

Needham Finance Committee
Minutes of Meeting of March 27, 2024

The meeting of the Finance Committee was called to order by Chair Louise Miller at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconference. The Chair announced that attendance would be announced by calling each member's name and that every vote would be by roll call since one of the Finance Committee members was attending remotely.

Present from the Finance Committee:

Louise Miller, Chair; Carol Fachetti, Vice Chair

Members: James Healy, Paul O'Connor, Joshua Levy, Karen Calton

Present via Zoom:

Barry Coffman (departed at 8:41pm)

Absent:

John Connelly

Others present:

David Davison, Assistant Town Manager/Finance Director

Molly Pollard, Executive Secretary of the Finance Committee

Adam Block, Chair, Planning Board

Reginald Foster, Chair of Needham Housing Authority

Bob Smart, NGA Attorney

Kevin Keene, Select Board Vice Chair

Marianne Coley, Select Board Chair

Present via Zoom:

Margret Moran, Cambridge Housing Authority

Emily Achtenberg, Consultant for the CPC

Joe Barnes, CPC Chair

Laura Dorfman, CPC Vice Chair

Lee Newman, Director of Planning and Community Development

Citizen Request to Address the Finance Committee

None

Approval of Prior Meeting Minutes

None

2024 Annual Town Meeting Warrant Articles

Amend Zoning Bylaw - Affordable Housing District (Article 18)

Amend Zoning Bylaw - Map Change Affordable Housing District (Article 19)

Ms. Miller explained that Articles 18 and 19 go together. Article 18 is the language of the proposed change for the affordable housing district and Article 19 is the map that goes along with article. Mr. Block explained that the zoning article aims to establish an affordable housing district at the site of the Linden-Chambers public housing project. The proposed change in dimensional regulations is intended to facilitate redevelopment due to the age and condition of existing units. The Planning Board collaborated with the Needham Housing Authority (NHA) in reviewing and refining the draft article through multiple meetings. Ultimately, the Planning Board voted to support the article, citing its alignment with public policy to enable affordable housing and the anticipated benefits of enabling the development. If approved at Town Meeting, the NHA is expected to submit a formal application for the re-development to the Planning Board.

Mr. Block highlighted the most significant change in the zoning bylaw, which would allow development by-right, without the need for a special permit. He explained that this shift is crucial due to changes in public housing financing, where tax credits play a significant role. Stricter regulations, such as those associated with special permits, could hinder competitiveness in securing financing. Thus, enabling development by-right aligns with the goal of maximizing competitiveness in financing. However, municipal control would still be maintained through the site plan review process, allowing for the imposition of conditions to mitigate impacts. The second article proposed delineates the physical boundaries of the by-right district.

Mr. Block shared a map illustrating the proposed district boundaries. He confirmed that the district includes a small piece of currently town-owned land, although the potential transaction for this parcel is uncertain. Mr. Healy asked to clarify that the proposed district maintains the same footprint and building configurations as the current setup. After discussion, it was clarified that the plan includes the three property conveyances from the Town to the Needham Housing Authority, spanning several years with various Town Meeting restrictions and variances from the Zoning Board of Appeals for the existing NHA housing. The plan also includes a small triangular piece of land, which remains Town-owned.

Mr. Healy sought clarity on the objectives behind the proposed zoning changes. He identified one primary goal as altering the approval mechanism for development projects in the new zone. He asked for further details on additional objectives.. Mr. Block elaborated on the proposed zoning changes, mentioning a variety of dimensional regulations being modified. He highlighted changes in dimensional regulations that would enable the specific development proposed. Mr. Block provided more detailed information by referring to a spreadsheet comparing the proposed dimensional regulation modifications.

Mr. Healy asked about the potential increase in the number of units based on the proposed changes in dimensional regulations. Mr. Block stated that the proposed zoning change, if adopted by Town Meeting, could technically enable the development of over 250 units. However, he noted that the project proposed by the NHA is for slightly less than this maximum potential. Mr. Healy inquired whether NHA along with the Planning Board and Select Board, are

satisfied with the proposed density of the development. Mr. Block affirmed the Planning Board is content with the density. The subject has not yet come to the Select Board for discussion. Ms. Miller sought clarification on which density Mr. Healy is referring to - whether the one proposed by zoning for the potential 250 units or the actual density of the project, which is less than that maximum capacity. Mr. Healy indicated that while he supports the overall objective of the Linden-Chambers project, he believes it's essential to carefully consider the potential density allowed for the development. He emphasized the importance of maintaining high standards in the design and ensuring that the proposed density does not compromise the quality of life for residents and neighbors. Mr. Healy suggested that everyone in favor of the project should acknowledge and agree on the potential density it could reach. Mr. Block stated that the Planning Board supports the proposed density, which is approximately a hundred units more than the current setup.

