

City of Newton



City of Newton, Massachusetts
Community Preservation Committee



David B. Cohen
Mayor

TO: Dan Funk
City Solicitor
FROM: Doug Dickson, Chair *JD for DD*
Community Preservation Committee
DATE: 27 May 2005
Re: CPA Application for Millhouse Commons

Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO) submitted an application on October 15 requesting \$650,000 of CPA funds to create three units of affordable/community housing at 1093-1101 Chestnut Street. The proposed project, named Millhouse Commons, is a six-unit development with two affordable units (for households with incomes up to 80% of the area median income) and one community-housing unit (up to 100% of the area median income). Five of the six units are proposed to be new construction. Please refer to the CPA application, dated October 15, for more details about the proposed project.

In April, CAN-DO increased the original CPA request by ^{\$150K} ~~\$200,000~~ (for a total of \$800,000 of CPA funds), stating that \$125,000 of this request is for historic preservation and the remaining \$675,000 is for the community housing. During the CPC's consideration of this application on May 25, the CPC raised questions regarding the eligibility of two aspects of the proposal under the Community Preservation Act (MGL c.44B).

The first question regards the historic preservation portion of the funding that CAN-DO has requested. The revised request (see attached letter from CAN-DO dated April 25) states that the Newton Historical Commission's demolition and federal-funding review resulted in increased project costs for the rehab of 1093 Chestnut by \$41,625 and the construction of a new single-family house at 1101 Chestnut by \$81,601. The CPC's question relates to the funding being sought for the construction of the new house (proposed as a market-rate unit). The existing house at 1101 Chestnut was built in ca 1860 and was determined to be preferably preserved by the Commission, is a contributing property within the proposed expansion for the Newton Upper Falls Historic District, and is eligible for listing on the National Register of Historic Places. The proposal includes demolition of the existing house, which the applicant contends is unfeasible to restore due to structural failures. The existing building will be replaced with a new single-family house in accordance with the Commission's design requirements in order to preserve the historic character of the streetscape. The legal question is this: **Under MGL c.44B, can the CPA funds be used for construction of the new house at 1101 Chestnut Street as proposed for the purpose of preserving the historic streetscape?**

The second question deals with the affordable/community housing component of the proposal. The applicant is requesting \$675,000 of CPA funds, in addition to \$575,000 of CDBG funds, for the creation of three new affordable/community housing units on the site. Based on analysis by the CPC members, it appears that the total development costs of the three proposed market rate units exceed the expected sales price of those units. Therefore, the CPC has reasoned that a portion of the CPA funds would be used to subsidize the market rate units. The legal question is this: **Under MGL c.44B, can the CPA funds be used to subsidize the creation of market rate units if the total project will also result in the creation of new affordable/community housing units?**

Due to the timing needs of the applicant, the Committee respectfully requests that you issue an Opinion regarding this matter prior to Wednesday, June 8, if possible. If you have any questions or need more information regarding this matter please contact Jennifer Goldson at x1131.

Thank you.

cc: Josephine McNeil, CAN-DO, 1075 Washington Street, W. Newton, MA 02465
Mike Kruse, Director of Planning & Development
Trisha Guditz, Housing Development Coordinator
Community Preservation Committee

April 25, 2005

Ms. Jennifer Goldson
Community Preservation Planner
Newton "City Hall"
1000 Commonwealth Avenue
Newton, MA 02459

RE: Revised Funding Application for Millhouse Commons

Dear Ms. Goldson:

I am writing to submit CAN-DO's revised application for CPA funding to develop six units of housing at 1093-1101 Chestnut Street, Newton Upper Falls ("Millhouse Commons"). While the project is primarily a mixed-income housing project, it is also an historic preservation project. Therefore we request that the committee consider the project as both a housing project and an historic preservation project.

Project Size – Six homeownership units (2 detached single family dwellings and 2 duplexes)

Community Housing – Three units (2 affordable below 80% and 1 affordable below 100%)

Total CPA Housing Cost: \$676,746.50 (see CPA Housing line on development proforma

Cost per unit for three units of community housing: \$225,582.17

Total CPA Historic Costs for 1093 and 1101 Chestnut Street: \$123,253.50 (see CPA Historic line of \$125,000 on development pro forma)

Total CPA funds requested: \$800,000

Attached are a Revised Proforma and Sales Schedule.

HISTORY: CAN-DO purchased two properties in Newton Upper Falls in December of 2003. The properties were on adjacent lots. Our original plan was to demolish the existing housed and develop 8 modular units. However, based upon information we received from the Massachusetts Historical Commission, we decided to develop an 8-unit plan preserving, rather than demolishing, the existing buildings. We presented the 8-unit proposal to various city departments, including the Planning Department, the Fire Department. The project would have created an 8-unit condominium project consisting of four market rate units and four affordable units. However there was community opposition to eight units and after several meetings with neighbors and representatives of the Upper Falls Community Development Corporation, we

reduced the project to 6 units - three market rate units, two affordable units and one CPA unit. The site plan and preliminary drawings for the six-unit project was presented to and approved by the Newton Historic Commission in September of 2004.

