



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

May 6, 2021, 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.

https://cambridgema.zoom.us/webinar/register/WN_UAdQuH8LSUenNOMuaSZMEA

AGENDA

- Review of Meeting Minutes
- Update from the Community Development Department
- Request from Park View Cooperative: the Park View Cooperative is requesting an increase of up to \$2,805,215 to the Trust's commitment of \$1,394,000 to assist this limited equity cooperative in undertaking necessary rehab and capital improvements
- Adjournment

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
March 25, 2021 at 4:00 p.m.

Conducted virtually via Zoom

Trustees Present via Zoom: Louis DePasquale, Chair; Peter Daly, Florrie Darwin, Elaine DeRosa, Gwen Noyes, Susan Schlesinger, Jim Stockard, Elaine Thorne, Bill Tibbs

Staff Present via Zoom: Iram Farooq, Asst. City Manager for CDD; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Janet Haines, Associate Housing Planner; Linda Prosnitz, Housing Planner; Maura Pensak, Housing Liaison to the City Manager; Emily Salomon, Associate Housing Planner

Others Present via Zoom: Bo Fuji, Kavish Gandhi, Adrienne Klein, John Lester, James Williamson

The acting chair, Jim Stockard, called the meeting to order at 4:02 p.m. Chris Cotter 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. Mr. Cotter then coordinated to confirm that each participant was audible to each of the other Trust members.

Trust Chair, Louis DePasquale, Chair joined the meeting at 4:04 p.m.

MEETING MINUTES

Upon a motion moved and seconded, it was voted unanimously by a roll call to approve the minutes for the meeting of Thursday, February 25, 2021.

UPDATE FROM CDD

HomeBridge: The City approved its first commitment of new funding under the increased income eligibility of 120% AMI this week. Six buyers have active commitments and one home is under agreement.

Homeownership Resale Program: City staff have modified the resale process to ensure health and safety of all parties due to the pandemic, which include virtual tours of available units. Resale units are now being marketed under this new process.

Frost Terrace: The application deadline to be considered for the lottery was February 12, 2021. Approximately 800 applications have been received so far but the developers are awaiting the final count as applications postmarked prior to the deadline are being accepted. The development is under construction and it is anticipated to be complete by early Spring 2021, with occupancy planned in May 2021.

Vail Court: Litigation continues with no news to report as the case continues.

SquirrelWood: Construction at this site continues and is on schedule to be completed in early 2021. Some units are already online, and others will be phased-in as they are completed. Marketing of available new units will begin soon.

2072 Mass Ave.: Capstone/Hope is seeking a comprehensive permit for project, which remains under review. The developers presented their proposal to the Board of Zoning Appeal (BZA) on December 10, 2020 after receiving favorable recommendation from Planning Board on December 1, 2020. The BZA continued its hearing to January 7, 2021; the developers received a further continuation to March 2021 and have requested another continuation to return to BZA in April or May 2021. They are hosting community meeting on March 30, where they will share building design changes with the public.

52 New Street: Just A Start held the first community meeting in late February and will hold a second community meeting tonight, March 25 at 6pm, to discuss their design ideas for the building and site. They plan to permit the project through the recently adopted Affordable Housing Overlay (AHO).

Park View Cooperative: City staff are in touch with the cooperative and waiting for final information on their funding request to the Trust, which we hope to bring to next meeting.

Fresh Pond Apartments: This is a complex closing process to finalize the preservation of units but it is moving along. The Cambridge Housing Authority continues to screen residents in BMIR units for enhanced vouchers. Based on income information, staff will be able to finalize the new affordability program at property, the amount of funding to be provided to the owner for 50 years of affordability, calculate rent phase-in needs, and prepare to close loan and finalize 2021 rents for the 166 units.

Rindge Commons: This is a two-phase project, which received a comprehensive permit for both phases of development. Just A Start has applied for state funding from DHCD and plans to move forward with Phase 1 construction later this year. It is expected that DHCD will announce their funding awards shortly.

55 Wheeler Street: The affordable housing covenant was recorded and the building permit was formally approved earlier this month.

Other: The Trust recently received payment of payment of \$5.8M from Forest City, which was part of a commitment for development activity on Massachusetts Ave.

Petitions: There was an Ordinance Committee meeting on March 10 to review a home rule petition on establishing a real estate transfer fee on that would generate funds to the Trust for affordable housing. In February, a "Missing Middle" zoning petition was filed to allow for multi-family housing to be built in residential zoning districts which currently only allow single and two-family dwellings. An Ordinance committee and Planning Board hearing dates will be scheduled. These petitions are early in process and City staff will update the Trust with more information at a future meeting.

BROADWAY PARK FUNDING REQUESTS

Just A Start (JAS) is requesting up to \$3.6M in Trust Funding to support their Broadway Park homeownership development. JAS is proposing to build 15 affordable homeownership condominiums on a site they own, which is currently used as a parking lot at the corner of Broadway and Windsor for

the Close building located across the street. This will be the first all affordable homeownership development since the Windsor St Church was completed in 2012.

The total development cost is estimated at \$8.7M. JAS has received a commitment of \$1.8M in funding from MassHousing's their new homeownership program called Masshousing Workforce Housing Commonwealth Builder Program. The current estimated need for Trust funding is just under \$3,600,000, approximately \$240,000 per unit. The balance of sources would come from sales proceeds. Staff will continue to work with JAS to review and refine the estimated budget.

Trust members commented on the Broadway Park building design and noted that the newer is improved compared to initial plans. The building footprint is small, so it is important to ensure there are sufficient amenities given the size of the development. There are fewer family-sized unit compared to other new developments because of site constraints, and limited parking, which will test the ability for buyers to rely on transit.

Staff suggested that it would be helpful to compile clear standards for homeownership units so developers know what the City is seeking/expecting in the building design, unit size, and common amenities.

By next month it is expected that JAS will have applied for zoning approval.

Upon a motion moved and seconded, it was voted unanimously to approve JAS's request for \$3,600,000 for Broadway Park.

OTHER

Trust members congratulated the City on the Affordable Housing Overlay being featured as part of a Harvard Joint Center for Housing Studies webinar.

The City Manager thanked the Trust members for their continued service, noting that members with expired terms have been reappointed.

ADJOURNMENT

Meeting adjourned at 4:32 pm. The next meeting is scheduled for May 6, 2021.

Materials:

- Meeting Minutes from the Trust's February 25, 2021 meeting
- Project update: Status of Active Commitments
- Memo: Broadway Park Homeownership

Cambridge Affordable Housing Trust

Status of Active Commitments

May 6, 2021

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	<i>currently approved buyers: 6</i>	19	72 scattered site units purchased by first time buyers to-date. Program expansion up to 120% AMI now active. 3 units 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	<i>currently active units:</i>	24	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers.	N/A	\$7,500,000		December 2011
4.	Frost Terrace 1971 Mass Ave	Capstone Hope	40		Construction underway, after temporary shutdown due to covid-19; spring 2021 completion expected. Marketing and resident selection process underway with screening of selected applicants underway.	\$27,219,486	\$10,785,358	\$269,634	March 2016 and December 2018
5.	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
6.	Squirrelwood (multiple addresses, corner of Broadway and Market)	JAS	23		Construction underway, after temporary shutdown due to covid-19. Marketing of available new units underway.	\$9,505,726 (new units only)	\$4,115,457	\$178,933	January 2018 and December 2018
7.	2072 Mass Ave	Capstone Hope	TBD	TBD	Capstone/Hope purchased site in April 2018. Project is seeking a comprehensive permit; presented to Planning Board 12/1; PB recommended proposal to BZA; first BZA meeting held 12/10/20 was continued to 5/20/21. Community meeting held 3/30. At PB 5/4/21 ahead of 5/20/21 BZA hearing.	TBD	\$3,800,000	TBD	February 2018
8.	52 New St	JAS	TBD	TBD	JAS purchased the site in early 2020 and anticipates permitting the project through the recently adopted Affordable Housing Overlay. JAS will be seeking state funding in an upcoming application round with a goal of securing permitting and financing in time to begin construction in ~2022. JAS has held community meetings on 2/25, 3/25 and 4/15 to discuss their ideas for the site in advance of submitting final plans for the project.	TBD	\$9,800,000	TBD	October 2019
9.	Park View Coop	Park View Coop		12	Reviewing new request from coop for additional funds needed to fully fund rehab given increased costs	TBD	\$1,394,000	\$116,167	March 2019
10.	Fresh Pond Apartments	Schochet	504		In March 2020, the Trust committed funding for the preservation of Fresh Pond Apartments. This commitment will be combined with \$15 million in City funding which was appropriated by the Council to the Trust for Fresh Pond Apartments. Together, these funds will be used to buy down 50 years of affordability and to capitalize a rent phase-in reserve to transition current tenants to the new affordable program. Tenant update/informational meetings held on 11/4/2020 and 11/13/2020; meetings with individual households to look at eligibility and options underway; new 2021 rent information to be provided to tenants once income-certification process is complete.	TBD	TBD	TBD	March 2020
11.	Rindge Commons - Phase 1	JAS	24		In June 2020, the Trust approved funding for the first phase of Rindge Commons. Following PB hearing in early August, BZA voted to approve a comprehensive permit for the project on August 23, 2020. JAS is in the process of securing the necessary financing to begin construction of Phase 1.	TBD	\$4,250,000	\$177,083	June 2020

Total Units 646

Cambridge Affordable Housing Trust

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 LLC	Covenant Recorded 8/11/17. Nearing completion		4	Ordinance prior to revision
2.	Mass & Main (multiple addresses, Mass Ave. & Columbia St.)	Twining	Covenant Recorded 11/24/17. Construction complete. Tenant Selection nearing completion.	58		Zoning provisions for Mass & Main
3.	Tempo (203 & 205 Concord Tpk. (formerly Lane & Games)	Criterion	Covenant Recorded 3/16/18. Complete. Tenant selection underway.	44		Revised ordinance at 15% sf requirement
4.	St. James (1991 & 2013 Mass. Ave.)	Oak Tree	Converting to ownership. Nearing completion.	5		Ordinance prior to revision
5.	77 New Street	Abodez	Covenant Recorded 9/14/16. Complete. Tenant selection to begin.	11		Ordinance prior to revision
6.	95 Fawcett Street	Ed Doherty	Covenant Recorded 12/29/2016. Under Construction.		5	Ordinance prior to revision
7.	Alexandria - 50 Rogers Street	Alexandria	Covenant Recorded 6/4/19. Complete. Tenant selection underway.	44		Zoning for Alexandria PUD
8.	Charles & Hurley Streets	Urban Spaces	Covenant recorded 8/6/19. Building Permit issued 9-3-19(Charles Street) and 12-23-19 (Hurley Street) Under Construction.	16		Ordinance prior to revision
9.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19. Under Construction	55		Revised ordinance at 20% sf requirement
10.	165 Main Street	Mitimco	IHP Covenant recorded 12/17/19. Building Permit issued 12-20-19. Under Construction	63		Zoning for MIT
11.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Under construction.		4	Ordinance prior to revision
12.	Cambridge Crossing, Building I	DivcoWest	Covenant recorded; Building Permit issued 8-24-20 Under construction.	54		Ordinance prior to revision
13.	212 Hampshire Street (Ryles)	212 Hampshire LLC, Binoj Pradhan	Covenant recorded. Construction complete. Tenant selection underway	1		BZA requirement of affordable unit
14.	55 Wheeler Street	Toll Brothers	Covenant recorded 3/12/21. Building Permit issued 3/16/21. Under Construction	99		Revised ordinance at 20% sf requirement

Under Development:

450

13

Completed Units:

773

202

All Units:

1223

215

1438

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	605 Concord Ave.	Abodez Acorn	Covenant recorded; pending building permit	7		Revised ordinance at 15% sf requirement
2.	3-5 Linnean	Willow Land Corp.	Covenant signed; pending building permit	1		Zoning for basement overlay
3.	1043-1059 Cambridge St.	418 Real Estate	IHP plan was submitted. Development under new ownership		3	Revised ordinance at 20% sf requirement
4.	270 Thorndike St. Court House	Leggat/McCall	Covenant in process.	48		All units are affordable



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To: The Affordable Housing Trust
From: Christopher Cotter, Housing Director
Anna Dolmatch, Housing Planner
Janet Haines, Associate Housing Planner
Date: May 6, 2021
Re: Parkview Cooperative Funding Request

We are attaching material related to the request for an increased funding commitment from Park View Cooperative. This includes new material submitted by the Coop, including terms the Cooperative suggests for a revised Trust revised funding commitment, as well as material previously shared with the Trust.

Background and Current Request

Park View Cooperative is a twelve-unit limited equity cooperative established in 1984 which is now in need of extensive rehab. The Trust committed up to \$1,394,000 in March 2019 based on initial estimates prepared by the Coop. The need for an expanded rehab scope, combined with construction cost increases, has resulted in a funding gap of \$2,605,215. The Coop is requesting the full gap amount from the Trust with an allowance for an additional \$200,000 to fund the installation of a sprinkler system to the building if required.

In August 2020 the Trust considered an increase of \$1,533,368 based on revised estimates. The scope of the rehab need and costs have been further updated by the Coop and their rehab team. The current request replaces the request presented to the Trust in 2020 and brings the total requested amount of \$4,199,215. This includes the original commitment of \$1,394,000.