Mr. Healy asked for any additional factors or considerations to be addressed in the proposed zoning by-law. Mr. Block outlined additional zoning changes, including increased building height of up to four stories, with variations depending on roof slope. He mentioned increases to setbacks. Furthermore, he highlighted development plans to reduce impervious area in the proposed development to address flooding issues, a concern that has been significant in the area. This reduction in impervious area aligns with stormwater management bylaws and is expected to improve the local environmental conditions. He noted that further details would be provided during the project application process. In response to a question by Mr. Healy, Mr. Block confirmed that the zoning by-law as proposed increases required setbacks.

Mr. Healy expressed his desire to support the project but requested that an aid in visualizing the impact of the proposed zoning changes, such as the addition of 100 units and the reduction of impervious area, may be helpful for Town Meeting. He acknowledged that conceptualizing these changes is not his area of expertise and suggested finding a way to provide a conceptual understanding without engaging an architect for a formal design. Mr. Block suggested renderings of the proposed development to provide a visual representation of the potential impact of the zoning changes, particularly regarding setbacks. However, Ms. Miller pointed out that the current vote is not on the housing authority's proposed project. Mr. Healy emphasized the importance of understanding the potential direction the project could take with the proposed zoning. Mr. Healy then asked Mr. Block to provide any major bullet points of what the Planning Board hopes to achieve through the proposed zoning by-law change.

Mr. Healy asked about senior restrictions in the zoning by-law. Ms. Miller confirmed that senior restrictions are addressed in Article 18 of the Annual Town Meeting warrant and that the NHA seeks to remove any senior restrictions. Mr. Smart explained previous Town Meeting votes and deeds restricting housing to low-income elderly individuals. Over time, the NHA expanded eligibility to include handicapped individuals as well. The current proposal aims to remove any limitations on eligibility, allowing for a broader range of tenants. Mr. Healy suggested considering a percentage-based approach rather than completely eliminating the senior housing aspect. He emphasized the importance of accommodating seniors who may have limited housing options. Mr. Foster acknowledged the importance of senior housing but explained that

imposing restrictions, such as age requirements, could potentially deter sources of funding and financing. He noted the competition for tax credit funding and the need to present the strongest case for project approval from the State. Mr. Healy pointed out that the Town and investors may not have the same interests, with the investors working to maximize their return on investment. Mr. Healy suggested that there may be ways to align them without compromising either.

Mr. Block presented information on screen, indicating that the proposed zoning by-law change would allow for an increase in density from 0.22 to 0.5, with the proposed development aiming for 0.42, resulting in approximately 247 units. However, Mr. Healy noted the absence of a specific number under "proposed" in Mr. Block's information. Mr. Foster acknowledged that not everyone is content with the proposed changes. However, he highlighted the benefits that many tenants are looking forward to, such as larger apartments, more open space, and energy-efficient buildings. Mr. Healy suggested considering fewer units but with better quality. A discussion on the process of calculating the "sweet spot" for financing and the involvement of various funding mechanisms in the project took place. Mr. Healy cautioned that the main concern should not be around securing investment money and tax credits for the project. Mr. Foster clarified that the financing issue also extends to NHA's ability in securing ongoing subsidies to cover operational costs, particularly for low-income tenants. No conclusion was reached regarding the optimal number of units.

Ms. Miller clarifies that once the zoning article is in effect, the Town's authority will be bound by the regulations outlined in the article, regardless of any specific project and any specific number of units. Mr. Levy asked the specific criteria that the Planning Board reviews under the site plan review process rather than the special permit process. Mr. Block explained that for site plan review, the Planning Board evaluates various aspects such as schematic designs, landscaping plans, engineering specifications, and traffic studies. The Board then imposes conditions to address any potential adverse impacts, similar to what would be done with a special permit. In response to Mr. Levy's question regarding the differences between the two review processes. Ms. Newman stated that the proposed NHA project would undergo a major project site plan special permit process. This public process allows the Planning Board to review site issues, drainage management, off-site impacts such as traffic, and to impose conditions to mitigate these impacts. Ms. Newman clarified that while all criteria can be reviewed, the Board does not have the discretion to deny the project outright; instead, they shape the framework under which it is permitted through conditions that address issues brought up during public input. Mr. Levy asked whether there are any conditions or criteria that may not be subject to review with site plan review as compared to a special permit. Ms. Newman clarified that while the review is similar, the use cannot not be denied.

