

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
May 25, 2017

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present: Louis DePasquale, Chair; Peter Daly, Florrie Darwin, Gwen Noyes, Cheryl-Ann Pizza-Zeoli, Susan Schlesinger, Jim Stockard, Bill Tibbs

Trustees Absent: Elaine Thorne

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

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 Thursday, April 27, 2017 as submitted.

PROJECT UPDATE –

Jefferson Park State Public Housing – Construction is ongoing.

Concord Ave – Comprehensive permit approved and OneStop funding application submitted to DHCD. Design is being finalized.

Porter Square –Predevelopment work is ongoing. The project will likely apply for rental funds in the next DHCD round, which is expected to be held in early 2018.

OLD BUSINESS – UPDATES

Trust members requested an update on the disposition process for Vail Court. Staff are preparing a request to the City Council to transfer the property to the Affordable Housing Trust to facilitate the redevelopment of the site as affordable housing. This request should go before the Council at the June 12 meeting.

A public meeting is scheduled for June 14 to discuss the demolition of the existing building. The demolition is scheduled to begin in the summer. This meeting will not address the type or design of the future housing use on the site. Trust members asked if it would be helpful for them to attend either meeting; staff indicated that it would be most beneficial for Trust members to attend the Council meeting on June 12. The public meeting regarding demolition will focus on schedule and process for the demolition, not on the future development.

Future meetings will be scheduled to discuss the project. This will likely be structured like the CPA process, where community members can share their thoughts on what type of housing is needed. It is likely that there will also be a discussion of issues such as density and design considerations for the site.

Trust members asked if there were any redevelopment plans for the privately-owned parking lot adjacent to the Vail Court site, and what the allowable height was for that site. Staff stated that there are no immediate proposals for the site. The height restrictions for that parcel range from 45 feet at the back of the site and increase along Prospect Street.

NEW BUSINESS

Annual Contract Appropriations

Peter Daly and Jim Stockard left the room.

Staff presented a request for \$520,615 in Trust funds for the FY2018 contracts to support non-profit housing development and Housing Division functions.

This request includes \$490,115 to support the non-profits. As in recent years the total amount for housing development and preservation funding for non-profit housing providers is being requested from the Trust. Several years ago the City also offered HOME and CDBG funds to supplement Trust funding, however significant cuts and program changes in recent years have forced the City to use CDBG and HOME funds in other ways to maintain other essential programs and services. It is anticipated that in FY2018 CDBG will be used to fund other housing programs and services, and HOME funds will continue to be offered to assist directly affordable housing developments. CDBG funds are currently also used to support programs such as the Home Improvement Program, YouthBuild, and CEOC's tenant organizing program.

The funds requested of the Trust for housing development and preservation will be used as follows:

CASCAP	\$ 45,000
Just A Start	\$191,767
Homeowner's Rehab, Inc.	\$253,348

This is a level funding request for Just A Start and Homeowner's Rehab. The Cascap request is a reduction from FY2017.

In other areas of the request, \$9,000 will be used to cover annual costs for the homeownership program management software. This systems is used to manage all aspects of the homeownership program, including applicants, affordability and unit turnover. The system also tracks program data.

Other administrative requests include \$14,000 to fund outside legal counsel for the Division and \$7,500 for miscellaneous costs.

Trust members questioned if the Trust would be obligated to provide funding to make up for any future cuts in federal funding. Staff stated that the requests are brought to the Trust annually, so approvals for FY2018 do not create any funding obligations for future years. Staff also stated that the consistent contract support for housing development has resulted in the non-profit developers taking smaller development fees on projects, which may reduce the amount of Trust funding requested on a per-project basis. Staff will continue to monitor the balance between contract support and fees taken on development projects.

Upon a motion moved and seconded, it was

VOTED: To approve the request for \$520,615 to fund annual contracts as presented.

MOVE TO EXECUTIVE SESSION

The Chair indicated that the next item for discussion before the Trust pertained to details regarding the potential acquisition of real estate, and that continuing in open session might have a detrimental effect on the negotiations. At 4:30 PM, the Chair entertained a motion to go into Executive Session to discuss this matter, and indicated that the Trust would reconvene in open session at the conclusion of the Executive Session.

Upon a motion moved, seconded and approved by an 8-0-0 roll call, the meeting went into executive session.

EXECUTIVE SESSION

The meeting then returned to Open Session.

Inclusionary Fractional Unit Contribution

Staff presented a recommendation for an initial Fractional Unit Contribution Rate for projects under the recently passed Inclusionary Zoning Ordinance. The Ordinance requires a contribution when the final amount of affordable dwelling unit net floor area is less than the amount required. The developer shall make a contribution to the Affordable Housing Trust based on the amount of subsidy that would be required to create the affordable net floor area that is not included in the affordable dwelling units.

The rate is based on the subsidy amounts in Trust-funded projects. In January, staff presented a calculation based on the most recently completed projects, Temple Place and Port Landing. Trust members requested that additional projects be added, with an escalator applied to costs for older projects.

