



City of Newton, Massachusetts
Community Preservation Committee



**DOCKET
 ITEM NO.**

45-11

Setti D. Warren
 Mayor

FUNDING RECOMMENDATION

date: 14 February 2011
 to: The Honorable Board of Aldermen
 from: Community Preservation Committee
 re: **for 61 PEARL STREET (community housing)**

PROJECT GOALS & ELIGIBILITY

This project will convert an 1870s building in Newton Corner from 4 rental units with a total of 5 bedrooms to 3 deed-restricted rental units with a total of 6 bedrooms. The 3 reconfigured units will be permanently affordable to households with 65 percent of area-wide median income, and the first-floor unit will meet the Massachusetts Architectural Access Board's Group 2B standard for wheelchair accessibility.

The interior scope of work includes but is not limited to: de-leading; adding insulation where feasible; integrating the rear two-floor addition into the main building to create 3 single-floor units; making the first-floor unit fully accessible; and reconfiguration, repairs, or partial replacement of wiring, plumbing, support piers, foundation sills, and water/sewer lines.

The exterior scope of work includes but is not limited to: repair and partial replacement of roofing; construction of a "cricket" to improve drainage between the roofs of the main building and rear addition; and adding wheelchair ramps on the first floor. The project will slightly reduce the site's impermeable area and will have no significant visual impact on the neighborhood or streetscape.

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, as well as priorities set by Newton's *Comprehensive Plan, Community Preservation Priorities & Funding Guidelines*, and *Consolidated Plan for Housing & Community Development*.

RECOMMENDED FUNDING

On 19 January 2011 by a unanimous vote of 8-0 (member Steve Fauteux absent), the Community Preservation Committee recommended that **\$665,500** be appropriated to the control of the Director of Planning & Development for this project, including \$500 for a CPC-required site sign acknowledging support from Newton's Community Preservation Fund. All funds should be drawn first from the fy11 community housing reserve, then from the general reserve, and allocated 100% as community housing. The following summary budget is provided solely as background; a detailed budget is attached.

Sources		Uses	
City of Newton		Acquisition or mortgage reduction	\$ 780,000
federal housing funds (CDBG, HOME)	\$ 480,000	Construction (incl. 10% contingency)	\$ 354,949
Private foundations	\$ 50,000	General development/soft costs (incl. 5% contingency & relocation)	\$ 101,355
Bank loan	\$ 175,000	Replacement reserve	\$ 10,000
CP Funds	\$ 665,500	Site sign (required by CPC)	\$ 500
		Developer overhead/fee (approximately 10%)	\$ 123,696
TOTAL	\$ 1,370,500	TOTAL	\$ 1,370,500

SPECIAL ISSUES CONSIDERED by the CPC

Overall Cost & Location The perfect rehabilitation project for affordable housing would have: **1.** a building purchased at the lowest possible price, in **2.** a village-center location, served by public transit and within walking distance of schools, shopping, places of worship and workplaces; and that **3.** is well-insulated, has no lead paint, requires no or few repairs to meet building codes, and has a wheelchair-accessible first floor, or minimum-cost options for adding such accessibility.

Properties with this perfect combination of features are rare (or nonexistent) in Newton, but the property for this project has **1.**, **2.**, and as much or more of **3.** than most of Newton's small, historic, multi-family buildings. **1.:** The final purchase price for the property was supported by two appraisals. **2.:** The presentation made at the CPC's public mapped the property's proximity to many village-center amenities. Both appraisals and the presentation are available online (see attachments list). The paragraph below discusses issue **3.**

Special Costs: Relocation & Accessibility The requested public subsidy of \$381,667 per unit for this project is approximately 13% higher than Newton's previous per-unit maximum of \$337,500. The proposal does include \$20,800 for federally required relocation assistance to current tenants and \$111,319 of construction to provide a higher level of accessibility than is required by existing regulations. Excluding these costs, the requested subsidy per unit is about the same as the previous maximum (see attached table comparing recent projects).

