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MEMORANDUM

DATE: May 10, 2019

TO: Members of the City Council

FROM: Mayor Ruthanne Fuller

RE: **West Newton Armory**

CC: Senator Cynthia Creem, Massachusetts Legislature
Representative Kay Khan, Massachusetts Legislature
Representative Ruth Balser, Massachusetts Legislature
Representative John Lawn, Jr., Massachusetts Legislature
Members of the Planning & Development Board, Newton Housing Partnership,
and Community Preservation Committee

As many of you are aware, last month I made an exciting announcement about the Armory in West Newton during my Fiscal Year 2020 Budget Address. The City of Newton is being presented with an opportunity both to obtain a significant historic building and to increase the supply of vital affordable housing with the acquisition of the Armory at 1135 Washington Street. This opportunity provides the City with a unique chance to implement some of the "Big Ideas" that surfaced in the Hello Washington Street visioning process; this includes protecting historic and iconic buildings and supporting diversity with affordable housing. It also ensures the City is the decision maker and defines the future of this community asset.

The Armory is no longer occupied or needed by the US Army National Guard. The Guard is working with the Commonwealth's Division of Capital Asset Management and Maintenance (DCAMM) to plan for its future reuse. Pending legislative authorization, DCAMM is poised to convey ownership of the Armory to the City for the fee of One Dollar (\$1.00) under the condition that the Armory is used solely for the purpose of permanently affordable housing and related services. Attached is draft special legislation entitled "An Act Authorizing the Commissioner of Capital Asset Management and Maintenance to Convey a Certain Parcel of Land to the City of Newton." Once finalized, this special legislation will be filed by a member of Newton's State delegation and will make its way through the Legislature, hopefully by the end of this summer.

I am grateful to the National Guard, the Commonwealth, and DCAMM for providing Newton with the potential to repurpose this building for such a meaningful and needed use. While no longer needed by the National Guard, other state agencies were first offered this building prior to DCAMM declaring it a surplus property. As the locality in which the Armory is located, Newton was then asked about our interest in the building. Newton is not the first Massachusetts municipality to be offered a surplus armory to be redeveloped as affordable housing. The City of Lynn is currently in the process of redeveloping the Lynn Armory into affordable housing with support services.

Similar to the West Newton Armory, the Lynn Armory was vacant and underutilized in recent years. While the City of Lynn turned down the chance to purchase the property, the Lynn Housing Authority and the Authority's nonprofit development arm, Neighborhood Development Associates, Inc., stepped in. They presented DCAMM with a plan to redevelop the site into affordable one-bedroom micro-units to be located in the former drill hall, with the other section of the armory to be used as space for services and some two-bedroom units. In 2018, state lawmakers enacted a bill filed by the City's State legislative delegation authorizing the State to sell the site to the Lynn Neighborhood Development Associates for \$1.00. In January 2019, the Neighborhood Development Associates closed on the property. Subsequently, the developer submitted an application to the State for Low Income Housing Tax Credits, as well as state and federal historic tax credits.

The Armory as Affordable Housing

The need for more affordable housing throughout Newton continues to persist. Some have thoughtfully asked how it came to be that the City of Newton could obtain the Armory for \$1.00, but only for the purpose of one-hundred percent permanently affordable housing. Through our discussions with representatives from DCAMM, we learned that there were two scenarios under which the City could take control of the West Newton Armory; however, only the first scenario presented the option for the City to purchase the property for \$1.00. A third scenario for conveyance of the property involves selling the property on the open market to the highest bidder. The three scenarios are detailed below.

In both the first two scenarios, the City's intended use of the property would be identified in the special legislation and the sale would include a deed restriction limiting the City's use of the property to that specific use. In the event the City does not use the property for that purpose, the State will have the right to take back title to the property and sell it at market-rate.

DCAMM Sale Scenarios

Scenario #1: City Acquisition for 100% Affordable Housing

Given the priorities of the Governor of Massachusetts and his administration, DCAMM presented the City with the opportunity to acquire the West Newton Armory for \$1.00 if the City would restrict the use of the building to one-hundred percent permanently affordable housing at income levels of 80% of the area median income or lower, as outlined in the attached draft special legislation.

