



CITY OF CAMBRIDGE
Community Development Department

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Affordable Housing Trust

April 27, 2023, 4:00 p.m.

To participate in this meeting hosted on the Zoom video meeting platform, please register using this [link](#) in advance of the meeting.

[Webinar Registration - Zoom](#)

AGENDA

- Review of Meeting Minutes
- Update from the Community Development Department
- Affordable Homeownership Program Changes: update on the process to review and consider changes to the City's affordable homeownership program policies, including recommendations for changes for consideration by the Trust;
- Move to Enter Executive Session to Discuss:
 - A Request from Just-A-Start Corporation for Funding for Acquisition of New Property:
 - The acquisition and value of real property will be discussed in executive session as discussing it in open session could have a detrimental effect on negotiations;
 - all votes will be taken by roll call; and,
 - the Trust will not reconvene in open session;
- Adjournment

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Members of the public can provide written comments to the Affordable Housing Trust by email sent to ccotter@cambridgema.gov, or by delivery to the CDD office, by 5:00 P.M. the day before the meeting.

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
March 23, 2023 at 4:00 p.m.

Conducted virtually via Zoom

Trustees Present via Zoom: Yi-An Huang, Chair; Peter Daly, Florrie Darwin, Elaine DeRosa, Gwen Noyes, Susan Schlesinger, Jim Stockard, Bill Tibbs

Trustees Absent: Elaine Thorne

Staff Present via Zoom: Iram Farooq, Assistant City Manager for Community Development; Cassie Arnaud, Senior Manager for Housing Development; Anna Dolmatch, Homeownership Program Manager; Janet Haines, Housing Planner; Lev McCarthy, Neighborhood Planner

Others Present via Zoom: Nahid Chowdhury, Fanny Gavarette, Esther Hanig, Diana Prideaux-Brune

The meeting was called to order at 4:04 p.m. Mr. Cotter explained that this meeting of the Affordable Housing Trust would be held virtually pursuant to applicable requirements, that all votes would be taken by roll call, and that there would be no public comment. He then confirmed via roll call that each participant was audible to each of the other Trust members.

MEETING MINUTES

Upon a motion moved and seconded, by roll call of eight in favor and one absent (Ms. Thorne) to approve the minutes for the meeting of Thursday, February 23, 2023.

PROJECT UPDATE

HomeBridge: One new unit closed in February; three buyers have active commitments.

52 New Street: Construction closing is expected in the coming months. The City expects to make a commitment of HOME funds which will reduce amount of AHT funds needed.

1627 Mass Ave: HRI held the second community meeting on March 15th to share design ideas with the neighborhood. The project is moving forward under the Affordable Housing Overlay.

Park View Cooperative: Relocation is complete so the work can begin. Construction is expected to begin next week.

Rindge Commons Phase 1: Construction is underway and proceeding well.

116 Norfolk Street: Construction is underway and proceeding well.

OTHER UPDATES

Affordable Housing Overlay Changes: Discussions of proposed changes continue. The proposal was discussed at the Neighborhood and Long Term Planning Committee on March 22, and has been discussed at the Housing Committee twice. It is expected that the AHO will be on the agenda for additional committee meetings in April.

Trust Vacancy: A notice of a vacancy on the Trust is expected to be posted next week. Peter Daly has retired from HRI and will be stepping down from the Trust.

NEW BUSINESS

Draft Request for Proposals for Cherry Street Lot

Peter Daly and Gwen Noyes left the meeting prior to the discussion of this matter.

Staff shared the draft Request for Proposals (RFP) for the City-owned parcel on Cherry Street. This property was passed to the City as part of a community benefits agreement with MIT. CDD's Community Planning Division led a process to engage the community around the development of housing on the site. This process indicated a strong preference for a homeownership project. The draft RFP was developed using recommendations from that community process, City Council input, and CDD staff expertise on design and development.

Lev McCarthy from Community Planning was in attendance. Housing staff noted that Lev was integral in the drafting of the RFP. It was also noted that the Purchasing Department was continuing to review the RFP, particularly the criteria for reviewing and scoring responses. Staff emphasized that the intent was not soliciting full project designs for a design competition; the focus is on finding a team with the best capabilities and ideas.

While the RFP is still being completed, it is likely that respondents will be asked to provide a project narrative and some conceptual visuals. The selected developer will need to go through a community process and a typical development review. Staff noted that if the project moved forward under the AHO, the developer would need to follow that process as well.