March 2019 commitment	\$1,394,000
August 2020 increase request	\$1,533,368
May 2021 increase request	\$1,071,847
May 2021 – sprinkler allowance	<u>\$ 200,000</u>
Total Requested Commitment	\$4,199,215

As requested by the Trust, in September 2020 CDD staff presented suggested loan terms and conditions that would ensure continued affordability and financial viability, and be comparable to the extent feasible to other Trust commitments.

The Coop had significant concerns with these suggested conditions, and had wanted to suggest alternate terms for the Trust to consider. Since that time, CDD staff and a representative of the Trust have met several times earlier this year with the Coop and their team as they further refined their rehab plan and budget. We

have also met with the Coop recently for their team to present the proposed terms it prepared for the Trust's consideration.

The Coop has prepared an updated rehab budget with construction costs of \$4,084,800 and other soft costs \$704,415, totaling \$4,789,215. The increase is due to bidding out more detailed plans and an increased scope, and increased construction costs, which has resulted in a \$1,656,878 increase in construction pricing. CDD staff have reviewed the revised scope and cost estimates and find the planned scope advisable given the rehab needs of the building and that the pricing is in line with industry standards. Staff identified several areas where additional costs might be incurred for additional scope. These items have been investigated included in the final scope of work as needed, with the exception of a sprinkler system. The final determination on the sprinkler requirement has not been made, but the costs are included in the request.

The 20-year operating proforma has changed after further discussion with the Coop. In September, Staff presented to the Trust a projection which assumed annual increases in carrying costs based on a projection submitted by the Coop. However, the Coop clarified that it intends to continue its longstanding practice of budget-based cost increases and anticipates that it will be able to keep costs stable given the flexibility they have in managing their building. Therefore, the Coop in its material notes that resident carrying costs will be increased only as costs increase (referenced as criteria-based budgeting in Coop submissions) and are not trending costs, carrying charges or reserves.

The September request materials included the concept of using Coop projected growth in cash flow to reduce the initial share price to increase access for lower-asset households. The Coop has suggested funding an annual contribution to a share buydown reserve for the next 12 years for a total of \$25,000.

In addition to Trust funds, to the Coop anticipates additional funding from the following sources:

- Cambridge Savings Bank: \$500,000 first mortgage
- Park View Coop Reserves: \$148,000
- Cambridge Historical Commission: \$100,000
- Mass Save Grant: \$39,000

In addition to the attached request, Park View submitted documents to further the understanding of their position. A list of all documents submitted for the Trust are:

- Park View Memo – Request for Additional Funding Final 4-20-21
- Park View – Summary of Material Terms Final 4-20-21
- Considering Affordability Standards Final 4-20-21
- How to Understand Share Values Final 4-20-21

- Financial Practices Final 4-20-21

We are also sharing CDD memos prepared last year which describe more around the increased scope and process as well as terms CDD staff had suggested last year.

Commitment Terms

As noted above the Coop has proposed terms and requested that the Trust vote on its request as submitted.

We have reviewed the terms and find many of them consistent with those CDD had suggested last year. We note, however, that many financial terms suggested in the CDD memo were based on earlier operating projections submitted to CDD which showed operating revenue increasing over time. We now know that this is not the operating model the Coop plans to employ.

As noted in their material, the Coop plans to continue to use “criteria-based budgeting” approach which allows them to keep changes in carrying costs and operating revenues limited to actual increases in expenses. The criteria-based budgeting does not allow for future cash flows to be estimated as the expectation is that the budgets will be adjusted year to year as needed to balance growth in expenses with keeping costs affordable to residents. Therefore, many conditions suggested by CDD, including increasing contributions to reserves or use of remaining cash flow would not be possible under the Coop’s plan. The Coop has outlined in its request its defined plan for funding operating, debt stabilization, capital, and share buydown reserves.

We believe the Coop’s proposed terms are generally consistent with what we have suggested in regard to share appreciation and shareholder selection, although the Coop suggests maintaining the eligibility limit of 95% of AMI for new shareholders rather than lowering to 80% AMI as CDD had suggested. There are however differences in regard to Trust monitoring and oversight. The Coop suggests in its request a more contingent reporting mechanism where the Trust would not have a right to approve the annual budget (but rather an option to reasonably rebut). The Coop has also suggested terms which vary from the Trust’s standard terms for interest and loan forgiveness at the end of the term.

MEMO

To: The Affordable Housing Trust

From: Park View Cooperative
Catherine Tutter, President
John Nesby, Clerk
Dennis Friedler, Capital Needs Assessment Team Member

Date: April 13, 2021 (Updated April 20, 2021)

Re: Park View Request for Additional Funding

REQUEST OVERVIEW

Park View Coop Overview/History

Park View Cooperative (“PVC” or the “Coop”) is a 12-unit, limited-equity housing cooperative established in 1984 without any public funds. Since inception PVC has spent over \$450,000 (not adjusted for inflation) on Capital Improvements, along with an additional \$350,000 in interest on loans—for a total of \$800,000 for purchase and capital renovations.

The money met a variety of needs. A second layer of stucco was added over the original badly cracked and leaking stucco shortly after purchase. The Coop’s steam boiler was replaced along with the major steam pipes. Asbestos has been abated, exterior stairs replaced, and 5 units deleaded. The Coop has completely renovated 5 kitchens, fully rehabbed 3 bathrooms, including the plumbing stacks, and partially improved 9 bathrooms. Two units have had complete electrical upgrades, and many others enjoyed partial upgrades when their kitchens and bathrooms were renovated.

The Coop is self-managed, and members provide the sweat equity necessary to run the operations. The two major committees responsible for this are the Finance Committee (budgeting, bill paying, banking, bookkeeping) and Physical Maintenance Committee (annual maintenance, repairs, renovations, and capital planning). Every December a new annual budget is completed and approved by the Board of Directors.

The hallmarks of cooperative governance are sweat equity and democracy. Coop members collectively do the work and make the decisions. PVC’s guiding principles are:

- Affordability, for the most vulnerable members;
- Resiliency, having financial resources to weather social and economic crises;
- Community, creating a culture of support and ability to self manage; and
- Stewardship, of the Coop’s building, land, and unique place in Cambridge.

The above practices and principles have served the Coop well, and it is considered one of the best managed coops in Cambridge.

Original Trust Request

PVC was approved for \$1,394,000 from the CAHT at the March 2019 meeting. At that time the Trust took the unusual step of granting the Coop's request without having clear guidelines, because the Cambridge Development Department indicated that the forthcoming criteria would be based on PVC's proposal, and the Coop's excellent management of the building.

In April of 2019 the following criteria were adopted by CAHT:

- Further the Trust mission of protecting affordable housing;
- Work for which funding is requested contributes to long term sustainability.
- Full capital needs assessment;
- Documented strong history of maintaining capital reserve fund and using reserves to maintain building;
- Project proposal includes fully funded 20-year reserve plan;
- Project costs comparable to similar work to similar buildings;
- Residents receiving assistance shall be income eligible;
- Project shall seek and maximize other available funding sources;
- Monthly costs and increases for residents sustainable for both building needs and affordability;
- Demonstrated capacity to manage decision making and implement plans;
- Upon staff request, owners shall engage experienced professional staff; and
- Funding shall be structured as loans subject to trust terms and conditions.

The Coop has met all the terms above in 2019, and again now in 2021.

Current Needs and Construction Costs

When the Coop received the initial funding from the CAHT in March of 2019 it had not yet received bids. In August of 2019 four bids were received, which ranged from \$2.5 million to \$4.3 million. S&H Construction; White Builders; Landmark Structures; and South Coast all submitted strong proposals. S&H Construction was selected at \$2.5 million; the next closest finalist had a bid of \$3.1 million.

The Coop met with CDD in the fall of 2019 and in light of the increased cost agreed to hire engineers to design the heating system; the electrical system; and the water and sewer upgrades; and to assure accuracy before making a request for additional funding. Working very closely with S&H, at least 3 estimates each for the electrical upgrade; and for the new heating system were obtained. The more detailed plans led to an increase in bid amounts for both heating and electrical.

There are a number of additional factors, other than the more detailed plans, that have led to the need for increased funding, such as: over 2 years have passed since S&H's initial bid; costs have gone up significantly in residential construction; there is a boom in work and the Coop has lost some of the lower cost subs who are no longer willing to wait for the project to begin; as well as additional costs due to Covid-19.

The Coop has worked very closely with the CDD and S&H Construction to review both the scope of work and construction budget; and they are confident of the new construction figures in

the latest pro-forma which include S&H's increase to \$3.477 million. A value engineering approach has been applied to the project scope in consultation with CDD, S&H, and the Coop's architect. The conclusion was that any short-term savings in material costs are outweighed by the increased maintenance/replacement costs down the road, which would negatively impact long-term affordability by requiring much greater contributions to the capital reserve plan.

The Coop has hired a wide variety of professionals: Alan Zimlicki, development consultant; Chai-Ming Sze, architect; Cody Thornton, attorney; Norian Siani Engineering, HVAC; OWL Engineers, electrical; Hancock Survey Associates, civil engineering; Matthew Yarmolinsky, owner rep; and finally Sarah Lawson owner of S&H Construction as the Coop's general contractor. The Coop has a 20-year fully funded capital needs plan from one of the country's leading practitioners, Tom Nutt-Powell.

PVC has spent over \$220,000 from the Coop's cash reserves to move this project forward.

PVC Request to CAHT

The Co-op is requesting \$3,999,215 from the Affordable Housing Trust to close the gap between the total cost of the project, \$4,789,215 and the other funds which are committed. PVC contribution totals \$658,000 (\$500,000 mortgage from Cambridge Savings Bank and \$148,000 cash reserves). Other sources include \$100,000 from Cambridge Historical and \$39,000 from Mass Save. The material requests can be summarized as follows:

- CAHT \$3,999,215 loan for renovation with a provision of additional funds for a fire suppression system if required by the City.
- Based on the agreement, in principle, with CDD to roll over the loan in perpetuity, the Coop is requesting that that language be memorialized as:
 - Forgiveness of accrued interest after the first 50-year term;
 - Renewal for 25 years upon request of PVC after that initial 50-year term;
 - Forgiveness of all principal and accrued interest after 75 years provided that all material terms have been complied with and any violations cured within the terms of the note and covenant; and
 - No prepayment requirement.

Structure of Trust Agreement

Cooperatives by their very structure are not typical CAHT loan recipients due to the Coop's manner of incorporation, democratic decision making, and lack of financing available to new members to purchase shares. The terms of the Trust agreement should reflect how different the Coop is from a CDC, or a for-profit developer.

Regarding the Trust loan terms, the Coop is asking that accrued interest be forgiven after 50 years, that upon request of PVC the agreement be rolled over for an additional 25 years, and that principal and further accrued interest be completely forgiven at the end of that 25-year extension.

Having an infinite loan is not sustainable. Accrual of loan interest forever would make refinancing for capital needs very difficult; and the substantial interest and principal would make the sale of shares increasingly unlikely. Who would want to buy shares in a corporation whose

value to outstanding loan is so unbalanced, and that severely restrict future loan possibilities for capital improvements?

The Coop is willing to commit additional cash flow to a Capital Reserves, as well as other mechanisms to maintain affordability, and would not accede to any agreement that would include the potential to pay down principal during the term of the loan: especially in a situation where the loan and interest accrual lasts at least 75 years.

The Coop is willing to consider ways to preserve affordability after 75 years as part of the agreement.

In order to maintain future affordability for individuals and families at around 35% of median, the Coop is asking that upon completion of the project, unspent CAHT money be allocated to a fund dedicated to either: share loans or share buy-downs, for incoming PVC members. The exact details of this would be worked out in consultation with the Cambridge Development Department.

PVC Commitment

The material terms offered by the Coop include:

- \$500,000 commercial mortgage with Cambridge Savings Bank;
- \$148,000 cash contribution from the Coop's reserves, to include prior amounts paid for the project;
- \$100,000 from Cambridge Historical Commission;
- \$39,000 from Mass Save grant;
- \$25,000 (\$2,000 a year for 12.5 years) reserve fund for one of the following purposes:
 - 1) Reduce the value of shares;
 - 2) Subsidize interest on share loans; and/or
 - 3) Establish a share loan fund to fund two 2BR family units.
- Make additional contributions to this sub-fund if cash flow permits, and the Coop's board deems it possible.
- Elimination of accruing share value based on the \$500,000 mortgage loan;
- Increase carrying charges based on sound budgetary/financial criteria; and
- Implement criteria-based budgeting and oversight.

To preserve and increase affordability well into the future, priorities shared by CAHT and CDD, the Coop has made the above financial commitments.

More details on PVC commitments in further sections and addendum.

Bank Loan

The \$500,000 commitment is based on sustaining affordability for current and future members while also maintaining sufficient cash and capital reserves. The Coop is an aging in place

community, with a majority of members on fixed incomes. One third of coop membership is rent burdened.

The pandemic has heightened the vulnerability of our community through job loss and early retirement. The member/owners cannot bear the burden of additional debt if the Coop is to thrive as a resilient community. The building renovation is predicated on protecting the most vulnerable members of the Coop's community.

The current monthly carrying charge only meets the 35% median (CDD target) for a family of three when including the cost of a share loan — which can add as much as 50% to the monthly cost. The 35% median target can not be met for smaller family sizes when including the cost of a share loan.

