

**City Council Standing Committee  
Budget and Finance – SPECIAL MEETING  
Wednesday, November 10, 2010 – 6:00 p.m.  
First Floor Conference Room, City Hall**

**PRESENT:** Steven Curcuru, Chairman; Paul McGeary, Vice Chair; Councilor Jacqueline Hardy  
**ABSENT:** None

**Also Present;** Kenny Costa, City Auditor; Matt Lustig, CDD Project Manager; and members of the Community Preservation Committee: JJ Bell and Sandy Ronan, Co Chairs. Also in attendance: Kathy Ercola and David Holden, GHA; Mark Sandler, Kirk Noyes and Jim Perrine, Gloucester Development Team; Carl Gardner, 10 Taylor Street Condos and Mr. Dugan.

The meeting was called to order at 6:00 p.m. Items were taken out of order.

**Memorandum from Community Development Director re acceptance of Seaport Bond Funds in the amount of \$500,000. This is a continued discussion from the Budget and Finance Committee Meeting of November 4, 2010 and is further continued to the November 18, 2010 regular Budget and Finance Committee meeting.**

The following agenda items were forwarded via Memorandum from Ms. Garcia regarding the FY10 – FY11 Community Preservation Committee’s first round of funding/project applications. Discussion on these items is continued from the Budget and Finance Committee Meeting of October 21, 2010; Special Meeting on October 27, 2010; and Budget and Finance Committee of November 4, 2010.

**All applications with documentation are on file in the Office of the City Clerk**

- 1. Gloucester Housing Authority  
Cape Ann Homeownership Center – Community Housing  
\$20,000.**

**Speaking on behalf of the Cape Ann Homeownership Center application were David Holden and Kathy Ercola**

**Mr. Holden** is supporting the recommendation of the CPC in that it provides a unique program for the Housing Authority. He stated that this program was started in 2004 in response to experiences the authority went through with the first purchases of homes built. He commented that new homeowners did not know what they were getting into. Support was limited and prospective buyers had to go distances to complete the certification programs. The Cape Ann Homeownership Center developed a pre-purchase program to encourage prospective homeowners to succeed. The CAHC is certified by CHAPA and twelve other state agencies.

He also stated that 703 households in Gloucester went through the program and purchased homes, with professionals assisting with the certification program.

The second part of the program provides support for people in their first to fifth year of homeownership as people were encouraged to preserve their investment and maintain and sustain their housing.

The final part, over the past three years, has concentrated on foreclosure prevention. Post ownership was worked on, in that people are struggling to hold on to their homes and stay in their communities. To this time, only one person has lost their home to foreclosure. There have been a great many notices; however, Gloucester has not seen the amount compared to the rest of the North Shore.

**Mr. Holden** feels that the programs have helped the homeowners. Further, this started as a part-time concern which was funded by the interest from the original sales, and a small CDBG funding Grant, as well as a State Grant. He would like to go beyond the foreclosure crises and continue with business as usual. It is important to educate the homeowners in owning and staying in their homes as long as possible.

**Ms. Ercola** reported that the CAHC has carefully measured Gloucester foreclosures. Further the request for \$20,000 would be equal for Gloucester resident/homeowners only. She also stated that the training sessions have the approval of the National Program on Affordable Homeownership. She works with clients on an individual basis, in that there is a great deal of budgeting given severe illnesses and high medical bills. The main purpose of the proposal is to attempt to get current mortgages to affordable levels, which is 31% of an owner's income.

She also stated that she is proud to say one of the loan modification victories statewide is that of a Gloucester fisherman. She also noted that the big national lenders/loan companies are those putting people in difficult situations. Rarely is a local bank involved.

**Mr. Holden** noted that the CAHC is working with seven banks that have branches in Gloucester. It is a delicate situation; however, a successful program. The total program budget is \$64,000 and the majority of clients are from Gloucester. He also stated that the Town of Rockport, at Town Meeting, approved \$500.00 for this cause.

#### **Comments and Questions:**

**Councilor Curcuru** questioned the decreased funding, and **Mr. Holden** stated they did not receive any CDBG funding this year and there was a drop in the Grant from the Division of Banks. The Section Eight homeownership program was formerly used, but now they can only use the amount for homeowner assistance.

**Councilor Curcuru** asked how the CAHC separates the total amount among the towns. **Ms. Ercola** stated there is a data base which provides information on where clients live. She also commented that Gloucester's legal community has stepped forward to provide pro bono expertise.

**Councilor Curcuru** questioned if the request for the \$20,000 is to support Ms. Ercola's salary, and **Mr. Holden** responded that it is given the counseling programs.