The Trust asked about funding for the project. Staff noted that funding was not included in the RFP and would not be part of the selection considerations. Any requests for Trust funding would need to be made separately.

Susan Schlesinger stated that she thought focusing on the selection of the best team for the site was a good approach, rather than engaging in a design competition. Elaine DeRosa emphasized that it is critical to engage the community so they are ready to support the project as it goes forward.

Trust members asked about the role of the AHO and the impact of any potential changes to the zoning. Chris Cotter stated that while a developer would not be required to use the AHO, it is most likely that the AHO would enable the development of a project most likely to meet the requested criteria. He confirmed that any changes to the AHO would only apply to projects permitted after those changes are adopted and advertised.

Jim Stockard asked about the timing for completion of the RFP. Chris Cotter stated that staff are continuing to work with Purchasing to finalize the selection criteria with the goal of putting out the RFP in the next month or so.

The City Manager mentioned that the Cambridge Health Alliance had inquired about using the Cherry Street lot as a temporary patient parking lot for the Windsor Street health clinic. Trust members discussed how any potential term would work with the likely development timeline. It was noted that the community would need to be engaged prior to any alternative use, even if temporary. Staff noted that in community meetings around the use of the lot several years ago there were multiple requests to use the lot temporarily for parking, including for staff from the the Fletcher Maynard school. Those requests were not approved. The Trust stated that they would be open to considering a temporary use if the community supported it and there would be no impact on the selected developer or the project timeline.

NEVILLE COMMUNITIES

Peter Daly and Gwen Noyes re-joined the meeting prior to the discussion of this matter.

Staff presented a funding request from Neville Communities, Inc. (NCI), for rehab work at the affordable assisted living development known as Neville Place. The request was for an initial discussion and not for a vote at this meeting as staff were still reviewing.

Neville Communities, Inc., is a joint venture of the City of Cambridge, the Cambridge Health Alliance and the Cambridge Housing Authority. Created to redevelop the former Neville Manor private nursing home, Neville Communities consists of 73 assisted living units and a 112-bed skilled nursing facility. While these are jointly owned and managed, the skilled nursing home is considered a medical facility and is not eligible for Trust funding. The funding request is only for the assisted living units. The Trust previously provided funding in 2005 that created permanent affordability for 57 of the assisted living units.

This is a different model than most Trust-funded housing, and staff have worked with the Neville management to better understand how the housing operates and what rehab is needed. Neville is requesting \$3,345,000 to both address immediate rehab needs to fund work that has been identified in a five-year CNA.

Trust members emphasized that it was important to fully understand how this infusion of Trust funding would position Neville for future operation and to show how the projections for operating revenue and reserves would be sustainable without the need for more funding in the future. Chris Cotter noted that like many similar facilities, the pandemic reduced demand. He also discussed the complex operating model that combines rent, CHA vouchers, and service funding. Susan Schlesinger stated that the proforma will not look like other development projects.

Trust members discussed a likely increase in “one off” requests to address issues with aging projects like Neville and some of the homeownership developments. They discussed the need for the Trust to grapple with the need to refinance and potentially fund the aging stock on an ongoing basis.

Peter Daly asked if it was possible to create more affordable units at Neville through a buy-down of the market units. Jim Stockard noted that because the model had health issues wrapped up with housing, options were more constrained. He stated that the Housing Authority funding could not subsidize services, so the affordable units had to find other funding for the services.

Mr. Stockard also noted that the NCI board was actively discussing the issue of ongoing reserves, and had a good team in place for management and consulting for the project. Trust members asked about other funding sources, such as New Markets Tax Credits or ARPA funding. The City Manager noted that there was a small amount of ARPA funding available, but it may not be possible to use at Neville because of the connection between the medical and residential pieces. He noted that if Neville is not in good shape, it creates an issue upstream at Mt. Auburn and other local hospitals by reducing options for discharging patients who need this type of facility. The Trust agreed on the importance of finding a solution, including looking at options to scale up the facility to make it more sustainable. Mr. Stockard noted potential issues with expanding on the site.

The Trust indicated strong support for staff's continued work to gather additional information from Neville to more clearly understand the building's current and future needs, and to untangle the medical and residential operating proformas. More information and a funding request will be presented to the Trust at upcoming meetings.

ADJOURNMENT

Upon a motion moved, seconded and approved by a roll call of eight in favor with one absent (Elaine Thorne) to adjourn the meeting.