Staff added Putnam Green and Elm Place into the subsidy calculation. In addition, multiple escalators were analyzed, and RS Means was determined to be the best index. RS Means cost index is published annually and is the industry standard for cost escalators.

The proposed fractional unit rate was calculated using the subsidy required to build all the projects, including non-City sources. The subsidy is then divided by the net residential floor area. This information shared has been used by CDD to calculate a subsidy need of \$397 per square foot of affordable floor area not included in new buildings. It is recommended that the calculation be revisited annually with updated subsidy information from the Trust.

Trust members noted that this rate could also be used as a standard for purchasing additional affordable square footage in an Inclusionary building. The Trust could purchase the square footage necessary to “round up” to a whole unit. Members emphasized that it should be clear to developers that the rate will work both ways, which demonstrates that the Trust is not trying to take advantage of developers who have to make a fractional unit contributions.

Trust members asked if this was similar to how Somerville handles fractional units. Staff members stated that Somerville had a different system.

Upon a motion moved and seconded, it was

VOTED: To approve the information presented by staff so that CDD can use it to determine that the Fractional Contribution Rate, which will be \$397 per square foot.

Homeownership Program Update

Staff presented an update on the Homeownership program and a request for certain policy changes. The update discussed the status of the Trust-funded Resale Fund; the rebranding and updating of the Financial Assistance Program; an overview of the Resale Pool applicants; and an overview of program areas to be discussed in the future.

The Resale Fund was established to fund the repurchase, rehab, and, when necessary, price reduction of existing ownership units in order to ensure their long term affordability. To-date Trust capitalizations of the Fund total \$3.5MM. The intention was to have the fund revolve and sink over several years. To date, approximately \$1.1MM of the fund has been permanently expended, which is less than originally projected. The Fund has been able to recoup funds from some sales due to low interest rates. Rising interest rates and a high turnover of older units with extensive rehab needs would require more investment from the Fund. The balance of the Fund is typically expended in short-term loans for units during the resale process.

Buyers for resale units are selected from the Resale Pool. Staff requested that the Trust approve increasing the minimum AMI for Resale Pool eligibility from the current 40% AMI, adjusted for family size, to 50% AMI adjusted for family size. It is very rare for any unit to be affordable to a household below 50%, and families in the lowest income tier can remain in the Pool for years without ever being eligible for a unit.

Demand for the Resale Pool has remained steady, with more than 380 applicants waiting for housing. The Pool is approximately 26% one-bedroom, 42% two-bedroom, and 32% three bedroom or larger. Nine of the past 12 sales through the Resale Pool have been to Cambridge-resident one-bedroom households.

The program update included an overview of the new HomeBridge program. This program is an update and rebranding of the Financial Assistance Program funded by the Trust. The Trust approved changes to the program in 2015 to make applicants who work in Cambridge eligible for the program. HomeBridge also contains a pilot program offering City funds to eligible applicants who earn up to 120% AMI. Funds for this pilot program come from a community benefit funds, and are not funded by the Trust.

Staff requested approval for a change to the occupancy standards for HomeBridge. The current occupancy standard requires that children of the same sex share a bedroom if the difference in their ages is less than ten years. The requested change would allow families to house themselves with one person per bedroom, with the exception of married couples or domestic partners. Therefore, a family with two children of the same sex could choose to purchase either a two bedroom or a three bedroom. Since HomeBridge requires participants to find a unit on the market that is then made affordable, this change does not increase the demand for existing three bedrooms in the stock. The modified occupancy limit increases the chances of bringing new three bedrooms into the program by making more applicants eligible to purchase a three bedroom unit.

The third requested program change is a modification to how assets are calculated. Staff recommended excluding restricted retirement accounts from the asset limit of \$75,000. The total asset limit will not change. Mass Housing Partnership, which administers the OneMortgage program used by most buyers in the program, does not include restricted retirement accounts in their asset calculation.

Upon a motion moved and seconded, it was

VOTED: To approve the following changes to homeownership programs:

- Raise the minimum eligible AMI for inclusion in the Resale Pool to 50% AMI, adjusted for household size;
- Adopt an occupancy limit for HomeBridge units of one person per bedroom, with the exception of married couples or domestic partners, who are expected to share a bedroom;
- Exclude restricted retirement accounts from the asset limit for all homeownership programs.

Trust members then discussed the issues for future consideration. Staff noted that the current equity return formula typically keeps the return very low, which helps maintain affordability over time. However, it is worth understanding if the low return might be preventing people from being able to move on to market-rate housing, making their restricted unit available for another household.

Some Trust members expressed that the current equity return was specifically designed for a modest return, and preserving affordability is the most important factor. They stated that the equity return acts as a savings account. Other Trust members suggested that it could be beneficial to look at ways to incentivize savings among homeowners to assist them in planning for their next purchase.

Other areas for future discussion include looking at options to assist second-time homebuyers in making the move to market housing.

