

PROPOSAL

Crescent Street

Affordable Housing & Playground Expansion



All information for this proposal is being posted on the CPC's webpage for this project, which is organized chronologically:

www.newtonma.gov/gov/planning/cpa/projects/crescent.asp

documents in this file, for independent consultant analysis commissioned by the CPC

- ◆ 21 June 2018, consultant executive summary
- ◆ 29 June 2018, consultant-suggested alternative project approach
- *added by CPC staff: summary of CPA-funded housing, open space & recreation project in Carlisle, MA, that used this alternative approach*

See also [separate file with full consultant report, consultant qualifications, and CPC scope of work/request for quotations.](#)

Joseph Development Inc.

Executive Summary

Report to the
City of Newton Community Preservation Committee
Regarding
CPC Funding Request for the
Crescent Street Affordable Housing

Conclusions

- The costs of this project are significantly higher than most other affordable housing properties developed in the greater Boston Area.
- The higher costs are a result of the objectives and constraints that the City has imposed on itself for this project: low density, large unit sizes; inclusion of an elevator; integration with the park, and City ownership.
- Without a major redesign of the project, there are likely no alternative ways to finance the project that could involve non-municipal resources.
- If in the City's perspective, this is a public purpose project backed by the good faith and credit of the City, the objective should be to maximize the public benefit rather than artificially trying to recover costs through the servicing of the bond.
- Several costs in the development budget need to be revisited as they appear to be missing or under budgeted. These include: marketing and rent-up; FF&E; and Capitalized Reserves.
- In order for the City to have a full appreciation of the scale and value of the investment it would be making in this project, in-kind or contributed costs from the City should be quantified as well. These include: the value of contributed land, the proportional cost of demolition and hazmat abatement; interest expense on bonds accrued during construction (assuming bond financing is utilized); waived building permit fee; contributed legal services; the value of self-insurance during construction; as well as an estimate of the value of contributed staff time invested in the management of the development process.
- The operating budget appears to be adequate. The only question we have relative to the operating budget is whether or not a professional management company can be procured for this project at a management fee that can be covered within the management and administrative cost categories
- The RFP that was issued to solicit the services of a Property Management Company was confusing and burdensome given the scale of the assignment

- The proposed rents are all set at the maximum level for each income tier. This will potentially create difficulty in filling units because the band of affordability for each unit type will be very small.

Recommendations

- Forgo the 120% of AMI units and replace them with additional units at 80% of AMI or below
- Review the design and construction scope of work to determine where it might be cut back in light of eliminating the 120% of AMI units
- Rents should be adjusted such that they are at least 5% below the maximum rent per unit type/income level.
- Unless the City is willing to consider a major redesign of the project in terms of physical design and ownership structure, the realization needs to be made that the project is going to essentially be 100% self-funded but for any HOME or CDBG funds that could be invested.
- If the City desires to utilize general obligation bonds as a method to fund the project, they should be viewed as funding sources for the City, not funds that will necessarily be recovered over time out of the property. The entire cost of the project would be covered through whatever combination of CPA funds, Inclusionary Zoning Funds, Raining Day Funds, Health Holiday Funds, Home Funds, CDBG Funds and or general obligation bonding that the City can develop a consensus for.
- Regarding Property Management, the difficulty in procuring a Property Management Firm appears to be a by-product of the City's direct ownership of the property. The public procurement and contracting requirements, compounded by the small size of the project, may make it very difficult to secure the services of a qualified professional management firm. One option to explore would be to delegate the management responsibility to the Newton Housing Authority rather than the City directly. It is possible that they would be able to handle the relationship in a way that is more consistent with a typical Owner-Manager relationship. Additionally, the RFP needs to be streamlined and made easier to respond to. The attached sample Owner-Manager Agreement needs to be revised or replaced with a more standard form of contract. Focus should be on identifying smaller local managers (perhaps local non-profits) that could potentially manage this in conjunction with other properties in the vicinity.