Ms. Miller sought clarification on the meaning of affordable housing, whether each unit must adhere to specific affordability or if it is an average measure. Mr. Foster acknowledged the complexity of the issue and mentioned that, in general, there is an average affordability threshold of 60% required for this project due to funding and tax credit requirements. Ms. Miller asks for further clarification referencing the 80% of the threshold for affordability mentioned in the warrant article explanation. Mr. Smart clarified that the affordable housing definitions within

the zoning by-law requires that each affordable housing unit, must meet or fall under 80% of the area median income (AMI). This is the same definition that is applied consistently throughout various districts in Town

Mr. Foster highlighted the significance of the project being approved by-right, explaining that failure to include this language in the by-law could result in the NHA's preliminary application being automatically rejected. In response, Ms. Miller asked for confirmation that without the zoning bylaw change, the project would be unable to progress. Mr. Smart stated that the existing zoning only permits one and two-family housing precluding the proposed NHA project.

High School Tennis Courts (Article 21)

The Article was previously discussed. There were no further questions.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article 21: Appropriate for High School Tennis Courts. Ms. Calton seconded the motion. The motion was approved by a unanimous roll call vote of 7-0 at approximately 7:45pm.

DeFazio Complex Fencing (Article 23)

The Article was previously discussed. There were no further questions.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article 23: Appropriate for Defazio Complex Fencing. Ms. Calton seconded the motion. The motion was approved by a unanimous roll call vote of 7-0 at approximately 7:46pm.

CPA 2025 Budget and Reserves (Article 24)

The Article was previously discussed. There were no further questions.

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article 24: Appropriate for FY2025 CPA Reserves.. Mr. Levy seconded the motion. The motion was approved by a unanimous roll call vote of 7-0 at approximately 7:47pm.

Linden Street Redevelopment (Article 22)

Relevant Document Provided: Finance Committee Q&A for March 27, 2024

Mr. Foster provided a document based on questions sent by the Finance Committee. Ms. Miller stated that Article this was previously heard but there were follow up questions. Mr. Foster explained the challenge of pursuing two projects simultaneously—Seabeds/Cook Project and the Linden Redevelopment project. While this approach could increase annual subsidies and

cross-subsidize projects, it also presents hurdles in securing funding from the state's annual competitive funding round. He highlighted the scarcity of tax credits and private equity bonds, as well as the competition from numerous projects vying for limited resources. Additionally, Mr. Foster mentioned the dependency created by the sequencing of financing between the Seabeds/Cook Project and the Linden Chambers project, potentially impacting the likelihood of securing funding for both and maintaining their Faircloth units. He indicated that the Cambridge Housing Authority (CHA) team had been exploring alternative solutions to address these challenges. Ms. Moran highlighted a significant change in HUD policies that allows housing authorities to retain and redeploy their Faircloth units, which was previously not permitted. This policy shift enables a more streamlined approach to obtaining higher value Section 8 vouchers and reduces reliance on low-income housing tax credits. Mr. Foster confirmed that this information was explained in writing on the first page of the document provided to the Finance Committee. Mr. Levy expressed his approval of the pivot in strategy, noting that it mitigated the risk associated with project dependencies. Mr. Foster shared that the analysis had been presented to the NHA Board in a public meeting and that he anticipated their formal review and approval in an upcoming special board meeting. He explained that the Board needed to withdraw previous repositioning applications and submit new ones under the updated strategy.

In reference to question 2 on the handout, Ms. Miller sought more details regarding the grant loan funding for the Linden project and whether it was contingent upon removing existing deed restrictions. Mr. Foster confirmed that the grant loan funding was indeed contingent upon addressing senior housing deed restrictions. He explained that the deed restrictions, which also encompassed factors like the number of stories and units, originated from Town Meeting warrant articles in the 1950s and early 1960s. Mr. Foster highlighted the need for cleanup, referencing 2024 ATM Warrant Article, number 41, which was not on the agenda for the current meeting but aimed to empower the Select Board to address and resolve these deed restrictions in collaboration with the Town Counsel. Ms. Miller reiterated Mr. Healy's earlier suggestion of adding a percentage of units for elderly tenants. Mr. Foster restated his understanding that this may cause potential problems with the funding. Mr. Healy commented to Select Board members present that provisions should be made given the initial intent of the project was to include housing for the elderly. Ms. Cooley offered that there would be a memorandum of understanding between the Select Board and NHA to recognize the history of the Town and ensure that housing units remain predominantly available for seniors and handicapped individuals. Mr. Healy expressed a desire for some percentage of units to be allocated to seniors and handicapped individuals as a show of good faith. Mr. Levy commented that, while the state may not view such restrictions favorably, the federal government allows them, and the project would be federally financed. Mr. Foster stated that the state controls the process for funding awards for the federal funds. Ms. Miller reiterated her challenge to previous advice received by the Town regarding senior housing percentages, citing recent state-approved projects that included such allocations. Mr. Foster acknowledged the sentiments of the Finance Committee.

