

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
August 22, 2013

Ackerman Room, City Hall
795 Massachusetts Ave.

Trustees Present: Richard Rossi, Chair; Florrie Darwin, Michael Haran, Susan Schlesinger, James Stockard, William Tibbs

Trustees Absent: Peter Daly, Gwen Noyes

Staff Present: Lisa Peterson, Assistant City Manager; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner

Others Present: Elaine DeRosa; Cheryl-Ann Pizza-Zeoli

The meeting was called to order at 4:11 pm.

The Chair introduced himself as the new City Manager and introduced Assistant City Manager Lisa Peterson. The Trust members also introduced themselves.

Jim Stockard noted a correction to the minutes of the June 26, 2013 Trust meeting. Mr. Stockard noted that he left the room for the voting on the item relating to the Cambridge Housing Authority's project at 7 Temple Place. Upon a motion moved and seconded, it was voted to approve the minutes from the June 26, 2013 meeting as submitted and amended.

PROJECT UPDATES

Putnam Square/2 Mt Auburn – HRI acquired the property in August 2013. Submitted an application to DHCD in August funding round. HRI is talking to tenants and preparing for early stage construction items to begin shortly.

131 Harvard Street/Port Landing – The sponsors submitted a full application to DHCD in the most recent funding round.

117 Rindge Ave – Heading Home received an award of \$1MM in funds from DHCD. Expect a closing in the fall. Additional request to the CAHT pending.

191-195 Prospect Street – Bridge financing closed; working on permanent financing and rehab plan.

Bishop Allen Apartments (aka Norstin) – Just A Start applied for DHCD funding in the most recent rental round.

Chapman Arms – Construction closing completed in August 2013. HRI is preparing to begin construction.

Cambridge Court – The project is complete and will be removed from active project status.

Lincoln Way/Jackson Gardens – Jackson Gardens is done and fully occupied. First phase of Lincoln Way is complete; construction on the second phase is almost complete. An event will be held in the fall.

78-80 Porter Road – CAHC did not receive DHCD funding in the October round. Next step is to look at other financing options in conjunction with 195 Prospect Street.

7 Temple Street – Preparing for a construction closing in the fall.

Cambridge YWCA – Construction is almost complete. Demo of the pool building site is almost complete.

Inclusionary Update – Several large projects are nearing completion and staff are preparing to work with developers to fill the units. Trust members inquired if there were any concerns with the ability to fill the units. Staff responded that there is a significant demand for units at this time. The high rents in Cambridge are increasing demand for affordable units. With the increase in the affordable Inclusionary rental stock, Trust members asked if it would be feasible or desirable to charge owners a per-unit management fee for the City staff time involved in running the program. Staff will consider this.

Zoning Update - The Central Square rezoning process continues. It is likely that the Trust will have a role in the administration of any middle-income units created under a new proposal, so a more in depth discussion is needed. Staff will prepare a presentation on the policy issues for a meeting in the fall.

New Business

Jefferson Park State Public Housing

At 4:30 p.m., Jim Stockard left the room.

Staff presented a request from the Cambridge Housing Authority (CHA) for \$6,370,000 for the revitalization of the state public housing units at Jefferson Park. The CHA has applied for more than \$10,000,000 from DHCD's newly created High Leverage Asset Preservation Program (HILAPP). The Trust request may help leverage close to \$39,000,000 in additional funding. The CHA has received notification from DHCD that they are a semi-finalist for a HILAPP award.

The CHA's state public housing portfolio has been critically underfunded for years. Over the last decade, the CHA has been seeking solutions to both operating and capital needs shortfalls. The 108 state units at Jefferson Park are the last remaining state development that has not been modernized.

Jefferson Park suffers from structural and design deficiencies. Built in 1950, these three-story walkup units have small units that are poorly configured. Additionally, the building envelope has water penetration issues that have led to a serious mold problem that has forced the CHA to take much-needed units off-line. The mold cannot be addressed solely with remediation methods.

The CHA began an extensive planning process for JP in 2009. This analysis looked at the best option for the site between rehab, partial reconstruction, and demo and new construction. It was determined that demo and new construction was the best option given the significant limitations of the structures and the site. This approach has created a highly successful revitalization at Lincoln Way.

The proposed design will replace the four existing brick structures with six new updated unit containing a combination of 98 flats and townhouse units. This is a reduction of ten units from the current configuration. There will be 29 one-bedroom, 50 two-bedroom and 19 three-bedroom units. The site will also be improved by restoration of the original street grid, connecting the site to the neighborhood, and the addition of pedestrian-friendly features. The design is being finalized and the CHA expects to seek zoning approvals in Fall 2013, with a goal of going out to bid in early 2014 and beginning construction by Summer 2014.

