

CITY OF CAMBRIDGE
Community Development Department

IRAM FAROOQ

Assistant City Manager for
Community Development

SANDRA CLARKE

Deputy Director
Chief of Administration

Affordable Housing Trust

March 6, 2024, 4:00 p.m.

Ackermann Room, City Hall, 795 Massachusetts Avenue
Cambridge, Massachusetts

OR

[Webinar Registration - Zoom](#)

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

AGENDA

- Review of Meeting Minutes
- Update from the Community Development Department
- 49 Sixth Street: POAH is requesting an increase of \$3,000,000 for a total permanent commitment of \$10,750,000 to assist in the creation of 46 affordable housing units;
- Homeownership Resale Fund: CDD is requesting a commitment of \$2,500,000 to add to the Homeownership Resale Fund for use in repurchasing, rehabbing, and recapitalizing affordable homeownership units for sale to new homebuyers;
- Adjournment

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Members of the public can provide written comments to the Affordable Housing Trust by email sent to affordablehousingtrustcomment@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
January 25, 2024 at 4:00 p.m.

Conducted via Zoom and in person (City Hall, Ackermann Room)

Trustees Present in Person: Yi-An Huang, Chair; Teresa Cardosi, Susan Schlesinger, Elaine Thorne

Trustees Present via Zoom: Florrie Darwin, Elaine DeRosa, Alyson Stein, Jim Stockard

Trustees Absent: Bill Tibbs

Staff Present: Iram Farooq, Assistant City Manager for Community Development; Chris Cotter, Housing Director; Cassie Arnaud, Senior Manager for Housing Development; Janet Haines, Housing Planner; Christine Yu, Associate Housing Development Planner; Anna Dolmatch, Senior Manager for Homeownership; Antonia Finley, Homebuyer Coordinator

Others Present: City Councilor Sumbul Siddiqui, Merrie Haile, Rachel Davis, Sue Reinert, Suzanne Blier, Underella Holloman, Gabrielle Regan, Kirsten Greco, Jay Marshall

The meeting was called to order at 4:02 p.m. Mr. Cotter explained that this meeting of the Affordable Housing Trust would be held in a hybrid fashion 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 remote participant could hear the meeting and was audible to others.

Mr. Cotter noted that this was the first meeting for new Trust member Alyson Stein. Trust members and staff introduced themselves and welcomed Ms. Stein to the Trust.

MEETING MINUTES

Upon a motion moved and seconded, by roll call of eight in favor and one absent (Mr. Tibbs) to approve the minutes for the meeting of January 11, 2024.

CDD UPDATE

52 New Street: JAS closed on construction financing in December 2023. Construction on the project is underway.

JP Federal: Demolition is complete and full construction will begin soon. CHA was awarded state funding through EOHLIC this week, which should be the final funding needed to move the development into construction.

Park View Cooperative: Construction is wrapping up and the last group of residents will be returning to the building this week.

4 Mellen/1627 Mass Ave: HRI completed the AHO process in December 2023. They are now working on assembling financing before construction.

49 6th Street: POAH was also awarded state funding through EOHLIC this week. They are requesting an additional commitment from the Trust to complete their funding, which will be brought to an upcoming meeting.

Neville Place: Staff is reviewing a request received on 1/23/24 from Neville Communities Inc. for an increase in the funds the Trust approved for Neville Place last year.

87-101 Blanchard Road: B'nai B'rith will have its first advisory design review meeting with the Planning Board on January 30.

OTHER UPDATES

Pathmark Units: CDD staff are working to complete sales of the 4 units affordable units here.

55 Wheeler Street: CDD staff are beginning the leasing process for 99 new affordable units.

Ms. Schlesinger asked if Walden Square has a Planning Board meeting scheduled yet. Mr. Cotter informed the Trust that nothing has been scheduled yet and that is expected to be scheduled in the next month or two.