See document in addendum: Considering Affordability Standards

Cash Contribution

The \$148,000 allows us to maintain sufficient Capital Reserves; and Operating Reserves once construction is completed.

Carrying Charges

In spite of the pandemic and the limited income of members, following the Coop's request in 2019 the Coop has increased its cash surplus by approximately 8% through a variety of measures. In the 2020 budget the Coop eliminated a paid staff bookkeeping position, and now do the work as part of its member sweat-equity requirement. This has led to savings of \$4,640 which the Coop allocated to its reserve funds, rather than reduce carrying charges. The current 2021 budget has an additional 3% carrying charge increase to cover greater utility expenses and maintain the contributions to its cash and capital reserves.

The Coop's costs do not mirror any CPI index and run well below inflation. As a cooperative the Coop has a much wider variety of tools to control costs, such as sweat equity and/or adjustments to the timing of scheduled renovations not necessary to preserve the building. The Coop is committed to making the carrying charge increases required by criteria-based budgeting.

Reserve Fund to increase affordability

To increase affordability the coop has committed to subsidize two 2BR units, to reduce costs to new members at a \$12,500 subsidy for each unit, for a total subsidy of \$25,000.

The figure of \$12,500 is equal to a 100% interest subsidy on the average purchase price of \$38,000. If you reduce the share value by \$12,500 and loan at the current rate of 5%, 7 year term, and 15 year amortization you also have the same monthly cost as a 0% interest subsidized share loan.

The current share loan terms are funded by a line of credit the Coop has with the Cooperative Fund of New England: 5% interest, 15-year amortization, and 7-year term. When \$12,500 is allocated to a 2BR it has the benefit of making those units affordable to a 3-family household at 35% of median. This is not the case for the unsubsidized units or smaller families.

The Coop is also willing to continue the allocation beyond the 12.5 years, depending on cash flow and maintaining affordability for current members.

See document in addendum: How to Understand Share Value

Share Transfer Appreciation

PVC has agreed to not add the principal on loan to share values as required in our bylaws. The original purpose of this policy was twofold: 1.) On establishment have member equity equal their cash contribution, plus the principal on the purchase mortgage; 2.) incentivize borrowing for capital improvements.

Monitoring & Oversight

In light of the Trust and the City's desire to have budget oversight to ensure long-term compliance with the affordability and livability standards outlined in the loan agreement and covenant, the coop is likely to agree to oversight, including budget approvals, on the terms that are listed below.

The Coop believes that the list also reflects the "light touch" of consultation and oversight requested by the CAHT at the last meeting.

- Annual operating budget based on prior year expenses and projected increases;
- Maintain cash reserves based on vacancy rate; and 6 months of operating expenses as a baseline;
- Fully funded 20-year Capital Reserves:
 - \$9,600 annually; and
 - Reviewed every 5 years;
- Capital and Cash reserve lines budgeted on the basis of:
 - Performance;
 - Allocation of Prior Year Surpluses; and
 - Inflation
- \$2,000 annual contribution for principal pay down when mortgage is refinanced to ensure affordability if interest rate increases;
- \$25,000 reserve fund to maintain affordability;
 - \$2,000 annually for 12.5 years; with the possibility of extending the time;
- Establish adequate sinking fund; with \$3,000 annually as a baseline and;
- Consult with the City, not for approval, when creating the annual budget.
- The Coop is likely willing to give the Trust and CDD the power to approve or reject the Coop's proposed budgets; provided, however, that the Trust and CDD agree not to withhold unreasonably their approval of any proposed budget.
- The criteria against which the budget will be judged, and approval for which may be reasonably withheld, include the following:

- Failure to prepare timely an operating budget based on prior year expenses, projected and foreseeable increases, allocation of prior year surpluses and inflation;
- Failure to maintain cash reserves based on vacancy rate, with 6 months of operating expenses as a baseline;
- Failure to adequately save for and pay property and other taxes owed by the Coop;
- Failure to ensure cash availability for mortgages with rights superior to the Trust;
- Failure to fund a 20-year Capital Reserve plan with the following baselines:
 - \$9,600 annually; and
 - Reviewed every 5 years;
- Failure to accumulate \$2,000 annually for principal pay down on the mortgage loan to ensure affordability upon refinancing in the face of uncertain future interests rates and other risks;
- Failure to address saving for a reserve fund to maintain affordability with:
 - Committing to \$25,000; and
 - Built by saving \$2,000 annually for 12.5 years, with the possibility of extending the time.
- It will be considered unreasonable for the Trust or CDD to fail to approve a budget based on the Coop's inability or refusal to:
 - Agree to prepay any debt;
 - Raise carrying charges based on Members' income alone (all such increases must be based on the reasonable budgeting criteria set above); or
 - Modify their affordability standards from those agreed in the covenant.
- As a measure of objective reasonableness, the Coop may rely on the advice and review of their proposed budgets by a third-party professional with expertise in affordable housing budgeting of the Coop's choice. This professional's opinion will carry a rebuttable presumption of reasonableness, leaving the burden on the Trust and CDD to prove that the proposed budget does not objectively meet the agreed-upon budgeting criteria.

See document in addendum: Financial Practices

Shareholder Selection

The Coop is in alignment and agreement with the priorities expressed directly by the Trust and by CDD, regarding share holder selection.

- Creation of a preference for families regarding the two 2BR units. Coop members/owners with children, an aging parent, or other dependent(s) will be given first priority to move from a smaller unit to a 2BR;
- Outreach and preference to section 8 voucher holders for purchase as long as the Coop can work out the details regarding share loans, and as long as it is not a strict requirement;
- Develop selection criteria based on income targets and equity goals, including, without limitation, an ability to do Coop work;
- Means testing per Trust standards will be undertaken for all new, and only new, Coop members;

- Document required outreach;
- Include a non-voting Trust representative (or designee) in shareholder selection process, including participation in interviews; and
- Incorporate covenant agreement requirements as part of bylaws where necessary.

The above list does not include reducing the 95% income requirement to 80% for concerns about financial stability and the possible need for additional loans in the future.

Material Terms for Trust Approval

The Coop is requesting that the Cambridge Affordable Housing Trust vote up or down the proposal submitted as: “Park View – Summary of Material Terms Final 4-20-21”. With the one exception on establishing a fund with unspent project money, *see below*.

A covenant that does not include reasonable protections for mostly autonomous budgeting or that requires debt prepayment is very unlikely to be accepted by the Coop’s board.

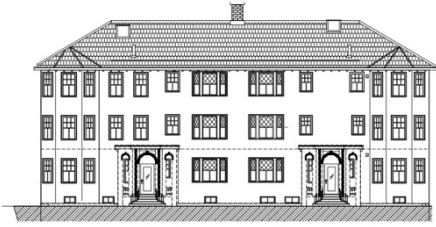
The Coop is asking that the CAHT consider:

- Establishing a fund from unspent project money, if any, to preserve affordability of buy-ins for low-income purchasers.

Conclusion

Park View Cooperative started the conversation on establishing a fund to support affordable housing cooperatives more than 5 years ago. Establishing a pilot program has been difficult and the Coop is grateful for all the work and assistance the Coop has received from the Cambridge Development Department, and members of the Cambridge Affordable Housing Trust.

The Coop looks forward to finally placing shovels in the ground and beginning the work.



*Park View
Cooperative*

SUMMARY OF MATERIAL TERMS FOR TRUST APPROVAL

The Coop is requesting that the Cambridge Affordable Housing Trust vote up or down the following proposal. A Covenant that does not include reasonable protections for budget approval and/or allows for the possibility of loan repayment during the term of the loan is **very unlikely to be accepted by the board**.

CAHT COMMITMENT

- CAHT \$3,999,215 loan for renovation with a provision of additional funds for a fire suppression system if required by the City.
- Based on the agreement, in principle, with CDD to roll over the loan in perpetuity, the Coop is requesting that that language be memorialized as:
 - Forgiveness of accrued interest after the first 50-year term;
 - Renewal for 25 years upon request of PVC after that initial 50-year term;
 - Forgiveness of all principal and accrued interest after 75 years provided that all material terms have been complied with and any violations cured within the terms of the note and covenant; and
 - No prepayment requirement.

PARK VIEW COOPERATIVE COMMITMENT

- \$500,000 commercial mortgage with Cambridge Savings Bank;
- \$148,000 cash contribution from the Coop's reserves, to include prior amounts paid for the project;
- \$100,000 from Cambridge Historical Commission;
- \$39,000 from Mass Save grant;
- \$25,000 (\$2,000 a year for 12.5 years) reserve fund for one of the following purposes:
 - 1) Reduce the value of shares;
 - 2) Subsidize interest on share loans; and/or
 - 3) Establish a share loan fund to fund two 2BR family units.
- Make additional contributions to this sub-fund if cash flow permits, and the Coop's board deems it possible.
- Elimination of accruing share value based on the \$500,000 mortgage loan;

- Increase carrying charges based on sound budgetary/financial criteria;
- Implement criteria-based budgeting and oversight;
- Annual operating budget based on prior year expenses and projected increases;
- Maintain cash reserves based on vacancy rate; and 6 months of operating expenses as a baseline;
- Fully funded 20-year Capital Reserves:
 - \$9,600 annually; and
 - Reviewed every 5 years;
- Capital and Cash reserve lines budgeted on the basis of:
 - Performance;
 - Allocation of Prior Year Surpluses; and
 - Inflation.
- \$2,000 annual contribution for principal pay down when mortgage is refinanced to ensure affordability if interest rate increases;
- \$25,000 reserve fund to maintain affordability:
 - \$2,000 annually for 12.5 years, with the possibility of extending the time;
- Establish adequate sinking fund, with \$3,000 annually as a baseline;
- Consult with the City, not for approval, when creating the annual budget;
- The Coop is likely willing to give the Trust and CDD the power to approve or reject the Coop's proposed budgets; provided, however, that the Trust and CDD agree not to withhold unreasonably their approval of any proposed budget.
- The criteria against which the budget will be judged, and approval for which may be reasonably withheld, include the following:
 - Failure to prepare timely an operating budget based on prior year expenses, projected and foreseeable increases, allocation of prior year surpluses and inflation;
 - Failure to maintain cash reserves based on vacancy rate, with 6 months of operating expenses as a baseline;
 - Failure to adequately save for and pay property and other taxes owed by the Coop;
 - Failure to ensure cash availability for mortgages with rights superior to the Trust;
 - Failure to fund a 20-year Capital Reserve plan with the following baselines:
 - \$9,600 annually; and
 - Reviewed every 5 years;
 - Failure to accumulate \$2,000 annually for principal pay down on the mortgage loan to ensure affordability upon refinancing in the face of uncertain future interests rates and other risks;
 - Failure to address saving for a reserve fund to maintain affordability with:
 - Committing to \$25,000; and
 - Built by saving \$2,000 annually for 12.5 years, with the possibility of extending the time.

- It will be considered unreasonable for the Trust or CDD to fail to approve a budget based on the Coop's inability or refusal to:
 - Prepay any debt;
 - Raise carrying charges based on Members' income alone (all such increases must be based on the reasonable budgeting criteria set above); or
 - Modify their affordability standards from those agreed in the covenant.
- As a measure of objective reasonableness, the Coop may rely on the advice and review of their proposed budgets by a third-party professional with expertise in affordable housing budgeting of the Coop's choice. This professional's opinion will carry a rebuttable presumption of reasonableness, leaving the burden on the Trust and CDD to prove that the proposed budget does not objectively meet the agreed-upon budgeting criteria.
- Creation of a preference for families regarding the two two-bedroom units. Coop members/owners with children, an aging parent, or other dependent(s) will be given first priority to move from a smaller unit to a two-bedroom unit;
- Outreach and preference to section 8 voucher holders for purchase as long as the Coop can work out the details regarding share loans, and as long as it is not a strict requirement;
- Develop selection criteria based on income targets and equity goals, including, without limitation, an ability to do Coop work;
- Means testing per Trust standards will be undertaken for all new, and only new, Coop members;
- Document required outreach;
- Include a non-voting Trust representative (or designee) in shareholder selection process, including participation in interviews; and
- Incorporate covenant agreement requirements as part of bylaws where necessary.

In addition to a straight up or down vote on the above, the Coop is asking that the CAHT consider:

- Establishing a fund from unspent project money, if any, to preserve affordability of buy-ins for low-income purchasers.

Considering Affordability

Analysis is based on:

- Average share value 2021 value at beginning of year = \$38,760
- Carrying charges fiscal year 2021 / Heat & Hot Water included / Members pay for own electric & gas
 - 1 BR = \$626 a month; \$7512 annually (6 units) / 421 sq. feet
 - 1.5 BR = \$636 a month; \$7632 annually (4 units) / 530 sq. feet
 - 2 BR = \$657 a month; \$7884 annually (2 units) / 595 sq. feet
- 35% of median income based on CCD chart (had to compute it)
 - 1 person household \$29,155 / 2 person household \$33,320
 - 3 person household \$37,485 / 4 person household \$41,650

Standard Share Loan Terms

5% interest; 7 year term; 15 year amortization

Calculations based on:

Unsubsidized:

Monthly carrying charge; PLUS % down; PLUS share loan at standard terms; PLUS Share Value = \$38,760

Subsidized Share Loan = 0% Interest:

Monthly carrying charge; PLUS % down; PLUS share loan at 0% interest; PLUS Share Value = \$38,760

Subsidized Buy-In = \$12,500 Reduction of Share Value + Standard Loan Terms

Monthly carrying charge; PLUS % down; PLUS share loan at standard terms; PLUS Share Value = \$26,260

NOTE: We can not afford to sell to someone at 30% of income because with each increase in carrying charge, they become rent burdened. 25% of income is a more appropriate standard as it allows increases in carrying charges over time without burdening the shareholder.