The overall TDC is estimated at \$50,8000,000. The Trust request is approximately 12 percent of the total TDC, or \$65,000 per unit. Trust members asked about potential items that could increase the budget as the project moved forward. The main areas of concern were the demolition, due to the disposal of potentially hazardous building materials, and geotechnical issues with the site. Staff will work with the CHA to update the Trust on the predevelopment due diligence on these issues as CHA's efforts moves forward. Trust members also asked about the team members to ensure that the CHA has assembled an experienced team to manage this extensive project.

Upon a motion moved and seconded, it was:

VOTED: to approve the Cambridge Housing Authority's request for \$6,370,000 in CPA funds for the demolition and rebuilding of 98 units of State Public Housing at Jefferson Park. The funds are contingent on the following conditions:

1. CDD Staff approval of the final development and operating budget;
2. CDD staff approval of construction plans and specifications;
3. Firm written commitments from all project funding sources within six months of the Trust commitment;
4. CDD staff approval of the tenant selection and marketing plan;
5. Standard Trust terms and conditions, including:
 - a. All 98 units will be subject to the City's standard Affordable Housing Covenant to be signed at closing, subordinate only to first mortgage financing as may be required by that lender;
 - b. All 98 units will be restricted to households earning below 80% of Area Median Income as defined in the AHC;
 - c. All loans will have an interest rate of 8% simple or 2% compounding, or such other rate approved by Staff;
 - d. All loans will be subject to a penalty rate of 12%, applicable upon a violation of the AHC;
 - e. The loan 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;
 - f. All loans will be non-recourse.

117 Rindge Avenue

(Jim Stockard returned to the room)

Staff presented a request from Heading Home for the conversion of an existing \$300,000 bridge loan to a permanent loan. The Trust approved two loans in November 2012 for the acquisition of 117 Rindge Avenue for conversion to 14 units of affordable SRO housing for disabled, formerly homeless women.

Heading Home purchased the building in December 2012. Since that time, they have done predevelopment work, including applying for and securing \$1,000,000 in DHCD funds. With input from the City and CEDAC, the scope of work has expanded to include a full fire suppression system and full accessibility for the first floor. In addition, the project secured 14 project based vouchers from the CHA, which requires adherence to Davis-Bacon wage requirements, which adds approximately 15% to construction costs.

Soft costs have also increased. Initially, Heading Home was relying on mostly donated pro-bono services to complete the project. As the scope and complexity expanded, they had to enter into a paid contract with the Women's Institute for Housing and Economic Development (WIHED).

Staff recommend that any future requests from social service providers demonstrate either sufficient internal development capacity or a budget for external development services appropriate for the project's size and scope.

Trust members expressed frustration with the budget change, while acknowledging that the Trust's commitments to projects early in the development process often lead to cost changes as projects evolve from early stage concepts the Trust often approves. They agreed that projects from non-development focused agencies need to have the development capacity scrutinized closely. The Trust recommended that staff review past projects to create a checklist of past issues to use to review new projects to identify potential problem areas.

The Chair inquired about Heading Home's smoking policy and the feasibility of requiring the units to be non-smoking.

Upon a motion moved and seconded, it was:

VOTED: to approve Heading Home's request to convert an existing \$300,000 bridge loan to permanent financing. All other terms and conditions remain the same.

Funding to Offset FY2013 CDBG Shortfall

Staff presented a request for \$52,007 in non-CPA funds to offset a reduction in CDBG funds available to support non-profit housing development and preservation activities in FY2013. Sequestration and other cuts in Federal programs have resulted in reduced program funding. In addition, new analysis of HUD regulations has added further uncertainty to the feasibility of using CDBG funds for certain activities and programs.

These issues arose late in FY2013, when approximately \$52,007 had been charged by non-profit agencies to City CDBG development contracts which was not drawn for reimbursement from HUD. The decision was made not to draw the funds due to concerns that the projects being charged may be ineligible under changing interpretations of the

regulations. If funds were drawn for ineligible costs, the funds would have to be returned to HUD. The majority of these funds were used for predevelopment activities on expiring use projects. It was explained that the HUD funds not drawn for these efforts remain available for other housing uses.

Upon a motion moved and seconded, it was:

VOTED: to approve the request to use \$52,007 in non-CPA Trust funds to replace CDBG funding for FY2013 non-profit housing contracts.

Other Business

The Chair announced plans to implement an annual audit of the Trust. Trust members endorsed this idea and requested quarterly financial statements.

ADJOURNMENT

The meeting adjourned at 5:10. The next meeting is scheduled for Thursday, September 26, 2013 at 4:00 p.m.

OTHER MATERIALS

- Meeting Minutes from the Trust's June 26, 2013 meeting
- Status of Active Projects – Cambridge Affordable Housing Trust
- Funding request for the State Public Housing at Jefferson Park
- Conversion request for bridge loan for 117 Rindge Avenue
- Funding request for FY2013 non-profit housing development