



CITY OF CAMBRIDGE
Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief of Planning

Affordable Housing Trust

September 22, 2022, 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 the City's affordable homeownership program policies and consider changes including a review of results of a recent survey of owners of affordable homes
- 35 Harvey Street: On behalf of Cascap Realty, Inc., Homeowner's Rehab, Inc., through its subsidiary Cambridge Community Housing, Inc., is requesting an increase of up to \$421,773 to the \$2,917,664 the Trust has committed to assist with converting this 16-unit SRO with shared facilities to 12 affordable self-contained apartments
- Adjournment

344 Broadway
Cambridge, MA 02139
Voice: 617 349-4600
Fax: 617 349-4669
TTY: 617 349-4621
www.cambridgema.gov

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
August 25, 2022 at 4:00 p.m.

Conducted virtually via Zoom

Trustees Present via Zoom: Owen O’Riordan, Acting Chair; Peter Daly, Elaine DeRosa, Gwen Noyes, Susan Schlesinger, Jim Stockard, Elaine Thorne

Trustees Absent: Florrie Darwin, Bill Tibbs

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

Others Present via Zoom: None

Cassie Arnaud called the meeting to order at 4:05 p.m. Ms. Arnaud explained that this meeting of the Affordable Housing Trust would be held virtually pursuant to the temporary emergency orders currently in place, that all votes would be taken by roll call, and that there would be no public comment. She then coordinated to confirm that each participant was audible to each of the other Trust members.

MEETING MINUTES

Upon a motion moved and seconded, by roll call of seven in favor and two absent (Ms. Darwin, Mr. Tibbs) to approve the minutes for the meeting of Thursday, August 4, 2022.

UPDATE FROM CDD

HomeBridge: Seven buyers have active commitments, one home closed last month, and three homes are under agreement.

Homeownership Resale Program: Two units are under agreement. Staff are waiting for offers of another unit that has recently been marketed.

2072 Mass Ave.: The Capstone/Hope team withdrew their request for a comprehensive permit at the September 2021 BZA hearing but remain committed to creating affordable housing at this site. The developers are assessing their next steps and options.

Park View Cooperative: Staff are working with Cooperative residents in preparing to close on the loan commitment.

Fresh Pond Apartments: Staff are in the final phase of implementing the preservation of Fresh Pond Apartments. The Cambridge Housing Authority will be sending out information to residents about creating new project-based voucher units, which may lower rents for some eligible households.

Rindge Commons Phase 1: JAS has closed on construction financing and construction of Phase 1 has begun, which will include 24 new rental units, JAS program space and space for City-sponsored pre-kindergarten classrooms.

Broadway Park: JAS has had several community meetings to review its development proposal and is assessing financing and permitting options for this development.

35 Harvey Street: HRI is preparing to renovate this property 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 later this year.

1627 Mass Ave.: HRI purchased this property from Lesley University to create affordable housing. In September, they will host their first meeting to formally introduce project as an overlay proposal. HRI attended the Baldwin Neighborhood Council's June meeting where they introduced themselves and provided an initial overview of anticipated next steps for the site.

35 Cherry St.: In March 2022, the City Council approved the disposition of this property to the Trust to initiate the creation of affordable homeownership housing. The City will begin the process of selecting an affordable housing developer in the coming months through an RFP process. The City will share the RFP with the Trust at an upcoming meeting prior to the selection process.

AFFORDABLE HOUSING OVERLAY (AHO) UPDATES

52 New St: The Affordable Housing Overlay process is complete. JAS completed its second advisory design consultation with the Planning Board in January 2021. The Planning Board issued the final Planning Board advisory design review report. DHCD awarded funding for this project in July, and JAS is assembling the final pieces of funding needed to begin construction.

Jefferson Park Federal. The Affordable Housing Overlay process is complete. The Cambridge Housing Authority completed its second advisory design consultation with the Planning Board in February. The Planning Board issued the final Planning Board advisory design review report. The Affordable Housing Overlay process for this project is now complete and the CHA is now in the process of securing remaining funding needed to begin construction.

116 Norfolk Street: The Cambridge Housing Authority is proposing to renovate and expand its existing property at 116 Norfolk Street under the Affordable Housing Overlay. The CHA hosted the first community meeting in February and a second meeting in April. CHA had its first advisory design review with the Planning Board in early July. A request for Trust funding was discussed in more detail at the last Trust meeting.

Walden Square II: Winn Development is proposing a new infill AHO project on a portion of their existing Walden Square Apartments site. They held three AHO community meetings and had been scheduled to present their plans to the Planning Board in late 2021 but requested a delay to allow them time to revise their design. The developers held a community AHO meeting in March to present their revised plan to the public and will restart the advisory design review process at the Planning Board. A request for Trust funding is anticipated in the coming months.

49 6th Street/Sacred Heart conversion: POAH & Urban Spaces are proposing the adaptive re-use of a portion of the Sacred Heart property into 46 units of affordable rental housing. They held two AHO community meetings in 2021; the first AHO advisory design consultation by the Planning Board was held on April 5, 2022, the second was June 28, 2022. The Affordable Housing Overlay process is complete. The Planning Board issued the final Planning Board advisory design review report. A request for Trust funding is anticipated in the early fall.

Inclusionary Housing: Staff are working with homebuyers to complete purchase of new inclusionary homeownership units at St. James Place and Inman Crossing.

Tenant selection at 165 Main Street is moving forward. There are 63 affordable units at this property, with 9 of the units designated for middle-income residents.

OTHER UPDATES

Community Preservation Act (CPA)

The Community Preservation Act (CPA) process for FY23 is nearing completion. There were two recent hearings about this, including one in late July to hear public comments on the FY23 CPA allocations. The Committee meeting will meet on September 6th to make its final recommendations for FY23 funding allocations to the City Manager.

City Budget

The FY23 City budget has been adopted and was approved with \$22.9 million for the Trust. With the expected CPA funds, the combined total will be \$38 million. This is nearly triple the amount in FY2019.

Incentive Zoning

A Petition to amend the Incentive Zoning contribution to \$33.34 dollars had a hearing at the Planning Board in late June and the Ordinance Committee in late July. Both bodies will continue to discuss this amendment and CDD staff are responding to committee members' questions. One raised concern is how to mitigate impacts of the contribution on small developments. The Ordinance Committee has asked how different approaches to the system might work, such as setting a higher rate for larger developments, or implementing a marginal rate which might only be applied to GFA over 30,000 square feet. The next Ordinance Committee meeting is on September 7th and Planning Board meeting is on September 13th, where discussions of the proposed increase in the contribution rate will continue.

Staff have provided the City Council with projections that estimate the Incentive Zoning contribution will generate \$65m in the next four years. Staff will share those projections with Trust. Trust members expressed interest in reviewing an analysis on how revenues would be impacted with different Incentive Zoning models based on discussion for potential changes.

The City has now received more than \$45 million since the 2015 incentive zoning amendments were adopted. The Trust would like to know how the funding generated through Incentive Zoning compares to other affordable housing investments in Cambridge.

Homeownership Program

The Housing Division Homeownership Team is continuing engagement with owners of affordable, deed-restricted homes around their experiences to help with consideration of program policy changes, including the resale formula. Staff have completed a survey for owners to share their experience and thoughts about the program. Staff will also hold a series of listening sessions with residents in the fall.

NEW BUSINESS

Affordable Housing Overlay Annual Report

Per the requirements of the Zoning Ordinance, the City has completed its first Annual Report of the Affordable Housing Overlay (AHO), which provides a summary of affordable housing development activity under the AHO. The report was provided to the City Council at their August meeting, and was referred to the City Council's Housing Committee for further review and discussion.

Staff asked for Trust feedback on the report in advance of the anticipated Housing Committee meeting. One Trust member said that the report confirms what they already know: that more affordable units are being built in the City because the Affordable Housing Overlay passed.

Trust members suggested that the report also raises questions about the AHO and policy changes that might be needed going forward. For example, are the allowable AHO densities appropriate? Is the AHO facilitating affordable housing development in city neighborhood areas that are predominantly white and upper-income? Are there changes that can make the AHO process more predictable and streamlined?

Trust members requested a map to display AHO developments by neighborhood as a tool to present the information to the Housing Committee. They suggested that it would be helpful to break down the costs of housing development and to explain that density can help with costs. Another Trust member shared observations about the AHO process, and how it would be good to look at how the review process has worked and whether there might be ways it could be optimized to allow for new developments to move through it most efficiently and cost effectively.

There was discussion about how sites are identified for new development, as well as whether the AHO has increased interest in smaller neighborhood sites across the city. Staff explained that a mix of methods are used to identify potential sites including property owners and brokers reaching out to affordable developers and/or City staff directly, as well as outreach by developers to owners of sites. It was noted that small sites present challenges in terms of overall acquisition cost as well as limitations on funding sources beyond the Trust. Typically, the Trust expects its funds to leverage additional state and federal funding in order to make a project financially feasible. However, small rental projects will not be eligible for tax credits or competitive for soft funding from the state, and no state sources currently exist to subsidize affordable homeownership in neighborhoods which do not meet MassHousing criteria. It was also noted that small projects are not the most cost-effective types of properties to develop and operate from the housing provider perspective given the lack of economies of scale.

Several Trust members noted that it may be time to discuss approaching small neighborhood sites differently, possibly as a pilot program with different expectations around funding and project costs. One Trust member agreed, noting that the recent acquisition of 1627 Mass Avenue is an illustration of a tradeoff that was made to spend greater funds to acquire an available site because of the location, where it has traditionally been hardest to create new affordable housing.

Trust members decided to continue the conversation at future meetings.

ADJOURNMENT

Upon a motion moved, seconded and approved by a roll call of seven in favor with 2 absent (Ms. Darwin and Mr. Tibbs) to adjourn the meeting.

The meeting adjourned at 4:56 p.m.

The next meeting is scheduled for Sept. 22, 2022 at 4:00 p.m.

Meeting Materials:

- Agenda
- Meeting Minutes from the Trust's August 5, 2022 meeting
- Project update: Status of Active Commitments
- Community Development Department Memo, August 25, 2022:
 - Affordable Housing Overlay Annual Report Community Development Department Memo, August 1, 2022:
 - Affordable Housing Overlay Annual Report

Cambridge Affordable Housing Trust

September 22, 2022

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	82 scattered site units purchased by first time buyers to-date. Program expansion up to 120% AMI now active. 1 unit closed in early September; 2 under agreement.	N/A	\$18,200,000	1-br: 40% sale 2-br: 45% sale 3-br: 50% sale	May 2011
2.	Homeownership Resale Program	CDD	currently active units:	18	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers. 5 units currently under agreement.	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 assembling the final pieces of funding needed to begin construction.	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; Preparing to close on funding commitment	TBD	\$4,199,215	\$349,935	March 2019 and May 2021
8.	Fresh Pond Apartments (362 and 364 Rindge Ave)	Schochet	504		In March 2020, the Trust committed funding for the preservation of Fresh Pond Apartments. This commitment was combined with \$15 million in City funding which was appropriated by the Council. After many months of preparation, the Fresh Pond Apartments funding closed on October 6, 2021 and a new 50 year affordable restriction was recorded. The owner has been working with the CHA, City and tenants to transition tenants to the new program.	\$34,533,179	\$34,533,179	\$68,518	March 2020
9.	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.	\$17,307,771	\$4,250,000	\$177,083	June 2020
10.	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
11.	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 is now in the process of assembling the remaining financing needed, with a goal of beginning construction before the end of 2022.	TBD	\$43,611,615	\$156,876	September 2021
12.	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 later this year.	TBD	\$2,917,664	\$243,139	November 2021
13.	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 will be holding first AHO Community meeting on 9/15/22.	TBD	\$7,925,000	TBD	January 2022 and August 2022
14.	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 has completed AHO advisory design review and is completing financing.	TBD	\$10,161,150	\$163,890	August 2022
15.	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, planning for RFP to select affordable housing developer and process underway.	TBD	TBD	TBD	March 2022

Total Units 1038

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.	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.	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.	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 to be issued.	~62		Design Consultation Complete; report to be issued
6.	1627 Mass. Ave.	Homeowner's Rehab Inc	First AHO community meeting scheduled for 9/15/22.	TBD		Community meetings underway.

