



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Barney S. Heath
Director

MEMORANDUM

DATE: September 28, 2018

TO: Planning & Development Board Members

FROM: Rachel Powers, Community Development and HOME Program Manager
Amanda Berman, Director of Housing and Community Development

CC: Amy Zarechian, Newton Housing Authority Executive Director

RE: Request for a Substantial Amendment to the FY19 Annual Action Plan and
FY16-FY20 Consolidated Plan to Support an Allocation of CDBG Funds to the
Newton Housing Authority's Haywood House Project

1. Executive Summary

Project Sponsor, the Newton Housing Authority, 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 Newton Housing Authority and sited next to the existing Jackson Gardens Federal Public Housing development.



Thirty-two of the proposed units will be designated for low-to-moderate income seniors with incomes at or below 60% of AMI. Eleven of these units will be occupied by households with incomes at 30% of AMI or below. In addition, 23 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 homeless or at risk of being homeless individuals. The project will include parking and new community spaces to be utilized by residents of the development and all others within the Jackson Gardens' community. The proposed project targets extremely low and low-income households, identified as priority populations in the FY16-FY20

Consolidated Plan, and will be eligible for listing on the Massachusetts Subsidized Housing Inventory (SHI).

The total development cost is budgeted at \$26,106,427. Newton Housing Authority is seeking a conditional pre-commitment of \$625,000 in FY20 Newton Community Development Block Grant (CDBG) funds. The Housing Authority is currently preparing its pre-application to DHCD for these LIHTC funds, anticipated for submission in November. If invited to submit a full application, the earliest the Housing Authority could receive notice of approval of LIHTC funding is July / August 2019. Therefore, the proposed CDBG funds would likely be committed in FY20 (7/1/19 – 6/30/20). This commitment is dependent on the Housing Authority receiving approximately \$11,000,000 in Low Income Housing Tax Credit (LIHTC) Funds from DHCD in the coming years and the availability of federal funds.

Additional Newton-controlled public funds identified in the Haywood House development budget include: \$3,000,000 in Newton Community Preservation Act (CPA) funding, and \$625,000 in Newton Inclusionary Zoning Funds, for a total of \$4,250,000 in Newton-controlled public funds. The Community Preservation Committee voted in July 2018 to approve the \$3,000,000 funding request, and approval from the City Council is scheduled to take place before the end of 2018 (*see attached CPC Staff Readers' Guide to the Haywood House Proposal, and the July 26, 2018 CPC Funding Recommendation to the City Council*).

The identified Inclusionary Zoning Funds, \$625,000, are funds paid by developers in lieu of providing affordable units on site otherwise required by the City's Inclusionary Zoning (IZ) ordinance. Per the ordinance, IZ funds are split equally between the Housing Authority and the City of Newton. As of June 2018, the Housing Authority's available balance of these funds is \$374,176, but the Authority will also be allocated half of the \$1.2 million payment committed by the Benchmark Senior Living project to be constructed over the next year under a special permit, on the former campus of Andover Newton Theological School in Newton Centre.

Other sources of funds for the project include 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.

The Project Sponsor received a Comprehensive Permit from the Newton Zoning Board of Appeals, through G.L. Chapter 40B in July 2018.

2. Project Description

The proposed site of the Jackson Road Senior Housing Development is approximately 25,200 square feet of undeveloped, wooded property owned by the Newton Housing Authority (NHA), next to its existing Jackson Gardens Federal Public Housing development. The proposed development will consist of 55 one-bedroom units of newly constructed rental housing. Thirty-two of these units will be designated for low-income seniors with incomes at or below 60% of AMI. Eleven of these units will be occupied by households with incomes at 30% of AMI or below. In addition, 23 of the units will

be designated for residents with incomes between 80% and 99% of AMI. Four of the units will be set aside for homeless or at risk of being homeless individuals.

The development will have at least three accessible units specifically designed for mobility impaired residents and all units will be designed to be visitable and potentially adaptable. In addition, all common and community spaces will be fully accessible to all residents. Additionally, the NHA will be coordinating the provision of social services through partnerships with a variety of local service providers based on the needs of the residents. The project also provides parking and new community spaces to be utilized by residents of the development and others within the Jackson Gardens community.

The NHA recognizes the need for affordable housing in Newton and currently has extensive waiting lists for all of its housing programs. As described in the City of Newton’s Consolidated Plan, the number of older adults is expected to increase dramatically over the next twenty years and, with it, the demand for affordable and accessible multifamily rental housing in the City of Newton. The proposed development will meet the needs of this growing population by providing 32 units of affordable and accessible housing within the NHA’s extensive housing portfolio. In addition, the NHA has identified a need for affordable housing for moderate-income households as described in City of Newton’s Consolidated Plan, which states that over half of Newton households with incomes between 80% and 100% of AMI are also cost burdened. This need is further described in the City of Newton’s Housing Strategy, which recognizes rental units as the best opportunity to address the growing lack of affordable housing options in the City for low and moderate-income households.