Mr. Healy raised concerns about the residents' well-being during the construction phase and the uncertainty they may face regarding their living arrangements. Mr. Foster assured the Finance

Committee that the Select Board, NHA, and CPC were actively addressing these concerns. He emphasized the importance of residents' comfort and mentioned a resident relocation plan, which would involve resident input before finalization. Mr. Foster noted that while there are existing protections in place for residents, including regulations and statutes, individualized plans would be developed for each resident with the help of relocation consultants. He explained strategies such as planned attrition to minimize disruptions, where natural turnover vacancies would not be filled leading up to the project's commencement. This approach aims to reduce the number of residents needing to relocate. Overall, Mr. Foster underscored the commitment to ensuring the well-being and stability of the residents throughout the process. Mr. Healy suggested ensuring that residents are well-informed and reassured about their living arrangements before Town Meeting to garner strong support for the project. Mr. Foster acknowledged the suggestion and committed to revisiting the communication efforts before Town Meeting to address any lingering concerns.

Ms. Miller then transitioned the discussion to ownership interests in Seabeds. Mr. Foster clarified that NHA will remain the 100% owner and explaining the use of an LLC to simplify procurement and meet Section 8 program requirements. The conversation then shifted to the duration and level of affordability for the housing units, with Mr. Foster highlighting an existing variance granted by the ZBA in 1980, which ensures affordability for families and seniors. Mr. Levy sought clarification on the perpetuity of the variance, to which Mr. Foster confirmed its enduring nature unless formally changed by the Town.

Ms. Miller inquired about the current affordability of housing units, to which Mr. Foster explained that most residences are deeply affordable, often earning much less than 60% of the area median income. He emphasized that their housing options are limited, with public housing being their primary choice due to economic constraints. Mr. Foster reiterated the commitment to never charge residents more than 30% of their income, supplemented by subsidies to cover the difference.

Ms. Miller redirected the conversation to the affordable housing requirements for the Linden Street Redevelopment project. Ms. Moran provided insights into the various layers of affordability imposed by both EHLC and HUD. She mentioned HUD's use agreement, which sets affordability at 80% of the Area Median Income (AMI) and survives foreclosure events. Additionally, she discussed the low-income housing tax credit program's extended use agreement, which designates specific units for different income levels, including those below 30% and 60% of AMI. The program also allows for income mixing, permitting some units to be above 60% but below 80% of AMI, as long as the overall average remains within the designated threshold. She emphasized the importance of flexibility in serving households with varying income levels, especially considering factors like assets and duration of residency in public housing. Ms. Moran highlighted scenarios where individuals with incomes above 60% but below 80% of the area median income could benefit from such flexibility, particularly in cases where reasonable accommodations are needed or for continuing subsidized families.

Ms. Achtenburg discussed the concept of extending the tax credit restriction in perpetuity for the Linden Street Redevelopment project. She highlighted the importance of maximizing public benefit in exchange for the significant public investment that Needham is making, emphasizing the need for long-term affordability. While acknowledging the financing requirements for the project, she expressed concerns about the limitations of the tax credit restriction, which expires after 45 years and can be released in certain circumstances, such as foreclosure or termination of the Section 8 contract. To ensure long-term affordability, Ms. Achtenburg proposed imposing a perpetual restriction that mirrors the tax credit regulatory agreement. She cited similar practices in other projects, emphasizing the importance to local governments in preserving affordability. Ms. Moran responded that this may impact the Housing Authority's ability to raise funds for future investments or modernizations. She emphasizes the difference between an institutional owner, like the Housing Authority, and a developer with a shorter-term interest. Ms. Achtenburg disagreed with the notion that perpetual restrictions would hinder future financing.