Status of Active Inclusionary Housing Developments

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	305 Webster Ave.	305 Webster Ave. Condominiums L	Covenant Recorded 8/11/17. Construction is complete. Lotteries complete and working with selected homebuyers on unit purchases.		4	Ordinance prior to revision
2.	St. James (1991 & 2013 Mass. Ave.)	Oak Tree	Converted to ownership. Construction is complete. Lotteries complete and working with selected homebuyers on unit purchases.		5	Ordinance prior to revision
3.	Alexandria - 50 Rogers Street/Prism	Alexandria/Owner Amico	Covenant Recorded 6/4/19. Complete. Tenant selection nearing completion.	44		Zoning for Alexandria PUD
4.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19. Under Construction and nearing completion.	55		Revised ordinance at 20% sf requirement
5.	165 Main Street	Mitimco	IHP Covenant recorded 12/17/19. Building Permit issued 12-20-19. Complete. Tenant selection underway.	63		Zoning for MIT
6.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Under construction.		4	Ordinance prior to revision
7.	Cambridge Crossing, Building I	DivcoWest	Covenant recorded; Building Permit issued 8-24-20 Under construction. Completion expected fall 2022.	54		Ordinance prior to revision
8.	212 Hampshire Street	212 Hampshire LLC, Binoj Pradhan	Covenant recorded. Construction complete. Tenant selection underway	1		BZA requirement of affordable unit
9.	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 in late 2022.	99		Revised ordinance at 20% sf requirement
10.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded. Building Permit issued. Under construction	48		All units are affordable
11.	605 Concord Ave.	Abodez Acorn	Covenant recorded; Building Permit issued 12/9/21	7		Revised ordinance at 15% sf requirement
12.	3-5 Linnaean	Willow Land Corp.	Covenant recorded; Building Permit issued.	1		Zoning for basement housing overlay
13.	1043-1059 Cambridge St.	418 Real Estate	Covenant recorded May 4, 2022.		3	Revised ordinance at 20% sf requirement

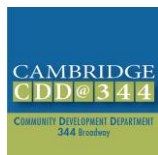
Under Development:	372	16
Completed Units:	907	202
All Units:	1279	218
	<hr/>	
	1497	

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	600 Massachusetts Ave.	418 Real Estate	IHP plan was submitted and under review	8		Revised ordinance at 20% sf requirement

City of Cambridge
Community Development Department

Affordable Homeownership Program Review – Current Homeowner Survey Results

September 22, 2022



Goals of the Homeowner Survey



Better understand perspectives on current program



Gather information on priorities



Introduce some of the questions to consider for potential policy changes



Highlight any areas with notable similarities or differences in opinions



Provide additional channel for current owners to provide input into the review process



Survey Outreach and Response

- Current owners were sent a letter with survey invitation
- Emails with survey link also sent where available
- Second letter sent to owners with no email
- Second email sent to owners with email

TOTAL RESPONSES:

536 OWNERS CONTACTED

195 RESPONSES 36% of all current owners

177 COMPLETE 33% of all current owners



Respondent Overview

- **Length of Tenure**
 - 64% owned 11 years or more
 - 20% owned 5 years or fewer
- **Distribution by unit size reflects stock:**
 - 25% studio or 1 BR
 - 47% 2 BR
 - 28% 3 or more BR



Respondent Overview Continued

- 22% did not respond to race question
- Respondents could select multiple options
- Race and ethnicity of owners who did respond closely reflects estimated owner demographics:
 - 48% White
 - 24% Black or African American
 - 12% Asian or Asian American
 - 20% Other race(s)
 - 8% Hispanic

Income and Assets after Purchase

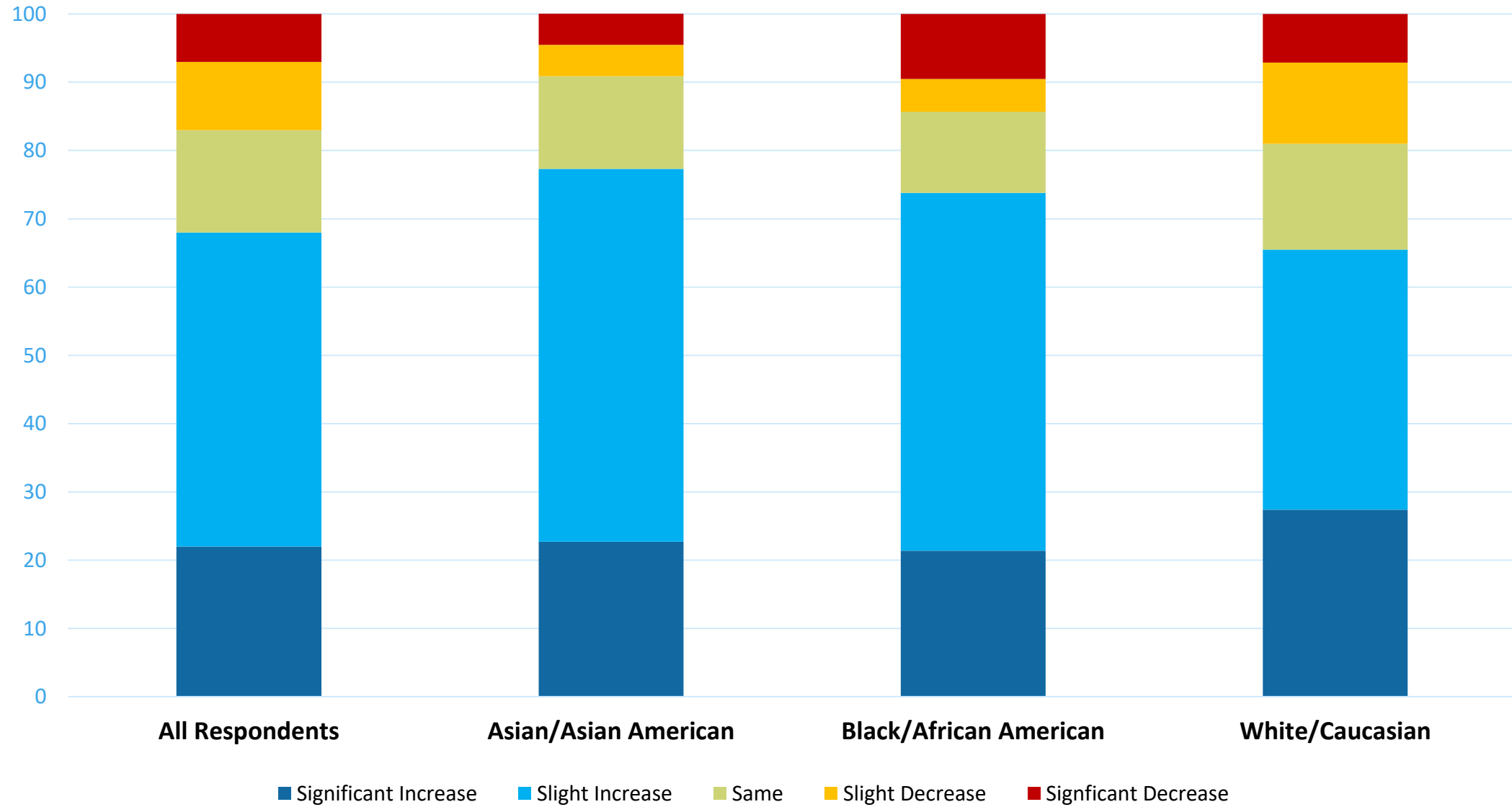
Change in Income since purchase:

- 69% report increase
- 10% report slight decrease in income
- 7% report large decrease in income
- 44% of respondents over 65 report decrease in income

Change in assets since purchase:

- 54% report increase
- 16% report a decrease
- Similar percentages across age, race, unit size
- Largest difference is newest owners (<1 year) – 50% some decrease

Income Change Since Purchase by Race



Household Size After Purchase

Most respondent households same or smaller:

- 61% stayed the same
- 17% decreased
- 22% increased
- Similar across length of ownership

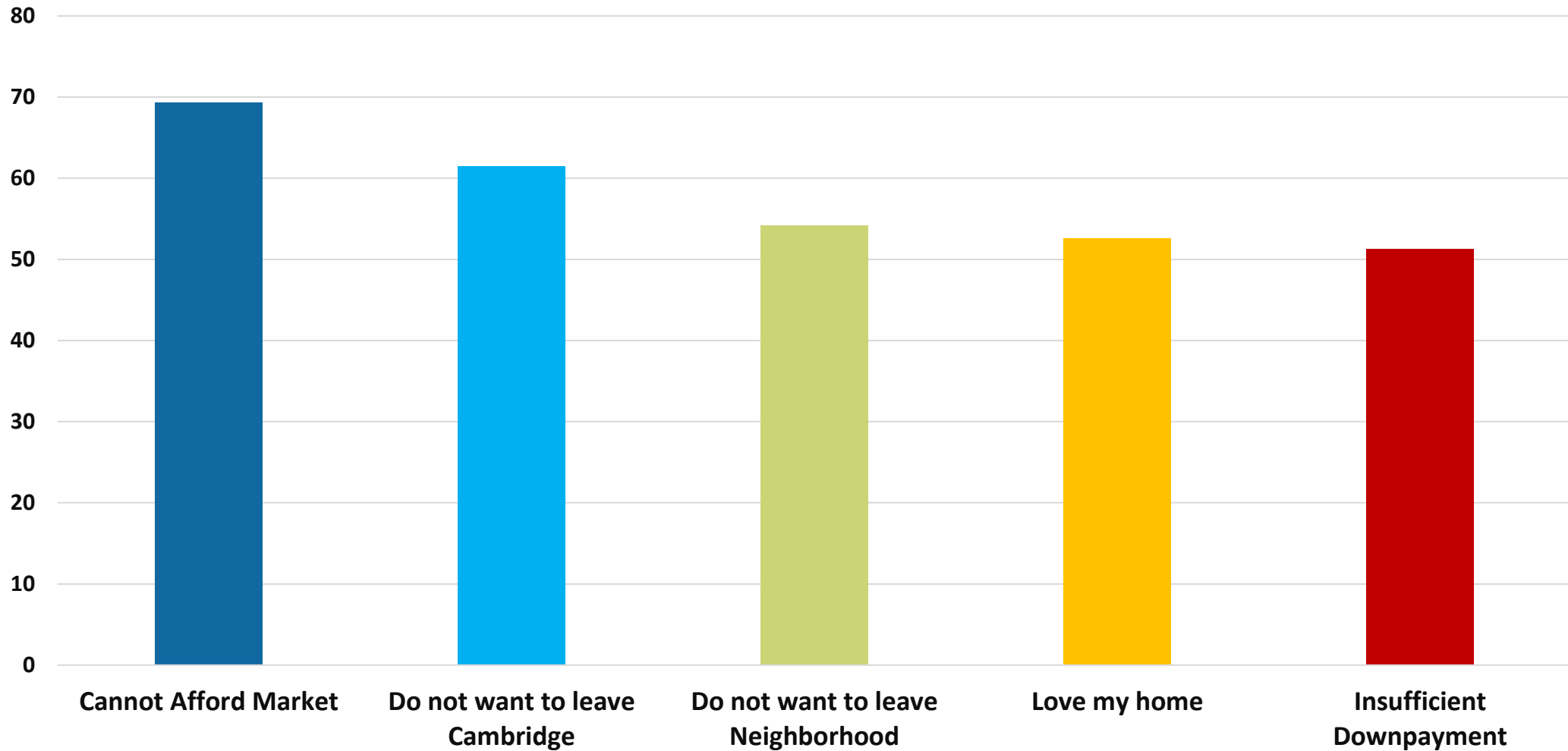
Variation by Unit Size:

- Studio/1 – 80% stayed the same, 19% increase
- 2 BR – 51% stayed the same, 32% increase
- 3+ BR – 62% stayed the same, 10% increase

Views on Impact of Current City Program

Why do owners stay in their home?