The proposal includes the following unit mix and characteristics for the proposed housing units:

Units	Affordability Level	# of Bedrooms	# of Baths	Gross Living Area
11	Up to 30% AMI	1	1	683 square feet
21	Up to 60% AMI	1	1	683 square feet
23	Up to 99% AMI	1	1	683 square feet

The following charts detail the 2018 maximum rents for the proposed units affordable to households at or below 80% AMI and the 2018 HUD Income Limits for Newton. These are both subject to change during the fiscal year in which this project is formally committed.

2018 Maximum Affordable Rents, City of Newton (all utilities included in rent)			
Unit Type	Household Size (# of BR + 1)	30% AMI	60% AMI
1 Bedroom	2	\$647.50	\$1,294.50

2018 HUD Income Limits			
Unit Type	Household Size	30% AMI	60% AMI
1 Bedroom	2 person	\$25,900	\$51,780

The project also includes middle-income units which will be affordable to households at or below 99% AMI. These rents are projected to be priced at \$1,774 per unit.

The rent and income thresholds as proposed are in line with the affordability the provisions set forth by the 40B Comprehensive Permit guidelines and subsequently will be eligible for listing on the Massachusetts Subsidized Housing Inventory (SHI).

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.

4. Development Entity and Capacity

The Newton Housing Authority (NHA), established in 1959, is the largest provider of affordable housing in the City of Newton. With over 1300 residents, the NHA owns and operates over 500 units of federal and state-sponsored public housing and 441 Section 8 Housing Choice Vouchers, as well as other housing programs for residents with special needs, victims of domestic violence, and single, homeless men.

The NHA also owns and operates a unique Management Program consisting of 57 units throughout the City that are occupied by Section 8 voucher holders and purchased through the City of Newton's Inclusionary Zoning Ordinance. This Management Program enables the NHA to broaden the scope of services it provides to the community by expanding the number of affordable housing opportunities in the City. The NHA has also successfully utilized three units in its Management Program as emergency shelter units for residents of Newton experiencing emergency loss of housing, due to fire, flood, unsafe sanitary conditions, and other exigent habitability concerns. These units have allowed the NHA to respond to the emergency needs of residents of Newton, often on the very day the loss of housing occurs, in collaboration with the City of Newton Health and Human Services Department. These units are the only such resource in the City.

The mission of the Newton Housing Authority is to provide and maintain a high standard of housing, which allows its residents a safe, clean and affordable home in which to reside. The creation of 55 new affordable housing units adjacent to its Jackson Gardens development greatly furthers the NHA's organizational mission and future plans. In addition, the creation of expanded community and social service programming space in the new development will enable the NHA to grow its social services program and further its mission to enhance the quality of life for its residents.

Seventy-five percent of NHA units are one-bedroom units for elders or persons with disabilities. Therefore, the one-bedroom units for elders planned in the new development fit seamlessly within the NHA's current portfolio. The NHA consistently scores highly on the extremely rigorous Real Estate Assessment Center inspections performed by HUD on federally-funded public housing units, recently receiving a score of 93c on the 2017 inspection of the four original federal public housing

developments in Newton. In addition, the NHA has received a Section 8 Management Assessment Program (SEMAP) score of 100% for the last ten years.

5. CDBG Requirements

5.A. Eligible Costs

The proposed use of CDBG funds would reimburse the project for site development costs, as this is the only cost eligible under CDBG for new construction. The NHA will submit a complete breakdown of site development 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 Division will manage the competitive bid process in conjunction with the Purchasing Department in accordance with the City's Procurement Policy for Affordable Housing Projects and HUD regulations.

5.D. Environmental Review

The City is required to conduct an environmental review prior to commitment of federal funds. As part of the assessment, if funding for this project is approved, staff will review evidence that the property is free of potentially hazardous materials and that the project will not have any adverse effect on the surrounding environment.

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 a project eligibility letter and then submitted a comprehensive permit application to the City.

6.B. Proposed Project

The Division has reviewed the preliminary 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 project construction costs are estimated to be \$26,106,417. This includes substantial site work, demolition of an existing community space and offices, and the construction of the new building, including 55 one-bedroom units and a new shared community space.

7. Financials

7.A. Subsidy Per Unit

The subsidy per unit is estimated to be \$474,662 and \$455,915 without considering the shared community space; the public subsidy per-unit amounts to \$336,364. Contributing factors include escalating market conditions due to Newton’s increasing land cost and tight construction labor market. However, the project’s access to private resources helps to stretch public dollars and the per-unit public subsidy.