Ms. Thorne asked if there are updates on the Print Shop. Ms. Dolmatch informed the Trust that CDD is working with the owners to close on funding the Trust approved to help them with needed repairs.

Ms. Schlesinger asked if there are any updates on Cherry Street. Mr. Cotter mentioned that JAS has been busy with other projects, but staff understand that they will turn their focus back on this project and begin work with the community soon.

NEW BUSINESS

Affordable Homeownership Program Changes – Continued Discussion

Mr. Cotter briefly introduced the proposed policy recommendations to the homeownership program as listed in the agenda packet and opened the floor to the Trust for discussion. Ms. Schlesinger commented that even though this process has been two years long, it has been worth it because the current homeowners in the program will get a little bit more equity. Ms. Stein asked for further explanation about the equity formula return as it relates to future affordability. Ms. Dolmatch answered that maintaining permanent affordability was a requirement for any changes to the formula. The proposed changes contain a provision which would cap prices based on the affordability level for each unit. The Trust has noted its willingness to allocate more funds to the program to re-subsidize units at the upper range of affordability. Ms. Stein asked if there is a waitlist for this program. Ms. Dolmatch answered that there are hundreds of Cambridge resident applicants in the Homeownership Resale Pool, so it is important to consider how we will continue to offer opportunities for people.

Ms. DeRosa asked if owners will be required to create a will. Mr. Cotter answered that that is something that needs to be discussed further internally and with the Law Department as the details of the specific approach have not been flushed out yet and will be once the approach to this new policy has been set by the Trust. Ms. Dolmatch added that staff would like to make this as easy as possible for owners to access.

Chair Huang commented that it would be helpful to clarify a section of the inheritance policy as to increases for partial years of ownership. The Trust discussed amending that provision of the draft vote.

Ms. Cardosi asked for clarification on whether a child who did not live in the affordable home would be able to benefit from this. Ms. Dolmatch mentioned that this policy will allow for specific circumstances, but that the City has had a practice of being flexible as to when to exercise its right to purchase units and that approach would remain an option if needed to help a family on a case-by-case basis. For example, Mr. Cotter and Ms. Dolmatch described a case where the City chose to not use its right to purchase a home after the parent with a young child passed and a close relative was able to purchase to avoid displacing the family.

Ms. Schlesinger commented that this policy can be changed within a few years after the implementation of it. Ms. Cardosi suggested that homeowners need to be educated on the changes of the policy. Ms. Schlesinger asked how many transfers of sales there are each year. Ms. Dolmatch said it is typically between 12-15 units, but right now, there hasn't been much movement in the housing market.

Ms. Darwin asked what the next legal steps are after the Trust votes on this. Mr. Cotter answered that the Trust is approving the proposed policy, and that staff will work on the details, similar to how the Trust votes to approve funding for a project, in which staff then prepare the legal documents. Mr. Cotter mentioned that the draft language was prepared for review by the Trust and intended to simply communicate the parameters of policy changes which would then be put into legal agreements prepared with the Law Department and used to implement the changes for owners.

Ms. Schlesinger commented that she would like to receive updates on these new policies. Mr. Cotter agreed that continued communication will be beneficial as staff move ahead with next steps and then offer this option to owners. Trustees and staff discussed what voting for this policy entails and the definitions of certain terms as written in the policy. Ms. Schlesinger mentioned that it may take 10-15 years before staff can see the impact of these policies. Chair Huang asked if the policy is prospectively or retrospectively, to which Mr. Cotter said it is both; noting that the intent is to offer it as an option for current homeowners to decide if they want to sign a revised affordability restriction, and to also follow these policy changes for newly sold units. Once next steps are planned, staff will follow up with owners to share information on available changes and the process to opt in to them, so there still is a lot of work to be done.

Trustees and staff discussed amendments to the proposed policy language.