The meeting adjourned at 5:05 p.m.

The next meeting is scheduled for April 27, 2023 at 4:00 p.m.

Meeting Materials:

- Agenda
- Meeting Minutes from the Trust's February 23, 2023 meeting
- Project update
- 35 Cherry Street Draft RFP Transmittal Memo
- 35 Cherry Street Draft RFP for Review
- Neville Communities, Inc. Funding Request Memo

Cambridge Affordable Housing Trust

April 27, 2023

Status of Active Commitments

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	currently approved buyers:	6	89 scattered site units purchased by first time buyers to-date. Program expansion up to 120% AMI now active. 1 unit closed in February.	N/A	\$24,200,000	1-br: 40% sale 2-br: 45% sale 3-br: 50% sale	several, including most recent: February 2023
2.	Homeownership Resale Program	CDD	currently active units:	18	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers.	N/A	\$7,500,000		December 2011
3.	Vail Court (139 Bishop Allen)	TBD	TBD	TBD	Trust and City hosted public meeting in 2017 to hear from the community on affordable housing needs and ideas for the redevelopment of Vail Court. Additional public meetings will be scheduled but are currently on hold pending the legal action taken by former owner.	TBD	TBD	TBD	N/A
5.	2072 Mass. Ave.	Capstone Hope	TBD	TBD	Capstone/Hope purchased site in April 2018 and sought a comprehensive permit to enable the construction of a new 48 unit affordable housing building but withdrew their request at the September 2021 BZA hearing; they remain committed to creating affordable housing at this site and are assessing next steps and options.	TBD	\$5,071,000	TBD	February 2018 and June 2021
6.	52 New Street	JAS	107		JAS purchased the site in early 2020 and is permitting the project through the Affordable Housing Overlay. After JAS held 3 AHO community meetings, the proposal was reviewed by the Planning Board at the two advisory design review meetings required by the AHO, first on 10/16/21, and again on 1/4/22. A final Planning Board report has since been issued. The Trust increased its predevelopment loan for the project in January 2022. DHCD funding award was announced in July, and JAS is preparing for construction closing.	TBD	\$18,025,390	\$168,462	October 2019, June 2021, January 2022
7.	Park View Coop (24-26 Corporal McTernan Street)	Park View Coop		12	Funds committed May 2021; closing completed October 2022; renovations underway.	\$4,986,321	\$4,199,215	\$349,935	March 2019 and May 2021
8.	Rindge Commons - Phase 1 (site of 402 Rindge Ave)	JAS	24		In June 2020, the Trust approved funding for the first phase of Rindge Commons. Project received a comprehensive permit in August 2020 and began construction in June 2022. The CAHT loan at closing was \$3,706,358 or \$154,444 per unit. This is a \$543,342 reduction from the original loan commitment. Construction is underway.	\$17,307,771	\$4,250,000	\$177,083	June 2020
9.	Broadway Park (240 Broadway)	JAS		15	In March 2021, the Trust approved funding to create 15 affordable homeownership units. JAS has had several community meetings to review its proposal and expects to seek a comprehensive permit for this development. JAS also will be seeking to assemble remaining funding needed for this development.	TBD	\$3,600,000	\$240,000	March 2021
10.	Jefferson Park Federal (45-60; 61-75; 77-92; 93-108; Jackson Circle; 1; 2-19, 21-42; 109-124; 1000 Jackson Place)	CHA	278		In September 2021, the Trust approved funding to assist with the comprehensive modernization of Jefferson Park Federal. After the CHA held 3 AHO community meetings, the proposal was reviewed by the Planning Board at the two advisory design review meetings required by the AHO, first on 11/9/21, and again on 2/15/22. A final Planning Board report has since been issued. The CHA has begun preparing to close on construction, with a goal of closing in late Spring 2023.	TBD	\$43,611,615	\$156,876	September 2021
11.	35 Harvey Street	HRI / Cascap	12		In November 2021, the Trust approved funding to assist with the renovation and reconfiguration of Harvey Street from SROs to studio apartments. DHCD funding award was announced in July, and HRI is in the process of assembling the remaining financing needed, with a goal of beginning construction in the coming months.	TBD	\$3,339,437	\$243,139	November 2021
12.	1627 Mass. Ave.	HRI	TBD	TBD	In January 2022, the Trust approved funding to assist with the purchase of this property from Lesley University to create affordable housing. The Trust approved additional predevelopment funding in August 2022. HRI acquired the site in August 2022 and held first AHO Community meeting on 9/15/22. Second community meeting held 3/15/22.	TBD	\$7,925,000	TBD	January 2022 and August 2022
13.	116 Norfolk Street	CHA	62		In August 2022, the Trust approved funding to assist in the renovation and expansion of an existing 38-unit SRO to create 62 studio apartments for individuals moving beyond homelessness. CHA completed AHO advisory design review in late 2022 and closed on funding in December 2022; construction is underway	TBD	\$10,161,150	\$163,890	August 2022
14.	35 Cherry Street	TBD	TBD	TBD	In March 2022, the City Council approved the disposition of this property to the Trust to initiate the creation of affordable homeownership housing. Transfer from MIT complete. RFP being finalized after discussion with AHT in March 2023.	TBD	TBD	TBD	March 2022
15.	49 Sixth Street	POAH	46		In October 2022, the Trust approved funding to assist in the conversion of a portion of the Sacred Heart church property to affordable housing. POAH has completed the AHO process. POAH is assembling remaining financing with a goal of beginning construction in 2023.	TBD	\$7,750,000	\$168,478	October 2022
Total Units			580						