Most common reasons cited (multiple answers allowed)



Owner Quotes

- *Can never afford another place in Cambridge with the money from the affordable unit*
- *Way too complicated to sell or do repairs*
- *Was told no equity in current home because bought through the City*
- *Program doesn't allow enough/fair equity increasement for resale.*
- *Monthly costs low combined with no appreciation in home value*
- *Cambridge now unreasonably expensive*
- *I have no ability to afford moving as I'm strapped financially due to losing the rest of my savings due to having to pay for several major broken essential appliances*

Most Selected Benefits

81% selected:

Stable and affordable

63% selected:

Costs do not increase much

58% selected:

Part of payment is equity

Least Selected Benefits

31% selected:

Price does not decrease

29% selected:

**Participate in decision making for
building**

11% selected:

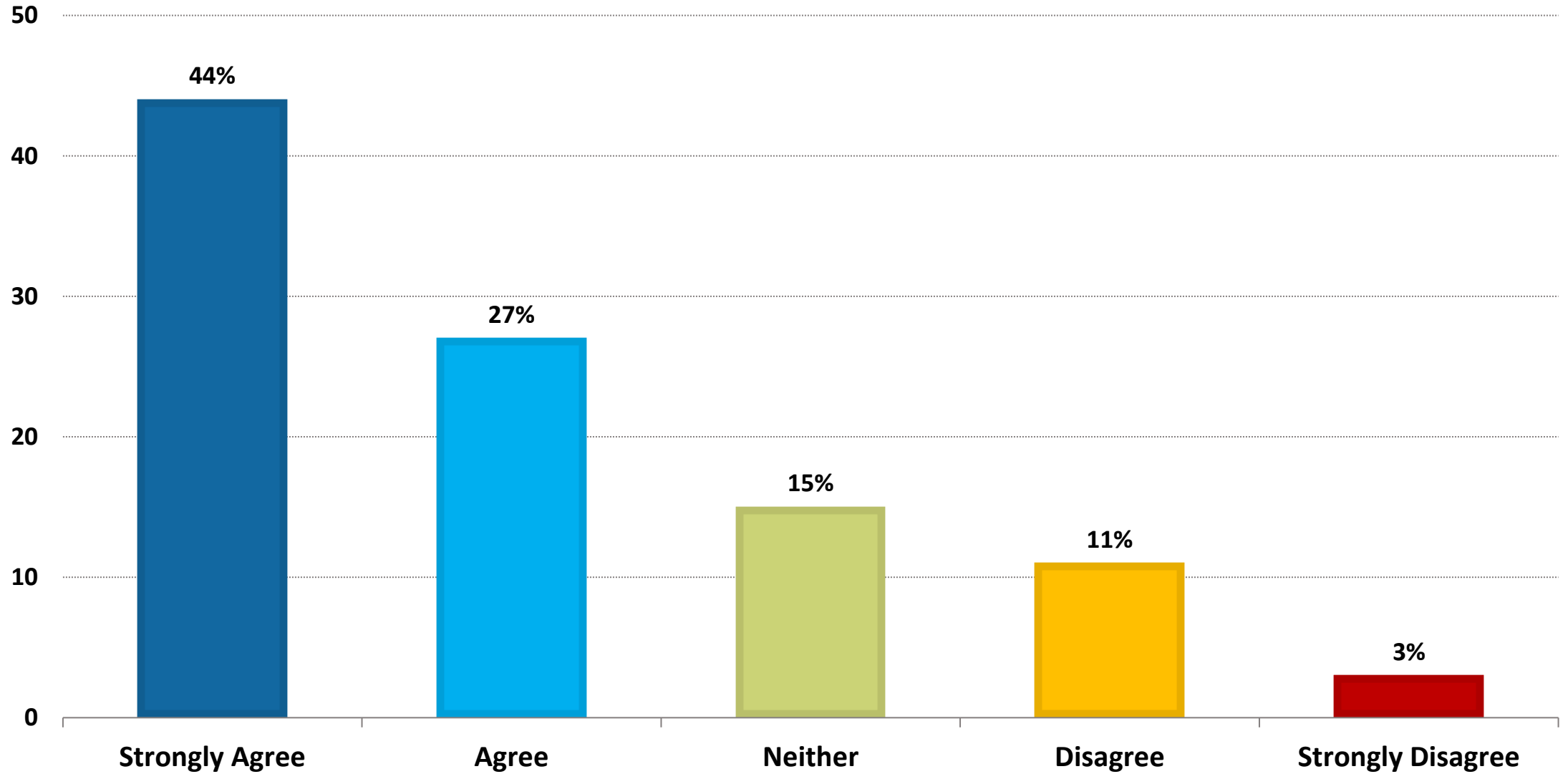
Can take out equity

Owner Quotes

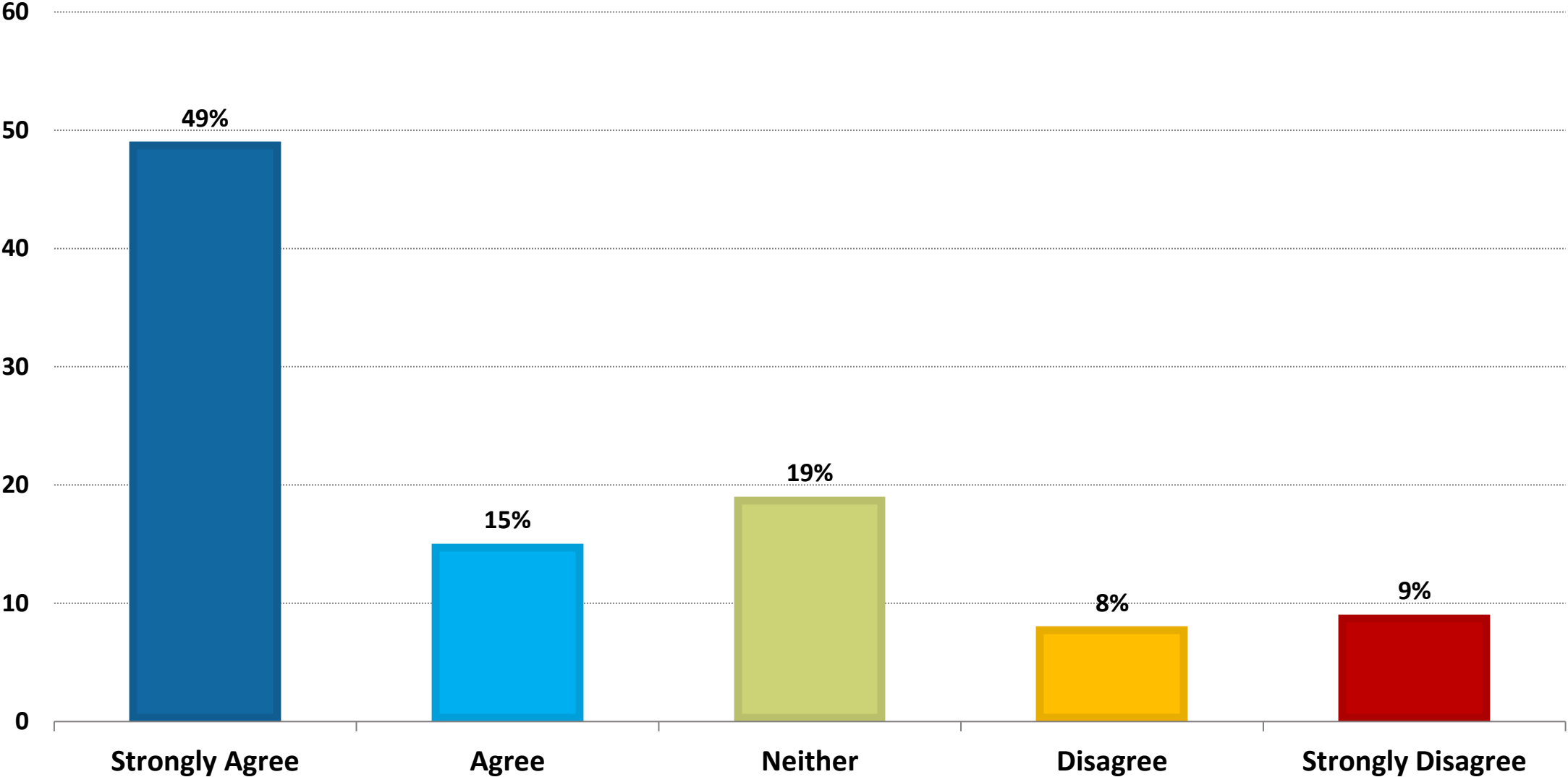
- *I would never have been able to afford a condo in Cambridge without this program. I love my home and feel lucky to live in it!*
- *The current affordable homeownership program is not actually affordable, it's just less expensive and more stable than market.*
- *I have transitioned into retirement, and the low overhead is key to my continued residence.*
- *It allowed me to access better employment and increase my family's income*
- *Low taxes on home; could afford to stay in Cambridge for the past 19 years!*
- *I have a place which I can call my HOME*