Upon a motion moved, seconded, and approved by roll call of eight in favor and one absent (Mr. Tibbs), it was:

VOTED: to modify changes to the HomeBridge program as described in the memo prepared by CDD to replace the Resale Formula provision, "No pro rata increase shall be granted or partial years of

ownership,” with “pro rata increases shall be allowed for partial years of ownership dated to the first of the month in which an owner indicates their intent to sell.”

Upon a motion moved, seconded, and approved by roll call of eight in favor and one absent (Mr. Tibbs), it was:

VOTED: to approve the changes to the HomeBridge program as amended.

Trustees applauded Ms. Dolmatch, Ms. Finley, and the homeownership team for the extensive work that was done to make these proposed changes. Staff and Trustees also thanked owners for their participation and patience with the process to develop these changes.

1627 Massachusetts Ave / 4 Mellen Planning Board Report & Funding Request

Mr. Cotter presented a funding request from Homeowner’s Rehab, Inc. (HRI) for up to \$2,500,000 in additional Trust funding for their 29-unit affordable housing development at 1627 Massachusetts Ave/4 Mellen Street. He mentioned that \$7,925,000 has already been approved by the Trust, and that this additional request would bring the total Trust commitment to \$10,425,000 or a little less than \$360,000 per unit. The current total development cost is estimated at \$31,908,050. Like other development projects, development costs for this project have increased significantly due to rising construction costs, soft costs, and interest rates. However, staff will work with HRI to explore ways to reduce costs and that any reductions in final development costs prior to construction closing will be reflected in a reduction in Trust contribution.

Mr. Cotter informed the Trust that this project completed the AHO process in December 2023 and the Planning Board released its final advisory design consultation report soon after, which was presented to the Trust for acceptance. He also reported that this project has recently been pre-approved to apply for state funds, so HRI will be submitting a full application for state funding in February 2024.

Ms. DeRosa mentioned that this is why people worked so hard to advance the Affordable Housing Overlay (AHO). Even though some people may have concerns about how expensive this project is, this project will be located in a great part of the City and will be affordable for families. Ms. Schlesinger asked if the Planning Board’s comments changed any costs to the project. Ms. Arnaud answered that the changes proposed by staff and the Planning Board largely did not add to costs. Trustee Schlesinger expressed support for this project. Chair Huang also said that he was excited about this and commended the work that HRI has done to build a relationship with the City and Lesley University and that the relationship between the City and Lesley University is proving to be a very impactful and beneficial partnership for the community.

Upon a motion moved, seconded, and approved by roll call of eight in favor and one absent (Mr. Tibbs), it was:

VOTED: to accept the Planning Board AHO Design Review Report - 1627 Mass / 4 Mellen.

Upon a motion moved, seconded, and approved by roll call of eight in favor and one absent (Mr. Tibbs), it was:

VOTED: to approve the Trust funding request of up to \$2,500,000 from HRI for 1627 Mass / 4 Mellen and to convert the \$7,925,000 already committed in short-term funding for acquisition and predevelopment to a single permanent loan of \$10,425,000 at construction closing, all as further described in the meeting materials.

ADJOURNMENT

Upon a motion moved and seconded, by roll call of eight in favor and one absent (Mr. Tibbs) to adjourn the meeting.

The meeting adjourned at 5:14 p.m.

The next meeting is scheduled for February 22, 2024 at 4:00 p.m.

Meeting Materials:

- Agenda
- Minutes from the Trust's January 11, 2024 meeting
- Project Update
- 4 Mellen 1627 Mass - PB AHO Design Review Report Memo 1.25.2024
- 1627 Mass Ave Planning Board Report 12.20.2023
- 4 Mellen - 1627 Mass Funding Request Memo 1.25.2024
- Homeownership Program Changes Recommendation and Vote Memo 1.25.24