Scenario #2: City Acquisition for a Municipal / Public Use

DCAMM also stated that the City could acquire the property for a municipal / direct public use, such as a police station, library, or community center. However, the acquisition price would not be \$1.00. Under this scenario, DCAMM would have the property appraised as restricted for that municipal use, and the City would be asked to pay an amount that reflected that type of use. DCAMM has sold other state properties to municipalities for their direct public use; in one case, where the proposed use was a public school, the restricted value was 25% of full and fair market value. Currently, the West Newton Amory's *assessed* value is \$4,322,400. Calculating the acquisition cost based upon this value and the municipal-use formula, 25% of \$4,322,400, yields a potential buying cost to the City of over \$1,000,000. This is based on the assessed value, however, and not the appraised value of the site, which is most often higher.

Scenario #3: Open Market Acquisition

The third scenario results if the City decides against purchasing the Armory. DCAMM would then conduct a competitive developer selection process to sell the property on the open market to the highest bidder. In that scenario, any potential private developer would be subject to the City of Newton zoning. DCAMM stated that if a non-profit (e.g., an arts organization) wanted to acquire the building, as a non-City entity their acquisition would fall under this open market scenario.

There are a number of steps that both the City and the State must take prior to the City obtaining control of the Armory. Many people will be involved in these conversations, including the City Council Finance and Public Facilities Committees and the Real Property Reuse Committee and project Joint Advisory Planning Group (JAPG); the Planning, Law, and Public Buildings Departments; consultants and advisors; the Newton Historical Commission and the Massachusetts Historical Commission; the State's Department of Housing and Community Development (DHCD); and many more. Because the City's purchase of the Armory will be contingent upon its use for permanently affordable housing, we suggest that the role of the JAPG not follow the usual model where it traditionally considers alternative uses of City owned property, but instead focus its work on collaborating with the Planning Department and an affordable housing development consultant to define the parameters of the affordable housing project and the specifics to be included in an RFP for development.

My vision for this site is that the City will retain ownership of the Armory (as required by the state) and lease it to an affordable housing development partner who will redevelop and manage the property as one-hundred percent affordable housing. The City is currently doing its due diligence on the property (see the attached letter from Public Buildings Commissioner Josh Morse), and while we are years away from seeing residents occupy this special building, the following timeline will help to keep us focused as we continue to bring many pieces together to make this project a reality.

Step	Timeline
Mayor docket with the City Council an item requesting authorization to acquire the West Newton Armory from the state for \$1.00 for affordable housing (Docket item attached).	Spring 2019
Mayor requests Newton State Delegation file an Act of Special Legislation for conveyance of the Armory to the City for affordable housing (Draft Special Legislation attached).	Spring 2019
City releases RFP for affordable housing development consultant with historic preservation expertise to assess project and work with Joint Advisory Planning Group (JAPG) to define project parameters: costs, preservation considerations, hazardous materials, financing, etc. (anticipated grant funding for development consultant costs).	Summer 2019
City Council deliberates and votes to approve Mayor's request to acquire the West Newton Armory from the state.	Summer 2019
Mayor docket an item for authorization from City Council to lease the West Newton Armory to an affordable housing development partner to develop permanently affordable housing, pending Legislative authorization to sell to the City.	Summer 2019
Real Property Reuse Committee process commences with vote to surplus property and form a Joint Advisory Planning Group (JAPG).	Summer 2019
State Legislature passes Special Legislation.	Late Summer 2019
DCAMM closes with City and conveys Armory property to the City.	Fall 2019
Selection Committee, including Mayor, Planning Staff, and representative from the City Council (possibly the Chair of the Reuse Committee), selects development consultant, who begins due diligence on property and project assessment.	Fall 2019
JAPG collaborates with development consultant to define parameters for RFP for a project developer and submits report and draft RFP to Reuse Committee.	Fall 2019
Reuse Committee holds public hearing and makes final recommendation to the Mayor.	Winter 2019
Development consultant, staff and Mayor finalize and release RFP for affordable housing developer.	Early 2020
City selects affordable housing development partner.	2 nd Quarter 2020
Developer seeks planning approval (most likely friendly 40B from ZBA) and seeks funding from federal, state, and City of Newton funding sources.	2020 - 2021

Anticipated completion and occupancy	2023
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Again, I am very excited about this opportunity to add much-needed affordable housing, especially in such a unique and well-located building. I will arrange a visit for the City Council to the Armory and possibly to the City of Lynn to meet with Mayor Thomas McGee in the coming weeks. I look forward to the next few years of collaboration with the honorable City Council and our residents as we work together to bring the West Newton Armory back to life.