The current CDD Homebridge program for subsidizing the purchase of market rate homes, with an agreement to keep affordable, has a range of 25% to 30% of income.

PVC has offered to either: subsidize share loans down to 0%; or take a loss of \$12,500 on the sale of shares to insure long term affordability; or establish a share loan program. The \$12,500 decrease is roughly equivalent to a 0% interest loan.

PVC Analysis

CDD Staff, expressed in conversation, targeting PVC membership to individual(s) & families at 35% of median income. Below is an analysis of this standard. **For a more comprehensive view of overall affordability please see the charts which follow this page.**

Only the subsidized 2BR family unit is affordable at 35% of median for a family of three: at 0% down.

A subsidized 2BR is not affordable to a single mother at 0% down.

All the other units, when considering 1- or 2-person households, are not affordable at 35% of median at 30% of income with a 100% share loan.

Calculation of Share Value For a 1BR to Be Affordable to a 1 or 2 person household At 35% of Median

Affordability is based on 35% of Median income for a one or two person household; at 30% or 25% of income; monthly carrying charge; standard share loan; and zero down.

1 Bedroom / 30% of income

One Person household (\$29,155) = share value of \$13,000

Two Person household (\$33,320) = share value of \$26,200

1 bedroom / 25% of income

One Person household (\$29,155) = is not affordable (25% of Income minus Carrying charge = negative \$223 a year).

Two Person household (\$33,320) = share value of \$8,630

NOTE: 1.) We have only agreed to subsidize the two 2BR family sized units. Further subsidies depend on cash flow; maintaining affordability for current members; and approval by the board. For purposes of comparison the other units are included; as they may be subsidized in the future.

NOTE: 2.) The analysis of affordability is extremely difficult because of all the complex variables:

- 1.) Family size;
- 2.) Range of share values \$30,000 to \$42,000;
- 3.) Different carrying charges based on unit size;
- 4.) The range of share values does not link to unit size but rather the number of times a unit has turned over. This is due to the nature of the formula.

NOTE: 3.) When considering the carrying charges it is important to note the very small sizes of the units.

**THE FOLLOWING PAGES INCLUDE CHARTS SHOWING AFFORDABILITY
BASED ON VARIOUS DOWN-PAYMENTS / SUBSIDIES / UNIT SIZES
&
IS A MORE COMPREHENSIVE ANALYSIS**

The Annual Earning are the: actual income needed to pay the carrying charge and loan.

AFFORDABILITY COMPARISONS / 0% DOWN

35% of Median: 1 person \$29,155 / 2 person \$33,320 / 3 person \$37,485

One Bedroom \$626 Month / 0% Down

6 units @ 421 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy 5% interest	30%	\$37,300	\$17.93
	25%	\$44,760	\$21.52
Subsidized Share Loan 0% Interest	30%	\$33,653	\$16.18
	25%	\$40,384	\$19.42
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$33,347	\$16.03
	25%	\$40,016	\$19.24

One and One-Half Bedroom \$636 Month/ 0% Down

4 units @ 530 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$37,700	\$18.13
	25%	\$45,240	\$21.75
Subsidized Share Loan 0% Interest	30%	\$34,053	\$16.37
	25%	\$40,864	\$19.65
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$33,747	\$16.22
	25%	\$40,496	\$19.24

Two Bedroom \$657 Month / 0% Down

2 units @ 595 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$38,540	\$18.53
	25%	\$46,248	\$22.23
Subsidized Share Loan 0% Interest	30%	\$34,893	\$16.78
	25%	\$41,872	\$20.13
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$34,587	\$16.63
	25%	\$41,504	\$19.95

AFFORDABILITY COMPARISONS / 10% DOWN

35% of Median: 1 person \$29,155 / 2 person \$33,320 / 3 person \$37,485

One Bedroom \$626 Month / 10% Down

6 units @ 421 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$36,073	\$17.34
	25%	\$43,288	\$20.81
Subsidized Share Loan 0% Interest	30%	\$32,793	\$15.77
	25%	\$39,352	\$18.92
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$32,517	\$15.63
	25%	\$39,020	\$18.76

One and One-Half Bedroom \$636 Month / 10% Down

4 units @ 530 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$36,473	\$17.54
	25%	\$43,768	\$21.04
Subsidized Share Loan 0% Interest	30%	\$33,193	\$15.96
	25%	\$39,832	\$19.15
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$32,917	\$15.83
	25%	\$39,500	\$18.99

Two Bedroom \$657 Month / 10% Down

2 units @ 595 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$37,313	\$17.94
	25%	\$44,776	\$21.53
Subsidized Share Loan 0% Interest	30%	\$34,033	\$16.36
	25%	\$40,840	\$19.63
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$33,757	\$16.23
	25%	\$40,508	\$19.48

AFFORDABILITY COMPARISONS / 20% DOWN

35% of Median: 1 person \$29,155 / 2 person \$33,320 / 3 person \$37,485

One Bedroom \$626 Month / 20% Down

6 units @ 421 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$34,850	\$16.75
	25%	\$41,820	\$20.11
Subsidized Share Loan 0% Interest	30%	\$31,930	\$15.35
	25%	\$38,316	\$18.42
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$31,687	\$15.23
	25%	\$38,024	\$18.26

One and One-Half Bedroom \$636 Month / 20% Down

4 units @ 530 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$35,250	\$16.95
	25%	\$42,300	\$20.34
Subsidized Share Loan 0% Interest	30%	\$32,330	\$15.54
	25%	\$38,796	\$18.65
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$32,087	\$15.43
	25%	\$38,504	\$18.51

Two Bedroom \$657 Month / 20% Down

2 units @ 595 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$36,090	\$17.35
	25%	\$43,308	\$20.82
Subsidized Share Loan 0% Interest	30%	\$33,170	\$15.95
	25%	\$39,804	\$19.14
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$32,927	\$15.83
	25%	\$39,512	\$19.00

AFFORDABILITY COMPARISONS / 50% DOWN

35% of Median: 1 person \$29,155 / 2 person \$33,320 / 3 person \$37,485

One Bedroom \$626 Month / 50% Down

6 units @ 421 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$31,163	\$14.98
	25%	\$37,396	\$17.98
Subsidized Share Loan 0% Interest	30%	\$29,347	\$14.11
	25%	\$35,216	\$16.93
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$29,193	\$14.04
	25%	\$35,032	\$16.84

One and One-Half Bedroom \$636 Month / 50% Down

4 units @ 530 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$31,563	\$15.17
	25%	\$37,876	\$18.21
Subsidized Share Loan 0% Interest	30%	\$29,747	\$14.30
	25%	\$35,696	\$17.16
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$29,593	\$14.23
	25%	\$35,512	\$17.07

Two Bedroom \$657 Month / 50% Down

2 units @ 595 square feet

Type of Park View Subsidy	Percent of Income	Annual Earnings	Hourly Pay Rate
No Subsidy	30%	\$32,403	\$15.58
	25%	\$38,884	\$18.69
Subsidized Share Loan 0% Interest	30%	\$30,587	\$14.71
	25%	\$36,704	\$17.65
Subsidized \$12,500 Reduction Share Value 5% Interest	30%	\$30,433	\$14.63
	25%	\$36,520	\$17.56

How to Understand Share Value and Affordability As it Applies to Park View Cooperative

1984, Purchase of the Building, Under Capitalization & Lack of City Assistance

The present lack of affordability of Park View Cooperative's shares, and consequent burden of share loans, is a consequence of undercapitalization and lack of any financial assistance from the City at the Coop's inception in 1984. Members purchased the building with their own funds and a loan.

The building was in very poor condition due to neglect. The neighborhood was redlined, making it difficult for prior owners to obtain loans for capital improvements. In order to meet the capital needs to address these poor conditions, Park View took out substantial commercial loans at very high interest rates.

The total amount of principal on loans Park View has borrowed = \$290,000

The total amount of interest paid = \$360,921.

Part of the current renovation needs of the building is also a consequence of technical advice from the City. The original layer of stucco in 1984 was in cracked and badly leaking. The city recommended installing a second layer. Unfortunately they suggested that we hire New England Brick Master. The second layer is cement (not stucco) and was poorly installed, leading to water penetration and a shorter life. Many homeowners who have used this contractor and material have had similar issues.

Understanding the Impact of Undercapitalization On Share Values

It is important to note that the average share value \$38,365 for an individual unit has two components:

1. The amount of share value based on loan principal of \$290,000 = \$24,170 per unit.

- This was part of the original by-laws written with the advice of the City. The intent was to:
 - Incentivize the borrowing of loans for capital improvements;
 - Have the members' equity equal their cash contribution, plus the principal on the purchase loan. The equity from the loan was added over time as the principal was paid down.

2. The amount of share value based on purchase price, plus annual increases based on the area housing index = \$14,195.

- The intent is to build a small amount of equity over time.

You can see the greatest portion of share value comes from the principal on loans.

Funding PVC's renovation partly redresses the lack of City investment at the Coop's inception. Had Park View been adequately capitalized at inception, **the present share value would be \$14,195.**

If, at the conclusion of Park View's rehabilitation, there are un-spent monies, the Coop proposes to establish a fund with these resources to further reduce share buy-in costs for low-income City residents, as a corrective to the high share value.

Quantifying Park View's Contribution of Affordable Home Ownership To the City of Cambridge

Park View Cooperative has provided a significant public benefit over the 36 years that it has received zero funding from the City. The \$3,999,215 loan/grant from the City we are requesting now purchases 50 years of affordability. Based on this figure, the 36-year Park View equivalent is equal to \$2,879,434.

If you add to \$2,879,434 — all the funds we have spent on capital improvements, and what we have committed to add as part of this project — we will have provided over \$4,674,698 in total.

The public benefit we have provided, quantified above, does not include the subsidies for affordability we have offered; our sweat equity; or the amount of capital improvements going forward at \$238,000.

At the end of this project we will have spent \$2,268,264 dollars for the purchase of the building and necessary capital improvements from 1984 to 2041.

The Math for Park View's Contribution to the Public Good

PVC Public Benefit Analysis

\$2,879,434 (36-year equivalent)
+\$451,943 (capital improvements)
+\$357,321 (loan interest for purchase and completed capital improvements)
+\$500,000 (CSB loan)
+\$338,000 (CSB interest)
+\$148,000 (Cash from Park View Reserves)

\$4,674,698 Total

PVC Purchase & Capital Expenditures Analysis 1984 to Date Plus Project Contribution

\$13,500 (Member Equity Contribution for purchase)
+\$196,500 (Purchase Price financed)
+\$451,943 (Capital expenditures 1984 to Present)
+\$357,321 (Interest on loans borrowed for Purchase & Capital Improvements)
+\$500,000 (CSB loan)
+\$338,000 (CSB interest)
+\$148,000 (Cash from Park View Reserves)
+\$25,000 (12.5 year affordability commitment)
+\$238,000 (capital expenditures over the next 20 years)

\$2,268,264 Total*

**Depending on cash flow there may be additional financial commitments to affordability. PVC will also contribute significant additional funds to another 30 years of Capital Improvements.*

Park View Cooperative Financial Practices and Past Performance

Financial Management Structure

Park View has a Finance Committee, with one member of the committee serving as Treasurer. There is periodic rotation in the Treasurer position among committee members with requisite skills. The Treasurer has primary responsibility for financial oversight: assuring that expenditures have necessary authorization; monitoring of the annual budget; and for financial planning.

We have an explicit system for authorizing expenditures: based on budgeted line items; delegation of authority to the Physical Management Committee for repairs costing up to \$1500; requirement of Board approval of expenditures greater than \$1500; and the requirement of three bids for large projects unless explicitly waived by the Board.

For most of Park View's history we had a paid part time Bookkeeper, a position filled by various Park View members. In 2019 we made a major adjustment, eliminating the Bookkeeper as a paid position and establishing a system in which specific bookkeeping tasks were assigned to five Finance Committee members; this saved \$4640 annually—the functional equivalent of a \$32 increase in our monthly carrying charges. This offset any potential need to increase carrying charges (bolstering our affordability) and increased our contribution to reserves.

Annual Budgeting Process

The calendar year is our fiscal year. Our budgeting process begins in October and extends through the last three months of the year, with successive drafts presented to the Board and a final budget approved at our December Board meeting. It is the Treasurer's responsibility to develop each draft, going line by line through the operating budget to assess whether and why each item is — over / under / or right on track: so as to project spending for each line over the remainder of the year, and using this analysis to recommend a budget for the next year.

For most of our history the Treasurer first presented each draft to the Finance Committee for review and revision before presenting it to the full Board. Recently we have made an effort to engage all Board members more robustly in the process, first by forming a budget team consisting of some members of both Finance Committee and Physical Management; and then by having the full Board conduct the review and revisions of successive drafts. The Physical Management Committee and the full Board have always been directly involved in assessing our capital needs and planning our reserve spending in each annual budget.