Cambridge Affordable Housing Trust

March 6, 2024

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:	12	91 scattered site units purchased by first time buyers to-date. Trust approved expanded subsidy share in August 2023. Online application now available.	N/A	\$24,200,000	1-br: 50% sale 2-br: 60% sale 3-br: 65% sale	several, including most recent: February 2023
2.	Homeownership Resale Program	CDD	currently active units:	16	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
4.	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
5.	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 on 10/16/21 and 1/4/22 and a final Planning Board report has been issued. Construction closing was completed in late December 2023 and work is now underway.	TBD	\$18,025,390	\$168,462	October 2019, June 2021, January 2022
6.	Park View Coop (24-26 Corporal McTernan Street)	Park View Coop		12	Funds committed May 2021; closing completed October 2022; renovations nearing completion. New shareholder selection process for one bedroom vacancy complete.	\$4,986,321	\$4,199,215	\$349,935	March 2019 and May 2021
7.	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 nearing completion.	\$17,307,771	\$4,250,000	\$177,083	June 2020
8.	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 with the intention of seeking 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
9.	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 completed a 'dry closing' in late December 2023, in preparation of the full construction closing to occur in early 2024. Demolition complete.	TBD	\$43,611,615	\$156,876	September 2021
10.	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. HRI has closed on funding 11/2023 and work is now underway.	TBD	\$3,339,437	\$243,139	November 2021
11.	4 Mellen / 1627 Mass. Ave.	HRI	29	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. First advisory design consultation with Planning Board held 7/18/23 and second advisory design consultation held 12/5/23. Planning Board final design report issued on 12/20/2023. Funding application submitted to the state 2/2024.	TBD	\$10,425,000	TBD	January 2022 and August 2022
12.	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
13.	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 was issued on 7/13/23 with a deadline to respond of 9/14/23; one proposal was received; Trust approved RFP Committee's recommendation to designate Just A Start as developer at its October Trust meeting. JAS preparing to start development review process.	TBD	TBD	TBD	March 2022
14.	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 has received funding commitment from the state, and is requesting additional funds from the Trust.	TBD	\$7,750,000	\$168,478	October 2022
15.	37 Brookline Street	JAS	TBD	TBD	JAS acquired the site in July 2023 and will begin a community process in 2024 to review design and development plans for the site.	TBD	\$2,014,000	TBD	March 2023
16.	650 Concord Ave	Neville Communities Inc (NCI)	71		In May 2023, the Trust approved funding to assist with capital repairs at Neville Place, the affordable assisted living portion of its campus. Staff are working with NCI on due diligence items in advance of closing, including the forming of a working committee to review tenant selection procedures. Reviewing request for additional \$3M requested.	\$2,445,000	\$2,445,000	\$34,437	May 2023
17.	30 Wendell Street	HRI	TBD	TBD	HRI completed the acquisition of 30 Wendell Street from Lesley University on 11/30/23. HRI has begun AHO community process.	TBD	\$6,357,000	TBD	August 2023

Total Units 684

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 on 1/27/22. Construction closing occurred on 12/29/2023.	106		Under Construction; 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 on 3/24/22. 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 meetings held 2/23/22, 8/29/23 (rescheduled from 8/1/23) and 9/14/23. Winn is now preparing a revised submission for Planning Board advisory review meeting scheduled for 3/12/24.	95		Design Consultation meetings to begin.
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		Under Construction; see above
6.	1627 Mass. Ave./4 Mellen	Homeowner's Rehab Inc	First AHO community meeting held 9/15/22. Second community held 3/15/23. First advisory design consultation with Planning Board held 7/18/23, second design consultation held 12/5/23. Final Planning Board report issued 12/20/23 and transmitted to the Trust on 1/25/2024. Assembling remaining funding needed to begin construction.	29		Design Consultation Complete; see above
7.	87-101 Blanchard Road	B'nai Brith Housing	AHO community meetings held 10/4/2023 and 11/10/2023. First Planning Board advisory design meeting held 1/23/2024.	110		Design Consultation process underway.