Cambridge Affordable Housing Trust

Status of Affordable Housing Overlay (AHO) Developments

	AHO Development	Developer	AHO Status & Activity	Rental Units	Ownership Units	Development Status
1.	52 New Street	Just-A-Start Corporation	AHO Community meetings held on 2/25/21, 3/25/21, and 4/15/21. Planning Board design consultation held on 10/26/21 and 1/4/22. Design consultation completed January 2022; Final Planning Board report issued 1/20/22 and was transmitted to the Trust in its 1/27/22 briefing materials. Preparing for construction closing.	107		Design Consultation Complete; see above
2.	Jefferson Park Federal (45-60; 61-75; 77-92; 93-108; Jackson Circle; 1; 2-19, 21-42; 109-124; 1000 Jackson Place)	Cambridge Housing Authority	AHO Community meetings held on 3/2/21, 4/1/21, and 10/19/21. Planning Board design consultation held 11/9/21 and 2/15/22. Final Planning Board report issued 3/9/22 transmitted to the Trust in its 3/24/22 briefing materials. Preparing for construction closing.	278		Design Consultation Complete; see above
3.	Walden Square II (102 Sherman Street)	WinnDevelopment Companies	AHO Community meetings held on 3/23/21, 4/13/21 and 5/27/21. Submission for first Planning Board advisory design consultation was withdrawn by developer on 11/16/21. Design revised based on community comments. Community meeting held 2/23/22.	~102		Original submission withdrawn; community meetings underway
4.	49 6th Street	POAH & Urban Spaces	AHO Community meetings held on 7/27/21 and 11/3/21. First Planning Board advisory design consultation meeting held 4/5/22. Second design consultation meeting was held on 6/28/22; Planning Board report issued 7/14/22 and transmitted to the Trust on 8/4/2022. Assembling remaining funding needed to begin construction.	46		Design Consultation Complete; see above

5.	116 Norfolk Street	Cambridge Housing Authority	First AHO community meeting held 2/10/22. Second community meeting held 4/26/22. First Planning Board advisory design consultation meeting was held on 7/5/22. Second advisory design consultation held 9/13/22. Planning Board report issued on 10/28/22 and transmitted to the Trust on 11/17/2022. Closed 12/2022; under construction.	6		Design Consultation Complete; report to be issued
6.	1627 Mass. Ave.	Homeowner's Rehab Inc	First AHO community meeting held 9/15/22. Second community held 3/15/22.	TBD		Community meetings underway.

Status of Active Inclusionary Housing Developments

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19. Construction complete. Finishing tenant selection.	55		Revised ordinance at 20% sf requirement
2.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Under construction.		4	Ordinance prior to revision
3.	Cambridge Crossing, 151 North First Street	DivcoWest	Covenant recorded; Building Permit issued 8-24-20. Construction complete. Finishing tenant selection.	54		Ordinance prior to revision
4.	55 Wheeler Street	Toll Brothers	Covenant recorded 3/12/21. Building Permit issued 3/16/21. Under Construction. Completion of first phase of units expected soon; preparing for tenant selection.	99		Revised ordinance at 20% sf requirement
5.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded. Building Permit issued. Under construction	48		All units are affordable
6.	605 Concord Ave.	Abodez Acorn	Covenant recorded; Building Permit issued 12/9/21. Under Construction.	7		Revised ordinance at 15% sf requirement
7.	3-5 Linnaean	Willow Land Corp.	Covenant recorded; Building Permit issued.	1		Zoning for basement housing overlay
8.	1043-1059 Cambridge St.	418 Real Estate	Covenant recorded. Building permit issued 7/11/22. Under construction		3	Revised ordinance at 20% sf requirement

