



Setti D. Warren
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Candace Havens
Director

Community Preservation Committee FUNDING RECOMMENDATION

date: 27 November 2012
from: Community Preservation Committee
to: The Honorable Board of Aldermen
for: **54 Eddy Street, affordable housing**

PROJECT GOALS & ELIGIBILITY

This project will rehabilitate a two-family home built in 1910 to create rental units, deed-restricted to be permanently affordable to one household at up to 50% of the area-wide median income (2 bedrooms) and one at up to 80% of the area-wide median income (3 bedrooms). No change will be made to the building's footprint. The project is eligible under the Community Preservation Act as the creation of affordable housing.

RECOMMENDED FUNDING

On 14 November 2012 by a unanimous vote of 7-0 (member Michael Clarke absent, Newton Historical Commission position currently vacant), the Community Preservation Committee recommended that the requested \$255,000 be appropriated for a grant to Citizens for Affordable Housing Development in Newton (CAN-DO) for this project, as described in the proposal and updates submitted July-November November 2011, with funds to be used for all eligible purposes included implicitly or explicitly in the summary budget at right:

DEVELOPMENT BUDGET for 54 EDDY STREET		
USES		
Acquisition		\$ 660,000
Construction		
Direct Construction Costs, incl. lead/asbestos removal		\$ 257,700
Contingency	10%	21,270
General Development		
Architecture, Engineering, Survey		\$ 22,000
Building Permits, Legal, Title, Etc.		\$ 15,617
Taxes & Insurance		\$ 14,051
Mortgage Loan Interest		\$ 25,000
Contingency	10%	\$ 7,667
Developer Overhead/Fee	8%	\$ 81,945
Capitalization of Replacement Reserve		\$ 10,000
Total		\$ 1,115,250
SOURCES		
City of Newton - CDBG (incl. lead/asbestos removal)		\$ 690,250
RECOMMENDED CPA FUNDS		\$ 255,000
Charlesbank Homes (Foundation Grant)		\$ 50,000
Village Bank Mortgage (after write-down)		\$ 120,000
Total		\$ 1,115,250

website www.newtonma.gov/cpa

contact Alice E. Ingerson, Community Preservation Program Manager

email aingerson@newtonma.gov phone 617.796.1144

SPECIAL ISSUES CONSIDERED BY THE CPC

Location: This site is within comfortable walking distance of 3 public schools (elementary, middle, and secondary), shopping and public transportation.

Project Costs & Population Served: The sponsor has requested a relatively high public subsidy so this project can serve low-income households without rental vouchers. This goal is consistent with Newton's *Consolidated Plan for Housing & Community Development* and longstanding recommendations of the Newton Housing Partnership. It also recognizes the uncertain future of federal funding for Section 8 vouchers.

Scope of Work & Sustainability: All permanently deed-restricted affordable rental housing generates below-market rents, by definition, but rents affordable to this project's low-income tenants must be even lower than usual. De-leading and asbestos removal are required by the project's federal funding. The project's additional proposed major repairs and improvements are all supported by the home inspector's report, the Newton Housing Partnership and the City of Newton's Housing rehabilitation staff, including adding a ¾ bath on the floor that currently contains only the 3 bedrooms of the larger unit, and conversion of the heating system from oil and steam radiators to gas and hot-water baseboard units. The new heating system is expected to pay for itself fairly quickly through energy savings. All together, these up-front investments will ensure that few major repairs are needed in the project's first 10-20 years, allowing CAN-DO to build a replacement reserve for the project's long-term future, even with very low operating income.

Developer Fee & Organizational Finances: The requested 8% developer fee is very low by affordable housing industry standards. As usual, this fee is also "at risk" to cover any actual development costs that exceed those budgeted. Financial statements for CAN-DO as an organization as a whole and for its completed projects, as reviewed by the Planning & Development Board in September-October 2012, are available from the project's CPC webpage.

ADDITIONAL RECOMMENDATIONS *(funding conditions)*

- 1. Funding sources & spending authority:** All funds should be drawn from the current Community Preservation Fund fund balance restricted to affordable housing, allocated as community housing, and appropriated to the spending authority of the Director of Planning and Development.
- 2. Grant agreement:** This agreement must cover but should not be limited to: pre-conditions for the initial release of funds (including evidence that the project can be completed as approved(commitment of other needed funds, executed construction contracts, and required City permits; and final approval and filing of the affordable housing deed restriction); procedures for the release of construction funds on a reimbursement basis and of the developer fee; requirements for publicizing the project and regular progress reports to the Community Preservation Committee or Board of Aldermen ; and pre-conditions for releasing the final 10 percent of funds, including verified completion of construction & an in-person presentation & written report on final project results to the CPC.
- 3. Deadlines:** All funds must be spent within 18 months after they become available, or by any extension of that deadline granted in writing by the Director of Planning and Development
- 4. Return of unspent funds:** Any CPA funds not used for the purposes stated in the attached proposal or this recommendation must be returned to the Newton Community Preservation Fund.

KEY OUTCOMES

The Community Preservation Committee will evaluate this project based on these key outcomes:

- 1.** on-time, within-budget completion of the scope of construction as described in the proposal submitted 15 July 2012 and updates or supporting information submitted through 14 November 2012
- 2.** initial occupancy within 2 months of completion, and continued occupancy in perpetuity, by one household with up to 50% and another with up to 80% of the area-wide median income

ATTACHMENTS listed on the following page are also available from this project's link on the CPC's *Proposals & Projects* webpage: <http://www.newtonma.gov/gov/planning/cpa/projects/default.asp#Pending>

ATTACHMENTS delivered to the clerks of the Land Use and Finance Committees:

- ♦ Sponsor's slide presentation to the Planning & Development Board & CPC
- ♦ Proposal & current attachments, including development & operating budgets
- ♦ Current scope of work & cost estimates
- ♦ Selected pages from appraisals: sketch floor plans & photos, conclusion of independent appraisal commissioned by CPC
- ♦ Letter from Newton Housing Partnership
- ♦ Memo from City of Newton Housing staff

Additional documents available from this project's link on the CPC *Proposals & Projects* webpage:

<http://www.newtonma.gov/gov/planning/cpa/projects/default.asp#Pending> :

- ♦ Photos: from realtor website, by City of Newton Housing staff and by project architect (best in color)
- ♦ Deed, confirming purchase price
- ♦ Full appraisals: one commissioned for the Village Bank & independent appraisal for the CPC
- ♦ Acquisition/site control documents: P&S, deed, mortgage & assignment of rents
- ♦ Full home inspector's report (very thorough)
- ♦ Letter from sponsor re: other funding sources being explored (very preliminary)
- ♦ Petition with supporting signatures, submitted by sponsor
- ♦ Sponsor's overall & past project financial statements reviewed by the Planning & Development Board in September –October 2012