Views on Affordable Housing Programs

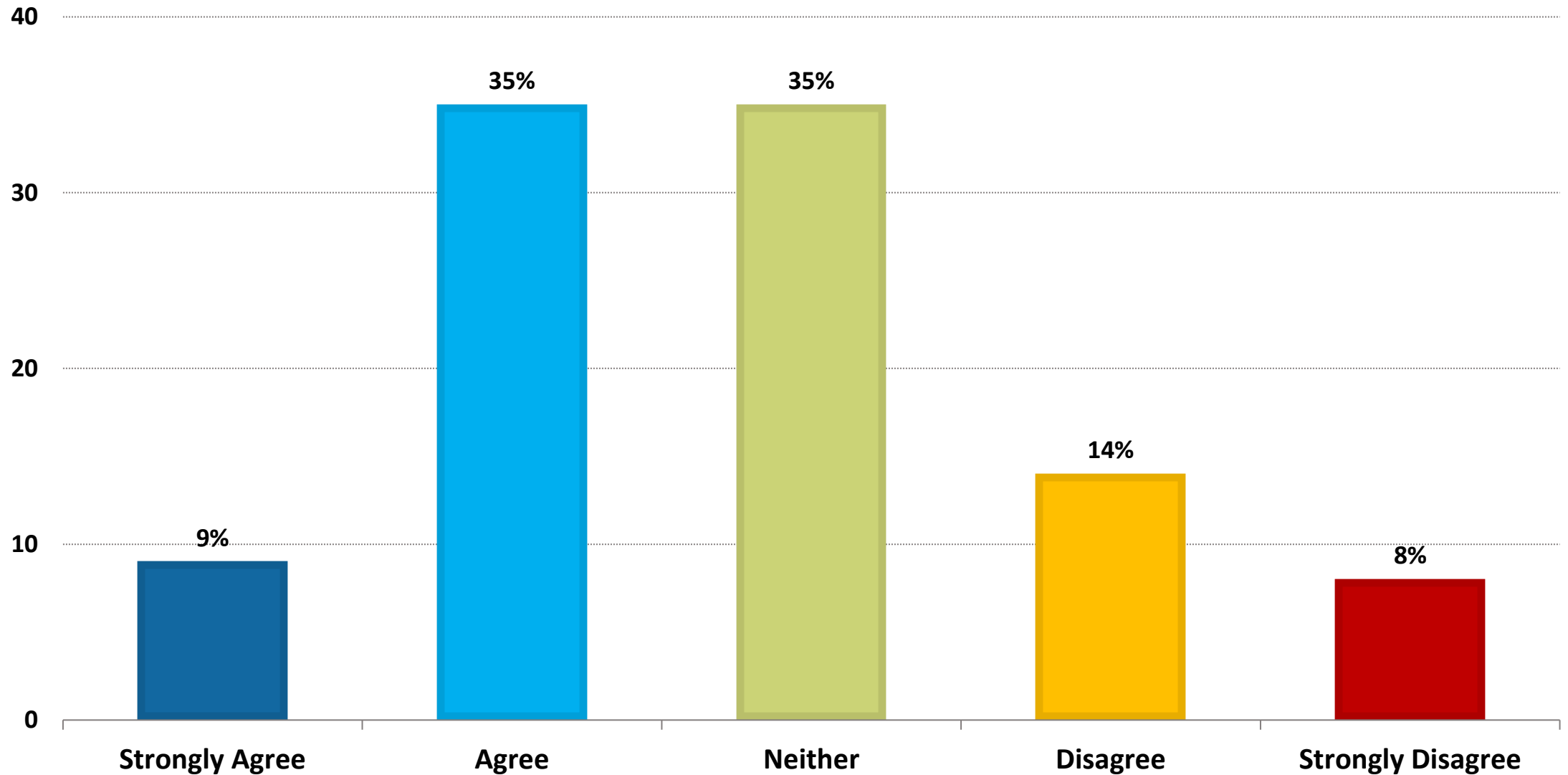
Affordable homes should appreciate at the same rate as market homes



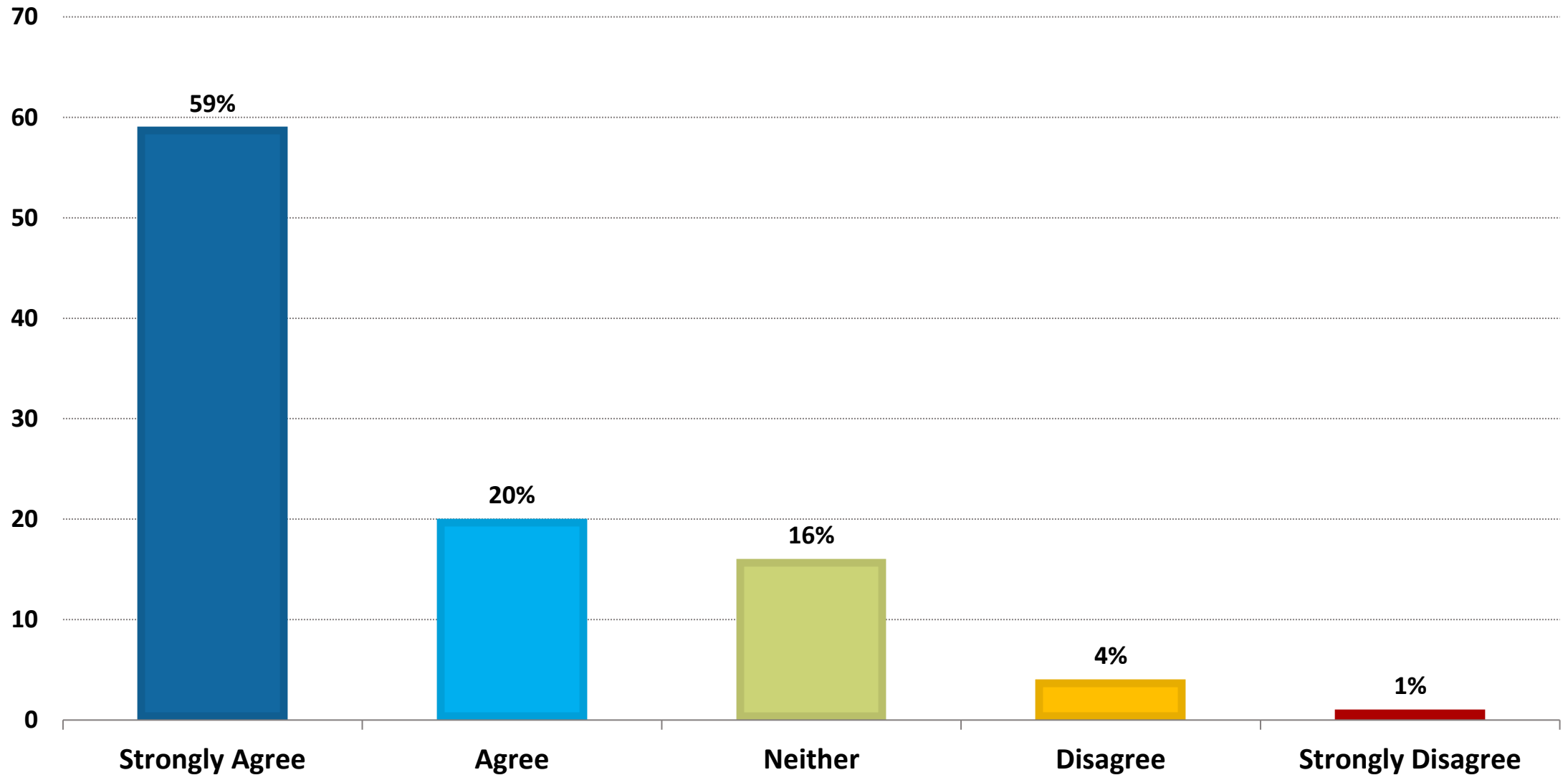
Affordable housing restrictions should go away after a period of time



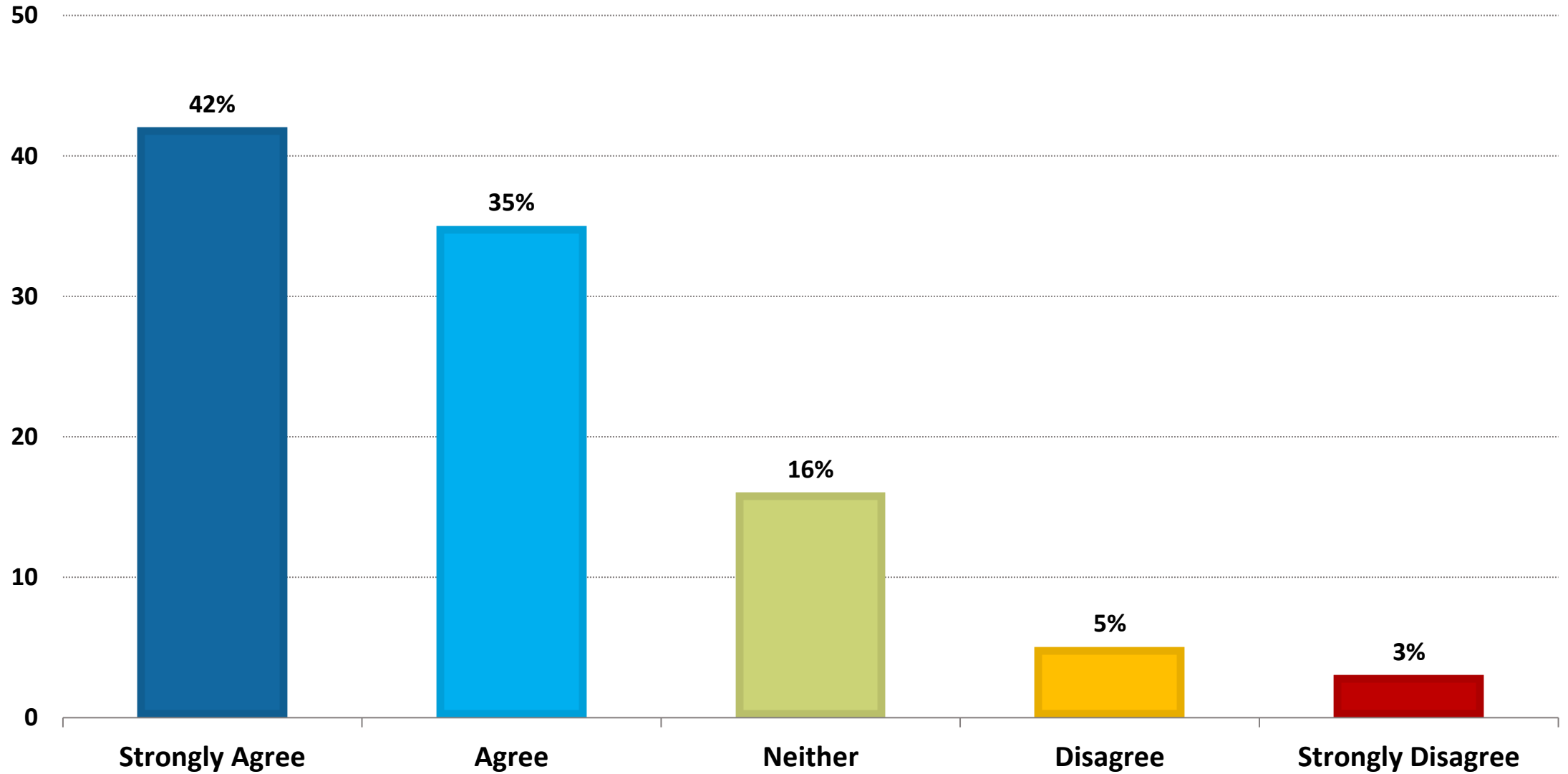
The value of an affordable home should decrease if it is not in good condition



