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MEMORANDUM

DATE: October 2, 2020

TO: Planning & Development Board Members

FROM: Eamon Bencivengo, Housing Development Planner
Amanda Berman, Director of Housing and Community Development

CC: Amy Zarechian, Newton Housing Authority Executive Director

RE: Request for a Substantial Amendment to the FY21 Annual Action Plan to allocate \$250,000 of Newton Community Development Block Grant (CDBG) funds to support the construction of an accessible pedestrian ramp and stairs between John F. Kennedy Circle and Jackson Road as part of the Newton Housing Authority's new 55-unit affordable senior housing development.

1. Executive Summary

Project Sponsor, the Newton Housing Authority (NHA), is proposing to create 55 one-bedroom units of new construction rental housing totaling approximately 25,200 square feet. The proposed project is located at 83-127 Kennedy Circle in Newton, an undeveloped wooded property owned by the NHA and sited next to the existing Jackson Gardens Federal Public Housing development. The NHA received a Comprehensive Permit from the Newton Zoning Board of Appeals through G.L. Chapter 40B in July 2018.



Thirty-two of the units will be designated for seniors with incomes at or below 60% of the area median income (AMI). Eleven of these units will be occupied by households at 30% AMI or below. In addition, twenty-three of the units will be designated for residents with income between 80% and 99% of AMI. Four of the units will be set aside for individuals experiencing homelessness or at risk of

becoming homeless. The project will include parking and new community spaces (including a library, community room, and fitness center) to be utilized by residents of the development and others in the community. In addition to previously awarded Community Development Block Grant (CDBG) and Community Preservation Act (CPA) funds, other sources of funds for the project include Low Income Housing Tax Credits (LIHTC), State allocated Facilities Consolidation Funds (FCF), State allocated HOME funds, a deferred development fee, funds from the DHCD-administered Affordable Housing Trust Fund, Housing Stabilization Fund, Community Based Housing (CBH) funds, and a permanent loan.

A further description of the project is found in the attached Planning & Development Board memo dated September 28, 2018.

2. Funding Request

The Newton Housing Authority is requesting an additional \$327,900 from the City of Newton to fund design changes that have increased the total construction costs associated with the project:

City CPA	\$77,900
City HOME	\$250,000

The City previously awarded the project **\$3,000,000** in CPA funds in 2018. The NHA is now requesting an additional **\$77,900** in CPA funds to cover costs for a material lift needed for trash collection. During Design Review meetings with the City, concerns were raised about a planned curb cut on Jackson Road to allow for trash collection and requested that all trash be collected from John F. Kennedy Circle instead. To accommodate this, a material lift was added to the design to carry trash up from the basement level, which opens onto Jackson Road, to the main floor, which opens onto John F. Kennedy Circle.

The City previously committed **\$625,000** in FY20 CDBG funds for predevelopment costs. The NHA is now requesting an additional **\$250,000** in FY21 CDBG funding to cover increased costs related to architectural access improvements to the project through the addition of an accessible pedestrian ramp and stairs. This is to maintain the pedestrian connection between John F. Kennedy Circle and Jackson Road, which is currently used by community members to access Lincoln-Eliot Elementary School. The existing ramp does not comply with current accessibility requirements. The total cost of the new ramp is \$285,000. If the ramp and stair access were removed from the design, a block retaining wall at that location would cost approximately \$35,000; therefore, the change in cost for adding the ramp reflected in the NHA proposal is **\$250,000**.

This additional funding will help to ensure that the closing can take place as planned in Fall 2020 and construction can begin thereafter.

3. Underwriting Recommendation

While the use of CDBG funding does not require formal project underwriting, staff will review the project's development and operating proformas and utilize an on-call consultant to underwrite and conduct a full financial analysis prior to a full commitment of CDBG funds.

5. CDBG Requirements

5.A. Eligible Costs

The proposed use of CDBG funds would reimburse the project for architectural accessibility costs. The NHA will submit a complete breakdown of these costs prior to the full commitment of funds.