Status of Active Inclusionary Housing Developments

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Lottery application period closed 9/18. Applications under review. Lotteries held October 2023. Unit sales underway		4	Ordinance prior to revision
2.	55 Wheeler Street	Toll Brothers	Covenant recorded 3/12/21. Building Permit issued 3/16/21. Under Construction. First phase complete. Tenant selection and leasing underway.	99		Revised ordinance at 20% sf requirement
3.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded. Building Permit issued. Under construction	48		All units are affordable
4.	605 Concord Ave.	Abodez Acorn	Covenant recorded; Building Permit issued 12/9/21. Under Construction.	7		Revised ordinance at 15% sf requirement
5.	3-5 Linnaean	Willow Land Corp.	Covenant recorded; Building Permit issued.	1		Zoning for basement housing overlay
6.	1043-1059 Cambridge St.	418 Real Estate	Covenant recorded. Building permit issued 7/11/22. Under construction. Completion expected early 2024.		3	Revised ordinance at 20% sf requirement
7.	121 Broadway	Boston Properties (BXP)	Covenant recorded 12/28/23. Building permit issuance pending.	102	3	MXD zoning - 20% Inclusionary + 5% Middle-Income

Under Development:	257	7
Completed Units:	1124	211
All Units:	1381	218
	<hr/>	
	1599	

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	8 Winter Street	8 Winter St LLC, DND Homes	Inclusionary Housing Plan approved; preparing Covenant	3		Revised ordinance at 20% sf requirement
Subsidy amount needed to create Affordable Dwelling Unit Net Floor Area for Inclusionary Housing not created pursuant to Section 11.203.3 (i):				\$450 / per square foot		



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

MEMORANDUM

To: Affordable Housing Trust
From: Christine Yu, Associate Housing Development Planner
Cassie Arnaud, Senior Manager for Housing Development
Date: March 6, 2024
Re: 49 Sixth Street/Sacred Heart – Request For Funding Increase

Preservation of Affordable Housing (POAH), a Boston-based housing non-profit, is requesting up to \$3,000,000 in Trust financing, in addition to the \$7,750,000 funding already approved by the Trust in October 2022, to assist with their plans to convert a portion of the Sacred Heart Archdiocese property in East Cambridge into forty-six (46) units of affordable housing. This would bring the Trust's commitment to the project to \$10,750,000 or \$233,696 per unit. This is the last piece of major funding needed to move the development forward as it was announced in January 2024 that the project has been awarded state funding from the Executive Office of Housing and Livable Communities (EOHLC).

Background

The 49 Sixth Street development involves the conversion of a portion of the Sacred Heart property in East Cambridge to 46 units of affordable rental housing. The site is currently owned by the Roman Catholic Archdiocese of Boston (RCAB or simply 'Archdiocese') and will be made available for housing development through a long-term ground lease, as described in further detail below.

POAH's plan involves creating 46 new affordable rental units (14 one bedrooms, 20 two bedrooms, 11 three bedrooms, and 1 four bedroom) in the former school, rectory, and convent buildings, while the church and chapel would continue to be used by the Archdiocese.

POAH is redeveloping the site under the provisions of the Affordable Housing Overlay (AHO) and completed the AHO advisory review process in July 2022. The proposed design was well received by the Planning Board and their advisory design review report was provided to and accepted by the Trust in August 2022.

All of the units will be affordable to households earning less than 80% AMI per the project's approval under the AHO. However, POAH is creating some deeply affordable units at the property, primarily supported by an allocation of 8 project-based vouchers (PBVs) and 8 Massachusetts Rental Voucher Program vouchers (MVRPs) from the Executive Office of Housing and Livable Communities (EOHLC).

The Trust approved up to \$7,750,000 in funding for the project in October 2022, which was subject to a number of conditions including firm written commitments in state funding, 8 PBVs and 8 MRVPs from the state, as well as a renegotiated ground lease with the Archdiocese.