Mortgage History

In 1994, after a succession of loans and refinancing during the first ten years of the co-op, Park View had three mortgages which would remain in place during the next two decades: a \$173,500

loan from Shawmut Bank (subsequently assumed by Fleet and then Sovereign); a \$25,000 loan from Cambridge Neighborhood Apartment Housing Services (CNAHS); and a \$67,410 loan from Boston Community Loan Fund (BCLF). The Shawmut/Fleet/Sovereign loan had a variable interest rate, and so the total mortgage payments fluctuated over time; but toward the end of the payment periods for the loans, Park View's total annual payment for the three mortgages was about \$23,000.

We paid off the CNAHS and BCLF loans in 2009, and the Sovereign loan in 2012. The result was that expenses in our annual budget were reduced by about \$8500 in 2010 and by another \$14,500 in 2013, for a total reduction of about \$23,000. We did not reduce our carrying charges based on this reduction in operating expenses; instead, a relatively small portion of the savings were used to cover increases in other budget lines, and the large majority of the savings were used to significantly increase our annual contribution to capital reserves, which more than doubled from about \$17,000 in 2007 to \$36,000 or more in 2013 and subsequent years increasing to \$40,000 plus.

Lines of Credit

From 2000 to 2017 Park View had a revolving line of credit with BCLF, starting at \$20,000 and increasing to \$60,000, for the purpose of financing share loans. This functioned as a pass through, with Park View drawing on the line of credit in order to provide share loans to members, with identical terms in the loans from BCLF.

In 2017 we terminated the line of credit with BCLF and replaced it with a \$60,000 revolving line of credit with the Cooperative Fund of New England (CFNE). While the amount was the same, the CFNE line of credit had lower interest and an option for a longer amortization period. In addition, the the CFNE line of credit allowed for capital needs and bridge loans for unit buy-outs. These options provided greater flexibility in the management of our funds.

Currently we anticipate securing a \$100,000 business line of credit with Cambridge Savings Bank (CSB) in addition to the CFNE line of credit. In the short term, the CSB line of credit will enable us to start the building upgrade project during the short interim between Affordable Housing Trust approval of funding and closings on our loans with the Trust and CSB. In the longer run, the CSB line of credit will allow additional flexibility in our management of cash flow.

Reserve Planning

In 1998 Park View hired Noblin & Associates to conduct a replacement reserve study. Based on Noblin's recommendations, we developed a 14-year reserve plan designed to address the building's most urgent needs, while keeping carrying charges affordable, in order to reach the point in 2012 where we would have paid off all of our mortgages and could substantially build

up our reserves in order to address the building's needs more comprehensively. For example, the reserve plan budgeted for boiler replacement but deferred window replacement. Following the paying off of our mortgages we followed through with a large increase in our contributions to reserves.

In 2014 and 2015 we had to replace two plumbing stacks and renovate three bathrooms, at a combined cost of about \$120,000; and shortly after that we learned that our roof needed to be replaced, which at the time we could not afford to do out of our remaining reserves. This prompted us to approach CDD and the Historical Commission initially about the possibility of funding for the roof replacement, which led to broader discussions about financing for a comprehensive building upgrade.

In 2015 we hired Tom Nutt-Powell, Capital Needs Unlimited, to do a complete capital needs assessment. CDD has received the many versions and updates based on the various project scopes discussed. His continued involvement and advice have been instrumental throughout the many phases of the project development. Tom is the author of the fully funded, 20 year capital reserve plan CDD has required and received.

Conclusion

Park View Cooperative has practiced sound financial management from the beginning. We have a strong base of knowledge, and through our cooperative work, our members have acquired the ability to read financial reports; create a budget; and plan accordingly.

We are always looking to the future, and considering ways to improve our practices and find ways to develop the capacity for new members to take part. The Cooperative Fund of New England has agreed to assist in this endeavor: by providing financial workshops for current members and materials for incoming members. Knowledge, gained through experience and training are the foundation of our success. We depend on the sweat equity of our members.



CITY OF CAMBRIDGE
Community Development Department

MEMORANDUM

IRAM FAROOQ
*Assistant City Manager for
Community Development*

SANDRA CLARKE
*Deputy Director
Chief of Administration*

KHALIL MOGASSABI
*Deputy Director
Chief Planner*

To: Affordable Housing Trust
From: Chris Cotter, Housing Director
Date: September 24, 2020
Re: Park View Cooperative Funding Request

We are providing this additional information for the Trust consideration of the request from the Park View Cooperative for an additional \$1,533,368 in Trust funding which was shared with the Trust at its last meeting. This new funding request is needed to fully fund the extensive rehab of a twelve-unit limited equity cooperative, and would be in addition to the commitment for up to \$1,394,000 made by the Trust in March 2019. When completing the plan and budget for renovations, costs were significantly higher than projected which has led to the Coop's request for additional funding.

In previous discussions, the Trust had requested recommendations for conditions to consider when discussing the additional funding request. The goal of these recommendations is to ensure that subsidy funding provided by the Trust furthers the Trust's priorities in an equitable and sustainable way.

Based on Trust feedback, staff developed additional recommendations noted below for four areas:

- Monthly carrying charges and affordability;
- Shareholder selection;
- Share transfer appreciation; and
- Monitoring and oversight.

We have discussed these recommendations with representatives from the Cooperative. There was agreement in principal in all areas other than the carrying charges and targeting affordability.

The Trust had discussed an interest in bringing carrying charges in line with other deeply affordable housing. This would involve targeting affordability as we might when creating housing to serve households in the income range of many Coop residents. We looked at increasing carrying charges over a five-year period to a target of 30% of income for a household at 35% AMI. Targeting affordability at that income level and payment ratio would be consistent with similar projects where Trust funding is being used to preserve existing affordable housing for very low-income residents. To do this we modeled carrying costs increases at 4% per year for the first five years, with subsequent increases at the 3% annual increase the Coop has shown in its projections. Increasing carrying charges and operating revenue more quickly would enable the Coop to carry additional first mortgage debt while still fully

funding all reserves, and having funds to help buy-down future share prices to protect future affordability.

However, in reviewing this approach with the Coop representatives we heard that any increase in carrying charges beyond the 3% annual increase anticipated in their projections would likely not be acceptable to the Coop. The Coop has modeled their carrying charges in a budget-based manner over the course of their existence, but plan to implement annual 3% increases beginning in January 2021.

We have not yet been able to resolve this difference. However, given our desire to bring this request back to the Trust at this meeting, we are presenting detail on both approaches and some context to help the Trust consider how significant the difference is. To illustrate the difference, staff looked at projections based on both approaches and the resulting impact on long-term operations and supportable debt. The Coop’s approach of annual increases of 3% provides adequate resources to funds operations and reserves and can support debt of \$500,000. The model we had looked at would likewise support operations and reserves, but might allow for an additional \$100,000-150,000 in mortgage debt. This might reduce the additional Trust request by 7-10%.

Unit Size	Monthly Carrying Charges		
	Current	with 3% increase	with 4% increase
1-br	\$608 / \$617	\$626 / \$636	\$632 / \$642
2-br	\$638	\$657	\$664

We have no recommendation on the increase in carrying charges, and can implement an increase that the Trust finds reasonable to include in any commitment. However, for the purposes of preparing conditions outlined below for consideration, we are noting herein annual increases of 3% per year which would ensure a Trust commitment would be accepted by the Coop. These can be modified if the Trust wants to include a different approach to increasing carrying costs.

Based on a thorough review of the operating budget and projections, with annual increases in carrying charges, the building will produce healthy cash flow each year. Operating projections include adequate reserve for capital need, operations, and debt stabilization. We believe the operating revenue is also sufficient to establish a new reserve fund for use to reduce the share value amount at transfer to assist income eligible households who might not be able to fully fund the share purchase. Share values are currently in the range of \$35,000. The Coop has also expressed its interest in using funds to write down share costs at transfer.

We recommend that the Trust subsidize the full requested amount, and require that the residual cash flow also be used to benefit the community. The options include an additional contribution to the share transfer buy-down reserve describe above, and/or requiring a portion of cash flow be used to repay a portion of the Trust loan to enable the funds to be used to support additional affordable housing projects.

Given the complications involved with repayment relative to the expected amounts and total Trust loan, we prefer that remaining cash flow supplement the share transfer buy-down reserve for use in benefitting future members.

RECOMMENDATION:

Staff recommends that the Trust approve the Parkview Cooperative's request for a commitment for an increase of \$1,533,368 to bring the total Trust commitment to up to \$2,927,368. The funds should be made contingent on the following:

Standard Trust Terms & Conditions

1. CDD staff final approval of budgets and proforma;
2. CDD staff approval of design, construction plans and specifications;
3. Firm written commitments from other funding sources as needed to complete the project;
4. An Affordable Housing Covenant acceptable to CDD staff;
5. Loan advances shall be made only for approved project costs in accordance with the Loan Disbursement Agreement to be entered into at closing;
6. Standard Trust terms and conditions, including but not limited to:
 - a) Loan(s) will have an interest rate of 3% compounding, or such other rate approved by CDD Staff, and a term of 50 years;
 - b) Interest shall accrue, but principal and accrued interest shall not be due and payable until the end of the term. If, prior to maturity, loan term is extended, the accrued interest shall either be waived, at lender discretion, or deferred.
 - c) Loan(s) will be subject to a penalty rate of 8%. The penalty rate is only applied upon violation of the affordability restriction.
 - d) All loans will be non-recourse.

Additional Terms and Conditions

1. Affordability and Carrying Charges

- a. Carrying charges to be increased 3% annually, with increases documented to CDD;
- b. Create separate reserve accounts for the following:
 - i. Capital Reserve – funded at \$9,600 first year with 3% annual increase;
 - ii. Operating Reserve – funded at \$2,000 first year with 3% annual increase;
 - iii. Refinance Reserve – funded at no more than \$2,000 annually;
 - iv. Share Buydown Reserve Fund to be used to permanently reduce the cost of share purchase for future cooperative members – funded at a minimum \$5,000 annually;
- c. Any residual cash flow beyond payment of approved operating costs, debt service and reserve contributions shall be contributed to affordable housing through either:

- i. Additional contribution to the Share Buydown Reserve Fund; or,
- ii. Repayment of the Trust loan.

2. Shareholder Selection

- a. Income eligibility for new shareholders shall be set at City 80% of Area Median Income (AMI);
 - i. income eligibility for family members under the Coop's share purchase option shall be set at 95% AMI;
- b. CDD approval of a written shareholder selection plan that includes:
 - i. outreach targeted to Section 8 voucher holders and households who would be eligible for Section 8 vouchers;
 - ii. Preference system shall include the following:
 - iii. Cambridge resident preference for all units;
 - iv. Preference for families with children for two-bedroom units;
 - v. Preference for households with a Section 8 voucher, or who would be eligible for a Section 8 voucher until at least 3 such members have been selected;
- c. Provisions to ensure that new shareholder selection contribute to the racial and economic diversity of the Coop;
- d. Provisions to ensure that new shareholders are willing to meet the obligations of cooperative membership, including participating in the work of managing the building;
- e. Provisions for a Trust designee to have an active role the shareholder selection process to ensure selection follows the approved plan, and which shall include review of applications, observation of interviews with prospective shareholders, and making recommendations for City approval of new shareholders;

3. Share Transfer Appreciation

- a. Exclusion of all mortgage principal payments for any financing associated with this project, including the proposed CSB first mortgage or any additional mortgage financing;
- b. Establishment of a Share Buydown Reserve Fund for use to reduce the share buy-in costs for new shareholders by agreed upon amounts;
 - i. Use of Share Buydown Reserve Funds shall permanently reduce the value of shares by amount approved by CDD and which shall not be recoverable by the Cooperative or the shareholder in any subsequent sale or transfer of the share.

4) Monitoring and Oversight

- a. The Coop shall enter into a Monitoring Agreement, satisfactory to the Trust, which includes but is not limited to the following:
- b. Annual report to be submitted for CDD for approval which shall include:
 - i. prior year income and expenses;

- ii. current year income and expenses;
- iii. proposed annual budget which shall include:
 - a. proposed carrying cost increases;
 - b. proposed uses of Capital Reserve, Operating Reserve and Refinancing Reserve funds;
 - c. detail of any proposed capital work to be undertaken;
- c. Provision of any other information relating to the operation or finances of the Coop as requested.
- d. Creation and maintenance of separate reserve accounts for Capital Reserve, Operating Reserve, Refinance Reserve, and Share Buydown Reserve;
- e. CDD approval of any withdrawal or combination of withdrawals from Capital Reserve account totaling more than \$5,000 or other higher amount determined by CDD per year;
- f. CDD approval of any withdrawal or combination of withdrawals from Operating Reserve account totaling more than \$2,500 or other higher amount determined by CDD per year;
- g. CDD approval of any withdrawal from the Refinance Reserve account;
- h. CDD approval of any withdrawal from the Share Buydown Reserve account;
- i. Notification of filings with the Secretary of State;
- j. Provision of a new or updated Capital Needs Assessment and/or building inspection upon request from CDD;

All other Terms and Conditions from the March 2019 Trust commitment not otherwise modified by these Terms and Conditions shall remain in effect.