In October of 2004 we submitted the project to the Massachusetts Department of Housing and Community (DHCD) in order to receive the site approval letter needed to file for a comprehensive permit. DHCD issued the site approval letter in November 2004. The comprehensive permit application was submitted to the Newton Zoning Board of Appeal in February and the public hearing, at which the Newton Upper Falls Community Development Corporation submitted a letter of support, occurred in March of 2005. The permit was granted that evening and we are waiting for the decision to be filed with the City Clerk.

The original financing plan for eight units anticipated City of Newton CDBG funds (\$375,000), CPA funds \$650,000, an acquisition and construction loan from a private lender in the amount of \$2,775,000 and \$153,750 from sales proceeds from the market rate units. However, the reduction in the number of units in the project created a gap. This gap of approximately \$621,250 was identified during the Newton Housing Partnership's review of the original CPA application; as a result I withdrew the application. During the interim we tried to identify additional sources of revenue from state affordable housing funds to fill the gap created by the reduction of market rate units with no success.

We approached the Massachusetts Affordable Housing Trust Fund and were told that the costs per unit for the project were excessive when compared with other affordable housing projects. They were unwilling to consider the special requirements placed upon the project by the various city agencies and departments despite the appeals of the Newton state legislators and the Mayor.

In order to go forth with the project we identified five additional sources of funds, see attached revised proforma and sales schedule:

1. Increase the sales price on the market rate units;
2. Request additional CDBG funds;
3. Request additional CPA funds;
4. Loan of CAN-DO's developer fee; and
5. Reduction in construction costs.

1. Increase in Sales Price: We consulted with our realtor and determined that since the two historic units were detached and had generous yards and the units won't be ready until 2006 we would RISK increasing the prices. \$152,000

2. Additional CDBG Funds: \$200,000.

3. Additional CPA Funds: \$150,000

4. Loan of Developer Fee to the project: \$75,000

5. Reduction in Direct Construction Cost: \$142,750. Some deletions and less expensive materials in affordable units (See Cost Comparison/Density Memo); anticipate some additional savings through value engineering.

We developed a revised proforma that reflected the additional funding sources of funds. At a Newton Housing Partnership project review meeting in March, we presented a breakdown of the various costs associated with the project. Questions were raised about the costs associated with the approved site plan including the Historic requirements. At the conclusion of the meeting, we were asked to provide an analysis of an eight, six and four unit project. See Cost Comparison/Density Memo. On page 1, it shows a breakdown of the costs for identified construction costs for each building type, as well as site work costs, costs associated with LEED initiatives and general conditions and General Contractor overhead and profits. On page 2, are the constant costs for each size project which when added to the cost per unit on page 1 shows the total development cost (TDC).

Following the meeting in order to respond to questions raised by the project review committee, we decided to explore the likelihood of eliminating some of the requirements imposed upon the project by city agencies. On April 11 we met with John Rodman, the Chairman of the Newton Historical Commission to discuss with him the cost implications of the historic requirements. He was sympathetic to our problem; but felt that it was important to maintain the current streetscape and stated that he and the committee had been very impressed with the approved plan and would like to see the project built as approved. He was of the opinion that CAN-DO should request historic CPA funds to offset the increase in the cost of the project due to the Commission's requirements and stated that he was willing to support such a request. **See John Rodman's memo attached.** The difference between the construction costs of 1093 and 1101 Chestnut Street as historic buildings and nonhistoric is \$41,625.25 and \$81,601.25, respectively. (See CPA Historic line on development proforma)

The Planning Department representatives at the meeting voiced similar opinions with respect to the requirements related to site costs. The Fire Department requested domestic sprinkler systems for the 4 housing units that do not front on Chestnut Street. The Fire Department and the City Engineer have asked that the domestic water service and the sprinkler lines be separate runs to each of the four units. This is not a state code requirement. The code allows single water service lines, that branch, after underground building entry, to separate domestic and sprinkler systems. The cost differential between a single water utility line and a pair is approximately \$22,000. The City Engineer has requested that CAN-DO replace the Chestnut Street sidewalk at the street property line, reinforced for truck access the sidewalk and apron near the vehicular entry, and provide granite curbs at the radius vehicular curb cuts. The estimated cost is approximately \$9400. The Planning office requested that all units be linked together and to the street sidewalk with concrete walkways. The estimated cost of this request is approximately \$3900. The total of the above items is \$92,300.

Based upon the analysis of the cost and density comparisons and the discussion and conclusion at the April meeting with the Planning Department and the chairperson of the Newton Historic Commission, CAN-DO decided to proceed with the 6-unit project. We also determined that we would include the LEED initiatives because we believe we should, to the extent possible, employ

sustainable development strategies. The high cost of the project is directly related to the reduction in the number of units in response to neighborhood concerns, as well as the requirements that the City places on all projects. Unfortunately there is no special relief offered to nonprofit developers of affordable housing.

Thank you for your consideration of this revised application. Please feel free to contact me if you have need of any further information or explanation.