5.B. Affordability Period

If funding for this project is approved, the City will impose an initial 20-year affordability period and a general affordability restriction will be held in perpetuity by the subsidizing agency or for the maximum duration permitted by law, with approval from the Commonwealth of Massachusetts. The terms of the affordability will be enforced by a declaration of affordable housing covenants which will run with the land.

5.C. Labor Requirements/ Procurement

The wage requirements of the Davis-Bacon Act will apply to this project because it consists of more than eight total units. The Newton Housing Authority managed its own competitive public bid process in conjunction with the Purchasing Department in accordance with HUD regulations.

5.D. Environmental Review

The City has conducted an environmental review of the project and has submitted a Request for Release of Funds to HUD.

6. Design and Construction

6.A. Site Plans & Zoning / Permitting

The Sponsor sought zoning relief in the form of a comprehensive permit under Massachusetts General Law Chapter 40B, which was approved by the City's Zoning Board of Appeals in July 2018. The project sponsor worked with the State subsidizing agency, DHCD, to apply for project eligibility and then submitted a comprehensive permit application to the City.

6.B. Proposed Project

The Division has reviewed the scope of work submitted by the project architect and found the costs to be reasonable based on the extensive nature of the work proposed. The total revised total development costs are estimated to be \$29,819,936.

7. Financials

7.A. Subsidy Per Unit

In the original NHA proposal of September 28, 2018, the per unit cost was estimated at \$474,662 with a total development cost of \$26,106,417. The revised total development cost of \$29,819,936, which

includes the additional proposed predevelopment costs, increases the total cost per unit to \$505,833. The Planning Department feels that even with this increase, the cost per unit remains within an acceptable range for the cost to develop housing in the City of Newton. The average cost to develop a unit of affordable housing in Newton is \$550,000.

7.B. Developer Fee

Despite the request for additional funds, the NHA is estimating a lower developer fee as compared to their 2018 proposal. In 2018, the developer fee and overhead were projected at \$2,240,000, or 8.6% of total development costs. The revised developer fee and overhead is now estimated at \$2,000,000 or 6.7% of total development costs. The NHA is also allocating an additional \$647 towards their deferred developer fee. The proposed fee remains within the standard of 15%, recommended by the National Council of State Housing Agencies. As a LIHTC-financed project, the projected soft costs and developer fee and overhead adhere to LIHTC regulations and will be subject to a strict cost accounting.

7.C. Cash Flow

The operating budget is projected at \$583,284 or \$10,605 / unit. Operating costs include standard maintenance costs, resident services, security, utilities, taxes, and replacement reserve. The replacement reserve is estimated at \$350 per unit. Total revenue is \$1,127,654 and the net operating income is \$74,964. The vacancy rate assumption for all units is 5%.

The project maintains a healthy cash flow projection as outlined in the project's 20-year operating budget. These projections show a cash flow of \$141,332 in year 13, once the balance of the deferred developer fee is returned to the NHA. The projected net cash flow after debt service in year 20 is \$175,401, which results in a 1.37 debt service coverage.

The full project funding proposal provides a detailed project budget, operating income and expenses table, and 10-year operating budget, and can be found here:

http://www.newtonma.gov/gov/planning/cpa/projects/housing_authority.asp

8. Architectural Accessibility

8.A. Design and Construction Applicability

The City's Accessibility in Affordable Housing Guidelines encourages applicants to enhance the accessibility of their projects to the extent that it is financially feasible. During the City's required design review process, the City requested that an accessible pedestrian ramp and stairs be added to the design. This is to maintain the pedestrian connection between John F. Kennedy Circle and Jackson Road, which is currently used by community members to access Lincoln-Eliot Elementary School. The existing ramp does not comply with current accessibility requirements.