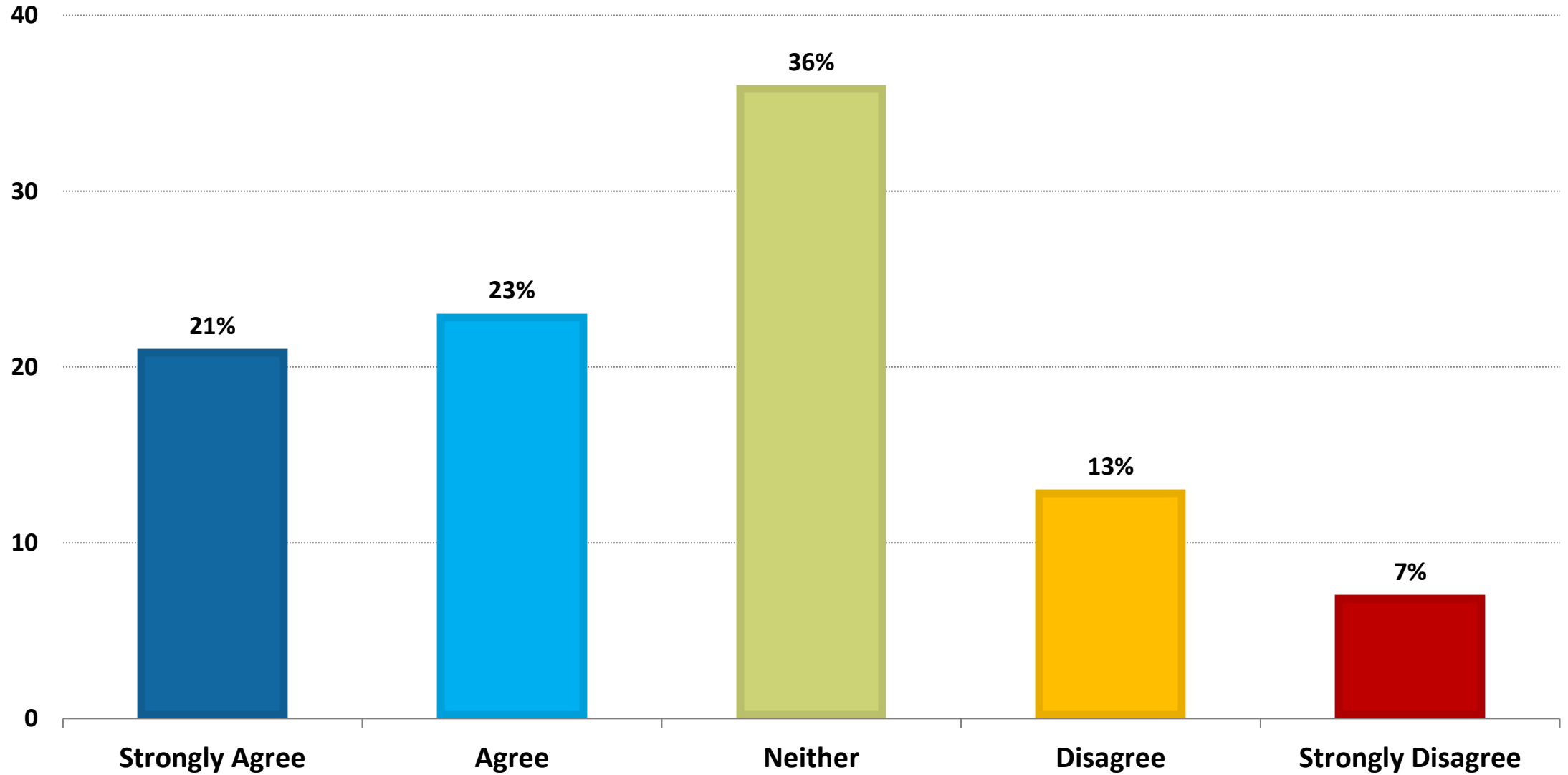
Owners of affordable homes should be guaranteed a profit when they sell



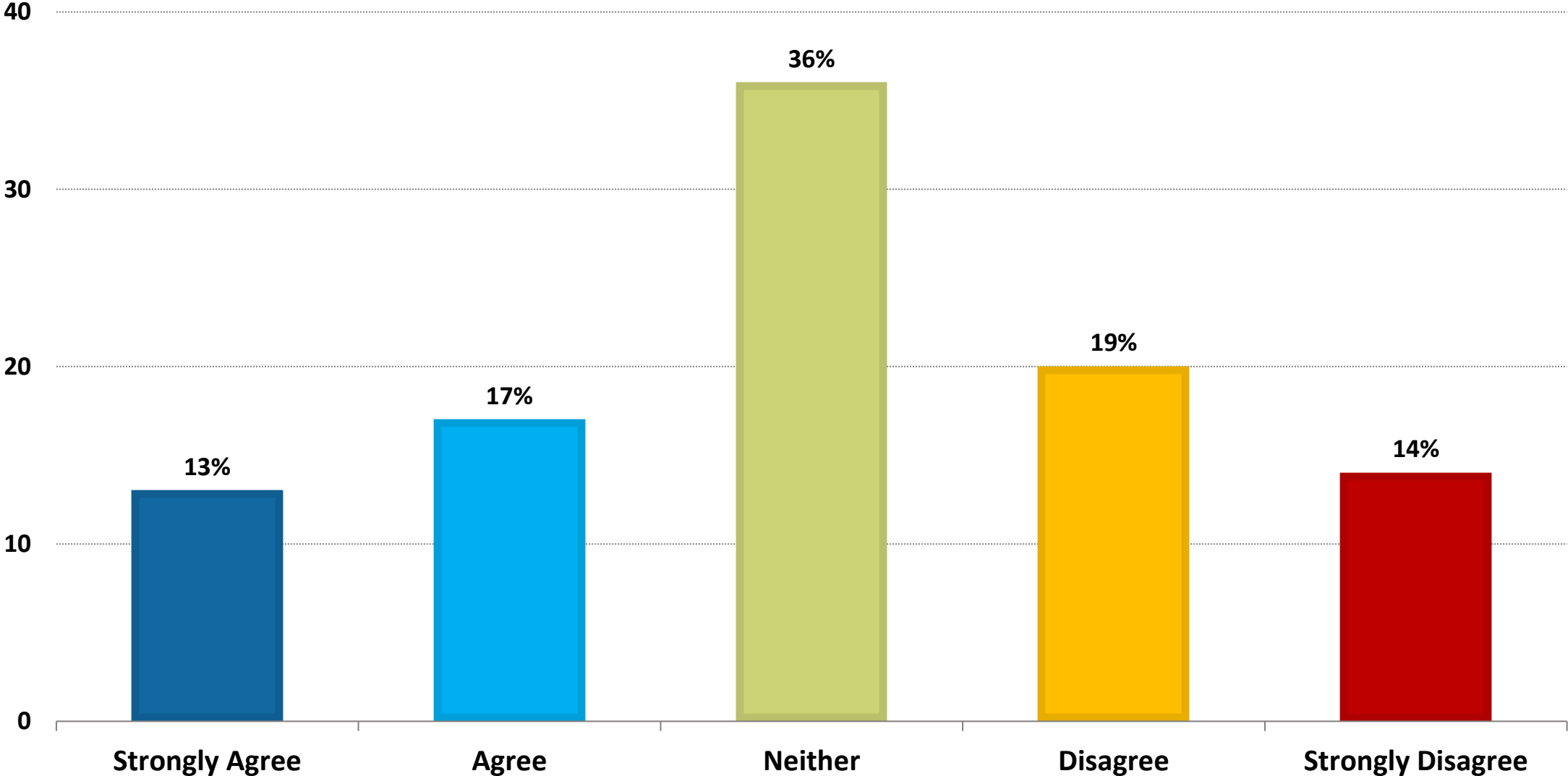
It is important that affordable homes are resold to an income-eligible buyer



Affordable homes in certain buildings or neighborhoods should be worth more



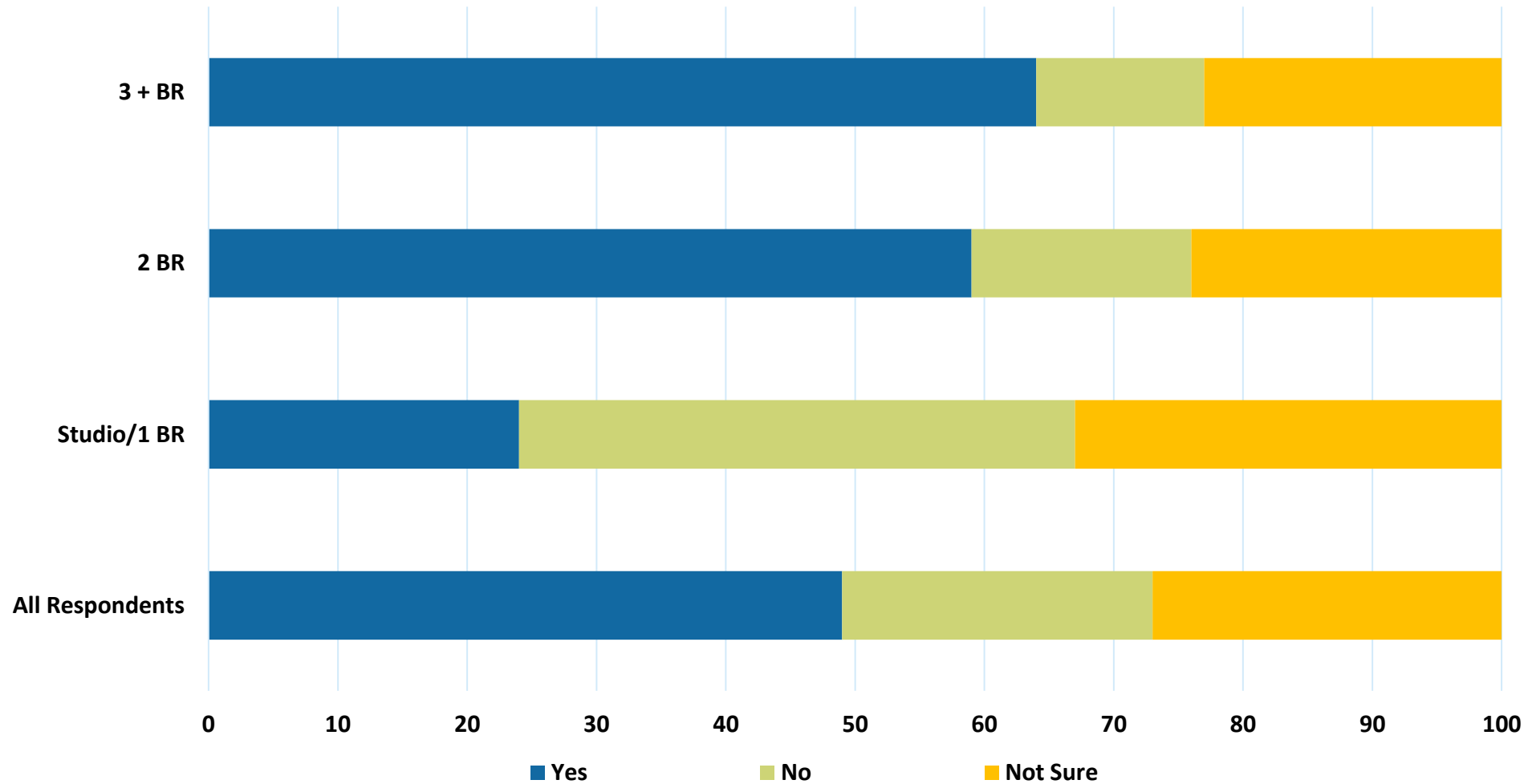
The benefits of affordable homeownership should only go to the current owner



