

City of Newton



David B. Cohen
Mayor

City of Newton, Massachusetts
Community Preservation Committee



MEMORANDUM

TO: Honorable Board of Aldermen
FROM: Community Preservation Committee
DATE: 29 June 2005
RE: **CPC Recommendation For CPA Funding**

PROJECT TITLE: Millhouse Commons
CPA PROJECT ID: CPA-FY05-13
CPA CATEGORY: Community Housing & Historic Preservation

PROJECT DESCRIPTION

The applicant, CAN-DO, is requesting \$735,000 of CPA funds to be used to create four affordable/community housing units in a proposed development of six total housing units (two of which will be market rate). The project is located at 1093 –1101 Chestnut Street in Newton Upper Falls and will convert the existing two-family dwelling at 1093 Chestnut Street into a single-family dwelling, demolish and rebuild the existing two-family dwelling at 1101 Chestnut Street as a single-family dwelling, and construct four new units in two duplexes to the rear of the property. The funding request would be divided into two parts, \$693,347 would be for community housing purposes, and \$41,653 would be for historic preservation of the ca 1870 Italianate style mill workers house at 1093 Chestnut Street (proposed as a market-rate unit). In addition, the City Solicitor is requesting \$3,383 be appropriated for the City's legal services associated with the project, for a total CPA request of **\$738,383**.

BACKGROUND

CAN-DO purchased both properties in December 2003. The proposed development was reviewed by the Newton Historical Commission under the City's Demolition Review Ordinance. The Commission waived the stay of demolition in September 2004 based on the proposed development plans. The project received approval for a comprehensive permit under MGL c.40B from the Zoning Board of Appeals on 22 March 2005.

CAN-DO submitted an application for CPA funds in October 2004 and the CPC held an initial public hearing in November 2004 on the CPA funding request for this project, which was originally \$650,000. CAN-DO requested that the application be held in order to identify additional sources of revenue to fill a financing gap that resulted from CAN-DO's responsiveness to neighborhood requests to reduce the total number of units in the development from eight to six.

In May 2005, CAN-DO increased the CPA request to \$800,000, but at public meeting on May 25, the CPC expressed strong reservations regarding the high cost of the project and the amount of public subsidy requested. CAN-DO responded to these concerns by decreasing the development costs by altering the proposed method of construction from "stick-built" to modular construction, which resulted in savings of approximately \$650,000. In addition, CAN-DO increased the number of affordable/community housing units from three to four (while maintaining a total of six units), further altering the finances of the project. The CPC held a second public

hearing in June 2005 on the amended proposal and voted to recommend the CPA funding request of \$735,000 (as further described below).

FINDINGS/PROJECT EVALUATION

Community Preservation Act (MGL c.44B)

Community Housing

MGL c.44B defines **community housing** as “low and moderate income housing for individuals and families ...” This project, which would provide homeownership units for individuals below 80% and 100% of the area median income (AMI), complies with this definition of community housing.

The project complies with §5(b)(2), which allows the CPA to fund the **creation** of community housing. This project would create two units of affordable housing (for households up to 80% AMI) and two units of community housing (for households up to 100% AMI) that are bound through permanent deed restrictions in accordance with MGL c.184.

Historic Preservation

MGL c.44B defines an **historic resource** as “a building . . . that . . . has been determined by the local historic preservation commission to be significant in the history, archeology, architecture, or culture of a city...”

The Newton Historic Commission determined, through a memo dated 27 October 2003, that the building at 1093 Chestnut is “Preferably Preserved” as an example of the type of housing originally constructed within the mill village for its contribution to the streetscape, and for its relationship to the Upper Falls Historic District.”

In accordance with §5(b)(2), the project would **rehabilitate** the house at 1093 Chestnut. Based on preliminary review by Lara Kritzer, the City’s Preservation Planner, the scope of work generally appears to comply with the *US Secretary of the Interior’s Standards for the Treatment of Historic Properties, Standards for Rehabilitation*.

Newton Community Preservation Plan

Overarching Goals

1. Contribute to the preservation of Newton’s unique character, boost the vitality of the community and enhance the quality of life for its residents.	Yes
2. Serve more than one CPA category.	Yes
3. Demonstrate the highest cost/benefit value relative to other proposals.	See below
4. Leverage other public and/or private funds.	Yes, see below
5. Preserve a resource or opportunity that would otherwise be lost.	Yes
6. Create incentives for other private projects to occur.	No
7. Show that a project is the most reasonable available option to achieve the objective.	Yes
8. Demonstrate strong community support.	See below
9. Serve to equitably distribute CPA funds throughout the City.	See below

Additional comments on selected goals:

Goal #3: In terms of CPA cost per affordable/community housing unit, this project, at \$173K of CPA funds per unit, demonstrates a comparable cost/benefit value relative to the other CPA affordable/community housing projects.