In addition to the creation of a new ramp, the project will also maximize accessibility through the new construction of the following:

- All approaches / entrances / exists are fully accessible
- Minimum 36" doors are provided along the accessible route and within units for access to building entrances and interior rooms

- Accessible public use and common spaces will be provided, such as the management offices, public toilet facilities, library, lounges, community rooms, studio, fitness center, laundry, trash areas, mailboxes, walks, sidewalks, parking lots, entrances, elevators, lobbies and foyers, as well as corridors and stairways leading to dwelling units
- 52 Group 1 Units (MAAB), 2 of which will be sensory adapted
- 3 Group 2B Units (MAAB)

9. Fair Housing and Equal Opportunity

The Massachusetts State Department of Housing and Community Development (DHCD) will require the submittal of an affirmative fair housing marketing and resident selection plan prepared in accordance with the Chapter 40B Guidelines, and a description of the lottery process that will be used for the project. In addition, to the greatest extent possible, the project will provide employment and training opportunities to lower-income area residents and businesses during construction, as required by Section 3 of the Housing and Urban Development Act of 1968.

10. Community Need

Haywood House will meet several of the City's stated goals for increasing access to affordable housing in the community. In Newton's Comprehensive Plan (5-12), it states, "We want our stock of housing to match the social and economic diversity of our population" by increasing rental opportunities "for the entire range of low, moderate, and middle income families." Haywood House will provide 55 units of mixed income housing which will be affordable to seniors at low and moderate incomes.

In the City's 2016 Housing Strategy, the City of Newton identified a growing population of residents over the age of 55, as well as a "lack of housing options in Newton for smaller households and residents that seek to downsize." Haywood House will consist of one-bedroom apartments for seniors ages 62 and older, which will help to meet the growing need for small affordable units for Newton's growing aging population. In addition, four units will be set aside for elderly people facing homelessness; Haywood House will provide permanent housing with supportive services for this vulnerable population in accordance with the recommendations outlined in 2016 Housing Needs Analysis and Strategic Recommendations.

10. Substantial Amendment

The \$250,000 of requested FY21 CDBG funds will be used to support the construction of an accessible pedestrian ramp and stairs between John F. Kennedy Circle and Jackson Road as part of the Newton Housing Authority's new 55-unit affordable senior housing development.

The utilization of the City's FY21 CDBG dollars requires a substantial amendment to the FY21 Annual Action Plan.

Per the City of Newton Housing and Community Development Program Citizen Participation Plan, a Substantial Amendment is defined, in accordance with the U.S. Department of Housing & Urban Development (HUD) regulations 24 CFR 91.505(a), as:

- A substantial change in allocation priorities (any change greater than 25 percent in an individual project's total budget) or a substantial change in the method of distribution of funds;
- A new activity (including those funded exclusively with program income) not previously covered by the Newton Consolidated Plan or Annual Action Plan; or a
- Substantial change in the purpose, scope, location or beneficiaries of an activity.

11. Recommendation

The Housing and Community Development Division of the City of Newton Planning Department invited the Newton Housing Authority to present the project submitted herein at the Planning and Development Board meeting to be held on October 5, 2020.

Based on the merits of the proposal, consistency with community need identified in the 2016-2020 and 2021 – 2025 Consolidated Plans, evidence of community support and the project's monetary needs, the Division recommends an additional commitment of CDBG funding at \$250,000 in FY21 Newton Community Development Block Grant (CDBG) funds, with the following pre-conditions:

- a) CDBG funds cannot be committed until firm commitments are received from all other sources, including LIHTC funding, identified in the most recent Development Budget.
- b) Project cost savings are returned proportionally to the respective grant program(s) upon completion.
- c) Notify City if/when Operating reserves are disbursed for this project.
- d) CDBG funds also cannot be committed until completion of the Environmental Review Record and HUD issues the Authority to Use Grant Funds.
- e) Project proponent, Newton Housing Authority, must report to the Planning and Development Board at various benchmarks throughout implementation of the development to monitor the financial viability of the project:
 1. Four months following the start of project construction to report on progress;
 2. At project lease-up to submit a project completion report;
 3. As needed.

Attachments:

- Planning & Development Memo dated September 28, 2018 for NHA Request for a Pre-Commitment of \$625,000 in CDBG funds