Commentary

- The biggest challenges involved in producing affordable housing are finding sites, raising capital and securing local approval – a three-legged stool. The Crescent St. project has all three of these elements in place, but at a significant cost relative the scale of the project. The debate over this project appears to be not over whether or not building this housing is a good idea, but over whether or not the

objective could be accomplished more cost effectively and with a higher level of return on investment in terms of production of affordable units

- The greater Boston area has a national reputation as a repository of high quality and accomplished for-profit and non-profit affordable housing developers and operators. In addition, Massachusetts is in the top tier of states in the country in terms of investing financial resources into the production and preservation of affordable housing.
- The City of Newton should be commended for making the effort to produce affordable housing through the development of the Crescent Street site. The amount of local funds that the City is potentially going to invest in this project is significant and perhaps unprecedented in the Commonwealth.
- However, in choosing to do this project on its own, Newton may be being short sighted in not taking advantage of the resources available. Historically, local investment in affordable housing by a municipality is leveraged many times over with other public and private resources.
- As outside consultants to the CPC, we are certainly not fully appreciative of the process and politics that has brought the Crescent St project to where it is today. Given the combination of site, capital and local support that has evolved for Crescent St, perhaps there are no reasonable alternatives to what has evolved as a development plan. However, it is certainly worth speculating about what kind of project might result if the City made in excess \$5 million in capital and in-kind contributions available to potential housing developers in terms of scale, leverage of resources and level of affordability.

Forwarded by CPC staff to full CPC on Chair's recommendation,
3 July 2018, 4 pm

From: Gerry Joseph <gjoseph@josephdev.com>
Sent: Friday, June 29, 2018 4:59 PM
To: Alice Ingerson <aingerson@newtonma.gov>
Cc: Peter Sargent <sargent@mhic.com>
Subject: **[Crescent Street] Follow up**

Hi Alice.

It was great to finally meet you in person last week. I think it went well. I was actually quite impressed with the thoughtfulness of your committee members. They are somewhat between a rock and a hard place!

After reflecting on the discussion, I thought I would share with you a concept about how this might be able to be resolved:

- Request that the Council amend their Order to allow increase in the number of units to up to 16 and to allow for the city to maintain ownership and control through a master lease of the land to either the Housing Authority or a private developer (for profit or non-profit)
- RFP for a residential developer (or delegate to NHA) under the ground lease structure - income and affordability restrictions to be built into ground lease
- The City should proceed and develop playground expansion and site clearance and infrastructure - funded by CPA funds
- allow developer to increase density up to 16 units with City approval
- City maintain site plan and design approval
- income restrictions built into ground lease
- Developer would secure financing and build project - private debt and/or equity; DHCD funds and additional gap funding from the city. I would suggest that the City indicate what its limit on funding would be in the RFP.

Though this might seem like starting again at ground zero, I think it gets at what the main issues are. If the City is dead set on not giving up being the developer, then you are back in the box of having to fully fund it with local resources.

Best of Luck in moving forward! Let me know if I can be of any further assistance.

Gerry

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Published on *Community Preservation Coalition* (<http://www.communitypreservation.org>)

[Home](#) > [Success Stories](#) > [Mixed Use](#) > Benfield Farms, Carlisle > Printer-friendly

Benfield Farms, Carlisle

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The Town of Carlisle, a small CPA community in northeastern Massachusetts, is home to the Neighborhood of Affordable Housing, Inc (NOAH) Benfield Farms, **an exemplary ground-lease, mixed-use CPA project**. The town and partners from across the state celebrated a groundbreaking in May 2013. The 45-acre site has benefitted from Carlisle's dedication to the holistic planning of the land, and the creation of separate restrictions for each use. Volunteers and town officials from recreation, conservation, planning, and housing backgrounds worked together to create a collage of uses that fills the needs of the town. The land hosts public-access conservation land and a 26-unit senior affordable housing development.