*The Community Preservation Committee recommends the appropriation of \$20,000 to the Gloucester Housing Authority to expand their pre-purchase and to foreclosure preventing counseling programs through the Cape Ann Homeownership Center.*

**2. Gardner Company**  
**10 Taylor St. Condominiums – Community Housing**  
**\$110,000**

**Speaking on this proposal were Carl Gardner and David Holden.**

**Mr. Gardner** stated he is a builder and developer who resides in Ipswich and has served on the Ipswich Housing Partnership. He is interested in Gloucester's RFP because it is a small project and believes in affordable housing. **Mr. Gardner** also stated his interested in the parcel is that the building has been demolished with issues resolved; the price was attractive; and, there was a good possibility to get additional subsidies. The three units will be sold as affordable units.

It was noted that **Mr. Gardner** was the only person to put together a proposal, and his was the only response and submittal to the RFP. Further, The Affordable Housing Trust Fund Committee has offered \$30,000 toward the subsidy.

**Mr. Gardner** stated that Home Consortium funding may not come through for the project; or, there is the possibility there would be deed restrictions which would not be compatible.

**Mr. Holden** stated that the GHA acquired the property in the mid 1990's during the redevelopment of Maplewood to Willowood. The property was problematic in that it was built in the 1820's with additions, as well as failed HUD inspections. He noted the building was not a nice place to raise children. The GHA wanted to rehab the building; however, some demolition was done and the building was found to be structurally unsound. HUD approved the demolition of the building. The GHA came to the conclusion that homeownership was the best use.

**Mr. Holden** also stated that he is impressed with Mr. Gardner's work in that he is into green-construction. The project has been pre-permitted through the ZBA. Also, federal funding was used for the demolition of the building, with a process of environmental review prior to demolition.

**Mr. Gardner** stated he has submitted a loan application to Bank Gloucester. He may also be able to obtain an additional \$90,000 in order to make the project affordable with deed restrictions. There is a \$300,000 standing construction loan commitment through Bank Gloucester, which stepped up early on in the process.

**Councilor Curcuro** asked if additional funding will reduce the federal home loan funding and when construction is expected to begin. **Mr. Gardner** stated that the townhouses would sell at \$100,000 and handicapped unit at \$85,000 making all three units extremely affordable. Further it is hoped to dig into the ground in February 2011, depending on the process.

**Councilor Hardy** questioned how many of vacant, affordable units are now available, and **Mr. Holden** stated there are currently six vacant apartments; however, they are not normally vacant for more than thirty days. Also, there are two deed-restricted units on the market in Gloucester.

**Councilor Hardy** asked about the rules allowing how much of a profit one can make. **Mr. Gardner** responded that a deed-rider is involved which spells out a multiplier and the fair market value is based on the appraisal, price of unit, and income approval by HUD. If 80% is \$60,000 and ten years from now, the median income is \$70,000, re-sale would have to be to someone who makes less than \$70,000. A homeowner can build equity in a property; however, the state and GHA sets the selling price. Resale is under a certain formula. Also, the deed restriction is for 99 years.

**Councilor Hardy** asked, and **Mr. Holden** reported that if the project needs a subsidy of \$140,000 and there is \$90,000 in hand, one may not be able to proceed without the CPA funds. **Mr. Gardner** stated he is not looking for any more funding than he needs. Further, if he gets \$65,000, he would be able to get the construction loan from Bank Gloucester, but that would result in the selling price of a unit being higher. Any funding over \$65,000 would be applied into lowering the sale price.

**Mr. Gardner** also stated he wants to sell the units, and he would take a project manager and developer fee, which would be approximately \$55,000.

**Mr. Bell** stated that the CPC Committee is interested in this project and recommended the \$110,000 recommendation in order to keep the costs of the units lower.

**Councilor Curcuru** questioned the percentage of CPA funds allocated to affordable housing. **Mr. Bell and Ms. Ronan** stated that 10% is to be allocated and the committee worked toward a balance. Further, **Ms. Ronan** stated the CPC is excited about this project.

**Mr. Gardner** stated he is not aware of other than local preference in the lottery, for which **Mr. Holden** stated there would be a process. There will be a general pool for the handicapped unit.

**Mr. Holden** also commented that the units will be credited toward the 10% subsidized housing inventory, which is now about 6.5%. He will also provide information to the Committee regarding the lottery procedure and preference by locality. This will be submitted to the City Clerk's Office.

**Mayor Kirk** joined the meeting for a short time.

**Councilor Hardy** announced there will be site visits to the various proposed projects.

**Mr. Lustig** reported that the City Council can accept or reduce the CPC recommended amount(s), but cannot increase the amount; or, as an option, can reject the whole proposal.

*The Community Preservation Committee recommends the appropriation of \$110,000 to the Gardner Company to help fund the construction of three affordable condominium units at 10 Taylor Street. The CPA spending purpose for this appropriation is to create community housing for low and moderate income individuals and families.*

**1. Gloucester Development Team  
Central Grammar Apartments – Community Housing  
\$50,000**

**Speaking on this application: Kirk Noyes and Mark Sandler, Board Members; and, Jim Perrine representing the Management Company**

**Mr. Noyes** reported that the Team is launching a recapitalization/remodeling/refinancing of Central Grammar apartments. The new mortgage will guarantee the building remains affordable for forty years from 2012. The request falls under two criteria - historic preservation and affordable housing.. The rehabilitation is certified and approved by the Mass. Historical Commission, Department of Interior; and Historic District Commission.