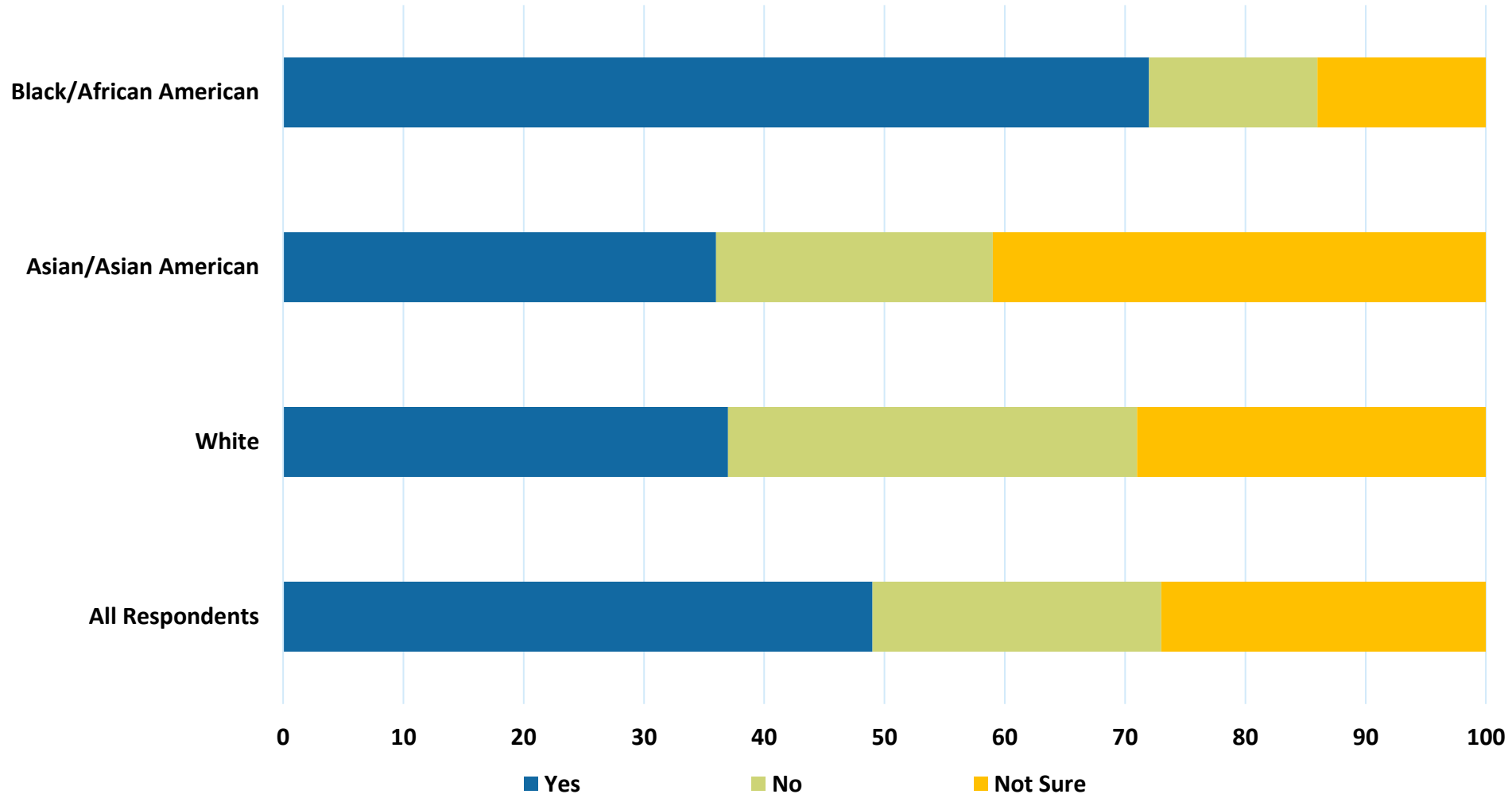
Views on Inheritance Policy

Is inheritance more important than value?

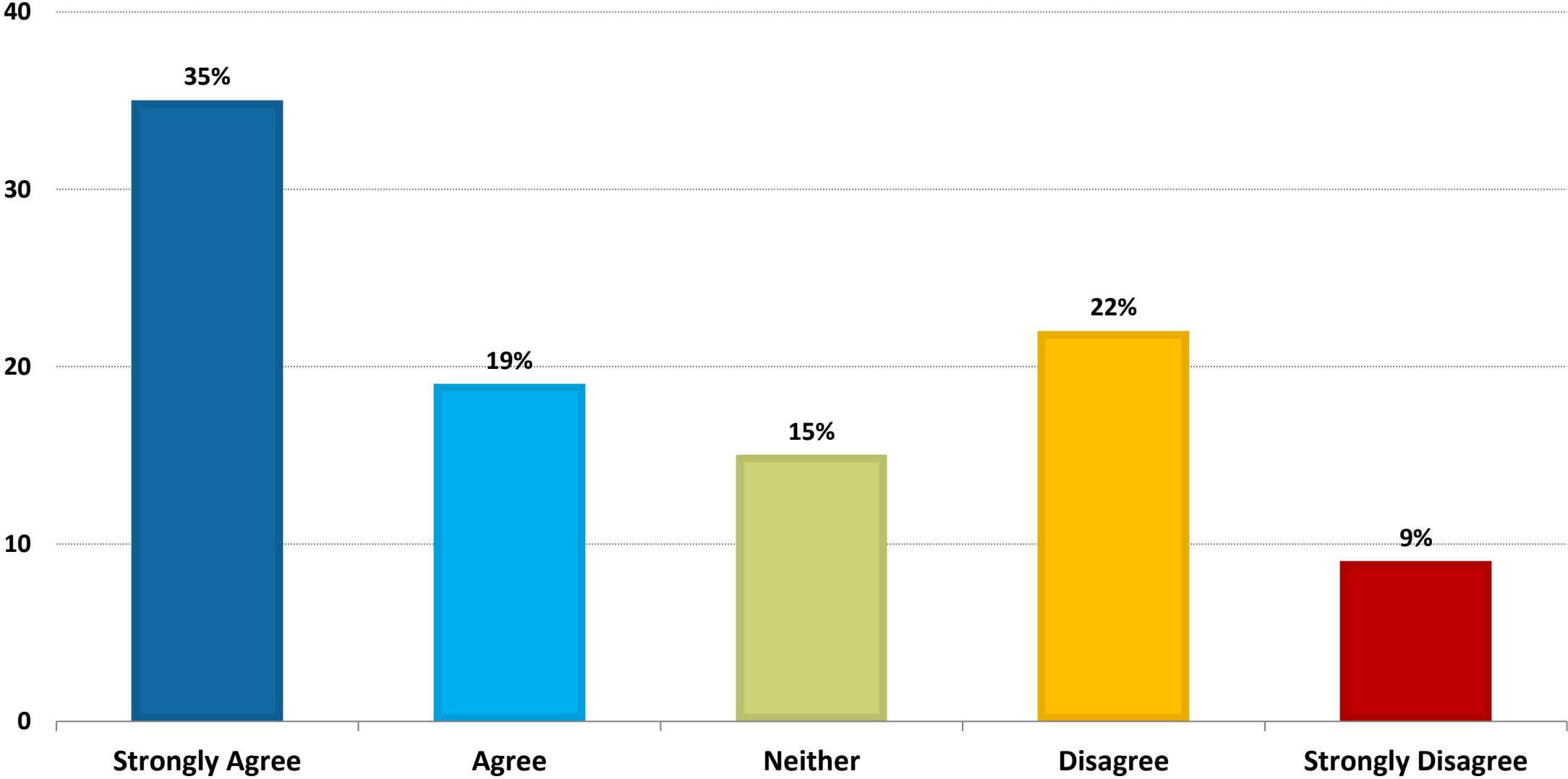
49% of respondents said YES



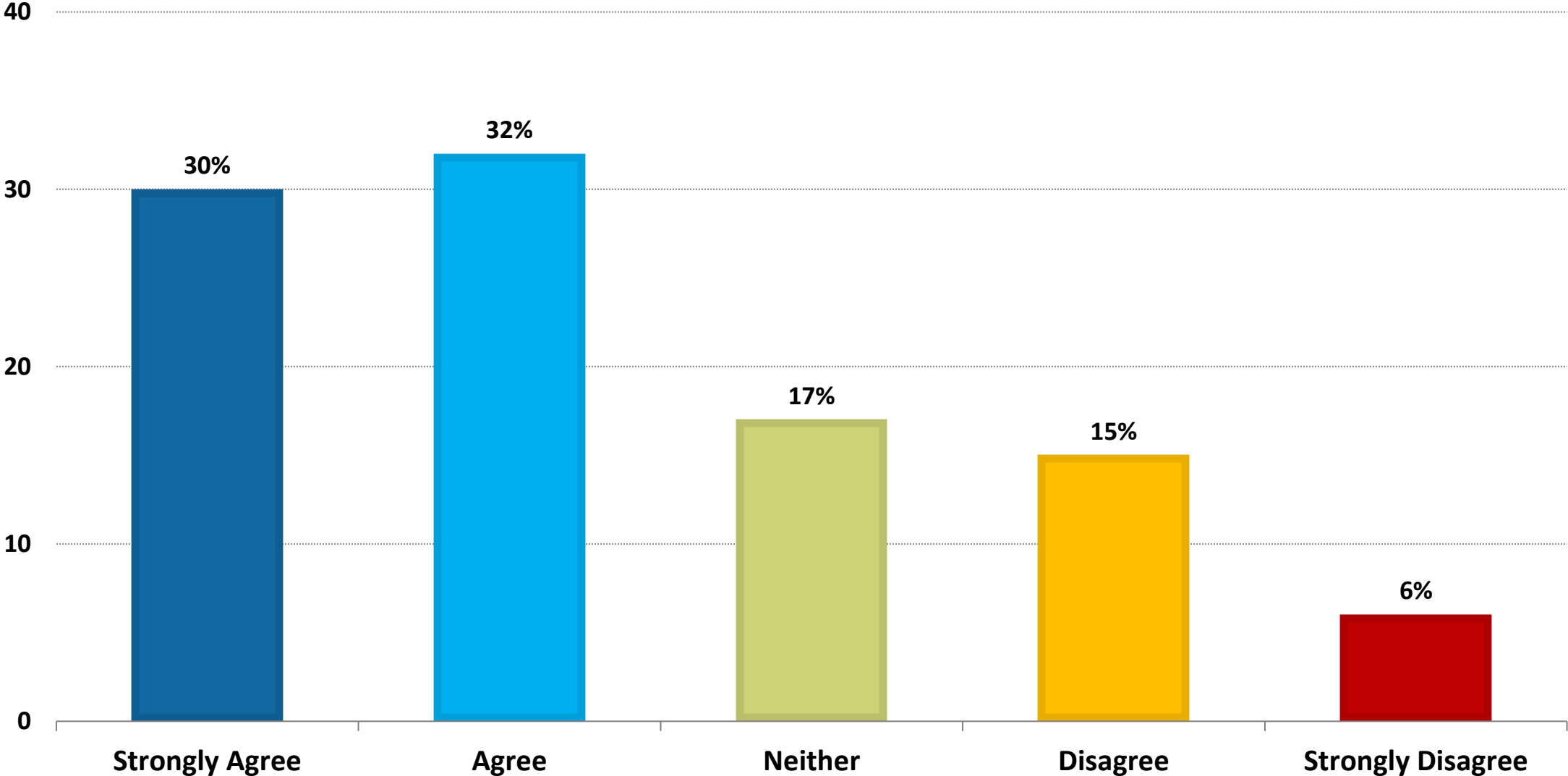
Is inheritance more important than value? Responses by Race



