.

Project Description: CAN-DO acquired the existing two-family house in late November 2005, in order to provide two, 2 bedroom units of rental housing affordable to very low- and/or low-income households. CAN-DO plans to renovate the house and rent the units to families earning approximately 50% or less of area median income and no higher than 80% of median. Renovation plans include deleading, window replacement, electrical system upgrades, minor structural repairs and floor refinishing.

Total development cost is projected at \$836,566. (See attached summary budget.)

The amount of CPA requested by CAN-DO is \$350,000, and represents a \$30,000 increase than was initially requested in the CPA application, dated December 1, 2005. This increase is based on input from the Newton Housing Partnership's review of the proposal, as well as an analysis of the operating budget.

It should be noted the City has already expended \$200,000 in Housing Development Forgivable Loan funds to the project and will close soon on Newton Housing Rehabilitation Funds (NHRF) so that deleading can start.

Property Background: The property is an existing two-family house, approximately 125 years old, and in reasonably good condition. It is located near the Newton-Waltham border in an area consisting mostly of other two-

family houses. The owner, who had lived in the house and was moving, approached CAN-DO about the sale. CAN-DO owns another two-family house on 18 Cambria Rd.

Public Purpose: This project will provide 2, two bedroom rental units affordable to very low-income families earning up to 50% of area median income, or approximately \$25,000 - \$41,000, depending on household size. Affordable family housing is a goal included in the *Newton Framework Plan*, as well as the *FY01-05 Consolidated Strategy and Plan*.

Community Support: CAN-DO did not engage in a community outreach process because the property's use as a two-family house will remain the same. There will be no change to the property, other than to rent the units to low-income families.

Development Analysis: Construction and development costs are realistic and appropriate for the project.

Acquisition Cost: The acquisition price is \$625,000. CAN-DO provided a list of comparable two-family sales that occurred from January 2004 – July 2005, that was compiled by the Newton Board of Assessors. The assessor's report, which excludes properties in Nonantum, indicated the average sales price was \$628,517 and the median sales price was \$640,000.

An appraisal of the site, as improved, was completed November 7, 2005, by Boggini Realty Advisors for the Massachusetts Housing Investment Corporation (MHIC), which provided the acquisition loan. Value was estimated at \$645,000. MHIC provided an acquisition loan of \$585,500.

Construction Scope: The City inspected the site, reviewed the Scope of Work prepared by the architect, and assisted in bidding the deleading and general contract work. In addition, the Newton Housing Rehabilitation Fund has provided funding to the project.

Environmental Issues: The property will require deleading, which has been included in the scope of work.

Relocation: N/A. Vacant.

Development/Management Team: CAND-DO will manage the property. The development team is known to the City and includes:

Architect: Deborah Crossley Architect,
General Contractor: Vasco

Operating Budget: Income projections are based on one unit being rented to a Section 8 voucher holder. Historically, CAN-DO has been able to rent its units to Section 8 voucher holders, so this is a reasonable assumption. Furthermore, the projections account for variations in the Section 8 rents from vouchers issued by different authorities (Newton, Boston, MBHP) and are not based on the highest rent level.

Operating expenses are derived from CAN-DO's experience in managing similar properties. Long-term (20 years) projections indicate the project will be financially viable.

Market Analysis: N/A

Affirmative Marketing Plan and Tenant Selection\Sales Plan: The sponsor did not submit a detailed marketing plan at this time. However, CAN-DO's experience as an affordable housing developer suggests it is familiar with affirmative marketing and tenant selection plans.

Project Timetable: CAN-DO acquired the property in late November 2005. Deleading will start in March 2006. All construction work can be completed within 8 weeks. However, permanent financing commitments are not expected to be complete until April-May 2006, or later.

Special Conditions: Disbursement of CPA funds is subject to developer providing a final budget.