

**Needham Finance Committee  
Minutes of Meeting of April 24, 2019**

The meeting of the Finance Committee was called to order by Chair Barry Coffman at approximately 7:00 pm at the Needham Town Hall.

Present from the Finance Committee:

Barry Coffman, Chair; Tom Jacob, Vice Chair

Members: John Connelly, Joshua Levy, Richard Lunetta, Louise Miller, Garrett Parker, Carol Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Reginald C. Foster, Treasurer, Needham Housing Authority

Shannon Lestan, Affordable Housing Consultant, Recap Real Estate Advisors

Peter Pignitore, Chair, Community Preservation Committee; Commissioner, Needham Housing Authority

Scott Brightman, Commissioner, Needham Housing Authority

Carys Lustig, Staff Liaison to CPC

**Citizen Requests to Address Finance Committee**

No citizens requested to speak.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Jacob that the minutes of April 3 and April 17, 2019 be approved as distributed. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0. (Mr. Parker had not yet arrived.)

**2019 Annual Town Meeting Warrant Articles:**

**Article 29: Appropriate for First Baptist Church Porch**

Ms. Fitzpatrick stated that the proponents have requested to withdraw this article.

**Article 30: Appropriate for Modernization and Redevelopment of Affordable Housing**

Mr. Coffman asked for an explanation of how the requested funds would be spent, and what would be achieved. Mr. Foster stated that the funding would fund the necessary consulting and expenses needed to get through the application and preparation work to secure funding through HUD's Rental Administration Demonstration (RAD) program. The funding will get the project through the point at which HUD will provide a funding commitment for the conversion process. Mr. Foster provided a handout showing the expected use of the \$300K, which includes appraisals, an environmental report, legal fees, engineering and other expenses that will all need to be outsourced. He stated that their cost estimate was \$321K, but they rounded down. There are two projects planned: a major modernization project that will upgrade 76 existing low income units, including site improvements, as well as a new development with 61 new low

income units. He stated that the modernization will bring the units into ADA compliance, and extend the useful life of the units for another 40 to 50 or more years. He stated that they have a pro-forma budget which has been validated by HUD in its draft form and which included the scope and property description. Mr. Foster stated that there is a shortage of elderly housing in town. The feasibility consultant had identified that a 61-unit development could be built on 4.3 acres owned by NHA. He stated that they consulted with two local nonprofit housing authorities who do housing project development to help arrive at the expected cost of \$300K. He stated that NHA has a rainy day fund that can provide \$150K and still have sufficient funds to handle issues that might arise, and this article is requesting CPA funding for the other \$150K.

Mr. Coffman asked about the timing of the project. Mr. Foster stated that this funding would not be available until July 1 if approved at Town Meeting. He stated that they will use HUD's transitional assistance to put out the RFP under Chapter 30B looking for a RAD consultant for 2-3 months. The ultimate goal with these funds is to get all the way through the financing steps to be ready to start the redevelopment work. He stated that the target is to submit the RAD application 12 months after July 1, 2019. HUD will then have 60 days to approve it. During that time they will need to have a development partner. The NHA will continue to be involved as a partner, and will be responsible for the residents. Mr. Jacob stated that the total cost with the development partner is \$858K, and asked when the development partner would come in. Ms. Lestan stated that the partner would need to be in from the beginning, particularly for the major modernization part of the project. She stated that they will need to show how the project addresses physical building needs, and that the housing project will be sustainable for the next 40 years. The initial application is an expression of interest. To get the commitment from HUD, they will need a financing plan, along with the environmental report, traffic analysis, survey, etc., before they can put out the RFP for the development partner. She stated that development partners are readily available and that there would be multiple bidders, since the RAD program is a highly desirable program. Mr. Foster stated that he has been trying to set expectations low in his remarks so that they will exceed them. Ms. Lestan stated that they can submit the original application as soon as they want, but that will start the clock for HUD approval and then for the financial planning piece. Mr. Foster stated that there will not be time to hit another CPC funding cycle, so they need all of the funding for the RAD application and HUD commitment process from the start.