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: The Affordable Housing Trust
From: Christopher Cotter, Housing Director
Anna Dolmatch, Housing Planner
Janet Haines, Housing Planner
Date: August 6, 2020
Re: Park View Cooperative Request for Additional Funding

The Park View Cooperative is a twelve-unit limited-equity coop located at 24-26 Corporal McTernan Street in Cambridgeport. The coop was created in 1984 as part of the City program to assist tenants in purchasing their buildings during rent control. The coop was created without any public funding other than a second mortgage from CNAHS that was fully repaid.

We are attaching to this memo, material the Coop has submitted in support of its request to the Trust.

Overview

The building was built in 1908 and is considered historically significant. At the time of conversion to a limited-equity coop, very little rehab work was done. While the coop has completed some rehab projects over the years, they currently have significant rehab needs. As you may recall, the Trust approved a loan of up to \$1,394,000 in March 2019 to assist the cooperative with this project.

The Coop is requesting additional funding to more than double the amount of Trust subsidy in the project. The Project Review Committee has reviewed the request. The PRC reviewed the details of the new request and changes in project costs, specifically reviewing increases in construction costs and available opportunities to leverage other funding sources to reduce the current funding gap. However, there were few concrete recommendations there beyond those suggested by staff, and discussion then touched on the principles the Trust should consider for this type of request, including:

- preservation of existing affordable housing;
- ensuring long term-financial viability, use of public funds and participation of residents in sustainable resident-controlled housing;
- promoting broad access to Trust-funded housing and ensuring diversity in resident selection processes.

As this discussion transcended the specific review of the funding request, the PRC suggested that the request be forwarded to the Trust without a recommendation for a broader discussion of the policy approach of the Trust to this request.

Current Needs and Construction Costs

The scope of needed renovation work includes replacement of the roof, exterior stucco, and all windows with historically-appropriate materials; additional insulation throughout the building; new electrical service to the entire building and replacement of all knob-and-tube wiring; plumbing stacks; new kitchens and baths for most units; new sewer lines and required sitework; and installation of a sprinkler system. All work, other than kitchens and baths, is an immediate need; it is most efficient to do all the work in one phase. This rehab will address major capital items that were not updated when the building was converted to affordable housing.

The initial budget for this work was based on estimates and not a full bid with finalized design and mechanical drawings. The initial budget was \$2,202,843 with hard costs at \$1,900,000. With the aid of a contractor and architectural firm, the scope has been more fully developed and undergone a full bid process with confirmed subcontractor pricing. The revised budget is now \$3,714,764. Staff have reviewed the scope and budget and feel it is appropriate for this work in the current market. The Coop is therefore facing a funding gap of \$1,533,568.

We have requested that the Coop review a range of value engineering projects to reduce project costs. Some of these options would impact the historic elements in the building, reducing access to a \$100,000 grant committed by the Cambridge Historical Commission. However, the potential savings would not be significant, and would change the exterior of the building significantly by removing much of the historic building envelope materials.

Staff have worked extensively with the Coop and their development consultant to leverage other funding sources to cover the costs. The coop ownership structure makes it difficult to use any form of tax credits, as the coop would need to transfer ownership to another entity, which would fundamentally alter the resident-ownership model. They also consulted with state funding sources including DHCD and CEDAC, who both stated they did not see a path for the project to receive funding.

Cambridge Savings Bank (CSB) has provided a letter of interest to provide conventional financing for the project. This would be a loan secured by a mortgage on the entire building. CSB has provided a letter of interest to provide the requested \$500,000. Taking on new “blanket” mortgage financing to undertake rehab is an approach that has been successfully used by other coops.

We have reviewed the operating budget to determine if additional debt could be carried. An increase of \$100,000 to a total of \$600,000 is possible without increasing the number of shareholders who are cost burdened, discussed more below. The debt service coverage ratios for the increased loan would be sustainable at current revenue levels and would become more so over time.

Current sources and uses are:

Source	Amount	Use	Amount
First Mortgage	\$ 500,000	Hard Costs	\$2,723,771

Historic Grant	\$ 100,000	Contingency	\$ 408,565
Reserves	\$ 148,000	Soft Costs	\$ 582,427
MassSave	\$ 39,106		
CAHT Commitment	\$ 1,394,000		
CAHT New Request	\$ 1,533,658		
TOTAL	\$ 3,714,764	TOTAL	\$3,714,764

The TDC per unit is \$309,564.

Issues and Recommendations

Affordability and Carrying Charges

Current carrying charges are less than \$650 for each units, which is affordable to households earning approximately \$26,000 per year. Of the twelve shareholders, only one earns more than 80% AMI. The estimated median income is slightly less than 40% of AMI, with many shareholders living on Social Security. Even with low carrying charges, one-third of shareholders are cost burdened. Other shareholders pay low portions of their income for housing. This is similar to affordable ownership, where costs remain relatively fixed as incomes increase or decrease over time, compared to rental programs with annual recertifications and ongoing rent adjustments.

The coop has invested in ongoing maintenance, but the amount of work required to address rehab needs precedes the creation of the coop. Even if the coop had significantly higher reserves, the amount of work needed to preserve the building would require new subsidy.

The coop model does not support having income-based carrying charges, so that approach would require a shift towards a rental housing model and would be a significant change for the coop. This may also impact the operating revenue as shareholders retire or otherwise have lower incomes. The coop is concerned about changes to carrying charges causing displacement of very-low income residents, both current and future.

The 2019 Trust funding commitment required that the coop continue to increase carrying charges at a reasonable rate. However, carrying charges have not been increased for at least two years. Any additional funding could be contingent on benchmarked increases to the carrying charges to ensure that the coop is sustainable while minimizing the risk of displacement. Options could include a combination of the following:

- immediately increase carrying charges by 3% or CPI change for 2019 or some other reasonable increase;
- requiring an indexed increase annually as of a certain date (e.g. January 1 or July 1). Index could be straight percentage or tied to benchmark such as AMI or CPI;
- requiring an increase that aligns with median coop income;
 - a portion of increased revenue could be set aside to internally subsidize very-low-income shareholders who might otherwise be displaced by the increase;
 - when units turn over, new shareholders would need to have sufficient income to afford the charges at the higher level or have a voucher;

- this is not sustainable if too many residents require subsidy to pay the required carrying charges, and so could still result in residents being cost burdened.

Shareholder Selection

The 2019 Trust commitment is contingent on the Coop developing a shareholder selection plan that includes outreach to rental voucher holders. In previous conversations, the Trust members expressed a desire to increase the likelihood that future vacancies will be filled by voucher holders.

Other limited-equity coops have shareholder selection policies that align with this goal, while providing flexibility for the unique needs of housing cooperatives. Options include:

- requiring selection process to include preferences for voucher holders and/or certain income levels prior to offering share to next groups (e.g. voucher holders or households earning less than 50% AMI are highest priority);
- setting secondary preferences to align with Trust goals and/or additional equity goals;
- documenting required outreach and request assistance from CHA to ensure CHA voucher holders and CHA applicants are aware of new shareholder selection opportunities;
- including Trust representative (or designee) in shareholder selection process including interviews;
- lowering the maximum income from 95% AMI to 80% AMI, except in cases of surviving non-owner spouse or share transfer from deceased owner, to resident household member which would remain at 95% AMI;
- requiring coop to amend their by-laws as necessary to incorporate changes.

We recommend that the preference for voucher holders not be a strict requirement. Other coops with this preference use a model that provides that if they are not able to find an eligible shareholder with a voucher, they notify the City and the CHA. There would then be additional outreach, or the search would move to the next preference group. This process would incorporate feedback from both the City and the CHA. Other coop selection processes also have different requirements depending on how many units are currently occupied by “highest priority” households, with more stringent requirements when the ratio drops below a certain level, for example if fewer than 3 of 12 households are very low-income or have a voucher.

Demand for coop units has typically not been as robust as for housing in other affordable programs. The coop’s consensus and shared work model requires a large investment of time and process. In addition, the low carrying charges may mean that as soon as a voucher holder buys in, they may no longer qualify for subsidy and could lose the safety net of the voucher. Park View members have raised concerns about the ability of a voucher holder to afford the buy-in price with or without a share loan. We continue to work internally and with the CHA to understand how best to support a voucher holder purchasing in a coop. The is shared desire and agreement between staff, CHA and coop residents to fully explore how voucher holders can be offered housing at Park View when units are available. However,

there are currently no vacancies. Staff are working with CHA and residents to determine how this could be accomplished.

Share Transfer Appreciation

Currently, each share transfer price is estimated to be in the range of \$35,000. The share appreciation formula currently has three factors:

- Initial share buy-in price adjusted by the change in CPI from date of purchase;
- Capital improvements in the unit, capped at \$200 per year;
- Principal amortized on blanket mortgages paid by the corporation, based on the amount attributable to the unit.

The Coop is currently working with Cambridge Savings Bank to secure a \$500,000 blanket mortgage with a thirty-year term. Under the current appreciation formula, this would add an average of \$41,667 to each share price. Our analysis shows that the Coop could increase the loan to \$600,000 with a small impact on monthly carrying charges. Coop residents are concerned about how an increase in the CSB loan would impact future affordability. We recommend that the CSB loan be increased so that the Trust request can be reduced accordingly, and that the appreciation component relative to this loan be altered to reduce the impact on future affordability.

The current share appreciation formula is inverse to the depreciation of the work funded by the loan, giving the current shareholders more and more value for work (as the loan is repaid) that is closer to the end of its useful life. This is the opposite of how capital improvements are valued in affordable ownership units. The current model has no provision for improvements or maintenance funded through monthly charges or reserves but all costs other than interest for work funded through a repayable loan..

As we look at the impact of a new mortgage on share value, we agree with the concern about future affordability, and find these provisions from the 1980's counter to current best practices.

While some limited equity cooperatives use the principal amortization factor, none have taken on a mortgage of this size. Some coops use a portion of the carrying charges as a factor in the share price appreciation. This is intended to provide a partial reimbursement for what the portion of the carrying charge that is invested per share in the reserves and improvements.

For example, several other limited-equity coops use 8.34% of the monthly carrying charges. A change to a similar formula at Park View would shift a portion of the costs of the current rehab loan from future shareholders to the current occupants.

For example, at the end of 30 years under the current model, each share price would increase by \$50,000 for payment of a \$600,000 mortgage. Under the alternative model, assuming increased carrying charges each year, this factor would increase share prices by approximately \$17,000.

Any additional funding commitment could be contingent on changes to the share price formula used by the coop. Options include:

- changing the principal amortization factor to either:
 - substitute a portion of the monthly charges;
 - cap the amount that can be recovered;
 - exclude all or a portion of the CSB loan for this project;
- capping the overall share price to be tied to a factor such as AMI or CPI; or
- depreciating value of any work completed.

Monitoring and Oversight

We recommend that any additional funding be contingent upon entering into a monitoring agreement with the Trust through the Community Development Department. In addition to participation in the shareholder selection process, we recommend that oversight include:

- regular review of Coop finances and budgets, including operating and capital reserves;
- approval of annual carrying charge amounts;
- requiring and reviewing updates to Capital Needs Assessment as requested to ensure sustainability;
- provision of any other information as requested.

We also recommend that the Trust require that a monitoring agreement include steps to be taken if the coop's finances are unsustainable, including requiring that the next vacant unit(s) be purchased by the coop and rented to a tenant with a mobile voucher paying Fair Market Rent; oversight by a non-profit housing provider; or in the case of financial infeasibility, transfer of the property to another entity for continued operation as affordable housing.

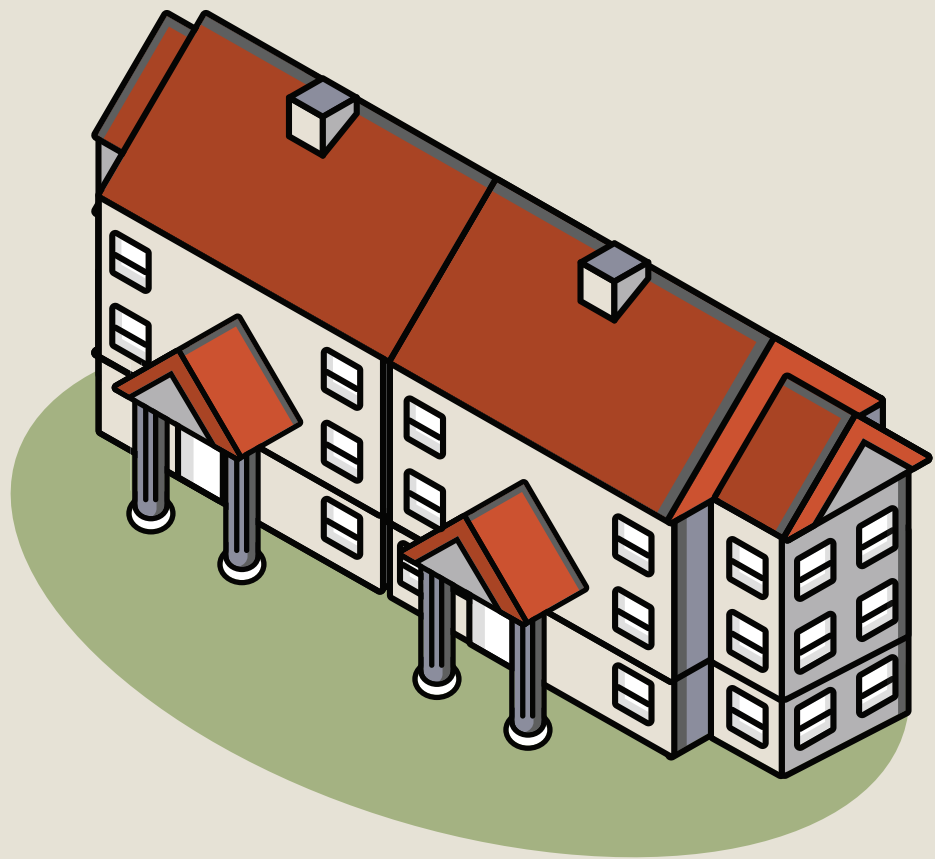
Summary

Limited-equity coops are a unique part of the affordable housing stock in Cambridge. Coop shareholders are not able to access individual mortgages or home equity financing. These units are also not eligible for most affordable housing subsidy programs without altering their very nature as cooperatives. The work on this building cannot be completed without significant public subsidy. As noted, this will be the only public subsidy invested in the project over almost 40 years. The rehab needs of the building are extensive and will require a significant amount of public funds given the limit of what the coop can afford based on the income of most residents there.

