



CITY OF CAMBRIDGE
Community Development Department

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To: Affordable Housing Trust
From: The Project Review Committee
Date: June 24, 2021
Re: 52 New Street - predevelopment funding increase

Just a Start (JAS) is requesting up to \$850,000 in additional predevelopment financing from the Trust for the development of 52 New Street. This request supplements the \$9,800,000 previously provided by the Trust for acquisition and initial predevelopment work.

As you may recall, 52 New Street is a one-acre site located immediately adjacent to Danehy Park in West Cambridge. Since acquiring the site in 2020, JAS has completed a range of predevelopment activities including design and development planning, environmental, civil and geotechnical work.

JAS is designing the project to be able to be permitted under the Affordable Housing Overlay. The proposed design envisions a six-story building containing one hundred and six units including twenty-one one-bedrooms, 63 two-bedrooms and 22 three-bedroom units designed to PassivHaus standards. Under the current plan, fourteen units will be restricted to households at incomes of 30% of the Area Median Income (AMI) or below, and ten units will be restricted to households earning 100% AMI or below. Seventy-two units will be restricted at up to 60% of the AMI and the remaining ten units will be restricted to households earning between 60% and 80% of AMI. The proposed project will also include approximately 3,000 square feet of ground-floor commercial space, as well as approximately 2,500 square feet for management offices, lobby space and amenities for tenants. Parking will be provided for 43 cars and one hundred and 20 bicycles.

The development team has worked with Dellbrook JKS to develop an estimate of construction costs based on the current drawings. They have completed initial site environmental and civil tests. The initial environmental test showed numerous contaminants that exceed the allowable thresholds. These reports have been shared with Dellbrook JKS and have been incorporated into the current construction pricing. JAS is undertaking additional testing to obtain more information about the subsurface conditions at the site. The existing building is still being leased by a gym facility. The current lease expires in December 2021. JAS has been working to extend the lease term until September 2022.

At this time total development costs are estimated at \$63.5 million or \$599,000 per unit assuming 106 units. Just A Start is anticipating an additional Trust funding request of approximately \$7,100,000 which would be the total, including this request, and previous acquisition and predevelopment funding to approximately \$16,850,000 for permanent financing from the Trust. The Trust per unit contribution would be \$158,962 including acquisition costs which is in line with or less than recently funded projects). Other funding sources Just A Start is pursuing include both State and Federal (4%) tax credits, DHCD program funding, and deferred fee and income from rents collected. CDD staff will continue to work with JAS to refine the budget as the project proceeds.

Just A Start has held three AHO community meetings to date and is preparing to submit its formal Affordable Housing Overlay application in advance of the first AHO Planning Board design review. Just A Start will be submitting a funding application to DHCD in their Winter Funding round in early 2022, anticipating a Summer of 2022 funding award and a construction closing by December 2022.

Predevelopment Loan Increase

Just A Start is requesting the increase in predevelopment funds to bring them to construction close. Anticipated predevelopment activity includes bringing plans to construction documents level, completing additional environmental testing and reports, preparing legal documents for organizational structure and closings, and to cover carrying costs such as taxes and insurance. To date, the Trust has provided \$500,000 in predevelopment funding and \$9,300,000 for acquisition. The proposed predevelopment budget for the additional funding is summarized below:

Remaining Predevelopment Costs		Notes
A&E	596,915	Design Development, Permitting and CD's Design costs
Environmental Engineering and Testing/Geotech	19,511	Phase I and Phase II reporting, RAO statement, and monitoring wells
Application Fees	10,000	Loan and LIHTC Application fees
Clerk of Works	29,040	Precon consulting with owner's rep
Insurance	26,431	Renewal of commercial property insurance
Legal	12,851	Acquisition costs, zoning and permitting, financial structuring
Appraisal/Market Study	45,424	Appraisal/market study
Property Taxes	97,828	FY 2022 taxes
Other Consultants	12,000	Traffic, Geotechnical, Communications, Permitting
Subtotal:	850,000	

RECOMMENDATION:

This project is an excellent opportunity to create much needed affordable housing in an ideal location which will create a significant number of family-sized units. The site is located next to Danehy Park, and close to Fresh Pond and is a short walk to the Alewife MBTA station and multiple bus lines. The project is also located near the entry point of Route 2 which makes it convenient to regional employment centers. It will also transform an underutilized parcel into an attractive, sustainable building.

The Project Review Committee recommends that that the Trust approve Just A Start's request for an increase of \$850,000 in predevelopment funds. This request would bring the Trust's total commitment to date to \$10,650,000, of which \$9,753,966 has already been disbursed for acquisition and predevelopment.

Staff will continue to work with Just A Start and regularly update the Trust during the upcoming months as the project proceeds through the Affordable Housing Overlay process and the project scope and budget are refined.

The predevelopment loan increase shall be subject to the following terms:

1. CDD staff approval of predevelopment budget, and scope of work;
2. The increase shall be structured as either an amendment to the existing CAHT mortgage or a new mortgage, *pari passu* with the existing CAHT financing;
3. Loan term shall be 36 months or until construction loan closing, whichever occurs sooner;
4. Interest shall accrue at a rate of 3% annually;
5. Principal and accrued interest shall be due and payable at loan maturity; however, at construction closing, accrued interest shall either be waived, at Lender discretion, or deferred; and,
6. Funds will be disbursed in accordance with the Loan Disbursement Agreement to be entered into at or prior to loan closing.