"It's an integrated parcel; town leaders had the vision that all of the programs were planned from the very beginning," says Elizabeth DeMille Barnett, Carlisle's Housing Coordinator. A part-time employee of the Town, Elizabeth was hired to support the town on the Benfield project and to help the town implement its five-year housing production plan. Through this role, she has helped the Recreation Committee, Conservation Committee, and Housing Board to draft the three separate restrictions for the **active recreation** elements of the parcel (**Conservation-Recreation Easement**), the **conservation land** (**Conservation/Public Access Easement**), and the **community housing** village (**Affordable Housing Restriction**). This approach has granted the planners the flexibility to tailor allowances and restrictions to the specific use type.



When asked about Carlisle's contribution, Elizabeth goes over the funding breakdown, but emphasizes "the sweat equity, which has been donated. Carlisle is barely a 5,000-person town," she said. "[Benfield Farms] has benefitted from hundreds of hours of volunteer work, and free legal advice," which helped the project win funding approval at three Town Meetings. **The \$11.65M project was funded with \$2.65M in CPA funding, a 73% leverage of its CPA contribution.**

A closer look at the housing development offers a window into the planning process. In contrast to a traditional approach, which would place the units in a denser downtown area, Benfield Farms planners prioritized a more rural experience. Carlisle seniors, a group mostly underserved by affordable housing options, expressed their desire to have playing fields located close to the apartments, and asked for a dedicated area to keep snowshoeing gear. The units also have access to community gardens, wildlife viewing, and recreational facilities.



Keys to Success

- Carlisle and the selected developer, **The Neighborhood of Affordable Housing (NOAH)** did an **extensive visioning and public outreach effort** prior to the release of the RFP and throughout the permitting process, to build community buy-in.
- The town **hired a part-time housing coordinator** to work directly with Carlisle's Community Preservation Committee, handle all the details, and ensure the legality of this complex project.
- Carlisle **made a data-based case for affordable housing**, finding that the town's senior population is higher than the state average, projected to reach 27% by 2030. The current poverty rate for seniors is 8.7%. The Benfield team showed that current facilities could not meet demand.
- Carlisle made sure to **protect each use with a separate restriction** from the outset, fulfilling a legal requirement of CPA.

The apartment building, situated on 4.4 acres, is Carlisle's first rental development in 30 years. Of the 26 planned units, 18 will be at 60% of area-wide median income (AMI), and 8 will be capped at 100% of AMI. Without a single ad for the units, and before construction, 109 seniors requested to have their names put on an unofficial waiting list for residency.



The building is designed to mirror the style of old farming houses in the area: a barn attached to a house.

The conservation-recreation land provides for uses that are largely for conservation purposes, but also allows for spaces for a public park or athletic field. **Carlisle has appropriated \$25,000 of CPA funds for planning and expects to eventually set aside an additional \$475,000 in CPA funds for an athletic field.** The conservation parcel, where recreation uses are not allowed, is already a popular destination. Wildlife observation decks, educational nature walks, snowshoeing in the winter months, and a town trail which leads to other conserved lands draws naturalists to the site.

Project Summary

Open Space: 26 acres

\$2M: CPA OS funds, bonded for 7 years

Conservation Restriction with Public Access

Affordable Housing: 4 acres, 26 units

\$425,000: CPA Affordable Housing funds

\$4.72M: **Tax Credit Equity**

\$550,000: DHCD HOME Funds

\$550,000: Housing Stabilization Funds (State Grant)

\$700,000: Town of Carlisle Affordable Housing Trust Fund

\$561,000: State Tax Credit

\$1.55M: Mass Housing Partnership Loan

\$4M: Citizens Bank Construction Loan

Affordable Housing Restriction

Recreation Lands: 15 acres

\$25,000: CPA Recreation funds.

Conservation Restriction for Recreation Uses

