

MEMORANDUM

To: Finance Committee

From: Community Preservation Committee

Re: Article 22 - East Militia Heights Development

Date: April 28, 2025

The Community Preservation Committee appreciates the Finance Committee's thoughtful review of the Charles River Center's East Militia Heights project. This memorandum explains the reasoning for our decision to support this project and attempts to address the concerns raised in your email of April 23, 2025.

As you know, the CPC conducted an extensive due diligence review of the project. This included consultation with Emily Achtenberg, an experienced and well-respected expert in the field of affordable housing financing, as well as consultations with the Select Board, Town-Financed Community Housing Oversight Committee, this committee, and a public hearing.

Notably, the project has the unanimous support of the Select Board and is endorsed by the Needham Commission on Disabilities. The attached letter from the Commission highlights the need for supportive housing: "According to the SHI, there are at most 130 units available for the disabled in our town. This stands in sharp contrast to the 2,262 Needham residents that have a disability according to 2020 federal census estimates. The magnitude of the gap between supply and demand is alarming."¹

In addition to providing supportive housing, the East Militia Heights project will benefit Needham in a variety of ways, such as:

- Increasing the number of affordable workforce housing units;
- Addressing objectives of the Needham Housing Plan which identify "special needs housing with barrier free units and supportive services as a priority";
- Securing an affordable housing restriction on the property in perpetuity in exchange for the Town's investment;
- Enhancing the broader community by fostering diversity and inclusion;
- Providing preference to Needham residents at initial lease-up, to the extent permitted by the Executive Office of Housing and Livable Communities (~70%);
- Allowing public access to the new Community Center and outdoor walking paths.

¹ "SHI" stands for Subsidized Housing Inventory.

The competitive nature of securing financing for affordable housing projects, coupled with the ongoing escalation of construction costs, underscores the urgency of timely action. The Charles River Center has developed a project that will make a strong application for low-income housing tax credit financing (LIHTC) with the Executive Office of Housing and Livable Communities (EOHLC) this Fall. Delaying CPA funding may only serve to decrease funding probability, which in turn could lead to increased project costs over time.

Finance Committee's specific concerns:

- I. **The timing of this project versus other housing projects from the Needham Housing Authority, specifically Article 23 Appropriate for Seabeds, and the ongoing development project at Linden Street could require additional funding.**

With respect to the Linden Street Redevelopment Project, the NHA recently indicated that it anticipates utilizing \$4M of the FY2025 CPA grant for Phase 1A and reserving approximately \$1.5M for Phase 1B. The Town's Grant Agreement was written such that the \$1.5M could be used for Phase 1A if necessary. Additionally, there will be CPA funds available for appropriation to community housing projects in FY2027, as outlined below.

- II. **The use of these funds will deplete CPC reserves, making them unavailable for other projects that are underway and may need additional financing.**

To the extent there are new CPA project applications and/or applications requesting additional funding for projects that are underway, the CPC estimates (conservatively) that the following CPA funds will be available for appropriation in FY2027:

- After reserving funds for debt service, the CPC administrative budget, and the statutorily required funding reserves, there will be at least \$1 million available for appropriation to any project, including community housing, or to set aside in the FY2027 General Reserve at the May 2026 Town Meeting.
- Assuming the CPC continues with its annual allocation of 22% of estimated receipts to Community Housing, there will be approximately \$850,000 available for appropriation to Community Housing projects or to set aside in the FY2027 Community Housing Reserve at the May 2026 Town Meeting.
- There will be CPA free cash for FY2027, the amount of which will be known in late Fall 2025.

These funds, together with approximately \$1.5 million from Linden Phase 1B, can provide contingency for Needham Housing Authority projects.

For the past five years, the Community Preservation Committee elected to double the appropriation to the Community Housing Reserve from 11% to 22% in recognition of the need and desire to support

affordable housing options in Needham. This concerted effort to build up the housing reserve reflects the CPC's goal of funding worthy affordable housing projects. Fully utilizing the available funds for the Seabeds Way and East Militia Heights projects is in line with that goal. We are fortunate to have sufficient reserves to be able to support these two very worthy projects.

III. The need, according to the project's proponents to demonstrate "community support" without the knowledge of what "support" looks like in terms of % of development and project costs, what type of financial support, and timing of such support.

The EOHLC considers the degree of local community support, including local funding commitments, when evaluating OneStop applications for LIHTC financing. EOHLC does not quantify the degree of support required for a successful funding award, but makes a holistic review of the following selection criteria:

- Conformance with EOHLC Funding Priorities
- Strength of overall concept
- Strength of development team
- Demonstrated need for project in the target neighborhood
- Suitable site and design
- Appropriate scope of rehabilitation or construction
- Appropriate total development cost for properties included in proposal
- Financial viability of the project
- **Degree of local support, including local funding commitments**
- Evidence of readiness to proceed
- Evidence of satisfactory progress on projects previously funded with EOHLC resources
- Incorporation of sustainable development

The CPC believes the East Militia Heights Project is well-positioned to meet these criteria. Importantly, the Town's investment of \$2,840,223 has the potential to attract substantial additional investment from non-town sources, allowing a \$50M affordable housing development to move forward in Needham and provide the public benefits enumerated above.

IV. The structure of the town's support as the contribution of funds when all other parties to the project are providing debt financing that at some point may be repaid if project cash flows are sufficient.

In the past two years the CPC has suggested that the Town consider a mechanism to provide loans rather than grants for community housing projects. Establishing this process is beyond CPC's control. Recently, the Town committed to review this issue at its upcoming summer retreat but has not yet committed to establishing the process until more research is conducted.

While appropriating CPA funds in the form of a loan may provide the Town a modest return over the life of the loan, it is not guaranteed. Furthermore, a loan must be made via the Affordable Housing Trust (the “Trust”). If this project were withdrawn and brought again for the October Special Town Meeting with the intent of providing CPA funds as a loan, the funds would need to be appropriated to the Trust. The Trust would then need to establish a process and award the loan to the Charles River Center. The timing of this multi-step approach may make it difficult to meet a November OneStop application deadline.

V. Charles River Center, as a non-profit, has other sources of funds and will require a capital campaign to complete this project, however, the capital campaign has not yet commenced.

The Charles River Center is planning its capital campaign to raise funds to pay for adaptive features and fixtures that will fall outside of the scope of eligible CPA and EOHLC construction costs but are necessary for addressing the potential needs of residents. The Charles River Center has hired a consultant who is drafting plans for the capital campaign which is expected to launch in 2026.

VI. As structured, these funds will be set aside while the Charles River Center applies for various funding provided by the state, and cannot be used for other purposes, but may not be needed until the project commences.

Appropriated CPA funds will be encumbered, but not spent until the Charles River Center achieves financial closing and incurs expenses eligible for reimbursement under the CPA. This is an expected and routine part of the CPA funding process and reimbursement model for any project. To address this concern, the Charles River Center will be required to execute the Town’s Grant Agreement which will include a sunset clause, setting a date by which it must provide the CPC with information regarding the status of financial closing. The CPC will then decide if the CPA funds should be returned to CPA reserves, or if an extension of the grant is warranted.

For the foregoing reasons, the CPC urges the Finance Committee to vote to recommend Article 22 at the May Town Meeting.