Mr. Barnes stated that they expect to establish conditions or restrictions after Town Meeting, with guidance from the Select Board. Mr. Healy emphasized the importance of maintaining affordability and requested that any agreements or conditions prioritize this goal. Ms. Cooley confirms that there will be deed restrictions to maintain affordability, potentially in perpetuity, without requiring a vote by Town Meeting. Ms. Miller asks if Town Meeting would need to vote on a deed restriction. Ms. Cooley did not believe it does.

Mr. Healy asks about the developer fee and its allocation, as well as the overages mentioned in the document. Ms. Moran explained that the fee covers the costs associated with the Cambridge Housing Authority (CHA) staff performing development activities, overseeing the project from design to stabilization. Additionally, the fee also serves to recompense the CHA for the guarantee of capital it provides in case of unforeseen events or overruns in construction costs. This ensures that the project can proceed smoothly even if unexpected challenges arise. The fee is not an open checkbook process, but rather tracked based on the hours spent by staff on the project. Mr. Healy inquired about any overage in the fee and how it's calculated. Ms. Moran responded that any excess funds beyond staffing costs would be redeployed to further the mission of the CHA. This approach is consistent with other developers' practices. Mr. Healy inquired about whether the developer fee is capped, to which Ms. Moran responds affirmatively, stating that it is capped according to the Qualified Allocation Plan (QAP) specified by EHLC. Mr. Healy then asked if there is an estimation of any potential overage. Mr. Foster explained that negotiations with the Cambridge Housing Authority are ongoing to determine the exact fee, but typically in the industry, developer fees range between four and six percent and are subject to negotiation.

Mr. Foster further elaborated that the developer fee covers the costs of staff overseeing the construction and other project activities, as well as serves as a risk premium for providing guarantees for the project. He emphasizes that any surplus from the fee, if it occurs, would be the result of being paid for providing the guarantee and not being spent on project activities. He referred to the answer to question number 12 in the handout for a written explanation.

Mr. Healy sought clarification on the typical surplus the CHA experiences from the developer fee. Ms. Moran explained that Cambridge typically redeploys about 25% of its developer fee into future projects. Ms. Achtenburg explained that the developer fee is an industry standard provided by HLC, but the calculation for capping occurs when you submit the application; today's numbers are subject to change. She added that while she can't speak to the specifics of the surplus, it varies depending on the project and its unique circumstances. Mr. Healy asks for clarification on the 4-6% with reference to the numbers in the handout, and Ms. Moran declares it is a 6% fee based on the total inclusive of the fee. She asserts that it is not a flat fee, rather calculated by the provided chart. Mr. Healy inquired about the evaluation process for selecting CHA for predevelopment work. Mr. Foster explains that a steering committee, appointed by the NHA Board, reviewed three proposals received in mid-2021 and found CHA's proposal to be the most advantageous in terms of cost, specifically noting their competitive billing rates compared to private sector firms.

Regarding the competitive process for development work, Mr. Foster mentioned provisions under Chapter 121B and other statutes that allow housing authorities to work together via an intergovernmental agreement without competitive procurement. Mr. Levy asks if the agreement will be finalized before Town Meeting. Mr. Foster stated that negotiations with CHA for development work are ongoing. Mr. Levy seeks clarification as to whether having the agreement is a prerequisite for passing the article. Mr. Foster explained that it is not typical to hire someone before securing the funding. If an agreement is not reached then would proceed under a Chapter 30B process and the bid amount could change. Mr. Foster mentioned the existence of a negotiation steering committee, which includes outside counsel, general counsel, Board members, and himself. This committee has been meeting since November and to finalize the negotiation process.

Article 47: Athletic Facility Improvement Fund

MOVED: By Mr. Healy that the Finance Committee recommend adoption of Annual Town Meeting Article 47: Athletic Facility Improvement Fund. Ms. Fachetti seconded the motion. The motion was approved by a unanimous roll call vote of 6-0 at approximately 8:49pm.

Updates

Ms. Miller will assign warrant article presentations via email.

Mr. Levy mentioned an upcoming HONE meeting the next day. He provided an update on materials prepared by consultants regarding proposed scenarios for housing development. Although there is a fiscal impact analysis for operating costs, there has yet to be one for capital costs, but efforts are underway to complete it. Ms. Cooley added that a comprehensive report is

due by April 30th, just before Town Meeting. Ms. Miller suggested holding another public meeting for feedback after release of the report

Adjournment

MOVED: By. Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. The motion was seconded by Ms. Calton. The motion was approved by a unanimous roll call vote of 6-0 at approximately 8:52pm.

Documents:

Finance Committee Q&A for March 27th, 2024 Meeting

Respectfully Submitted,

Molly Pollard
Executive Secretary, Finance Committee