For comparative purposes, the table below shows the total development costs, total subsidy per-unit and subsidy per-bedroom of other publicly-funded projects in Newton, as far back as 2005.

Project Address/ Sponsor/Year	Project Type and Scope	Affordable Units	Total Development Cost	Total Public Subsidy/Unit¹	Total Public Subsidy/Bed
Haywood House NHA	Rental- Site Development, Construction	55	\$26,106,417	\$350,000	\$350,000
236 Auburn Street CAN-DO (Proposed)	Rental – Acquisition, Rehab/Construction	8	\$3,992,905	\$438,514	\$307,147
10-12 Cambria Road CAN-DO 2015	Rental – Acquisition, Rehab/Construction	2	\$905,410	\$427,705	\$213,853
54 Taft Avenue CAN-DO 2014	Rental – Acquisition, Rehab/Construction	2	\$1,170,729	\$534,515	\$213,806
54 Eddy St. CAN-DO 2012	Rental – Acquisition and Rehab	2	\$1,115,250	\$472,625	\$189,050
61 Pearl Street CAN-DO 2010	Rental – Acquisition and Rehab	3	\$1,370,000	\$381,667	\$190,833
2148 Commonwealth Ave. CAN-DO 2009	Rental – Acquisition and Rehab	2	\$950,000	\$337,500	\$135,000
11-13 Cambria Road CAN-DO 2006	Rental – Acquisition and Rehab	2	\$1,437,511	\$315,512	\$126,205
20-22 Falmouth Street CAN-DO 2005	Rental – Acquisition and Rehab	2	\$1,178,933	\$325,601	\$130,240
163 Jackson Road CAN-DO 2005	Rental – Acquisition and Rehab	2	\$1,178,048	\$325,158	\$130,063

The Planning and Development Department does not have a per-unit subsidy limit. Instead, a project’s subsidy amount is evaluated on a case-by-case basis through a federally-required subsidy layering analysis. Our goal is to provide enough financing to serve the greatest number of eligible households, to make the deal feasible and affordable to the target population and not to over-subsidize the project or unduly reward those implementing it. Costs of affordable housing are a state-wide topic of interest.

¹ Includes all HOME, CDBG, CPA and/or other public subsidy grants and loans

7.B. Developer Fee

The developer fee and overhead are projected at \$2,240,000, or 8.6% of total development costs. Staff believes this fee to be reasonable given the size and complexity of the proposed project. The proposed fee is within the standard recommended by the National Council of State Housing Agencies of 15%.

7.C. Cash Flow

Cash flows project an initial 10% cushion, about \$58,614 annually, after debt service. However, as noted previously, cash flow projections will be reviewed and analyzed prior to a full commitment of CDBG funds.

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. Given that the project is completely new construction with two elevators, accessibility will be maximized, including:

- 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 marketing plan prepared in accordance with the Chapter 40B Guidelines, and a description of the lottery process that will be used for the project. If approved, this proposal would, to the greatest extent possible, 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

As stated in the City's *FY16-20 Consolidated Plan* and the *FY19 Annual Action Plan*, it is a priority objective to provide deeper subsidies in a project where the developer provides at least one of the following: 1) units that are accessible to persons with disabilities, where not required by applicable

law and there is a substantiated market demand; and 2) units for low-income households (at or below 50% of AMI) that do not have rental assistance.

This proposal creates new affordable rental housing opportunities for 32 senior households earning up to 60% of AMI, of which 11 are targeted to households earning at or below 30% AMI. Additionally, the project creates new affordable rental housing opportunities for 23 senior households earning up to 99% of AMI.

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 1, 2018.

Based on the merits of the proposal, consistency with community need identified in the 2016-2020 Consolidated Plan, evidence of community support and the project's monetary needs, the Division recommends a conditional, pre-commitment of CDBG funding at \$625,000 in FY20 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 (this is a federal requirement).
- 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) FinePoint Associates perform a review and underwriting of the project's most current working proforma and financials, prior to the full commitment of funds.
- e) CDBG funds also cannot be committed until completion of the Environmental Review Record and HUD issues the Authority to Use Grant Funds.
- f) Project proponents, Newton Housing Authority, must report to the Planning and Development Board at various benchmarks throughout implementation of the project to monitor the financial viability of the project:
 - 1. Following receipt of construction bids to verify project costs
 - 2. Four months following the start of project construction to report on progress;
 - 3. At project lease-up to submit a project completion report;
 - 4. Every 6 months thereafter for the first two years;
 - 5. As needed.

Attachments:

- Community Preservation Committee (CPC) Staff *Readers' Guide* to the Haywood House June 2018 Proposal
- Community Preservation Committee (CPC) Funding Recommendation for Haywood House / Jackson Road New Senior Housing to City Council, July 26, 2018