The following table presents the CPA costs per aff./comm. housing unit for both recommended and funded projects (dollar amounts have been rounded, where appropriate). Note that CPA cost per unit varies substantially from one project to another because of differences in the nature of the projects, availability of other sources of funds and changing market conditions.

<i>Project Name</i>	<i>Fiscal Year</i>	<i>Total CPA Funds (for housing portion only)</i>	<i># of aff./ comm. housing units</i>	<i>CPA Cost per Unit</i>
Millhouse Commons	05	\$693,347	4	\$173,337
248 Elliot Street/Linden Green	05	\$512,000	3	\$171,000
Falmouth/Jackson	05	\$550,000	4	\$138,000
19 West Street	04	\$263,000	2	\$132,000
Forte Property/76 Webster Park	04	\$377,000	3	\$126,000
Wyman Street	05	\$1,000,000	10	\$100,000
Cambria Road	03	\$200,000	2	\$100,000
Pelham House	04	\$312,000	10	\$31,000
Nonantum Village Place	03	\$850,000	34	\$25,000

Goal #4: The proposal leverages CPA funds to a high degree. The CPA request of \$735,000 is approximately 23% of the total development costs, which are \$3,191,524. The project has three other funding sources: City of Newton CDBG (\$375,000), Cambridge Savings Bank (\$2,082,066), and proceeds from the sale of the two market rate units (projected at \$630,000 per unit). The total public subsidy of \$1,110,000 is approximately 35% of the total development costs.

Goal #8: At both of the CPC public hearings, some concerns regarding the density of the project were raised by members of the neighborhood, however, the majority of public comments were in support of the project. In addition the applicant has submitted numerous letters of support. The Upper Falls Community Development Corporation has also indicated their support for the six-unit configuration.

Goal #9: The FY05 applications included funding requests for projects in Nonantum, Newton Corner, West Newton, Newtonville, Newton Upper Falls, Newton Center, Newton Highlands, Waban, as well as city-wide projects. The Millhouse Commons project is located on Chestnut Street in Newton Upper Falls.

Community Housing Goals

1. Create community housing that is well designed, is of high quality, and is based on sound planning principles.	Yes, see below
2. Address one or more of the City's priority housing needs, such as those articulated in the City's Consolidated Housing Strategy Plan 2001-2005 and A Framework for Newton's Planning.	Yes, see below
3. Help Newton reach the state mandate of having 10% of its housing stock as affordable to those at or below 80% of median income under MGL c.40B.	See below
4. Create new moderate housing units (80% to 100% of median income) that promote housing for City employees, such as teachers, firefighters, and police officers.	Yes
5. Keep new units affordable for the long term, and in perpetuity where possible.	Yes
6. Use deed restrictions to acquire, update, and resell existing market rate housing as affordable units, following the small house program model.	No
7. Show that the proposal leverages or is not otherwise eligible for other public funds and could not otherwise be economically feasible without CPA funds, such as proposals for community housing targeted at households earning between 80% and 100% of area median income.	Yes
8. Demonstrate that the proposal works in conjunction with other funding mechanisms already available in Newton such as the First Time Homebuyer Program, which currently cannot adequately assist families in purchasing homes in Newton.	No
9. Provide community housing opportunities for individuals whose residency in Newton would promote community services, such as Newton teachers and public safety workers and other city employees.	See below
10. Create affordable and moderate homeownership opportunities for families who currently rent or work in Newton.	See below
11. Help disperse community housing throughout the City by siting housing in neighborhoods	Yes, see below

that currently lack affordable housing.	
12. Reuse previously developed sites (including, potentially, remediated brownfield sites) for community housing with minimal effect on existing housing resources.	Yes
13. Avoid displacement of current residents.	Yes

Additional comments on selected goals:

Goal #1: The site plan and design of this project has been extensively reviewed by various City boards and commissions including the Newton Historical Commission, Zoning Board of Appeals, Newton Housing Partnership, and Planning and Development Board. The modular units, which were proposed as part of the amended proposal after these various reviews were concluded, are proposed to be manufactured by the Modular Structures of PA, Inc. According to CAN-DO's project architect, Terry Heinlein, they chose this company, after rejecting others, because it produces a high-quality manufactured housing product that will have custom exterior finishes including wood clapboards.

Goal #2: This project, which will create two units of affordable and two units of community housing, supports the general goal of creating greater diversity in the City through mixed-income housing developments.

