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MEMORANDUM

To: Planning and Development Board Members

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

CC: Community Preservation Committee Members
Lizbeth Heyer, Chief of Real Estate, 2Life Communities

Re: Request for a Substantial Amendment to the FY21 Annual Action Plan to allocate \$400,000 in Newton CDBG funds and a pre-commitment of \$130,000 in FY22 Newton HOME Funds towards the Coleman House Senior Housing Preservation Project developed by 2Life Communities

Date: January 8, 2021

SUMMARY

The Project Sponsor, 2 Life Communities, is requesting **\$4,744,622** from the City of Newton to support the preservation of 146 existing units of affordable housing for very low-income seniors at the Coleman House Senior Housing Project: \$4,214,622 in Community Preservation Act Funds (CPA), \$400,000 in FY21 Newton Community Development Block Grant Funds (CDBG), and \$130,000 in pre-committed FY22 Newton HOME funds. The project's estimated total development cost (TDC) is \$30,493,141.

Coleman House I and II provide deed-restricted, permanent affordable housing and supportive services to 146 very low- and extremely low-income older adult households in Newton. The proposed comprehensive rehabilitation and preservation of 2Life's Coleman House I and II will be the fourth major preservation and occupied rehabilitation project of 2Life's older 202 portfolio in the past five years, demonstrating 2life's depth of experience and a strong track record.

Coleman I was refinanced in 2018 and \$24,830,000 was made available for rehabilitation and preservation. As a non-profit, 2Life Communities is investing these funds back into the property not just for capital improvements but also, as the long-term operators, to meet the highest possible

sustainability and resiliency standards. 2Life intends to redesign the apartments for enhanced adaptability, above and beyond what is typical in the rehabilitation of 30+ year old brick buildings.

The project scope will include:

- reconfiguring 100% of the apartments to meet 2Life’s adaptable design standards and accessibility requirements to support people in their apartments as their physical needs change,
- a life-cycle investment to preserve building systems (masonry, roof, windows, HVAC, electrical and plumbing),
- and redesign of the program spaces to serve as a village center for residents.

In particular, according to a Capital Needs Assessment completed in 2018, Coleman II requires the reconfiguration of the kitchen and bathrooms to comply with Fair Housing access codes. The significant upgrade to the HVAC system will further support the environmental health in the building and, as an electric system, is better for the environment. 2Life is committed to sustainability and this renovation will achieve Enterprise Green Communities standards.

2Life Communities is a nonprofit, nonsectarian provider of senior supportive housing in the Greater Boston area. Since 1965, 2Life has created over 1,500 affordable homes for low-income older adults in Brighton, Brookline, Newton and Framingham, all of which are owned, managed and serviced by 2Life.

FUNDING REQUEST

The Project Sponsor, 2 Life Communities, is requesting **\$4,744,622** from the City of Newton to support the preservation of these existing affordable units:

City CPA	\$4,214,622
City CDBG (FY21)	\$ 400,000
City HOME (FY22)	\$ 130,000

2Life’s CDBG request will be funded by FY21 dollars, while the HOME request will be funded from a pre-commitment of FY22 Newton HOME dollars.

The request of Newton CPA, CDBG and HOME funds are projected to make up approximately 18% of the project’s total development costs. The CPA funds will be allocated to the following building preservation components: masonry repairs and a new roof and windows. The CDBG funds will be used for relocation soft costs. HOME funds will be used to pay for the rehabilitation of the major building systems.

As outlined in the table below, Coleman residents qualify as low- or very low-income. The median household income of the residents is \$12,000 per year. In addition, the median age is 82 years old and 53% of residents need some level of assistance for their activities of daily living. Therefore, not only does the funding request help to preserve the deep affordability of the units, but the proposed accessibility and adaptability improvements are particularly important in allowing residents to remain at Coleman as their physical needs change over time.