Inclusionary Rental Program Update

Staff presented an update on the Inclusionary Rental Applicant Pool (RAP). The updated included the current makeup on the RAP by preference group, information on the number of voucher holders in the RAP and currently leased up, and other information on current tenants and applicants.

This information was shared with the City Council Housing Committee's and is intended to inform the upcoming discussion of the preference system as it will be included in regulations CDD is drafting. Trust members suggested that the Trust should form a subcommittee to develop a Trust recommendation to inform the Housing Committee's discussion of preference changes.

Trust members emphasized that stakeholders should understand the tradeoffs of a preference policy; that it is a method of sorting those who need housing, and does not in itself increase the available housing units. Some members noted that a preference policy needs to be fair, and sometimes stakeholders are only looking from a certain perspective and therefore only see one part of the picture.

Members stated that this is a difficult issue, and transparency is extremely important. Priorities need to be clear, and a policy needs to be connected to who can be served. One member gave the example of emergency need; if there are so many applicants given emergency need that they cannot be served in a reasonable time frame, it negates the impact of granting emergency status.

Trust members asked about the current emergency preference. Staff stated that emergency need categories include cost-burdened, or paying more than 50% of household income for housing; overcrowding; currently homeless; facing a no-fault eviction; and housed in a unit with code violations. Reviewing the emergency preference categories will be part of the preference review.

Staff stated that the preferences will be part of the public process for the promulgation of regulations for the Inclusionary program. The Trust subcommittee should meet in advance of that process, and prior to the Housing Committee addressing this topic.

ADJOURNMENT

The meeting adjourned at 5:38.

Materials:

- Request for Funds for Annual Contracts
- Request for Funds for Acquisition and Predevelopment for 1791 Mass Ave/1 and 2 Frost Terrace
- Fractional Unit Contribution Memo
- Homeownership Program Update
- Inclusionary Rental Program Update
- Meeting Minutes from the Trust's April 27, 2017 meeting.
- Project Update

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Upon a motion moved, seconded and approved by an 8-0-0 roll call, the meeting went into executive session.

EXECUTIVE SESSION

1791 Mass. Ave & 1-2 Frost Terrace

Staff presented a request for \$4.35MM for the acquisition and predevelopment costs for the purchase of parcels located at 1 and 2 Frost Terrace. These parcels are adjacent to the property at 1791 Mass Ave, which was purchased by Capstone Communities and Hope Real Estate with funding from the Trust.

In the process of meeting with abutters about the redevelopment of 1791 Mass Ave into affordable multi-family housing, the owners of the Frost Terrace properties each indicated their interest in selling to Capstone/Hope. The sellers accepted offers of \$2.3MM and \$1.9MM respectively.

The acquisition of these additional adjacent parcels will add more than 10,000 square feet of land to the project. While the project is still in the early design phase, the addition of the rear parcels will allow more flexibility in the design. The existing single-family homes on the parcel will be demolished.

Preliminary feasibility studies indicate that the expanded project may allow an increase to roughly 43 units. In addition, the number and proportion of family-sized units will also increase. More parking will also be feasible. Abutters at the Newport Road Condominium have voiced concerns about the

project, and the addition of the rear parcels may allow the design to address some of those concerns about massing, setbacks and landscaping.

Trust members asked about the next steps in the public process. Staff stated that the developers will meet with the Agassiz neighborhood group, and then plan a broader community discussion.

Trust members commented that the addition of the rear parcels will improve the project. Trust members stated that the expanded project appeared to be an optimal project for 9% Federal Low-Income Housing Tax Credits (LIHTC). Other Trust members discussed current challenges in competing for 9% credits in DHCD funding rounds, including the over-subscription to the program. Trust members agreed that the sponsor should look closely at the feasibility of using 9% LIHTC as they move forward, with the understanding that it may not be possible to access those credits within a reasonable time frame, and that decisions should be made when the project is ready to apply for state funds.

Upon a motion moved, seconded and approved by an 8-0-0 roll call, it was:

VOTED: To approve the request for \$4,350,000 in acquisition and predevelopment funding for Capstone Communities and Hope Real Estate Enterprises to purchase parcels located at 1 and 2 Frost Terrace

The loan shall be subject to the following terms:

1. The loan shall be structured as a first mortgage of \$4,350,000, *pari passu* with the existing CAHT first mortgage. No funds shall be advanced until acquisition loan closing; however, predevelopment funds approved for 1791 Mass Ave may be used to fund predevelopment costs for 1 and 2 Frost Terrace;
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:

1. CDD staff approval of predevelopment budget and scope of work
2. CDD receipt of appraisal sufficient to support acquisition

Following acquisition closing but prior to construction closing:

1. Environmental assessment and/or remediation plan acceptable to staff;
2. Borrower is required to seriously consider the use of 9% Low Income Housing Tax Credits and to discuss the feasibility of such with the Trust upon request;
3. CDD staff approval of final design and development plan;
4. CDD staff approval of final budget and operating proforma;
5. 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. The term may be extended as development plans are advanced.

The meeting then returned to Open Session.