

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
March 24, 2016

City Manager's Office, City Hall
795 Massachusetts Ave.

Trustees Present: Richard Rossi, Chair; Peter Daly, Michael Haran, Susan Schlesinger, Cheryl-Ann Pizza-Zeoli

Trustees Absent: Florrie Darwin, Gwen Noyes, James Stockard, Bill Tibbs

Staff Present: Lisa Peterson, Deputy City Manager; Iram Farooq, Assistant City Manager for Community Development; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner;

Other Attendees: Peter Graham

The meeting was called to order at 4:15.

Upon a motion moved and seconded, it was

VOTED: To approve the minutes for the meeting of February 25, 2016 as submitted.

PROJECT UPDATE –

Briston Arms – Renovations are ongoing.

463 Cambridge Street - The project was awarded state funds and is waiting to close with DHCD.

Jefferson Park State Public Housing – Construction is underway.

131 Harvard Street/Port Landing – Construction is underway. Completion expected fall 2016. Tenant selection plan was approved and marketing to begin shortly.

Temple Place Apartments – Construction is complete. Event is scheduled for March 30.

OLD BUSINESS / UPDATES

Inclusionary Zoning Study

Staff informed the Trust that the Inclusionary Zoning Study was complete and will be forwarded to the City Council at an upcoming meeting. Staff reviewed the major aspects of the report including the consultants' methodologies and broad recommendations for updates to the existing ordinance. Staff relayed the expectation that the City Council would refer the report to their Housing Committee for a series of public hearings. After a discussion, it was agreed that it would be a good idea for staff to offer to meet with representatives of the development community after the report is public to ensure that all perspectives are integrated into the discussion and deliberations regarding changes to the Zoning Ordinance. Trust members also supported the idea

of revisiting the ordinance every five years to determine whether any further adjustments should be made.

Auburn Court

Staff shared the news that HRI's proposed Parcel C/Auburn Court infill development was granted a comprehensive permit by the BZA in February. Discussions are currently underway with MIT and Forest City about amending the groundlease. HRI expects to finance the new construction of housing on Parcel C as part of their overall refinance of Auburn Court I this year.

Trust Notice of Funding Availability (NOFA)

Staff initiated a discussion of the status of the proposed Trust Notice of Funding Availability (NOFA) which had been intended to be issued in order to spur new affordable housing production. However, after a brief update on the Trust funding and an overview of anticipated Trust spending on several newly identified production opportunities, it was agreed that the issuance of the NOFA should be postponed at this time.

MOVE TO EXECUTIVE SESSION

The Chair indicated that the next items for discussion by the Trust pertained to the acquisition of real estate, and that continuing in open session might have a detrimental effect on the negotiations. At 4:33 PM, the Chair entertained a motion to go into Executive Session to discuss this matter, and indicated that the Trust would adjourn the conclusion of the Executive Session.

Upon a motion moved, seconded and approved by a 5-0-0 roll call, the meeting went into executive session.

EXECUTIVE SESSION

ADJOURNMENT

The meeting adjourned at 5:15 p.m. The next meeting is scheduled for April 28, 2016 at 4:00 p.m.

- Meeting Minutes from the Trust's February 25, 2016 meeting.
- Project Update
- Requests for Funds for New Affordable Housing Development

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March 24, 2016

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EXECUTIVE SESSION

1791 Massachusetts Avenue

Staff presented a request from Capstone development for up to \$2,830,000 in acquisition and predevelopment financing from the Trust to purchase an 11,961 square foot site in the City's Agassiz neighborhood. Staff noted that the site had not been openly listed for sale and that the seller had received several higher offers to purchase, however Capstone's offer, though lower, was accepted for containing fewer contingencies.

While the site has great potential, details of its development will require assessments that will take at least several months to determine. This development of the site will likely involve a design, zoning and permitting process once details of a feasible development are determined. In addition to zoning, the site will have to go through a historic review process. Given the zoning and historical processes, it is difficult to know what the final project will be in terms of the number of units, building type, and tenure. However, staff said that Capstone had outlined a good approach to working with the site to maximize both the Trust investment and production of new housing units.

Trust members agreed that despite the many unknowns with this proposed development, the benefits of creating new units, particularly in a neighborhood without many affordable options, far outweighed any risks and made the acquisition of this site worthwhile and agreed that it made

sense to finance the acquisition as details for the development were put together to avoid losing the site to a market buyer.