Since the Trust's funding approval in October 2022, POAH has been working on securing the remaining financing needed to begin construction, finalizing the ground lease with the Archdiocese on terms which will keep the affordable housing development feasible, and preparing for construction by producing final drawings and getting detailed pricing.

Ground Lease Update

You may recall that POAH was invited to enter into a partnership agreement with Urban Spaces (US), a private developer, who had control of the site through a 99-year ground lease with the Archdiocese. Under the terms of the POAH/US partnership agreement, the two entities would work together during the entitlement and predevelopment period and then US will exit the project at construction closing at which time the ground lease will be assigned to a POAH-controlled entity.

Since the Trust's 2022 funding approval, POAH has been working to negotiate improved terms with the Archdiocese and are now finalizing terms for an amended ground lease, which will better ensure the long-term financial viability of the project. The new lease terms will reduce the amount of annual ground lease rent paid to the Archdiocese as well as shorten the payment period from 99 to 50 years of payments. The impact of these improved lease terms is that the value of the ground lease will be reduced under the revised terms.

Budget/Funding Update

POAH has found that the cost of constructing this housing has increased significantly since their 2022 estimates. To balance the development costs, they worked on finding ways to reduce costs and were approved for additional non-Trust funding, primarily through LIHTC and historic tax credits.

POAH currently estimates that the total development cost (TDC) for the project will be \$43,948,820 or approximately \$955,000 per unit. Hard costs are budgeted at \$29.75 million (\$501 per square foot or \$646,765 per unit), while soft costs are estimated at \$8.74 million (\$189,936 per unit).

Despite the change, POAH's budget is not drastically out of line with other current new construction projects. As we have previously noted when reviewing other recent funding requests, both hard and soft costs are trending upwards among recent housing developments. We are currently seeing hard cost estimates range from the mid \$400s to over \$500 per square foot. In addition, we are seeing increased soft costs for many items such as insurance, as well as soft costs driven with construction costs, such as construction loan interest and some financing costs. However, the primary driver of the increase in TDC is increased construction costs over the past 2 years.

POAH has spent significant time exploring opportunities to reduce costs through value engineering. While they identified a few items, they found that the overall scope of converting existing historic structures to housing is costly and did not find significant opportunities to reduce costs. Some of the specific cost drivers at 49 Sixth Street include the fact that to be eligible for the \$7.7 million in state and federal historic tax credits, POAH needed to meet several conditions set by the agencies at National Parks Service and Massachusetts Historic Commission regarding the treatment of window and floor repairs. Also, due to the age of the building itself and limitations set by the

historic agencies, addressing some of the issues with the systems and structures will be more expensive.

POAH has made efforts to balance the development costs increase by seeking additional sources. Along with to their request for additional Trust funding, POAH has sought increases in other non-Trust funding sources, including \$5.1 million in additional housing tax credit equity, \$2.6 million in additional historic tax credit equity, as well as increasing their funding request from the state.

The final budget for 49 Sixth Street includes \$16.6 million in 4% tax credit equity, \$7.7 million in combined state and federal historic tax credit equity, \$500,000 from the Federal Home Loan Bank (FHLB), and \$2.5 million from the state. With the exception of the state historic tax credits, which require a series of applications over a period of time, and the requested Trust loan increase, all other funding has been approved or awarded. They have been awarded \$1.2 million of the total \$2.5 million of state historic tax credit equity they anticipate and are confident that they will be able to secure the remaining credits through two remaining submissions.

At POAH's request, the Trust approved an alternative funding approach whereby POAH be allowed to provide \$1.5 million of their own funding in order to bridge or replace the EOHLIC funding if that would allow the project to move forward more quickly. At this time, this bridge option remains available but may not be needed given the recent commitment of state funds.

CONCLUSION/RECOMMENDATION

The 49 Sixth Street development will create 46 much needed units of affordable housing, including 32 family-sized units. POAH's thoughtful design will restore and preserve existing historic structures while converting their use to high-quality affordable housing. While the development is more expensive than originally anticipated, the costs are in line with other current and recent requests.