Goal #3: This project will create two new units of housing that are affordable to households at or below 80% of the area median income and which will be permanently protected through a MGL c.184 affordability deed restriction and will, therefore, count as affordable units under the requirements of MGL c.40B.

Goal #9 &10: While the affordable/community housing units created through this project will not specifically target City employees or other service providers or families who currently rent or work in Newton, these types of households may nevertheless qualify as eligible for the units that will be created here. In addition, CAN-DO has indicated that the units will be marketed with a local preference to the extent allowable by law.

Goal #11: The attached pie chart indicates that 5% of Newton's affordable housing units is located in Newton Upper Falls. This chart was created by Doug Greenfield of the City's IT Department using data supplied by the Newton Housing Office.

Historic Preservation Goals

1. Support the preservation and restoration of privately-owned properties that are on the National or State Historic Registers, or that have been landmarked or found to be "preferably preserved" by the Newton Historical Commission.	Yes
2. Support the preservation and/or restoration of municipally-owned resources that are on the National or State Historic Registers, or that have been landmarked or found to be "preferably preserved" by the Newton Historical Commission.	N/A
3. Encourage protection of resources that retain their historic integrity, in terms of location, context, design, style, workmanship, and materials.	Yes
4. Enable access to the resource by the public.	No
5. Support the objectives and priorities of local historic preservation organizations, such as the Newton Historical Society, the Jackson Homestead, local historic districts, and other such organizations within the City of Newton.	Yes

CPC RECOMMENDATION

The proposal is consistent with the CPA criteria and many of the Plan's goals, as described above. Therefore, the Community Preservation Committee voted unanimously to recommend funding this application to support the creation of four affordable/community housing units at 1093-1101 Chestnut Street by appropriating and transferring the requested \$738,383 to be expended under the direction and control of the Director of Planning and Development for purposes of funding a deferred forgivable loan¹ for this project as detailed in the application (dated 15 October 2004, revised 23 June 2005), subject to the following conditions:

1. Two of the units at 1101-1093 Chestnut Street shall be affordable to households with incomes at or below 80% of the area median in perpetuity and be bound by a permanent deed restriction.
2. Two of the units at 1101-1093 Chestnut Street shall be affordable to individuals/households with incomes at or below 100% of the area median in perpetuity or to the maximum extent permitted by law and be bound by a permanent deed restriction.
3. The house at 1093 Chestnut Street shall have an historic preservation restriction placed on it in perpetuity to be enforced by the Newton Historical Commission.
4. Work shall commence no later than 31 December 2005 and shall be completed no later than 31 December 2006 or such other date(s) as may be approved in writing by the Director of Planning and Development. In the event of failure to meet the project start or completion dates as stated herein or as approved by the Director of Planning and Development, any remaining funds in the project account shall be returned to the Newton Community Preservation Fund.
5. Promptly after substantial completion of project, the applicant shall submit to the Community Preservation Committee a final project development cost statement. If such final development costs are less than the development budget on which the CPC based its funding recommendation, then the CPC reserves the right to require the applicant to remit to the Newton Community Preservation Fund a share of such surplus.
6. Any portion of the grant not used for the purposes stated herein shall be returned to the Newton Community Preservation Fund.

LIST OF ADDITIONAL BACKUP MATERIAL AVAILABLE AT CLERK'S OFFICE

1. 7/6/05 letter from Josephine McNeil to Jennifer Goldson with new proforma
2. 6/29/05 letter from John S. Rodman to the Community Preservation Committee
3. 6/29/05 memo from CAN-DO to the Community Preservation Committee with attachments regarding proposed condominium budget, operating budget, DHCD policy regarding condo fees, and letter from Sandra Fromm regarding her analysis of comparable properties sold
4. 6/23/05 memo from Micheal Kruse to the Newton Historical Commission
5. 6/23/05 letter from Josephine McNeil to Jennifer Goldson with various attachments including old proforma and per unit development costs spreadsheet
6. Various support letters including a 5/25/05 letter from Mayor Cohen to Doug Dickson
7. Information regarding past projects of Modular Structures of PA, Inc.
8. 10/27/03 Record of Action of the Newton Historical Commission finding 1093 Chestnut Street to be preferably preserved
9. 12/29/03 excerpt of Complete Appraisal Summary Report for 1093-1101 Chestnut with summary data of comparables from Newton Assessing Department.
10. 10/15/04 Original Application for CPA Funding

¹ The standard funding for the CPA funded community housing projects is in the form of a deferred forgivable loan with 0% interest that is only repayable if the terms of the deed restriction are violated. With the exception of the \$3,383 portion of the appropriation that is for the City legal services.

Percent of Affordable Housing by Village