UNIT COMPOSITION <i>List number of units in each category.</i>						
UNIT TYPE	≤ 30% AMI	≤ 50% AMI	≤ 80% AMI	80-100% AMI	Market-rate	TOTAL
SRO						
Studio						
1 BR		144			1 – Rent free manager unit	145
2 BR					1 – Rent free manager unit	1
3 BR						

Financial Analysis

The City of Newton Housing & Community Development Division has reviewed the joint CPA, CDBG, and HOME funding request from 2Life Communities dated 11/20/20 (and the 1/8/21 updated budget) and has determined that the funding allocation for the proposed project to support the preservation of 146 existing units of affordable housing for very low-income seniors at the Coleman House Senior Housing Project is feasible and within the CDBG and HOME Program guidelines and regulations found in 24 CFR 92.250(b). Prior to the execution of a HOME and CDBG Loan Agreement, a full underwriting and financial analysis must be performed, consistent with guidelines set forth by the U.S. Department of Urban Development and the WestMetro HOME Consortium.

Sources and Uses

The project's total development cost (TDC) is \$30,493,141, of which \$3,854,329 are soft costs. The developer's fee and overhead comes to \$1,300,000 or 4.26% of the TDC. Through the refinance of the Coleman I project, 2Life was able to leverage \$24,830,000 which they are investing back into the project. This amounts to 81.4% of the total project sources.

The full project funding proposal and corresponding documents can be found here:

<https://www.newtonma.gov/government/planning/community-preservation-program/proposals-projects/coleman-house-senior-housing-preservation>

The following table summarize the project's funding sources and uses, comparing the 11/20/20 pre-proposal budget to the current 1/8/21 budget:

Coleman House Renovation

Sources Uses Schedule & Development Budget

SOURCES	Pre-Proposal	Current	Res P/U
2Life Sponsor Note	24,830,000	24,830,000	170,068
WestMetro HOME Consortium FY20	418,519	418,519	2,867
Newton CPA	4,214,622	4,214,622	28,867
Newton CDBG FY21	400,000	400,000	2,740
WestMetro HOME Consortium FY21	400,000	400,000	2,740
Newton HOME (FY22)	130,000	130,000	890
Utility Rebates (MassSave)	100,000	100,000	685
Total Sources	30,493,141	30,493,141	208,857

Acquisition	-	-	-
Construction			
Hard Costs	16,785,000	17,259,475	118,216
General Requirements/Profit	6,242,438	5,775,809	39,560
Cost of Construction	23,027,438	23,035,284	157,776
Contingency	2,302,744	2,303,528	15,778
Subtotal Construction	25,330,182	25,338,812	173,554
Soft Costs			
Architect & Engineering	1,407,778	1,424,800	9,759
Survey and Permits	75,000	75,000	514
Clerk of the Works	183,000	183,000	1,253
Commissioning & Testing	75,000	75,000	514
Bond Premium	-	-	-
Legal	75,000	90,000	616
Title/Recording	20,000	20,000	137
Accounting/Cost Cert	20,000	5,000	34
Marketing & Rent-Up	-	15,000	103
Real Estate Taxes	-	-	-
Insurance (Construction)	41,963	43,149	296
Relocation	818,000	955,541	6,545
Appraisal/Market Study	-	-	-
Pre-Construction Services	-	-	-
Energy/Green Consulting	63,500	69,300	475
Low Voltage	900,000	715,000	4,897
Utility Connection Fees	-	-	-
Pre-dev loan fees/interest	-	-	-
Syndication Fees	-	-	-
DHCD Processing Fee	-	-	-
Soft Cost Contingency	183,962	183,539	1,257
Subtotal Soft Costs	3,862,960	3,854,329	26,400
Developer Overhead/Fee	1,300,000	1,300,000	8,904
Developer's Fee	-	-	-
Replacement Reserves	-	-	-
Operating Reserves	-	-	-
Subtotal Fees, etc.	1,300,000	1,300,000	8,904
Total Uses	30,493,141	30,493,141	208,857

The project has already been awarded **\$418,519 in WestMetro HOME Consortium Consolidated Pool Funds**. All 13 WestMetro HOME Consortium communities, including Newton, are subject to a 12-month Exclusive Use Period for their annual entitlement of HOME funds. Any HOME entitlement funds that are not committed by the member community to an eligible HOME project after 12 months from the start of the fiscal year shall be transferred to the Consortium's Competitive Funding Pool for use by any member community through a Request for Proposals (RFP) process. 2Life Communities applied to the Fall 2020 RFP Round and was awarded the \$418,519 by the WestMetro HOME Consortium at its fourth quarter meeting in November 2020.

