

City of Newton



City of Newton, Massachusetts
Community Preservation Committee



David B. Cohen
Mayor

16 March 2005

TO: Community Preservation Committee
FROM: Jennifer Goldson *JMG*
RE: Millhouse Commons (CPA FY05-13)

FYI - Enclosed please find a copy of a letter from MassHousing, dated 11 March 2005, regarding the proposed affordable/community housing project at 1093-1101 Chestnut Street (Millhouse Commons). The letter details the reasons that the Affordable Housing Trust Fund has not committed to funding this project and sets forth objectives so that the project may be considered for funding in the future.

Per CAN-DO's request, I am holding a place on our 27 April agenda for an additional public hearing and/or working session on this project. I will send you additional information on the revised CPA funding request when it is available.



Massachusetts Housing Finance Agency
One Beacon Street, Boston, MA 02108

Tel: 617.854.1000 | Fax: 617.854.1029
TDD: 617.854.1025 | www.masshousing.com

March 11, 2005

Ms. Josephine McNeil
CAN-DO, Inc.
1075 Washington Street
Newton, MA 02465-2185

Re: 1093-1101 Chestnut Street, Newton

Dear Ms. McNeil:

This letter is a follow up to our meeting last week to discuss a potential application to the Affordable Housing Trust Fund for CAN-DO's 1093-1101 Chestnut Street project in the City of Newton. My hope is to set forth certain objectives that we would like to see so that the project may be considered for funding.

As you know, we continue to be very concerned about the high cost of producing the project units, which we understand was some \$659,000 per unit when we reviewed the project proforma in January. As we discussed, the price per unit is much higher than other units assisted by the Trust or other state programs in either Newton or other higher cost communities where the average cost per unit is generally closer to \$250,000 to \$300,000, and even on higher priced projects has only reached \$339,000. While a significant portion of the high cost per unit is related to the cost of acquisition, we note that the construction cost for this project of \$241 per square foot is well above the \$140 to \$150 per square foot that we typically see for similar construction projects in metropolitan Boston.

We understand that you have been in discussions with Dan Baker of Construction By Design. Mr. Baker is a contractor who has worked on a number of state-assisted projects and we share your assessment that he does good quality work. However, we would expect with a job of this size, that the construction would be bid-out. This is necessary so that both the City and state funders can be reasonably assured that they and the project sponsor are receiving the best possible price for the proposed work. Accordingly, we would expect that the project be bid out to at least three qualified contractors. If you would like I am happy to provide you with the names of contractors who have worked on similar projects in the metropolitan area over the past several years, and whose work we have found to be both very good and reasonably priced, to assist in this effort.

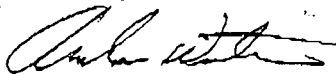
I would also like to pass along to you an offer from CEDAC. After our meeting last week with Chairs Balser and Honan, Mike Gondek said that CEDAC would be willing to

offer technical assistance funds to you for this project. These funds would be in the form of staff assistance to help you review the costs as currently projected for this deal to identify areas where changes may be possible to help with overall costs.

Another area of concern noted during our meeting is the fact that the market units are not self-supporting. The Trust guidelines permit us to fund projects that include market units, but the Trust may not be used to support those units. Based on the January proforma, I understand that each unit will cost an average of \$659,000 to produce, but that the three market units will only sell for an average of \$568,750, requiring an approximately \$90,000 subsidy by the City and Trust for each market rate unit. Typically, we would expect that the market units would help to subsidize the construction of the affordable units, or at the very least pay for themselves. Every effort should be made to reduce the cost of the units so that they are fully self-supporting.

The Affordable Housing Trust Fund is grateful to the City of Newton for its very clear commitment to producing affordable housing. We look forward to working with you and the City on this project taking into account the concerns outlined above. My hope is that by bidding out the construction work, we will reduce the cost of producing the project to a more acceptable range. I look forward to hearing from you.

Sincerely,



Andrew Winter

cc: Representative Kevin Honan, Chairman, House Committee on Housing
Representative Ruth Balser
Senator Brian Joyce, Chairman, Senate Committee on Housing
Representative Peter Koutoujian
Representative Kay Khan
Mayor David Cohen, City of Newton
Trisha Guditz, Newton Housing Office
Nancy McDonald, MassHousing