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Candace Havens
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**DOCKET
ITEM
79-12(2)**

Community Preservation Committee FUNDING RECOMMENDATION

date: 14 November 2013
to: The Honorable Board of Aldermen
for: **MYRTLE VILLAGE** (community housing)

PROJECT GOALS, ELIGIBILITY & SPONSORSHIP

This project will convert two late 19th- early 20th-century homes in West Newton into 7 rental units, with a total of 15 bedrooms. All units will be deed-restricted to remain permanently affordable to households with incomes from 50 to 85 percent of the area-wide median. One new, single-floor unit will be fully wheelchair accessible, and two units will be “visitable” – with an accessible/adaptable bedroom and bath on the first floor, and additional baths and bedrooms on the second floor.

The project is eligible for funding under the Community Preservation Act as the creation of affordable housing. It satisfies the CPA's emphasis on using previously developed sites for affordable housing and the priorities in Newton's Community Preservation Committee *Funding Guidelines, Comprehensive Plan, and Consolidated Plan for Housing & Community Development* for creating affordable housing in transit-served, mixed-use locations; serving households with a range of incomes; and not displacing current residents whose incomes fall within the allowable range for the proposed project.

The Newton Historical Commission considers the project’s proposed design consistent with the character of the neighborhood, which was recently listed on the National Register of Historic Places for its significance as the heart of Newton’s historic African-American community.

The developer is Myrtle Village, LLC, organized for this purpose by the 140-year-old Myrtle Baptist Church, located across the street. The church will transfer to the LLC both the smaller of the two properties, which the church purchased for this project in 2011, and the larger property, which the church has owned since 1960 and is donating to the project. The developer’s qualifications and project budget are discussed further under “Special Issues” below.

RECOMMENDED FUNDING & SUMMARY BUDGET (following page)

On 4 November 2013 the Community Preservation Committee voted unanimously 6-0 to recommend that the requested **\$910,179** be appropriated to complete this project. CPC member Beryl Gilfix did not attend this meeting, and member Tom Turner did not participate in the discussion or vote because he is also a member of Myrtle Baptist Church.

All funds should be appropriated to the control of the Director of Planning and Development, for a grant to Myrtle Village, LLC, and allocated 100% as community housing. CPA funds may be used for any eligible purpose in the proposal’s detailed development budget. The **summary budget on the following page** is provided solely to assist the Board in its discussion of this recommendation.

(continued on page 2)

website www.newtonma.gov/cpa

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DEVELOPMENT BUDGET for MYRTLE VILLAGE, 12 & 18-20 Curve Street, West Newton				
USES			SOURCES	
Hard Costs			Permanent Loan	
Acquisition		\$1,032,000	(Bank)	\$591,746
New Construction (3500 sq ft) & Rehabilitation (4500 sq ft):			Developer Equity	
Costs: 40% New/60% Rehabilitation		\$1,310,950	(20 Curve St)	\$632,000
Contingency: 5% of New Costs + 15% of Rehab. Costs		\$137,493	CPA funds	\$910,179
Soft Costs			CDBG funds	\$604,679
Surveys & Permitting (incl. studies required for Comp. Permit)	\$30,000		HOME funds	\$339,000
Legal, Accounting, Taxes, Insurance	\$61,213		TOTAL Sources	\$3,077,604
Relocation Allowance	\$6,000			
Construction Loan Interest	\$16,000			
Marketing & Rent-up (reserve, appraisal, market study, etc.)	\$27,000			
Architecture, Engineering & Project Manager	\$208,000			
Development Consultants	\$25,000			
Soft Cost Contingency	\$72,422			
Developer Overhead & Fee (8% of costs excl. acquisition)	\$151,526			
TOTAL Uses		\$3,077,604		

SPECIAL ISSUES CONSIDERED

Developer/Sponsor Qualifications The long history and property management record of Myrtle Baptist Church indicate a strong commitment both to the neighborhood and to affordable housing. The 2013 independent appraisal for the CPC considered the property the church has owned since 1960 to be in “average to above average” condition, though the rents charged are “below” or “significantly below” market rates. The church has absorbed a combined operating deficit for both properties since 2011 but is not requesting reimbursement of this cost through the project.

Once project funding is confirmed, the church will transfer both properties to the LLC, which has engaged both an architect/construction manager (Angelo Kyriakides) and a development consultant/property manager (Newton Community Development Foundation) with extensive affordable housing experience in Newton.