Maximum and Minimum Per-Unit Subsidy

The minimum HOME subsidy that can be invested per unit is \$1,000.

The maximum HOME subsidy per HOME-assisted unit that a participating jurisdiction can provide to a project cannot exceed the per-unit dollar limitations established by HUD. Below are the 2020 maximum HOME per unit subsidy limits for 0 and 1 bedrooms for Maine, Vermont, New Hampshire, Massachusetts and Rhode Island. These limits are effective as of June 4, 2020.

Bedrooms	HOME Maximum Per-Unit Subsidy
0	\$153,314
1	\$175,752

The maximum HOME per-unit subsidy limit creates a cap on the total amount of HOME assistance that may be provided for a specific number of units in a project; or creates a floor on the number of HOME units that may be created for a specific dollar amount of total HOME assistance to a project.

2Life proposes the project to have a maximum of four HOME-assisted units. The following Maximum Per-Unit Subsidy Limit Tests show that a combination of previously awarded WestMetro Consortium HOME funds of \$418,519 and a pre-commitment of FY22 HOME funds of \$130,000 equals \$548,519, which falls below **the maximum limit for four one-bedroom HOME units of \$703,008**.

Max HOME Per-Unit Subsidy Test	
Combined Total HOME Assistance: \$548,519	
Unit Type	Max Per-Unit Subsidy
1-bedroom	\$175,752
1-bedroom	\$175,752
1-bedroom	\$175,752
1-bedroom	\$175,752
# of HOME Units	4, one-bedrooms
Max HOME Assistance	\$703,008

The HOME affordability period will be governed by an affordable housing restriction for 20 years. HOME-assisted units will be monitored annually by the City in terms of rent setting, quality standards, and income qualification of tenants.

While subject to a complete underwriting analysis prior to funding commitment, staff proposes setting the rents for the HOME-assisted units up to 65% AMI (the High HOME rent).

SUBSTANTIAL AMENDMENT

The \$400,000 of requested Newton CDBG and \$130,000 of requested Newton HOME funds will be used to support the preservation of 146 existing units of affordable housing for very low-income seniors at the Coleman House Senior Housing Project.

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

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.

RECOMMENDATION

At their January 5, 2021 meeting, the Newton Housing Partnership voted eight in favor with one abstention to recommend the full funding of this proposal to the Planning & Development Board and Community Preservation Committee.

In addition, based on the merits of the proposal, consistency with community need identified in the 2021-2025 Consolidated Plan and evidence of community support, **staff recommends that the Planning & Development Board vote to approve the request for a Substantial Amendment to the FY21 Annual Action Plan to allocate \$400,000 in Newton CDBG funds and a pre-commitment of \$130,000 in FY22 HOME Funds towards the Coleman House Senior Housing Preservation Project developed by 2Life Communities.**

Staff recommends the use of CDBG and HOME funding as described above, with the following pre-conditions:

- a) HOME funds cannot be committed until a HOME underwriting analysis is completed for the project.
- b) HOME funds cannot be committed until firm commitments are received from all other sources identified in the most recent Development Budget (this is a federal requirement).

- c) HOME and CDBG funds cannot be committed until completion of the Environmental Review Record and HUD issues the Authority to Use Grant Funds.
- d) Project cost savings are returned proportionally to the respective grant program(s) upon completion.
- e) 2Life Communities, 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. Four months following the start of project construction to report on progress;
 - 2. At construction completion;
 - 3. As needed.