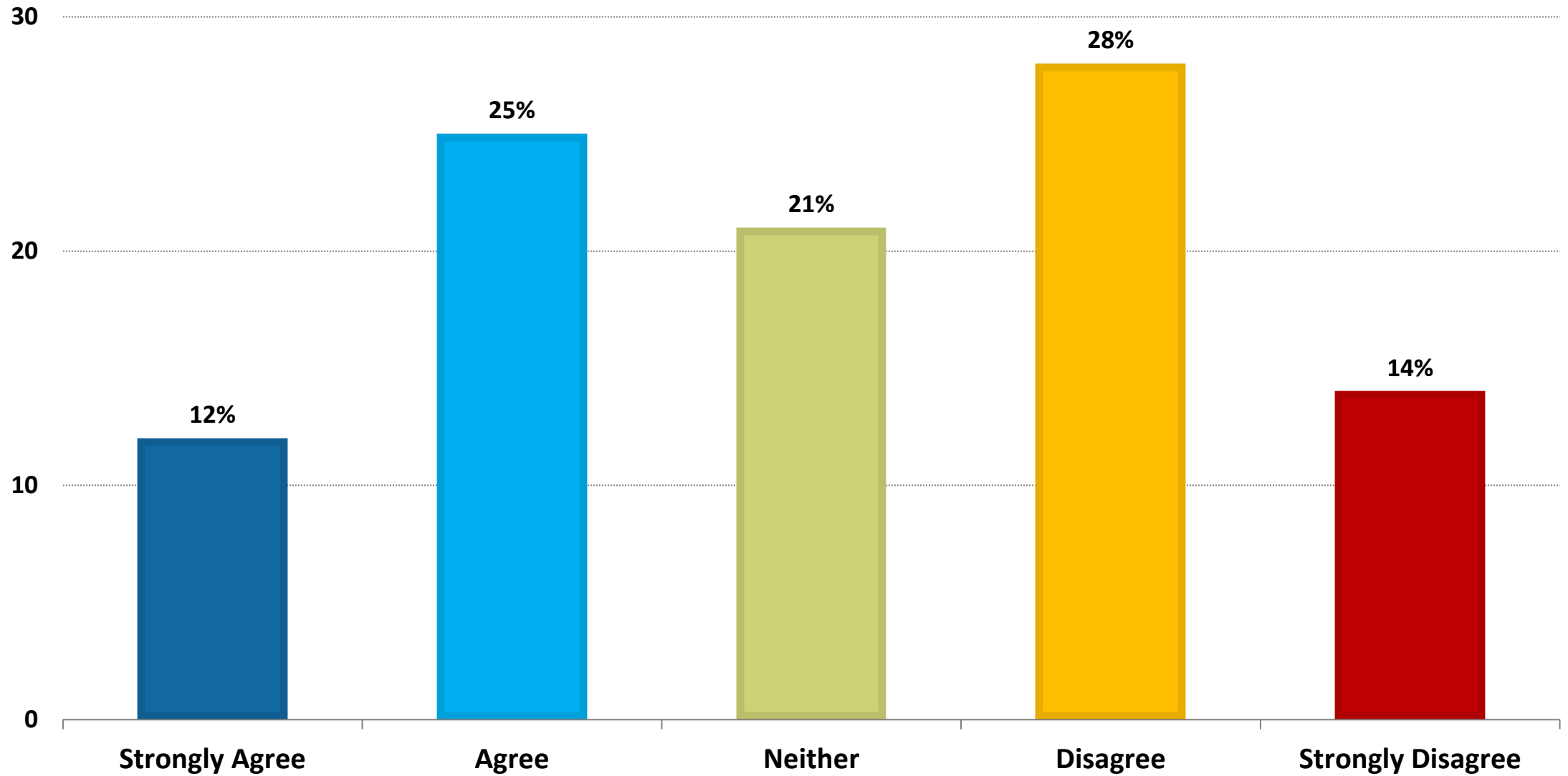
Owners should be able to leave their home to whomever they choose



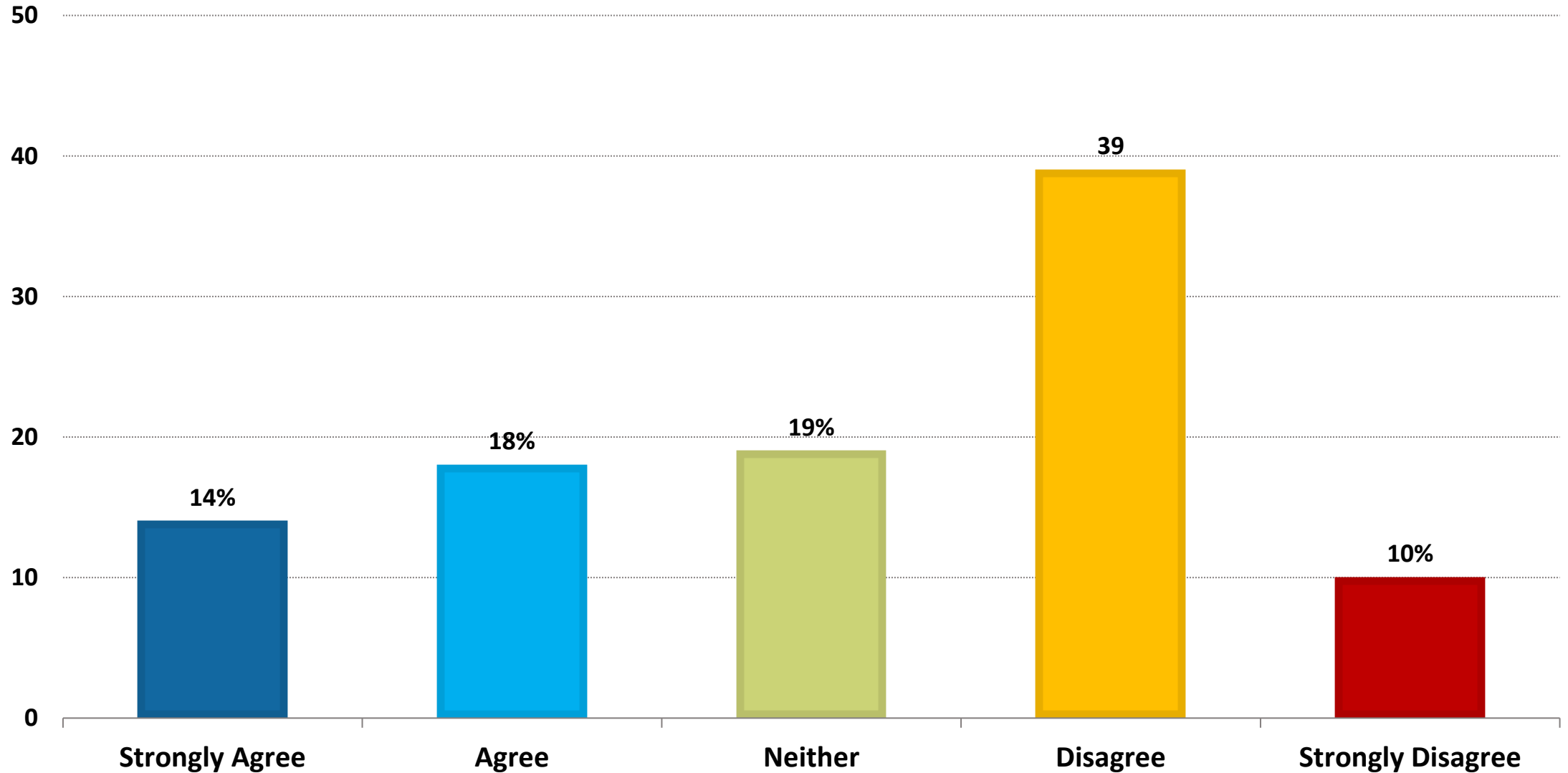
Only an owner's relatives should be able to inherit an affordable home



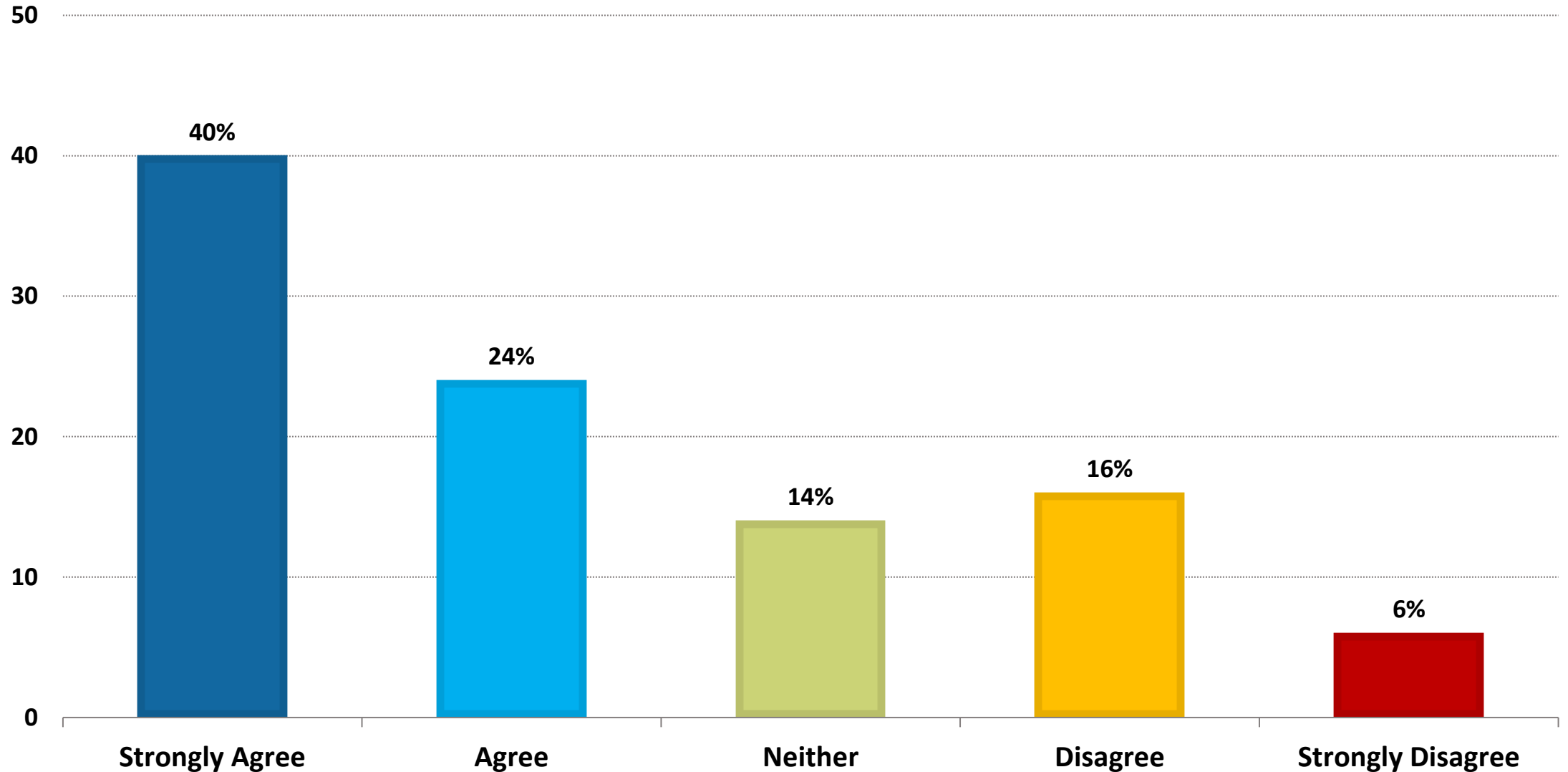
Anyone inheriting an affordable home should be income-eligible



Only a current household member living with the owner should be able to inherit an affordable home



Current household members living with the owner should be able to inherit even if not income-eligible



Views on Resale Formulas

Owners were asked to rank the following priorities for a Resale Formula

- No risk price will decrease
- Ability to easily determine value
- Price increases at a steady, predictable rate
- Home will stay affordable
- Value changes at the same rate at market homes