Sincerely,

Josephine McNeil
Executive Director

CAN-DO MILLHOUSE COMMONS CONSTRUCTION ESTIMATE AND DENSITY COMPARISONS

	8 Housing Units See Note A	6 Housing Units See Note B	4 Housing Units See Note C
Site Work	\$193,000	\$174,000	\$130,500
1093 Chestnut Historic Restoration/ Renovation	\$230,311	\$230,311	\$230,311
1101 Chestnut Historic Reconstruction	\$270,260	\$270,260	\$270,260
Duplex Units	\$1,228,185	\$754,635	\$403,535
LEED Initiatives	\$51,360	\$42,800	\$34,240
General Conditions G.C. Overhead and Profit	\$451,350	\$337,185	\$244,447
Total Project Construction Cost Estimate	\$2,424,466	\$1,809,191	\$1,313,293
Cost Per Unit:	\$303,058	\$301,532	\$328,323

A:
5 Buildings
1093
1101
2 - 2/3 Bedroom Duplex
1 - 2/3 Bedroom Flat

B:
4 Buildings
1093
1101
2 - 2/3 Bedroom Duplex

C:
4 Buildings
1093
1101
1 - 3 Bedroom House
1 - 2 Bedroom House

4 Affordable Units

3 Affordable Units

2 Affordable Units

NOTES: COST SAVING MEASURES

**Affordable Units: Heating and ventilation only, no A/C.
 Sheet flooring in kitchens and bathrooms.
 Carpet in halls and bedrooms.
 Fiberglass surrounds at tub surrounds.
 Plastic laminate kitchen counters.**

CONSTANT COSTS

	PER UNIT		
Acquisition	\$131,875	\$175,833	\$263,750
Soft costs	\$62,172	\$82,896	\$124,344
Developer Overhead/Fees	\$44,929	\$59,905	\$89,858
Total Constant Costs	\$238,976	\$318,635	\$477,952
 Total Development Cost	 \$542,034	 \$620,167	 \$806,275

CONSTRUCTION COSTS PER SQ. FT.

1093 Chestnut - Gross 1608	\$143	\$143	\$143
1101 Chestnut - Gross 1426	\$190	\$190	\$190
Duplexes - Gross 2524	\$162	\$149	\$160

MILLHOUSE COMMONS

UNIT NO.	BLDG.	BDRMS	BTHRMS	SQ. FT.	SALE PRICE		INCOME
	1093	3	2.5	1592	\$ 630,000	MR	\$ 598,500
	1101	3	2.5	1426	\$ 630,000	MR	\$ 598,500
A	1093	2	1.5	1210	\$ 250,000	<u>CPA</u>	\$ 250,000
B	1093	3	2.5	1320	\$ 600,000	<u>MR</u>	\$ 570,000
A	1101	3	2.5	1320	\$ 185,000	<u>A</u>	\$ 185,000
B	1101	2	1.5	1210	\$ 175,000	<u>A</u>	\$ 175,000
TOTAL				8078	\$ 2,470,000		\$ 2,377,000
					PAYOFF		\$ 2,775,000
							\$ (398,000)

NOTE: Income reflects 95% of sales price to reflect 4% realtor fee and costs for marketing requirements of DHCD.

4/20/05

MILLHOUSE CONDOS - 6 UNITS		4/20/05				
ITEM						
DEVELOPMENT BUDGET						
ACQUISITION COSTS:					\$	1,055,000
LAND						
BUILDING						
SUBTOTAL - ACQUISITION COST					\$	1,055,000
CONSTRUCTION COSTS:						
Direct Construction Costs					\$	1,809,191
Construction Contingency		8%			\$	144,735
Subtotal: Construction					\$	1,953,926
GENERAL DEVELOPMENT COSTS						
Architecture & Engineering					\$	120,000
Permits= 18.60 PER \$1000					\$	33,480
Surveys					\$	5,000
Owner's Rep					\$	8,500
Environmental - Phase I					\$	2,500
Legal					\$	12,500
Title and Recording					\$	4,000
Accounting & Cost Cert.					\$	2,500
Marketing / Lottery					\$	6,000
Real Estate Taxes					\$	8,600
Liabilty/Property Insurance					\$	33,000
Builder's Risk insurance					\$	35,000
Appraisal					\$	500
Construction Loan Interest		16 mos			\$	72,672
Closing fees -					\$	7,500
Other: precon Interest		15 mos			\$	68,130
Soil Testing					\$	5,000
Subtotal soft costs					\$	424,882
Soft Cost Contingency					\$	42,488
Subtotal: Gen. Dev.					\$	467,370
Subtotal:Acquis.,Const., and Gen. Development					\$	3,476,296
>Developer Overhead		5%			\$	173,815
>Developer Fee		5%			\$	173,815
Total Development Cost					\$	3,823,926
FUNDING SOURCES:						
City of Newton CDBG					\$	575,000
Cambridge Savings Bank					\$	2,775,000
CPA Housing					\$	675,000
CPA Historic					\$	125,000
Condo Proceeds					\$	(398,000)
Owner's Developer Fee					\$	72,000
TOTAL SOURCES					\$	3,824,000