Mr. Coffman asked what additional commitment is needed from the Town. Ms. Lestan stated that sometimes there are negotiations on taxes. Mr. Foster stated that NHA does not currently pay taxes, but the developer and the NHA would own the property through an LLC after the conversion, and will want a PILOT agreement. He stated that the benefit of the conversion is that it will unleash the capital value of the property so that the organization will be able to borrow against it. They will get a 20-year commitment for funding. Ms. Miller asked if there would be restrictions on the property after 20 years. Ms. Lestan stated that there will be a declaration of trust with use restrictions that will be on the deed. It will be required to be used for affordable housing in perpetuity for low income residents. Ms. Fachetti asked how maintenance needs will be addressed in order to avoid the same issue. Ms. Lestan stated that public housing funding has declined over time and is funded annually, but in this program, once HUD issues a Commitment to Enter into a Housing Assistance Payments (CHAP), rents do not decrease, and will go up by a set amount. In the RAD program, the developments must show that they are self-sustaining. Mr. Levy asked if there are any drawbacks to the project. Mr. Foster stated that he did not know of any. Ms. Lestan noted that the cornerstone of the RAD

program is public stewardship of the housing, since there is a mandate that the housing authority will be involved in the property management.

Mr. Lunetta asked if the leases would change for the current tenants. Ms. Lestan stated that they would have a mandated Section 8 lease. Residents will pay 30% of their income. Mr. Lunetta asked what would happen to tenants during construction. Mr. Foster stated that they are still developing a strategy, but they have been focusing on this for 4-5 years. Mr. Levy asked if they could build the new units, then move people in to those while the other units are renovated. Mr. Foster stated that was being considered. Ms. Lestan stated that the HUD relocation act includes funding for moving people out and back into their homes. The consultant will work with the families. Ms. Fachetti asked if Needham residents would have priority. Mr. Foster stated that they would not.

Mr. Connelly asked if they were confident they could get building permits for the work. Mr. Foster stated that he believes that there will be no issues with the Conservation Commission. He stated that they have been before the Planning Board and spoken with the Planning Department Director. The Board has not endorsed the project at this point, but they know about it. Part of the upcoming legal expenses will cover a zoning analysis. They may need to seek zoning changes. Mr. Lunetta asked about the useful life of the buildings without the work. Mr. Foster stated that they are past it. He stated that there was a \$1.8 million repair project after the snow storms a few years ago due to shoddy construction. NHA self-funded the work, but are trying to get money from other sources for the modernization project before using its own funds. Ms. Miller asked the mechanism to oversee the Town CPA funds. Mr. Foster stated that the practice is that they will spend the money and report to the Town which will review reports for compliance. This warrant article calls for Town Manager oversight.

Mr. Jacob asked if the RAD program is being phased out. Mr. Foster stated that there is a sense of urgency because there is a ceiling on the number of units that RAD can cover nationwide, which has been increased recently. Ms. Lestan stated that the RAD program sunsets in 2024. There is currently an eagerness to participate, and she expects that the program will be full in 18 months. She stated that the new rents will be based on the FY18 budget, and that the rent levels are more favorable than previously, which attracts developers. Mr. Brightman stated that CPA funds were used for repair work on half of the buildings after the snow storms a few years ago, but the remaining building has a similar risk if it is not upgraded. He stated that they had considered seeking funds to upgrade only the building envelope, but now are seeking other funds to do much more.

Mr. Foster stated that there is a broad array of financing options that will be considered, and they will include both capital and operating costs. He stated that they will need to develop a detailed business case for a developer to buy in for 99 years. Ms. Lestan stated that 60% will be rent controlled. Mr. Foster stated that the wait list will be managed at the federal and state levels.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 30: Appropriate for Modernization and Redevelopment of Affordable Housing in the amount of \$150,000. Mr. Lunetta seconded the motion. The motion was approved by a vote of 8-0.

Mr. Foster noted that Linden Chambers has not been forgotten. He stated that they have been doing some incremental work, but have been avoiding the threshold of work that would require

bringing everything up to current codes, because they do not have the funds. Linden Chambers is not eligible for the RAD program, but there is a federal program, Section 202, which is targeted at this type of project, and they are looking into it.