Respondent Priority Ranking

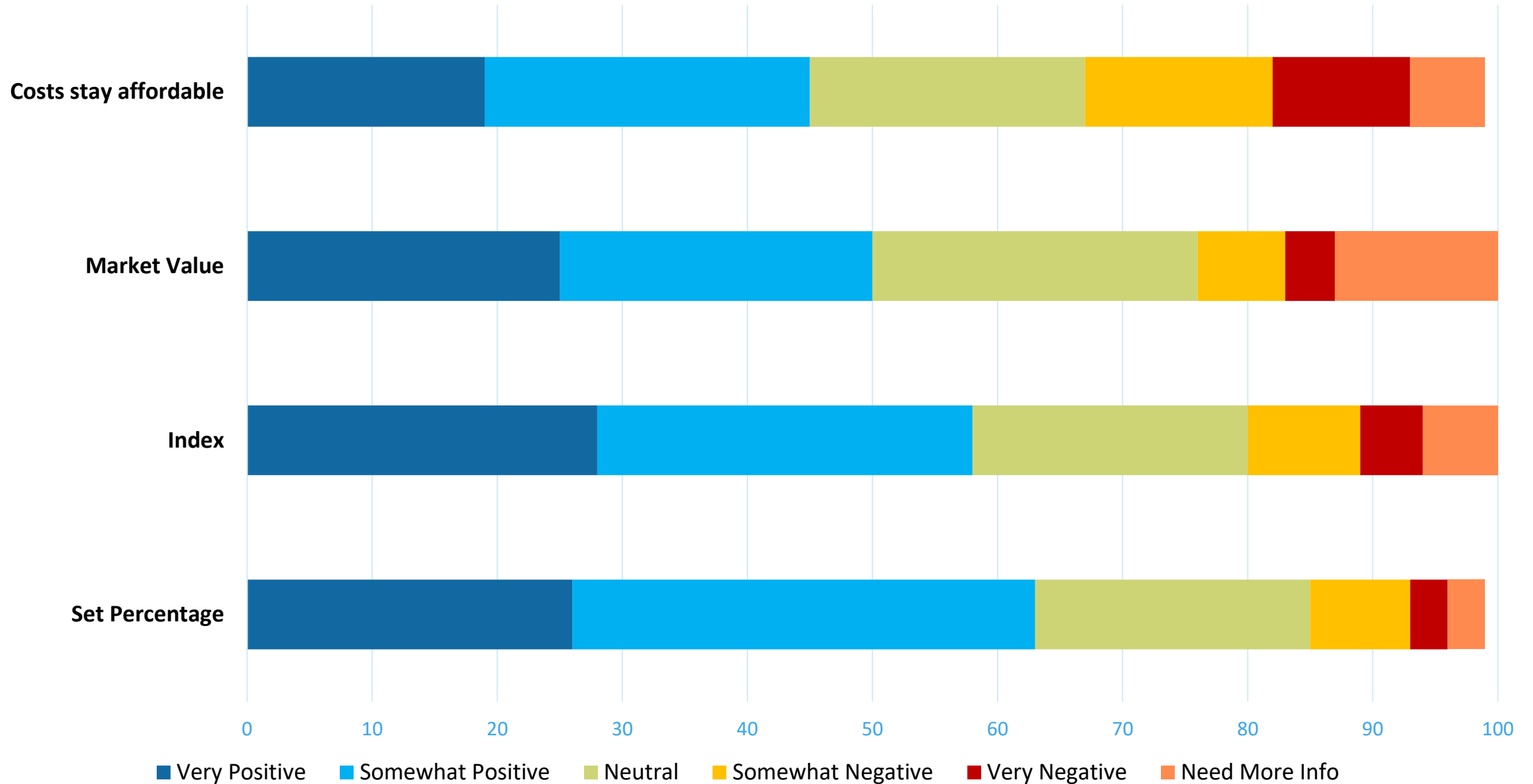
	Ranked Most Important - #1	Ranked Least Important - #5	Average Ranking
Value changes at same rate as market homes	42%	22%	3.4
Price increases at steady, predictable rate	24%	10%	3.4
Home will stay affordable to an income-eligible buyer	14%	26%	2.8
No risk price will decrease	12%	22%	2.8
Ability to easily know what home is worth	8%	18%	2.7

Reaction to Different Resale Formula Types

Owners were asked to give an initial reaction to four commonly used Resale Formula valuation methods:

- **Increase by a set percent annually**
- **Increase or decrease by a percentage tied to an outside index, such as CPI or AMI**
- **Increase or decrease by a percentage based on the change in the appraised market value of the home**
- **Determined based on a price affordable to an income-eligible buyer based on current interest rates and costs**

Reactions to Common Resale Formula Models



Program Review Process Next Steps

- Ten listening sessions for current owners scheduled through October 20
- Listening session(s) with applicants and potential applicants
- Opportunities for community members to comment
- Affordable Housing Trust
- Law Department
- Housing Committee
- City Council





CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

Assistant City Manager for
Community Development

Sandra Clarke

Deputy Director
Chief of Administration

KHALIL MOGASSABI

Deputy Director
Chief Planner

MEMORANDUM

To: Cambridge Affordable Trust

From: Christopher Cotter, Housing Director
Cassie Arnaud, Senior Housing Planner
Janet Haines, Housing Development Planner

Date: September 22, 2022

Re: 35 Harvey Street – loan increase request

In November 2021 the Trust approved a commitment of up to \$2,917,664 to Homeowner's Rehab Inc. for the renovation and reconfiguration of 35 Harvey Street into 12 upgraded enhanced Single Room Occupancy (SRO) units. HRI has made progress moving the project forward over the ensuing months including completion of 100% construction drawings and securing funding from Massachusetts's Department of Housing and Community Development (DHCD) and the Cambridge Historical Commission (CHC). HRI put the plans out to bid in June, 2022. Unfortunately, initial bids came back substantially higher than budgeted.

HRI is now requesting an increase of up to an additional **\$421,773** in Trust Financing to cover a portion of the increased costs. The balance of the gap would be filled with increased funding from DHCD, and deferred fee, as discussed in more detail below.

Background

As you may recall, HRI has assumed the operational control of this property from Cascap, Inc., and plans to renovate the property to create more viable permanent housing as enhanced SROs with private bathrooms and small private kitchen facilities for each unit. In addition to physical upgrades to the property, HRI has put together a robust supportive services plan. HRI is partnering with Heading Home to provide 26 hours of on-site case management services per week to Harvey Street residents. The new configuration and increased social services are expected to alleviate vacancy and operating issues that previously plagued the property.

The reconfiguration of the 35 Harvey Street project to upgraded enhanced SRO units will better meet the needs of the residents the housing is designed to serve. The property has had ongoing vacancy issues which have only grown worse in the wake of the pandemic. Providing residents their own private bathrooms and

kitchen areas will assist with ongoing financial stability and enable residents to have much more private space and allow for the likelihood that residents will be more at home and stay long term.

Budget Changes – Construction increases; Reserve increases; Debt Payoff

The final bids for construction came in \$847,160 above the original estimates. With contingency and associated soft costs increases in architecture bonds, insurance, relocation and permits, the hard and soft cost increased by \$1,015,425. Since receiving the high bids, HRI reviewed a range of options to address the cost increase including potential modifications to the construction scope that would not compromise their environmental or historic goals including reducing the size of the handicap accessibility ramp and eliminating some of the insulation and finishes in the basement. None of these options were fully viable, and they were only able to make modest changes. They are now facing an increase in construction costs of \$931,876.

HRI is also proposing to increase capitalized operating reserves from \$30,000 to \$121,020 (equal to six months operating costs), and to pay off the existing \$140,000 Cambridge Savings Bank loan. HRI is proposing these changes in response to concerns raised by both City and DHCD staff regarding the challenges of operating this type of property. HRI has noted the historic difficulty turning units over quickly and the additional services with providers that the special needs population require making an operating budget volatile. They also note that in addition to the long-term benefit to property operations, paying off the debt would also reduce closing costs and simplify closing documents. HRI is proposing to defer a portion of their developer fee to offset the cost of paying off the debt and a portion of the increased reserve.

Project Budget and Financing

The current projected Total Development Cost is \$5,164,108 or \$430,342 per unit. This an overall increase of \$1,246,444 from what was presented to the Trust in November 2021, as shown below in more detail:

Uses	Nov-21	Sep-22	Changes/Notes
Acquisition	n/a	\$140,000	(retire existing debt)
Hard Costs	\$2,427,840	\$3,275,000	\$847,160
Hard Cost Contingency	\$242,784	\$327,500	\$84,716
Total Hard Costs	\$2,670,624	\$3,602,500	\$931,876
Soft Costs	\$718,410	\$801,959	\$83,549
Fee/Overhead	\$498,630	\$498,630	\$0
Reserves	\$30,000	\$121,020	\$91,020
TDC	\$3,917,664	\$5,164,108	\$1,106,443
Sources			
Trust Financing	\$2,917,664	\$3,339,437	\$421,773
DHCD	\$1,000,000	\$1,487,273	\$487,273

City Historic		\$160,000	\$160,000
Private Debt	n/a [140k retained]	\$0 [\$140k paid off]	
Deferred Dev Fee	\$0	\$177,397	\$177,397
Total Sources	\$3,917,664	\$5,164,108	\$1,106,443

The total amount of Trust funding, including the requested increase, would be \$3,339,437 or \$278,286 per unit.

To date, HRI has secured commitments of \$1,000,000 in DHCD HIF funding and \$100,000 in City Historic funding, in addition to the \$2,917,664 in Trust funding approved in 2021. HRI has also secured a commitment of MRVP vouchers for the project.

In addition to the new funding being requested from the Trust, HRI is also seeking \$487,273 in increased funding from DHCD and an additional \$60,000 in City Historic funds. HRI is deferring \$177,000 in developer fee to be used to pay off first mortgage debt and to capitalize the operating reserve.

Project Review Discussion:

In advance of finalizing the funding request for review by the full Trust, we reviewed this request with a Project Review Committee that included Bill Tibbs and Jim Stockard. The purpose of the meeting was to discuss this funding request and the impact which the combination of escalating construction costs and any delays due to the long queue for state funding including this requested increase might have on overall project costs.

After discussion, Mr. Stockard and Mr. Tibbs were supportive of HRI’s request for increased funding to help offset increased construction costs and to increase the operating reserves. They also felt that eliminating the small existing first mortgage to help stabilize operations was reasonable. They expressed concerns that continued escalating construction costs could further increase project costs, particularly if the State funding is delayed. Staff noted that the project includes a range of contingencies but agreed that they will monitor the project and report on any developing issues.

RECOMMENDATION:

The reconfiguration of the 35 Harvey street project to upgraded enhanced SRO units will better meet the needs of the residents the housing is designed to serve. The property has had ongoing vacancy issues which have only grown worse in the wake of the Covid pandemic. Residents having their own private bathrooms and kitchen areas will assist with more project financial stability and enable residents to have much more private space and allow for the likelihood that residents will be more at home and stay long term.

Staff recommends approval of HRI’s request for up to an additional \$426,622 in permanent funding from the Trust for their 35 Harvey Street redevelopment. This funding is in addition to

the up to \$2,917,664 in funding approved by the Trust in November 2021, of which up to \$180,000 was approved to be made available early for predevelopment work.

The permanent loan of up to \$3,339,437 in Trust funding should be made contingent on the following:

- The loan shall be structured as a first mortgage loan of up to \$3,339,437;
- Increased DHCD funding of \$487,272 or other amount as needed to fill gap; CDD staff approval of the final development and operating budget;
- CDD staff approval of construction plans and specifications;
- Firm written commitments from all project funding sources in amounts sufficient to complete project;
- Staff approval of the tenant selection and marketing plan, which shall include provisions to ensure the maximum allowable local preference and such other provisions as required by the CAHT; and,
- Staff approval of supportive services plan.

Standard Trust terms and conditions, including:

- All units will be subject to the City's standard affordable housing restriction to be signed at loan closing;
- All units will be restricted to households earning below 80% of Area Median Income as defined in the affordable housing restriction;
- Loan will have an interest rate of 3% compounding, or such other rate approved by Staff;
- The loan will be subject to a penalty rate of 8%, applicable upon a violation of the affordable housing restriction;
- All principle and accrued interest will be due and payable at the end of the term; however, the repayment date may be extended for an additional term upon approval by the Trust and extension of the affordability period;
- CDD staff approval of the repayment provision(s) of Trust financing, whereby 50% of net cash flow, and/or a portion of any ground lease payments, be used to repay the loan, or such other similar provision acceptable to Staff;
- Any reductions in project costs or increases in non-Trust funding sources shall be used to reduce the amount of the Trust commitment unless otherwise approved by Staff; and,

- Loan shall be non-recourse.