The Coop has committed to putting a new Affordable Housing Covenant on the building that will ensure an additional 50 years of affordability, with the ability to extend that restriction further

The Project Review Committee is requesting that the Trust review the issues raised by staff and in its discussion of this request and provide input on appropriate terms and conditions if the coop's request for additional funding from the Trust is approved.

Affordable *Ownership* at Park View Cooperative



PROJECT UPDATE FOR CAMBRIDGE AFFORDABLE HOUSING TRUST

Cambridge, Massachusetts
July 20, 2020

PROJECT UPDATE FOR CAMBRIDGE AFFORDABLE HOUSING TRUST

We are pleased to present you with updated information on the rehabilitation project of the Park View Cooperative, located in the historic building at 24–26 Corporal McTer-nan Street in Cambridge. The limited equity structure of Park View Cooperative pro-vides *lasting affordability*, *wealth creation* for families of limited income, and *communi-ty stabilization*.

We are including support letters from our team of talented and dedicated people working to see this project through, in challenging pandemic times. The numbers in the updated budgeting document, prepared by our independent project manager Alan Zimlicki, an expert in affordable housing development, are in alignment with current construction and rehabilitation costs for Cambridge.

Throughout this development process we have made significant investments of time and money. Park View has taken on substantial risk to see this project to its comple-tion. We have spent approximately \$206,000 to date on soft costs. The bottom line, however, is that we have a deficit of approximately \$1.4 million dollars in necessary funds. All other potential funding sources have been explored and exhausted.

We have outlined in detail some of the primary consideration we think the Trust will want to weigh in deciding whether to extend the additional funds to our unique 100% affordable cooperative.

Section 1: The Benefits of Affordable Co-op Housing Ownership vs. Affordable Rental

Park View was established in 1984. Since then, our members have managed, main-tained, and preserved the building for low- and moderate-income individuals and fam-ilies, with no financial assistance from the city. We are self-managed: doing this work together creates a strong sense of community with a responsibility to each other and our surrounding neighborhood. Those who choose to move on leave with a small nest egg for a down payment on a home as well as management experience. Others choose to remain for most of their lives. We have succeeded in providing stable housing at fair prices for a diverse community of people, all while remaining financially solvent despite the major life events of our members and community at large. We have endured de-cades of societal change, and the increasing costs of housing and repairs in a city that is now one of the wealthiest in the world. Our ability to continue our work is now at risk without your help.

As an affordable *ownership* housing cooperative, unlike affordable rentals or condominiums, there is a fiscal and legal responsibility to our member-owners. We must consider the interests and needs of all members, *especially those with the least means* and take into account how incomes change over their lifespans. Members often buy in early in their careers when their incomes are low, and while over time their incomes may rise, when they retire resources drop again. We do not have market-rate units, and because we have to manage our own risks, we must work to maintain our reserves without expecting other members of low means to subsidize those of relatively less means.

The people we are protecting include member-owners who live on fixed incomes due to employment losses, retirement, and disability. We also recognize a constant duty to not only our current members but to future members, whose circumstances we have no way of predicting. If we make the wrong financial moves, fewer people will be able to move in, and more people may be incentivized to leave.

Unlike the costs for condominiums or rentals, our reasonable carrying charges and self-management means that we have been able to weather a storm of changes, such as the 2008 recession and the current pandemic. This combination of fiscal responsibility, self-management, and sweat equity has also allowed us to invest over \$500,000 in improvements to the property.

Section 2: The 30 Percent Income Ideal does Not Fit a Small Limited-Equity Coop

The 30% percent income standard that is typically considered ideal when measuring people's ability to afford rental units does not work when applied to a small affordable-ownership cooperative with only 12 units because we cannot accommodate fluctuating incomes like a much larger complex or plan for the future based solely on the incomes of current members.

If we financed this project based on a 30% standard and a higher income member moved out while a lower income individual moved in the remaining members would then have to pay more than 30%. This could have a significant impact on the member-owner of the least means. It could also act as a disincentive for the Co-op to sell to eligible Section-8 holders-and low-income individuals. This would be in direct conflict with our charter: providing affordable housing for *all* eligible applicants.

The City has also stated they wish to see prospective residents on Section 8 be considered for not just rental but also buy-in at Park View. As stated above, adopting the 30% standard would be a disincentive to selling to low income individuals and certificate holders and would undermine the policy goals of the Housing Trust. As an organization we also have to consider what the housing burden would be when Section 8 certificate holders are no longer eligible. A Section-8 holder, at the upper limit of eligibility would be paying approximately 27% of their income at our current monthly carrying charges plus a share loan (that helps with the buy-in cost for a unit), when no longer holding a certificate.

Section 3: Financing Considerations Related to Increasing the Loan Amount

Park View's share valuation formula adjusts according to the housing index and principal paid on loans. Its current form was created in consultation with the City at the Co-op's inception in the 1980s and makes sense from a policy perspective as it incentivizes taking on a loan to keep up the building. The principal taken out on a loan is added to the value of the shares. This increase in the value of the shares may negatively impact the affordability of the buy-in. We have to weigh the increasing cost of buy-in against the need for more funds.

Park View has committed to a 3% increase in carrying charges once construction is completed. We are an aging-in-place community, with most member-owners on fixed incomes, and several on unemployment due to the pandemic. Carrying charges at present levels have protected the most vulnerable of our Co-op community. Our building upgrade project has been predicated on the basis of remaining affordable for our most vulnerable. Adding to the loan is likely to lead to increased carrying charges. ***Any substantial increases in monthly carrying charges in the future are not viable.*** It would also limit the ability of current and future families to save in order to purchase larger units as previous members with children have—including a number of single mothers who have been able to acquire homes through the first-time home buyers program.

Park View is committed to a \$500,000 bank loan at the request of the City. An increase in the size of this loan will have a deleterious effect on future buy-ins when residential units turn over, as share value increases as loan principle is paid. This additional buy-in costs along with the need for a larger share loan prohibits ownership for low income individuals/families.

Section 4: Maintaining a Resilient Community Even During COVID-19

Living through the pandemic and the corresponding financial crisis has dramatically heightened the vulnerability of our community. The member-owners cannot bear the burden of additional debt and also continue to thrive as a resilient community. The long-term success of Park View has been based on a formula of fiscal responsibility, self-management, and sweat equity. Any additional debt burdens will keep us from remaining resilient as we endure the pandemic and prepare for other future economic/environmental/health disasters.

Conclusion

This project has two historic components. One is preserving our wonderful building in its ideal location. The other is preserving our unique affordable *ownership* model and the way of life it permits—a model of self-sufficiency and collaboration for people at all stages of life. Park View Cooperative is already incredibly grateful for the \$1.394 million the Affordable Housing Trust has awarded for our renovation and for the willingness to consider additional funding. We are excited about our partnership and believe our collaboration with you all will serve as an exemplar for preserving limited equity co-op ownership. The support from Cambridge Community Development has been fundamental to our success and will continue to be.

When considering what additional resources Park View can commit to the project we have thought hard about what has sustained us. These are the values we practice:

- *Affordability*, for the most vulnerable members;
- *Resiliency*, having financial resources to weather social and economic crises;
- *Community*, creating a culture of support and ability to self-manage; and finally
- *Stewardship*, of our building, our land, and our unique place in Cambridge.

Thank you for all you have done to further this mission so far and for the additional help you might be able to provide.

July 20, 2020

Park View Cooperative
24–26 Corporal McTernan Street
Cambridge, MA 02139

Cambridge Affordable Housing Trust
Louis A. DePasquale, Chair
344 Broadway
Cambridge, MA 02139

**Re: Structuring a Design Conversation to Implement New Affordability Programs at
Park View Cooperative**

Dear Trust Board Members:

We were encouraged by recent interactions with various city and community stakeholders as we near finalization of the Park View Cooperative Corp.’s renovation project planning. It has been communicated to Park View that formalizing our selection process and accepting section 8 certificate holders are fundamental to secure funding from the Trust. We have a strong desire to work through these issues with the trust and these stakeholders—collaboratively. We think that the funding of our full and reasonable project scope is in everyone’s best interests.

The conditions to get there require further refinement and conversation. We are writing to get additional information so that we can finalize a clear governance framework and ensure long-term affordable *ownership* to more people.

We are requesting that the Trust and the City engage in an active conversation with us so that we as stakeholders can design how to meet these conditions.

The two topics that are necessary for discussion include: (1) how we might be able to incorporate people living through Section 8 programs; and (2) what approaches we can take to develop a new ranking system for incoming members that can balance the self-governance and financial requirements of Park View with the needs, resources, and abilities of potential members.

We have worked aggressively to address and understand the Trusts requests regarding section 8 and tenant selection and what opportunities and obligations these may impose. Without more guidance from the Trust and the other stakeholders, however, it

will be nearly impossible for our Board, which strives for consensus on major issues like this whenever possible, to make a clear offer. We do not currently comprehend how addressing the above issues will help or hinder our affordable *ownership* mission, and what are the responsibilities we are accepting.

A Necessary Conversation Surrounding Incorporating Section 8 Certificate Holders as Members

The Section 8 program offers many opportunities, but it also confusing how this will work as Cambridge does not have a section 8 homeowner program. In our discussions with Hannah Bolcome and Zachary Gordon, it is not clear how this program will be implemented. The design conversation that we would like to have includes some of the following topics:

- The problems associated with adding Section 8 rental units vs. the opportunities of incorporating Section 8 member/owners;
- How Section 8 could help cover share loans for the purchase of shares and whether there are meaningful ways of dealing with the costs associated with carrying charges vs. share loans;
- What amounts we might actually receive from the Section 8 program to accomplish these various aims;
- Dealing with the burden on Section 8 holders when they come off the program and are already paying 30% of income when there are further increases in carrying charges;
- Plans for coping if Section 8 subsidies are ended by the government—a non-speculative risk;
- Plans for coping if section 8 certificates are ended due to administrative action;
- Structuring the agreement for Section 8 consideration between the Trust and Park View; and
- Interfacing with Cambridge’s Section 8 program, which may limit what we can do.

Beyond Section 8, we also have concerns about how we can evolve some of the City’s tenant-selection criteria into our governance structures.

An Essential Conversation Regarding Member/Tenant Selection

We see no reason why our current member/tenant selection could not evolve. The criteria that we use today already largely conform to what we perceive the Trust might want from us. We do, however, have long-standing legal obligations to our shareholders and need to understand what exactly the city is asking for to make an informed decision about what we are agreeing to do and to give up.

We also need to make sure that these people are prepared to handle the, at times, burdensome work of self-managing a 12-unit residential building. The policy implications are great, and we do not want to overburden new members or to fail to accept members who will be great additions to our community.

Some of the topics that deserve to be addressed in our design conversation include:

- How to properly provide for housing for families given our limited number of larger units, including how we can adopt/change the City's point-based system for housing inclusion;
- How to ensure that co-op work can be required and managed by incoming members;
- When it might be appropriate to permit an individual or small family to occupy a larger unit;
- Structuring the agreement for Section 8 consideration between the Trust and Park View;
- Providing precision as to the actual income requirements and ranges the city wants prioritized; and
- The nature and extent of the Trust's involvement in member selection.

Please know that this letter reconfirms Park View's commitment to work with the various stakeholders in this project and reach an agreement. We would suggest that we convene a video conference with all the city stakeholders, our lawyer, and the development team from Park View to address some of these specific issues that, can then be taken to our full board of directors for a binding decision.

Sincerely,



Catherine Tutter
President

cc: Anna Dolmatch (adolmatch@cambridgema.gov), Chris Cotter (ccotter@cambridgema.gov); Janet Haines (jhaines@cambridgema.gov); Hannah Bolcome (hbolcome@cambridge-housing.org); and Zach Gordon (ZGordon@cambridge-housing.org)

Memorandum

To: Affordable Housing Trust

From: Park View Cooperative

Date: 7/20/20

Subject: A framework to achieve the policy goals of the Housing Trust

Considering the Trust's most recent requests and the additional conversations had with members of Community Development we now understand that both the building and our community are being transformed. Significant time, in collaboration with the city, has been devoted to developing the necessary plans and determining the costs related to upgrading the building — *Less so the changes required to meet the policy goals which entail major changes to our business practices; rights of members; wealth creation and allocation of time and financial resources to guarantee lasting affordability.*

The coop's success rests on the values we practice:

- **Affordability**, for current and future members regarding carrying charges and share purchase
- **Resiliency**, having the financial resources to weather social and economic crises; and to assist the most vulnerable members of our community
- **Community**, creating a culture of support and ability to self-manage, and understanding our responsibilities to the residents of our city
- **Stewardship**, of our building, our land, our unique place in Cambridge and our mission to preserve affordable cooperative housing for generations.

