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## Community Preservation Committee Funding Recommendation for TAFT AVENUE (Affordable Housing)

date: 25 February 2015  
from: Community Preservation Committee  
to: The Honorable Board of Aldermen

### PROJECT GOALS & ELIGIBILITY

CAN-DO (Citizens for Affordable Housing in Newton Development Organization) will use the recommended project grant to rehabilitate and expand an existing home in West Newton, built in 1916, to create two units of rental housing, each with one bathroom. The existing 3-bedroom home will be permanently affordable to a households at up to 80% of area median income (AMI). A new, two-story, 2-bedroom rear addition will be permanently affordable to a household at up to 50% AMI, selected initially from formerly homeless families currently housed temporarily in hotels or motels. The project's operating budget (which will not use CPA funds) includes supportive services for this tenant.

This project is eligible for CPA funding as the creation of affordable housing.

### RECOMMENDED FUNDING

On 12 February 2015 by a vote of 6-0 (Don Fishman absent, Rick Kronish recused, no current Planning & Development Board appointee) the Community Preservation Committee recommended appropriating \$584,029 for this project from the Community Preservation Fund's housing fund balance and reserves to the Planning & Development Department, for a grant to CAN-DO for the purposes in this summary budget:

Taft Avenue (Affordable Housing) - Development Budget	
Uses	
Acquisition (Mortgage Elimination)	\$590,000
Construction, incl. ≈ 8% contingency	\$385,488
Soft costs (architectural, engineering & legal services, taxes, insurance, etc.), incl. 10% contingency	\$75,130
Developer fee (8% of total costs, excl. replacement reserve)	\$83,411
Replacement Reserve	\$10,000
<b>TOTAL</b>	<b>\$1,144,029</b>
Sources	
Community Preservation Act Funds	\$584,029
CDBG/HOME (Newton-controlled federal funds)	\$485,000
Charlesbank Homes (foundation grant)	\$60,000
Community Fundraising (Eliot Church/CAN-DO)	\$15,000
<b>TOTAL</b>	<b>\$1,144,029</b>

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## SPECIAL ISSUES CONSIDERED BY THE CPC

**Community support** The CPC received comments from both the public and the Planning Dept. questioning both this project's high costs and the long-term sustainability of CAN-DO's continuing focus on small-scale, infill housing development. However, the overwhelming majority of comments received supported the project's high public subsidy as necessary to create new affordable housing with a minimal impact on neighborhood character. Taft Avenue residents have said they will welcome these new neighbors.

**Project costs** The CPC was initially skeptical of this project's requested public subsidy, which is significantly higher, both per bedroom and per unit, than for any previous housing project in Newton. However, the CPC recognized that CAN-DO had tried to minimize its public funding requests by foregoing some components typical of its past projects (such as updating existing kitchens and bathrooms), and by obtaining a special community fundraising commitment. The project's high public subsidy will also allow it to house one family at risk of homelessness, a population poorly served by other housing options in Newton.

The CPC also recognized that the project's high costs were due primarily to a factor beyond CAN-DO's control: Newton's extraordinarily competitive real estate market. Over the past two years, CAN-DO's attempts to purchase 2- or 3-family properties in fairly good condition have been frustrated repeatedly when the sellers received competing offers in cash, above asking prices, and without mortgage or inspection contingencies.

**Supportive seller** The independent appraisal commissioned by the CPC itself fully supported the price CAN-DO offered for this property. Yet the seller of this property has also supported the project in an unusual way, by continuing to honor that price while deferring an actual purchase and sale agreement until CAN-DO receives at least preliminary positive responses to its public funding requests.

**City and CAN-DO alternative strategies** Although the CPC supported this proposal, members also urged the City of Newton to take the lead in creating new, alternative strategies for helping to contain the cost of affordable housing development, including but not limited to development at higher densities than CAN-DO has traditionally undertaken. The CPC also urged CAN-DO to seek strategic alternatives to its longstanding reliance on developer fees from high-cost, low-density projects to cover its organizational operating costs.

## ADDITIONAL RECOMMENDATIONS *(funding conditions)*

1. Grant funds will be released on a reimbursement basis through a detailed grant agreement including but not limited to requirements for initial, continued and final release of funds, confirmation of non-CPA funding, permits, procurement, contracting, verification of construction work, and cost documentation.
2. The project will be completed within 18 months of the date when CPA funds are appropriated by the Board of Aldermen, or by any extension of that deadline granted in writing by the CPC or its designee.
3. CAN-DO will provide to the CPC and Board of Aldermen project status reports upon request, and as a prerequisite for release of the final 10% of grant funds, will present an in-person and written final report to the CPC summarizing project outcomes and comparing actual to budgeted expenditures.
4. Any CPA funds appropriated but not used for the purposes stated herein will be returned to the Newton Community Preservation Fund.

## KEY OUTCOMES

The Community Preservation Committee will evaluate this project based on these key outcomes:

- Completion of the project within the budget and by the deadlines listed above.
- Continued occupation of the project's two rental units by households meeting the income guidelines in the original proposal, as verified through annual monitoring by the Planning & Development Department.

## ATTACHMENTS

(delivered to the clerks of the Land Use Committee and Finance Committee)

- Original proposal and attachments
- Proposal sponsor's slide presentation to the CPC (12 February 2015)
- Copy of the CPC's webpage for this project, with links to the full text of documents excerpted in the proposal itself: [www.newtonma.gov/gov/planning/cpa/projects/taft.asp](http://www.newtonma.gov/gov/planning/cpa/projects/taft.asp)
- All written public comments received on this proposal through 11 February 2015.