Project Finances The independent underwriting analysis conducted for Newton’s HOME program considered this project “considerably less risky than most,” due in part to the “conservative assumptions” made in its development and operating budgets. The underwriting analysis considered the proposed developer fee “modest for a development of this size and complexity.” As usual, this fee is at risk to cover any costs that exceed those budgeted. After project completion, the LLC has also committed to using its fee to increase this project’s replacement reserves and to support future affordable housing development in the same neighborhood. Net of its fee, the developer is contributing equity of \$480,474 to the project.

Traffic & Parking Some neighbors have expressed concern about the project’s potential impacts on parking and traffic. The project’s plans maximize green space and landscape buffers by providing only 1 handicap parking space and 2 drop-off spaces on site. The church will transfer to the LLC a permanent easement on 12 spaces in its parking lot, for the exclusive use of project residents. This parking solution and any traffic issues will be evaluated in greater depth during the Comprehensive Permit review process. The church also plans to continue its long practice of allowing neighbors to park in its lot temporarily, upon request, and allowing neighbors whose own properties have no off-street parking to use the lot in winter, when on-street parking is not allowed.

KEY OUTCOMES

The CPC will evaluate this project based on the completion of construction on time and within budget, and on prompt initial occupancy and continued later occupancy of the units as described in the proposal:

unit sizes	allowable household income as % of area-wide median (with current residents who are income-eligible)		
	≤ 50%	≤ 70%	≤ 85%
1 bdrm, 1.5 ba, 500 sq ft	1 accessible unit		
2 bdrms, 1.5 ba, 1275 sq ft		2 visitable units (2-person household)	2 units (2-person household)
3 bdrms, 2.5 ba, 1200 sq ft	1 unit (4-person household)		1 unit

ADDITIONAL RECOMMENDATIONS

The Community Preservation Committee recommends the following:

1. **Spending authority:** All funds should be appropriated to the spending authority of the Director of Planning and Development.
2. **Contingent funding commitment:** No CPA funds may be released until the project has received its required Comprehensive Permit and confirmed all other funding required for project viability.
3. **Scope of grant agreement:** All CPA funds should be disbursed through a legally binding grant agreement that includes but is not limited to conditions and procedures for:
 - ◆ the initial release of funds, such as: City of Newton approval of procurement procedures, the LLC’s final ownership/membership structure, and the project’s property manager; confirmation that the LLC can assume the current mortgage or refinance on similar terms; receipt of all required demolition and building permits; recording of the final deed restrictions and execution of a regulatory agreement assuring permanent affordability
 - ◆ the phased release of the developer fee and construction funding; and City approval of the project’s final affirmative marketing and relocation plans
 - ◆ publicizing the project and providing regular progress reports as requested by the Community Preservation Committee or Board of Aldermen
 - ◆ releasing the final 10 percent of funds, such as verified completion of construction and a final in-person presentation and written report to the CPC on project costs and results
 - ◆ after project completion, annual monitoring to ensure compliance with the deed restrictions and regulatory agreement, and City approval of any new property manager
4. **Deadlines:** Myrtle Village LLC must begin the design and other initial work for the project within 3 months after the grant agreement is executed; and the project should be fully occupied within 36 months after the start of construction; or by any extension of either deadline granted in writing by the Director of Planning and Development
5. **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.

Attachments are listed on the following page.

ATTACHMENTS (delivered to the clerk of the Finance Committee)

- ◆ Draft Board order, with funding & appropriation accounts
- ◆ CPC webpage, showing all documents available online from www.newtonma.gov/cpa/projects/
- ◆ Submissions from proposal sponsor:
 - proposal , including development & operating budgets and letters of support
 - PowerPoint presentation, including photos & floor plans
- ◆ Submissions from City staff, board, commissions & consultants:
 - City of Newton Housing staff memo
 - Newton Housing Partnership letter
 - risk assessment/underwriting analysis for HOME program
- ◆ Submissions to the CPC from Newton citizens, including League of Women Voters
- ◆ **Available online but NOT attached:**
 - appraisals (for the bank in 2011, for the CPC in 2013)
 - deeds
 - mortgage
 - environmental assessment)
 - minutes of CPC public hearings (28 February 2012 and 4 November 2013)