Housing staff recommends that the Trust approve POAH's request for up to a total of \$10,750,000 for the 49 Sixth Street development, representing an increase of \$3,000,000 to the \$7,750,000 funding amount approved in October 2022. We have reviewed this request with Susan Schlesinger, Bill Tibbs, Alyson Stein, and Jim Stockard, who agreed with our recommendation to bring this request to the Trust for review and approval.

This loan commitment of \$10,750,000 shall be made subject to the Trust's standard terms and conditions including, but not limited, to the following:

1. CDD staff approval of the final development and operating budgets;
2. CDD staff approval of construction plans and specifications;
3. Approval of final construction bid and trade items from general contractor along with construction contract Borrower has entered into with contractor;
4. Firm written commitments from all funding sources, sufficient to complete transaction, including the following:
 - 4% Low-Income Housing Tax credit equity of approximately \$16,624,666;
 - Combined state and federal historic tax credits of approximately \$7,694,601;

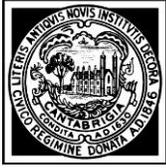
- Permanent mortgage financing of approximately \$5,710,552;
 - Executive Office of Housing and Livable Communities soft funding of approximately \$2,469,000;
 - Federal Home Loan Bank funds of \$500,000;
 - 8 Project-based vouchers and 8 MRVPs sufficient to support operating budget; and
 - Deferred Developer Fee of \$200,000.
5. CDD staff approval of the tenant selection and marketing plan, which shall be consistent with the City's marketing preferences including but not limited to maximum preferences for Cambridge residents;
 6. The Trust's review and consideration of Planning Board report(s) provided at the August 2022 meeting, pursuant to the Planning Board advisory design review under the zoning provisions of the Affordable Housing Overlay [This condition has already been met.]; and,
 7. POAH may, at their election, provide their own financing to bridge, or replace, funding from EOHLC on terms acceptable to staff, including but not limited to the following:
 - Interest rate of any POAH bridge loan shall be no more than 3% compounding;
 - POAH bridge loan shall be in shared loan position with Trust financing;
 - If EOHLC funding is awarded, any funds advanced under the POAH bridge loan shall be repaid and replaced by EOHLC financing at EOHLC closing;
 - If EOHLC funding is not awarded, POAH bridge loan shall be converted to a permanent loan and remain in shared position with the Trust, at an interest rate not exceeding 3% compounding;
 8. Standard Trust terms and conditions, including:
 - All affordable units shall be subject to the City's affordable housing covenant to be signed at loan closing; the term of the Trust AHC shall be fifty (50) years or one year longer than the longest restriction on the property;
 - All units shall be restricted to households earning below 80% AMI, as defined in the affordable housing restriction;
 - The loan shall be secured as a shared second mortgage loan of up to \$10,750,000 with other soft lenders;
 - The loan shall have an interest rate of 3% compounding, or such other rate approved by CDD Staff;
 - Loan shall be subject to a penalty rate of 8% compounding; applicable upon violation of the affordability restriction;
 - All principal and accrued interest shall 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;
 - The loan documents shall provide for repayment of principal and interest from 50% of net cash flow from the development's operations, or through other means, or on other terms acceptable to and approved by staff;
 - Loan shall be non-recourse;
 - Any reductions in project costs or increases in non-Trust funding sources shall be used to reduce the amount of the Trust commitment.

During the construction period, the Borrower shall comply with the following requirements:

- Notify Lender's Construction Manager of all construction meetings and copy on meeting minutes;
- Copy Lender on all change orders;
- Copy Lender on all funding requisitions to other sources; and,
- Submit requisitions in form acceptable to Lender.