### **Article 31: Appropriate for Fisher St Trail Head Design**

Mr. Connelly stated that he is concerned about this project only because there are other projects such as the boat launch which are not yet finished. Existing projects should be finished before new projects are started. He has reservations about the process, not the project. Mr. Connelly stated that he was considering making a motion for the Committee not to recommend this funding. Mr. Pignitore stated that this request is for design funds, and that the construction funding is in the current CPC budget in case the grant funding does not come through. He stated that the project will be done, and that this situation is a different proponent from the boat launch project. He stated that the Committee could vote against this project to send a message, but the unfinished project has nothing to do with this proposal. Mr. Connelly stated that there should be discipline to see projects through. Ms. Miller agreed, and stated that funds were spent on design for the boat launch, and there is no commitment to follow through.

Mr. Parker asked when the construction of the trail head would begin. Mr. Pignitore stated that he did not know. Mr. Jacob asked if the issue was a concern about a commitment for funding or for getting the work done. Mr. Connelly stated that he is concerned with both, and that there should be funding in place for the project, otherwise it is not good precedent. Ms. Lustig noted that the CPC does not require a five-year plan, which is different from other Town projects. Ms. Miller stated that it does not make sense to fund designs when the work is not done. Mr. Coffman asked if they were sure about having funding if the grant is not awarded. Ms. Lustig stated that they will use general CPA funds if they do not get grant funding, and the Town Common project can use CPA open space funds. Mr. Pignitore stated that the construction cost is \$150K, and there are funds in the open space reserve, though they want the proponent to do its best to seek grant funding. Mr. Connelly stated that he would not make a motion to recommend against approval of this project.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 31: Appropriate for Fisher St Trail Head Design in the amount of \$15,000. Mr. Parker seconded the motion. The motion was approved by a vote of 5-3, with Ms. Fachetti, Ms. Miller and Mr. Connelly dissenting.

### **Article 32: Appropriate for Town Common Renovation Design**

Ms. Lustig stated that this article would be amended to change the funding to come from the open space reserve. Ms. Miller stated that it seemed to stretch the definition of open space. Mr. Jacob stated that he felt that the Committee should defer to the CPC's recommendation on open space.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 32: Appropriate for Town Common Renovation Design in the amount of \$117,000, as amended. Mr. Lunetta seconded the motion. The motion was approved by a vote of 8-0.

### **Article 33: Appropriate for Rosemary Lake Trail Project**

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 33: Appropriate for Rosemary Lake Trail Project in the amount of \$200,000 as amended. Mr. Lunetta seconded the motion. The motion was approved by a vote of 8-0.

### **Article 34: Appropriate for Cricket Field Renovations**

MOVED: By Ms. Miller that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 34: Appropriate for Cricket Field Renovations in the amount of \$480,000. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0.

### **Article 35: Appropriate for Playground Improvements**

Ms. Lustig stated that the work is needed to comply with ADA code. It involves installing “our in place” surfacing. There was discussion of the expected life span of the surfacing. Ms. Lustig stated that this is a first installment.

MOVED: By Mr. Jacob that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 35: Appropriate for Playground Improvements in the amount of \$350,000 as amended. Mr. Parker seconded the motion. The motion was approved by a vote of 8-0.

### **Article 36: Appropriate to Community Preservation Fund**

Mr. Davison stated that there will be no change from the amounts stated in the warrant.

MOVED: By Mr. Lunetta that the Finance Committee recommend adoption of 2019 Annual Town Meeting Warrant Article 36: Appropriate to Community Preservation Fund as specified in the article. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0.

### **Finance Committee Updates**

Mr. Coffman stated that the next meeting would be early in the evening before the Annual Town Meeting.

### **Adjournment**

MOVED: By Ms. Miller that the Finance Committee meeting be adjourned, there being no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 8-0 at approximately 8:30 p.m.

Documents: Annual Town Meeting warrant; May 2019 Special Town Meeting warrant; Memorandum to Community Preservation Committee from David Davison ATM/Director of

Finance dated April 2, 2019 revised re: FY2020 CPA Revenue Estimates; CPC Meeting  
Financial Summaries, April 1, 2019.

Respectfully submitted,  
Louise Mizgerd  
Staff Analyst

*Approved May 6, 2019*