The practice of these values deliver the public benefits so important to our low/moderate income residents and the City government; *lasting affordability; wealth creation; and community stabilization.*

The template being created by the development process we have gone through, will be applied to future limited equity coop projects. So it is essential to perceive the opportunities and costs associated with meeting the Trust's and the City's policy goals; and how best to achieve them.

Considering member selection and support; share value formulations; share values; and share loans—must be part of the conversation to achieve a successful program. The changes required of the Park View Community must be comprehended, quantified and valued: not all come with a dollar amount, but they are all substantial.

The Park View Cooperative Board is considering a number of options, in lieu of a larger loan, that we believe best serve the policy goals of the Housing Trust; are in accordance with our values, practices goals, and are the best uses of our additional resources. These include:

- **Member Selection:** new selection criteria, working with the section 8 program and providing new member support.
- **Share Value Formula:** Reevaluate the adding of principal on loans to the value of shares.
- **Share Values:** Taking a loss on the resale of shares to maintain long term affordability.
- **Share Loans:** Allocating funds to the cash reserves for the purpose of giving out very low percentage to no percentage share loans to incoming members.

We are grateful for the trust and goodwill shown by all the people affiliated with the city that we have worked with. It is exciting to create a new way to preserve limited equity coops together.

cc: Chris Cotter, Anna Dolmatch, Janet Haines

FUNDING ISSUES AND STRATEGIES — Park View Cooperative

1. Contributions to Reserves for Replacement			
<i>Year 1 Opening Contribution</i>	\$9,600	\$800	per unit
2. Reserve Balance			
Assumes opening balance of	\$80,000	\$6,667	per unit
3. New capital			
Year 11	\$72,500	\$6,042	per unit
4. Deficits if no new capital			
First deficit in Year 11	\$5,184	\$432	per unit
Deficit increases to Year 15	\$75,400	\$6,283	per unit
Deficit continues to Year 20	\$23,543	\$1,962	per unit



Park View Project Options

	Materials	Installation	Total	Longevity	Maintenance	Lead Time	Notes
Roofing							
Red slate			\$153,000	over 100 years w/ copper nails.		8-10 months	weather - 6-7 week job
north country slate			\$114,000	over 100 years w/ copper nails.		immediate	weather - 6-7 week job
Asphalt			\$85,000	20		immediate	3 week job
Siding							
Stucco			\$173,000	70	watch cracking and repair		installation time the same
EFIS			\$140,000	50			
Hardie Board			\$70,000	35	painting		
Windows							
Marvin Integrity	\$162,000	\$51,000	\$213,000	30 years +	painting interiors		fiberglass exteriors, wood interiors, apparent divided lites
Marvin Essential	\$137,000	\$51,000	\$188,000	30 years +			fiberglass exteriors and interiors, single-lite sashes
Kitchens							
Doing them later			\$50K-\$100K				duplicate plaster, painting, electrical work

Low-Income Multifamily Energy Retrofit Program Incentive

July 17, 2020

Dear Dennis Friedler,

Action for Boston Community Development, Inc. (ABCD), the administering agency for the Eversource Gas and Electric Low Income Multifamily Energy Retrofit Program, has completed its cost effectiveness review of **Parkview Cooperative**. ABCD has approved, subject to final completion and inspection, incentives for **weatherization and heating systems** in the amount of **\$39,106.30**. The energy efficiency measures need to be installed before December 15, 2021 to receive the aforementioned incentive.

Thank you for participating in the Low Income Multifamily Energy Retrofit Program.

Regards,

Billierae Engelman

Billierae Engelman

Manager, Low Income Multifamily Energy Retrofit Program

Action for Boston Community Development, Inc.
Robert M. Coard Building
178 Tremont Street
Boston MA, 02111



c o n s t r u c t i o n i n c

July 15, 2020

Cambridge Affordable Housing Trust
Community Development Office
344 Broadway
Cambridge, Massachusetts 02139

RE: Park View Cooperative Corp. Construction Planning and Funding

Dear Board Members:

I am the owner of S+H Construction Inc. Park View Cooperative invited us to bid on their project in early 2018. We bid again in the summer of 2019, as more details were defined. Our bid was chosen among several to do the project, dependent on the Co-op being able to secure the remaining funds needed to proceed. Since then we have signed a pre-construction agreement and have are working closely with the Coop to finalize construction plans, including doing value engineering, We are writing here to express our strong encouragement to proceed with full funding.

As I'm sure you know, the components of construction are deeply intertwined, and there would be additional costs associated with doing some of the work later. For example, the building is in immediate need of an electrical system upgrade, which requires rerouting wires in all of the apartments. If the kitchen and bath renovations are delayed, and those walls remain closed, the upgrade could not be completed as planned. The work-around to keep the kitchens and baths energized would cost tens-of-thousands of dollars. And the additional disruption to residents and neighbors would be months.

Other reasons for higher costs in a bifurcated project include the lack of bulk savings in materials, opening up walls more than once, the fixed costs of starting up new projects, and the difficulty of assembling new teams who may not know some of the underlying intricacies learned about the building in the first instance.

The building requires attention at this point in its life, so that it can last for many more years. The benefit, aside from revitalizing a beautiful building in the neighborhood, is increasing energy efficiency – a new HVAC system, windows, and insulation will make a huge difference.

We are experienced in projects of this scale, and are ready to start with a few weeks notice. Our Covid protocols are in place, and we have multiple projects going in Cambridge, so we are experienced with Cambridge Covid processes. I hope that you will strongly consider fully funding the shortfall.

Sincerely,

A handwritten signature in blue ink that reads "Sarah Lawson". The signature is fluid and cursive, with a large initial "S" and a long horizontal flourish at the end.

Sarah Lawson
President

Cc: Park View Cooperative

CAPITAL
NEEDS
UNLIMITED

July 13, 2020

Mr. Louis A DePasquale
Chair, Cambridge Afford Housing Trust
795 Massachusetts Avenue
Cambridge, MA 02139

re: Park View Cooperative

Dear Mr. DePasquale:

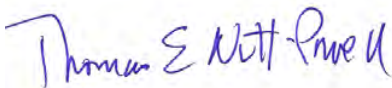
I write regarding the capital needs of the Park View Cooperative, now and for the future. This communication is prompted by my work with the Coop over the past few years, beginning in 2015. The Park View Cooperative is a unique property, special in its approach to ensuring continued affordable housing.

I have attached several documents relative to projected capital needs, with particular attention to the impact of not including kitchen and bathroom work in the *Renovation Scope*. The documents include (1) 20-year projection of Capital Needs by system by year and (2) the 2015 Photo Record of conditions at Parkview as well as (3) a summary of the qualifications of CNU, including my professional experience.

The bottom line relative to deferring kitchen and bathroom work is that the Coop's *Reserves for Replacement (RR)* account will be in deficit beginning in Year 11, meaning that many actions (including kitchen and bathroom work shown in Years 11 and following) cannot be done. Further, given the large amount of work done in the *renovation*, there will be significant capital needs in Years 21>25+, also unable to be addressed. As shown on the next page, new capital of \$72,500 (over \$6,000/unit) in Year 11 would permit capital needs to be addressed with the *RR* balance staying about \$0 in all years, though dropping to only \$44 in Year 15. A key question is the source of this new capital.

A couple of other comments. Selecting long-life materials and treatment is always sensible, along with energy-efficient approaches. Thus standard stucco and slate roofing a wise choice, along with the conversion from steam heat to high-efficiency hydronic heat generation and distribution.

Sincerely,



Thomas E. Nutt-Powell
President



Cambridge Affordable Housing Trust
344 Broadway
Cambridge, MA 02139

Dear Board Members,

The Cooperative Fund of New England is a Community Development Financial Institution, certified by the U.S. Treasury, and lending to cooperatives since 1975. We approved a loan to Park View Cooperative in 2017.

We recognize that cooperatives are a tool for economic justice, creating ownership and financial stability to populations that have historically been denied access to both. Limited equity cooperatives provide some of the most affordable housing available, due to their unique structure in which many residents share the costs of purchase and the costs and responsibility for maintaining the property. Indeed, in today's housing market, cooperatives are one of the few options accessible to many working people.

We understand that Park View is willing to extend the opportunity for home ownership to those whose income is lower than that currently required to meet the co-op's income guidelines, and we applaud their commitment to expanding affordability.

As a lender, we would be happy to consider a request to increase our Line of Credit to the co-op so that, if necessary, they can increase the size of the loans they make to incoming members to help them purchase shares in the co-op. We are also prepared to work with the co-op to provide or refer resources to educate their members so they can make informed decisions based on an understanding their finances and maintain their strong government structure.

The work of the Cambridge Affordable Housing Trust has been critical in allowing residents to stay in Cambridge, and we thank you for your ongoing work with, and commitment to, limited equity housing cooperatives such as Park View.

Sincerely,

Maggie Cohn, for the Cooperative Fund of New England



July 10, 2020

Mr. Dennis Fielder, CoOp Representative
Park View Co-Operative

Dear Dennis,

Cambridge Savings Bank received your Organization's request for financing comprehensive renovations to the building in Cambridgeport. Based on the information you have provided, including organization financial statements and the real estate appraisal, we are pleased to inform you that the Co-Operative has been conditionally approved for up to \$500,000 in a first mortgage on this project. Note that the Commitment will only be issued upon final review by a Cambridge Savings Bank underwriter, and such underwriting criteria may include, but are not limited to the receipt of a satisfactory title and environmental review if indicated. If the property is found to be in a Federally-designated Flood Zone, flood insurance will be required.

Please do not hesitate to call me if you have any questions during the purchase and loan process. I look forward to working with you on this project, and all the best to you and your colleagues,

Sincerely,

Barbara Crystal

Barbara Crystal
Senior Vice President

Chia-Ming Sze Architect Inc.

326 A Street Suite 2A Boston, Massachusetts, 02210

Architects & Planners

tel : (617) 451-2727

JULY 19, 2020

Cambridge Affordable Housing Trust
Community Development Office
344 Broadway
Cambridge, MA 02139

RE: Park View Cooperative

Dear Board Members:

We have worked with the Park View Cooperative owners since September 2018. Our Architecture and Planning firm started in 1972 in Cambridge and moved to Boston's Fort Point Channel in 1981.

Our firm has completed many affordable housing projects. We work closely with residents and their funding and approval entities to foster a team approach. We were the architects and planners for the 500 unit resident owned limited equity coop at Castle Square in Boston's South End. We designed three Demo-Dispo Projects with HUD and Mass Housing for their resident associations. We also work on small projects.

The Park View Coop resident-owners have worked very diligently with passion to restore, renovate, and adapt their historic building, so that it will be an attractive model project for themselves and Cambridge. Our jointly defined project scope is straight forward, simple, and results in durability and ease of maintenance for the residents going forward.

Our contractor, S+H Construction Inc. was selected through a detailed vetting process. They have been working with us to get construction numbers defined and provide some alternative cost items, so that funding entities can reach their comfort level to close the project. In these COVID times and with economic uncertainty before us, we have found that some projects are receiving a "COVID funding subsidy boost" from their funders.

We look forward to working with everyone to a start of construction and a successful completion of the project. The City of Cambridge has been a very supportive partner.

Sincerely,

CHIA-MING SZE ARCHITECT INC.



Chia-Ming Sze, Principal.

July 20, 2020

Cambridge Affordable Housing Trust
Louis A. DePasquale, Chair
344 Broadway
Cambridge, MA 02139

Dear Housing Trust Members,

I am a former Park View Cooperative shareholder. My infant daughter and I moved in to the Park View Co-op in early 2003 and lived there until 2007. We were grateful to be in a supportive community and proud to own shares in a property in Cambridge. Knowing everyone in the building and meeting regularly with members provided a sense of safety and security for us. As my daughter grew older, we outgrew the space, but I was able to use the equity from the Co-op and other money I saved for a down payment on a condo in Cambridge offered to first time home buyers. It would have been difficult for me to do this had I not had the opportunity to buy into Parkview Coop and benefitted from the reasonable monthly share payments. Paying market rate rents combined with the costly daycare would have made it impossible for me to afford to stay in Cambridge or the Boston area.

As a member of the Park View Co-op, I was part of the monthly board meetings, which allowed me to learn how to work with a group to manage and maintain a building. These skills were useful when I became a homeowner and was responsible for identifying repairs and choosing professionals to repair my own home.

When we moved into our condo, my daughter was very sad because she thought we had left our family at the Park View coop. However, we have remained in the same neighborhood, and kept up a good friendship with one of the long-standing members of the Co-op. The experience of being a member of the Park View housing cooperative was invaluable in supporting my family. I hope others have the same opportunity.

Sincerely,



Kai Long
290 River Street, Unit 4
Cambridge, MA 02139
(617)547-1438