He further reported that the eighty units are applied toward the 10% subsidized housing inventory. The construction budget is over \$6 million; including \$2.7 million by state-level community Development which is the Commonwealth's Capital improvement and Preservation Funds and Affordable Housing Trust Funds. . There is a \$100,000 match and an additional \$50,000 is needed to meet the match. The CPA funding will leverage public funding.

**Mr. Noyes** commented that the construction budget may have to be cut back. Currently, the plan is to replace kitchens and bathrooms; and if the Board has to reduce the construction budget by \$1 million, it would be from the kitchen/bath replacement.

Construction will start by January 15, 2011 and the building will be occupied during the construction project.

**Mr. Perrine** reported that four units are handicapped accessible, and other than the four, renovation will be able to be done with tenants in the unit. However, they would have to leave for the day and following work, the units will be cleaned appropriately for the tenant to return for the evening. Typically, he stated, it takes less than a week to do a kitchen and bath. Also, the work has been designed so carpets would not have to be replaced; and, the community room can be used for affected tenants. With regard to the handicapped units, the tenants would have to move out for the short period of time. He agreed it is disruptive, but only for a week.

There was discussion on the original development of Central Grammar, and **Mr. Noyes** stated that the library wanted to demolish the building for parking; however in the early 1970's it was converted to residential use, following the establishment of a non-profit group. The National Endowment of the Arts sponsored a film on the project.

**Mr. Noyes** noted that **Mr. Sandler**, formerly an attorney for Action, began doing the legal work and became president of the Board. Also, the Board of Directors has been together for thirty-five years.

**Mr. Noyes** stated he is proud of the property as it lends itself to physical and social support. Further, there are tax benefits to the investors and an infusion of capital is needed to do the renovation work. **Mr. Sandler** said he would like to leave the building set for another thirty years; and, motivating the Board was the preservation of this asset for the community.

There was discussion on the need for parking; however, the collaboration was difficult.

**Councilor Hardy** commented that she is impressed with the project and wants the Board to take credit for what has been done to the building; as well as the fact the same people are on the Board after 35 years.

**Councilor Curcuro** asked how this is different from the other projects. **Mr. Noyes** stated that this is a non-institutional project, a historic preservation. He spoke to the comparison between McPherson Park and Central Grammar as new construction vs. rehabilitation with regard to per unit cost and square footage.

**Mr. Dugan** stated the biggest difference is rent structure, which is 30% of a tenant's income going toward rent; and, GHA has fifteen units in Central Grammar. There are also Section 8 residents in Central Grammar.

One must be 54 years old for qualification in Central Grammar, and there are some dependent adult children in the building. There are income-eligible requirements. It was pointed out that handicapped tenants are few and difficult to find. During the renovation, one unit is becoming a hearing-impaired unit.

**Mr. Perrine** stated that everyone has to pay a certain percent of their income; that there will be various tiers in the future; and, the property is eligible for Section 8 tenants. There is, he stated, protection against rent increases and most pay thirty percent of their income. Three units are market-rate units. The tiers will consist of 20 units as Section 8; 8 or 9 units up to 30% median income; a tier at 50% of income; and a tier at 60%.

**Mr. Noyes** stated that the financial rent structure, at present, will only support a \$2 million mortgage and the project is in excess of \$7 million. He also pointed out that Gloucester Development is a non-profit which will be, once again, non-profit owned after fifteen years. The building, he stated has a value of \$8 million.

**Mr. Sandler** stated the Board members are Directors, not Trustees. Further, it is difficult to keep control of a project and being involved with people who do not live in Gloucester. The Board makes sure there is control. Further, it has always been Gloucester based. Also, the Board is laboring with keeping control within the community vs. limited investors.

**Mr. Dugan** pointed out that other communities are in crisis, and he gives the Board credit for preserving the building.

**Ms. Ronan** stated there is a quality of life and many pluses for residents, who are very happy.

With regard to construction, **Mr. Noyes** stated that one local contractor is bidding along with local sub-contractors. Further, the project will provide 60 to 70 construction jobs for a year, making it positive to look at local people.

*The Community Preservation Committee has recommended the appropriation of \$50,000 for the restoration of the Central Grammar Apartments located at 10 Dale Avenue. This spending would be to support community housing.*

Discussion on the CPC recommended projects will continue on Tuesday, November 16, 2010, at 6:00 p.m.

**ADJOURNMENT:**

**It was moved, seconded and voted unanimously to adjourn the meeting at 7:30 p.m.**

**Respectfully submitted,  
Anne Marchand  
Substitute Recorder**

**Items submitted at the meeting and attached:**

Cape Anne Homeownership Center - Data on Local Foreclosure Auctions and Petitions to Foreclose