Following lease-up, the Borrower shall comply with the following requirement:

- Provide demographic information on the race and ethnicity of applicants at initial marketing, initial lease up, initial occupancy, and on waitlists and ongoing occupancy over time, as requested and in a form acceptable to the Lender; such reporting requirements will be included in the tenant selection plan documentation approved by staff at or prior to Loan closing.



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

Assistant City Manager for
Community Development

SANDRA CLARKE

Deputy Director
Chief of Administration

MEMORANDUM

TO: Cambridge Affordable Housing Trust

FROM: Christopher Cotter, Housing Director
Anna Dolmatch, Senior Manager for Homeownership

DATE: March 6, 2024

RE: Homeownership Resale Fund Request

We are requesting a commitment of \$2,500,000 to increase the principal balance of the Homeownership Resale Fund ("Fund"). These funds are needed to continue to repurchase units with the assistance of Just A Start, perform rehab work, hold units while we select a new eligible buyer, and in some cases, subsidize the price.

Since 2006, the Affordable Housing Trust has allocated a total of \$7,500,000 to the Resale Fund. The Fund revolves and sinks by providing temporary loans for the repurchase of existing units, as well as permanent subsidy for necessary rehab work and price reduction to keep the units affordable. The Resale Fund revolves by partial repayment when units are sold. Since 2006, the City has exercised its repurchase right for approximately 160 units.

In recent years, we have seen several pressures on the Resale Fund, resulting in both shorter-term cash flow issues and the likelihood of faster "sinking" in the coming years. These are an increase in rehab scope and costs; a number of units that cannot be turned over quickly; and reduced affordability due to the doubling of mortgage interest rates.

There are units that were purchased through the CHBI, early Financial Assistance Program (FAP), and other purchases of existing units which had significant deferred maintenance at the time they were brought into the affordable stock. As these units turn over, we have undertaken major rehab projects to bring these units to the standard we would require today. The extensive rehab needs combined with rising construction costs has resulted in some units that will require over a hundred thousand in additional subsidy.

In addition, there are several units that are being held back from sale while building or association issues are being addressed. There are currently eleven units held by JAS pending resolution of these issues including several at the Print Shop which will be made available after the building envelope project has

been completed. The future sale of these units will return a significant portion of the costs to the Resale Fund, but until that time these units are keeping more than 40% of the remaining funds tied up.

The increase in interest rates has greatly impacted the pricing for resale units. For example, the change in interest rate from 3.25% to 7% requires a price reduction of more than \$150,000 to remain to maintain the same affordability level. This increases the amount of funds that are invested in resale units and reduces the amount of funds that revolve.

The Trust's recent vote to change the resale formula for affordable homeownership units will also increase the repurchase price for most owners. This may increase the rate at which the Resale Fund sinks. The potential need for more frequent fund recapitalization was discussed during the program review.

Without additional funding, we will be constrained on when we can exercise the City's purchase right. This would not impact the affordability of the units because owners would be required to find an income-eligible buyer and can only sell at the affordable price. However, the City would not control who the buyer was, and we would not be able to offer these homes to waiting buyers. There would be no preference for residents or families.

In recent years, we have had several units where the City declines the purchase right to reduce costs and preserve capacity with JAS as the City's designee. While this option may work well for certain units (e.g. smaller units), there are many cases where we always want to exercise the purchase right. We are requesting an additional \$2,500,000 to recapitalize the Resale Fund to help us in efforts to preserve and reinvest in the affordable homeownership stock, maintain affordability, and continue to offer units to waiting buyers in the Resale Pool.

RECOMMENDATION:

We recommend that the Affordable Housing Trust approve the request to recapitalize the Homeownership Resale Fund with an additional \$2,500,000 to assist with ongoing efforts to purchase and maintain the condition and affordability of the existing affordable homeownership stock. Proceeds from the unit sales will return to the Fund.

The funds should be made contingent on the following:

1. CDD staff approval of renovation budgets;
2. CDD staff approval of renovation plans and specifications;
3. Selection of new homebuyers from the Homeownership Resale Pool.