Population Served The proposal's operating budget assumes initial occupation by households at 60% of area-wide median income, and after that by households at 65%. In practice, CAN-DO expects this project to serve households at 50% of median income, based on its own past success in finding tenants with housing vouchers (Section 8), which are available only to these lower-income households.

Economic Sustainability As with most projects developed by CAN-DO, the operating budget for this project allows the accumulation of only minimal cash reserves. The initial funding request therefore includes \$10,000 to capitalize a replacement reserve. To supplement such reserves, in the past CAN-DO has also requested and received federal housing funds through the City of Newton for major repairs or rehabilitation needed several years after initial project completion.

Developer Fee & Organizational Finances This project's budget includes a 10% developer fee. This is at the lower end of industry standards for small-scale, rental projects, but higher than CAN-DO has sometimes accepted in the past. Newton's Planning & Development Board has urged CAN-DO to include standard fees in all its development proposals to ensure the organization's viability. Financial information submitted for the P&D Board's December 2010 meeting, including operating budgets for CAN-DO as an organization and for all its rental properties, is online (see attachments list).

ADDITIONAL RECOMMENDATIONS

The Community Preservation Committee further recommends

- 1. Spending authority:** That all funds be appropriated to the spending authority of the Director of Planning and Development
- 2. Grant agreement:** That all funds be disbursed through a legally binding grant agreement, which includes but is not limited to:
 - ◆ pre-conditions for the initial release of funds, such as proof that all other funds needed to complete the project have been committed; construction contracts confirming that the committed funds are sufficient to complete the project; all required building permits; final approval and filing of the affordable housing deed restriction; and City approval of the project's affirmative marketing plan
 - ◆ procedures for the release of construction funds on a reimbursement basis only, and of funds for other project purposes, including the developer fee
 - ◆ requirements to assist in publicizing the project and to provide progress reports as requested by the Community Preservation Committee or Board of Aldermen
 - ◆ pre-conditions for releasing the final 10 percent of funds, including verified completion of construction & a final report/presentation on project costs & results to the CPC
- 3. Deadlines:** That all funds 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:** That any CP funds not used for the purposes stated in the attached proposal or this recommendation 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 described in the proposal and its attached supplemental information
2. initial occupancy within 2 months of completion, and continued occupancy in perpetuity, by households with up to 65% of the area-wide median income

ATTACHMENTS

(delivered to the clerks of the Committee on Community Preservation and Finance Committee)

NOTE: Most attachments listed are available from the project webpage below. Any attachment not already online is available by request -- see contact information at www.newtonma.gov/cpa.

<i>attachment</i>	<i>starts on page</i>
web page for 61 Pearl Street proposal, from www.newtonma.gov/cpa/projects.htm	1
Links to all major documents in chronological order, including most attachments below and the following additional long documents <i>not</i> attached here: <ul style="list-style-type: none"> ◆ appraisals ◆ purchase & sale agreement ◆ home inspector's report ◆ CAN-DO financials (incl. fy09 financial statements submitted with original proposal and current info. submitted for Planning & Development Board's Dec 2010 mtg) 	
attached documents from City bodies & City staff:	
◆ table comparing per-unit subsidies for recent Newton housing projects	2
◆ Newton Housing Partnership letter to the CPC	3
◆ City of Newton Housing staff memo to the CPC	5
◆ HOME consultant report (subsidy layering analysis)	11
attached documents from proposal sponsor:	
◆ original proposal, with support petition and photos	14
◆ updated development & operating budgets	38
◆ deed, as confirmation of purchase price & site control	41
◆ public hearing presentation, including updated photos, floor plans & neighborhood maps	43
◆ detailed scope of work, incl. statement about accessibility & highlighting of the project's "green" elements; final p. is a generic diagram of architectural "cricket" (will be used in this project to improve roof drainage)	63
attached documents from Newton citizens: emails & letters about the proposal (not posted online)	68
attached document from state government: first page of Massachusetts Architectural Access Board accessibility standards for multi-family buildings, from www.mass.gov/Eeops/docs/dps/aab_regs/521009.pdf .	73