Under Development:	264	7
Completed Units:	<u>1015</u>	<u>211</u>
All Units:	1279	218
	<hr/>	
	1497	

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	121 Broadway	Boston Properties	IHP Plan under review.	~102: 81 (inclusionary), 21 (middle income)		MXD zoning - 20% Inclusionary + 5% Middle-Income

City of Cambridge
Community Development Department

Affordable Homeownership Program Review

Affordable Housing Trust

April 27, 2023



Review Process Next Steps

- Legal feasibility review – ongoing
- **Trust discussion of recommendations – April 2023**
- Trust additional discussion as needed
- Trust recommendation
- Outreach to share recommendation and get feedback from current owners
- Trust vote on final recommendation and changes
- Implementation

Program Review Process Engagement

Survey for all current owners completed
July 2022

Listening sessions for current owners
through October 2022

Survey for applicants currently waiting for
housing December 2022

Housing Committee hearing January 2023

Affordable Housing Trust Process To Date

Process introduced at Trust meeting March 2022

Homeowner Survey findings September 2022

Listening Session and Applicant Survey findings December 2022

AHT Working Group develops recommendations for discussion by AHT

Resale Formula

Where are we starting from?

- Current “Return on Equity” formula
- Average annual return $\sim .25\%$
- Formula is complex and unpredictable
- Rewards higher down payment, ability to pay more on mortgage = more assets and income
- Penalizes taking out equity

Priorities from stakeholders

- Owners want more return to build assets, use home equity, move on to other housing options, and maintain home
- Both owners and applicants waiting for housing feel strongly that these homes should remain affordable and available
- Council/Trust also needs to balance increasing costs of affordable homeownership program with limited public resources and needs for all types of affordable housing



**For Discussion:
New Formula
with
2.5% Simple
Annual
Increase**

- 10x increase over current average annual return
- No risk of decrease
- Predictable for City and owners
- No penalty for taking equity
- No bonus for longevity
- Likely to require increase in subsidy to keep units affordable

Capital Improvements - Current

- Current policy – cap of 1% per year of purchase price – frequently waived
- Cap ranges from \$380 annual to \$6,000 – but work costs the same
- Wide range of work – replacement as well as additions
- All work is depreciated based on age and standard useful life
- Must be documented
- Only work that adds value

Capital Improvements – For Discussion

- Set annual maximum dollar amount for all homes
- \$5,000 per year maximum in aggregate
- Extraordinary costs above cap could still be added case by case – e.g. large condo assessments
- Keep other terms:
 - All work is depreciated based on age and standard useful life
 - Must be documented
 - Only work that adds value

“Circuit Breaker” Option

- Cap on appreciation to ensure unit remains affordable
- Usually based on affordability at a certain level – e.g. household at certain % AMI
- May impact some owners more than others:
 - Owners who purchased at higher prices relative to AMI (HomeBridge, IZ during low interest rate periods)
 - Future owners – each resale price may become closer to the circuit breaker
 - Owners with high capital improvements (unless exempt from circuit breaker)
- Impact is less if AMI rises – more if interest rates rise - unknowns

The Unknowns

- Future affordability impacts:
 - Interest rates –10.56% 1990; 2.85% in 2022
 - AMI – annual change has ranged from 0% to 16%
- Future funding levels may be lower – impact on subsidy capacity
- Impact of increased return on owners:
 - Less need to move to market to build equity = less turnover
 - Owners have more resources to move to market = more turnover

Inheritance



**For Discussion:
New
Inheritance
Policy**

- Allow direct inheritance for certain beneficiaries
- Immediate family, household, other TBD
- Income eligibility requirement must remain
- New owner must enter into new Affordable Housing Covenant
- If not eligible or interested, Covenant sales process followed

Review Process Next Steps

- Legal feasibility review – ongoing
- Trust discussion of recommendations – April 2023
- **Trust additional discussion – May 2023**
- Trust recommendation
- Outreach to share recommendation and get feedback from current owners
- Trust vote on final recommendation and changes
- Implementation