



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

TEL: 617.854.1000 | FAX: 617.854.1091
VP: 866.758.1435 | www.masshousing.com



August 9, 2013

The Honorable Setti D. Warren
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Dear Mayor Warren:

The purpose of this letter is to inform you of a decision by the Board of Directors of MassHousing to approve a permanent loan in an amount up to \$6,380,000 as well as subordinate debt financing in an amount up to \$400,000 for the Warren House housing development located in Newton.

In 2009, MassHousing announced a Pilot Program for Revitalizing Severely Distressed Portfolio Properties, also referred to as the Distressed Property Pilot Initiative (the "DPI Pilot"), for developments in the loan portfolio with significant capital needs that could not effectively refinance without prepaying the existing debt. The DPI Pilot would allow an owner to prepay existing MassHousing debt and refinance with tax-exempt volume cap and tax credits in order to make repairs for which other funding was not available. MassHousing accepted the application for a Warren House refinancing under the DPI Pilot but with taxable rather than tax-exempt debt, since the project economics do not generate sufficient tax credits.

Warren House is a 59-unit development for families and elderly residents that was created by the conversion of a former junior high school in 1992 with financing from MassHousing, the Newton Housing Authority, the Newton Community Development Block Grant program, the Department of Housing and Community Development, and 9% tax credits. The development is subject to a long-term ground lease from the City of Newton with a 65-year term ending on December 11, 2056.

Warren House is located on Route 16, at 1600 Washington Street, Newton with 406 feet of frontage on Washington Street. Constructed in 1927, the three story building was closed by the City of Newton in 1983 and sold for redevelopment in 1991. Demolition of non-historic buildings at the site, and the addition of a fourth floor in one section were part of the renovation that subsequently received a Massachusetts Historical Commission Preservation Award in 1994. Amenities include a fitness center and an onsite day care that is located in approximately 1,100 square feet on the first floor. Also on the first floor are management offices that are regularly staffed, a coin-operated laundry room and common area restrooms. There are 14 one-bedroom, 39 two-bedroom and six three-bedroom apartments.

Parking includes 78 spaces for residents and 119 spaces for adjacent recreational use in connection with approximately ten acres of athletic fields maintained by the City of Newton.

The Honorable Setti D. Warren
Page 2
August 9, 2013

In recent years, the building, which has a "T" shaped footprint, had begun to experience ongoing water infiltration in connection with its original 1927 slate roof. In June 2009, the Warren House applied for and received approval for Community Preservation Act and Inclusionary Zoning funds totaling \$1,147,423 to complete a first phase of work to address this issue. The work, completed in December of 2010 replaced the rubber membrane roof on the north/south wing (the vertical leg of the "T") and addressed masonry deterioration as well as fall hazards associated with cast stone architectural components at the building's cupola and the entire perimeter of the north/south wing. This work addressed areas that were selected based on the severity of moisture infiltration issues, as well as structural deterioration but was divided into two phases due to budgetary limitations.

The second phase of the work on the remaining east and west wings of the roof will be completed with the proceeds from the proposed financing. While the first phase of work eliminated significant portions of water infiltration, there continues to be active moisture infiltration in some units and the third floor hallways. The completion of the replacement of roof systems will include replacing the existing 1927 slate installation with new slate as well as the rubber membrane on the flat roofs and restoration of the above roofline masonry and cast stone components. This will significantly reduce the potential of water infiltration to the upper floor areas, as well as address potential fall hazards from any remaining deteriorated cast stone elements. Additional work beyond the proposed roof and masonry items includes rebuilding all of the windows. The work described herein is projected to be completed over a two-year period.

Current affordability restrictions require that 36% of the units are leased to low or moderate income families for a period ending thirty years after the taxable year in which Warren House was placed in service. This effectively designated 21 units to be leased to families earning no more than 50% of AMI adjusted for family size. Local restrictions require that 15 units are restricted in perpetuity. Many of the low-income tenants are Section 8 voucher holders and, based on the history of voucher holders, rents for four units have been based on the current voucher amounts. In accordance with the DPI Pilot, the current affordability restrictions will extend in perpetuity.

I hope that this information is helpful. Additional information about MassHousing and its programs is available online at www.masshousing.com. If you have any questions, please contact me or Nancy McDonald, MassHousing's Manager of Government Affairs, at (617) 854-1852.

Sincerely,



Thomas R. Gleason
Executive Director