Upon a motion moved, seconded and approved by a 5-0-0 roll call, it was:

VOTED: to approved that the Capstone/Hope's request for an acquisition and predevelopment loan of \$2,830,000 to support this project. The funds should be made contingent on the following:

The loan shall be subject to the following terms:

1. The loan shall be structured as a first mortgage of \$2,830,000. No funds shall be advanced until acquisition loan closing;
2. Term shall be 36 months or until construction loan closing, whichever occurs sooner;
3. Interest shall accrue at a rate of 3% annually;
4. 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.

At or prior to loan closing:

5. CDD staff approval of predevelopment budget and scope of work
6. CDD receipt of estimate of value sufficient to support acquisition

Following acquisition closing but prior to construction closing:

7. Environmental assessment and/or remediation plan acceptable to staff;
8. CDD staff approval of final design and development plan;
9. CDD staff approval of final budget and operating proforma;
10. In addition, at Lender's request, Borrower shall provide written updates to the Cambridge Affordable Housing Trust on project status including proposed design and development scenarios and anticipated development timeline.

671 and 675 Concord Avenue

Mr. Daly recused himself and at 4:45 left the room.

Staff presented a request from Homeowner's Rehab, Inc (HRI) for \$10,750,000 in acquisition and predevelopment funding to support the acquisition of a 42,779 square foot property located on Concord Avenue across from Fresh Pond Reservoir. HRI has a signed purchase and sale agreement for the property. Since gaining site control, HRI has begun a range of due diligence activities including commissioning environmental and geotechnical studies, land survey work, zoning analyses, appraisal, and preliminary design feasibility work.

Design-wise, a preliminary assessment indicates that as many as 100 units could potentially be accommodated on the site. However, the actual number of units will depend on a determination of what design works best for the site and what zoning relief, if any, would be needed.

HRI has prepared some very preliminary estimates of the potential per unit cost of a variety of development scenarios and it is expected that total development costs for the project may approach, and possibly exceed, \$600,000 per unit depending on the number of units and the type of building design. In terms of sources, they estimate debt financing of \$100,000 per unit and tax credit equity of \$111,000 per unit, with a resulting funding gap of \$357,000 - \$381,000 per unit. Staff noted that these are very early estimates based on prototypical developments and that actual costs will depend on number of units, construction type, affordability mix, availability of Section 8 rental subsidies, and financing terms.

Trust members expressed their strong support for proposed development and agreed that despite its many unknowns, the opportunity to purchase and develop a site of this size represents an opportunity too rare and too valuable to pass up.

Upon a motion moved, seconded, and approved by a 4-0-1 roll call, with Mr. Daly out of the room, it was:

VOTED:

To approve HRI's request for \$10,000,000 in acquisition financing and up to \$750,000 in pre-development funding contingent on the following:

The loan shall be subject to the following terms:

1. The loan shall be structured as a first mortgage loan of up to \$10,750,000.
2. The Lender will disburse up to \$10,000,000 at closing. The remaining balance will be disbursed for approved predevelopment costs in accordance with a Loan Disbursement Agreement to be entered into with Lender;
3. Term shall be 36 months or until construction loan closing, whichever occurs sooner; it is anticipated that some of all of the loan will be converted to permanent financing at construction loan closing;
4. Interest shall accrue at a rate of 3% annually;
5. All principal and interest shall be due at maturity; however, at construction closing, accrued interest shall either be waived, at Lender discretion, or deferred;
6. Loan shall be non-recourse;
7. All units built shall be subject to the City's affordable housing covenant, restricted to households earning at or below 80% of Area Median Income (or other standard approved in advance by Lender), and subject to a buyer/tenant selection plan acceptable to Lender.

At or prior to loan closing, the following conditions shall be met:

8. CDD staff approval of predevelopment budget and scope of work;
9. CDD review of preliminary budgets, design and development scenarios;
10. Estimate of value sufficient to support acquisition.

Following acquisition closing, prior to construction loan closing:

11. Environmental assessment and/or remediation plan acceptable to staff;
12. CDD staff approval of final design and development plan;
13. CDD staff approval of final budgets and operating proforma;
14. In addition, at Lender's request, Borrower shall provide written updates to the Cambridge Affordable Housing Trust on project status including proposed design and development scenarios and anticipated development timeline.