



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

*Assistant City Manager for
Community Development*

SANDRA CLARKE

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Affordable Housing Trust

**April 26, 2018
Ackerman Room**

AGENDA

- Old Business
- Project Update
- New Business
 - Concord Highlands – tenant selection plan
 - Expiring Use Preservation Consulting Services
- Adjournment

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
February 22, 2018

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present: Louis DePasquale, Chair; Peter Daly, Gwen Noyes, Cheryl-Ann Pizza-Zeoli, Elaine Thorne, Bill Tibbs

Trustees Absent: Florrie Darwin, Susan Schlesinger, Jim Stockard

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

The meeting was called to order at 4:11.

Upon a motion moved and seconded, it was voted

VOTED: To approve the minutes for the meeting of Wednesday, January 31, 2018 as submitted.

NEW BUSINESS

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 4:12 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 (Mr. Tibbs had not yet arrived at the meeting), the meeting went into executive session.

EXECUTIVE SESSION

The meeting then returned to open session.

Concord Highlands

Peter Daly left the room. Staff presented a request to confirm the final amount and terms for funding for Homeowner's Rehab, Inc. (HRI) for the construction of Concord Highlands, a 98-unit affordable rental project. HRI is preparing to close on construction financing. A conditional approval for up to \$14,825,000 was made in October 2017, with the exact amount to be confirmed by the Trust when all funding sources were in place. The final amount of the loan is \$12,553,176. Staff noted that the total development cost had decreased slightly since the previous Trust review.

HRI will do a two-phased closing where a portion of the City/Trust funding will close earlier than the full construction closing with DHCD and other funders. This will enable HRI to begin site work in the spring. Full construction is expected to begin in late summer 2018.

The project includes a Section 8 voucher reserve fund. The reserve fund will enable lenders to underwrite the project based on 25 units leased to tenants with mobile vouchers. If the number of voucher holders declines, the reserve fund will be used to make up for the lost revenue. If the number of voucher tenants does not decrease, a portion of the reserve fund will be released each year and recaptured by the Trust.

Staff requested Trust feedback on the provisions for terms and conditions for repayment from any potential project cash flow in excess of debt service coverage. Trust members stated that while this would be beneficial, particularly for the larger projects, they agreed with the Project Review Committee recommendation to look at each project on a case by case basis to ensure that repayment provisions do not have a negative impact on the project. They also emphasized the importance of working with other public lenders.

Trust members noted their interest in the larger picture of Trust funding and requested that the Trust's financial position be shared with the Trust regularly. Staff stated that an overview of the Trust's finances was shared at a recent meeting, but the information would be distributed to those Trust members who did not receive it. Staff stated that the funding projections include both current commitments and likely upcoming requests, to ensure that new projects are feasible with the available resources.

Upon a motion moved and seconded, it was

VOTED: To approve the confirmed loan amount of \$12,553,176 in permanent financing for HRI's project at 671-675 Concord Ave.

The funding should be conditional upon the following:

For the Phase I closing:

1. CDD staff approval of the final development and operating budgets, including the budget for the Phase I work;
2. CDD staff approval of the repayment provision(s) of City/Trust financing, whereby 50% of net cash flow is to be used to repay the loans or other such provision acceptable to staff;
3. CDD staff approval of construction plans and specifications for Phase I work;

For the Phase II closing:

1. CDD staff approval of the final development and operating budgets, including the budget for Phase II work;
2. CDD staff approval of the repayment provision(s) of City/Trust financing, whereby 50% of net cash flow is to be used to repay the loans or such other similar provision acceptable to staff;
3. CDD staff approval of construction plans and specifications for Phase II work;
4. CDD staff approval of the tenant selection and marketing plan, which shall include provisions to ensure at least 70% local preference in tenant selection;
5. CDD staff approval of recapture provisions in favor of the Trust for the Section 8 reserve;

6. Firm written commitments from all funding sources, sufficient to complete transaction.

Loan(s) shall be subject to standard Trust terms and condition including, but not limited to:

- All affordable units will be subject to the City's standard affordable housing restriction to be signed at loan closing, requiring permanent affordability;
- Loan(s) will have an interest rate of 3% compounding, or such other rate approved by CDD staff, and a term of 50 years;
- Loan(s) will be subject to a penalty rate of 8%. The penalty rate is only applied upon violation of the affordability restriction;
- Loan(s) shall be non-recourse

During the construction period:

- Notify Lender's Rehabilitation Specialist of all construction meetings and copy on meeting minutes;
- Copy Lender on all change orders;
- Copy Lender on all funding requests to other sources.

ADJOURNMENT

The meeting adjourned at 4:56.

Materials:

- Request for Funds for New Site Acquisition
- Request for funds for Construction at 671-675 Concord Ave/Concord Highlands
- Meeting Minutes from the Trust's January 31, 2018 meeting.
- Project Update



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To: Cambridge Affordable Housing Trust
From: Christopher Cotter, Housing Director; Cassie Arnaud, Housing Planner
Date: April 26, 2018
Re: Concord Highlands – Tenant Selection Plan

At the February 2018 meeting, the Trust approved the final pieces of financing for HRI's Concord Highlands development. HRI is preparing to close on the first phase of construction and, as part of the closing process, needs to finalize the tenant selection plan (TSP) for the project. The TSP (and related documents) is subject to the approval not only of the City, but also DHCD, MassHousing and HUD.

The Trust vote in February 2018 made funding conditional on *"CDD staff approval of the tenant selection and marketing plan, which shall include provisions to ensure at least 70% local preference in tenant selection."*

After a series of discussions, both DHCD and MassHousing have agreed to our 70% local preference, including all of our specific criteria such as priorities for residents and families with children. MassHousing has even amended their standard TSP form to accommodate our selection preferences.

However, while DHCD has approved the local preference at initial occupancy, they raised issues about maintaining the preference over time. DHCD is requiring that language be added to the TSP to address concerns about potential future disparate impact if the local preference is retained following initial lease-up. DHCD discussed their concerns at length and after review by all parties, are proposing that the following language be added to the TSP:

Maintaining Local Preference Beyond Initial Lease-Up

Concord Highlands will maintain a 70/30 local preference for the life of the property, but this preference will be subject to evaluation and potential adjustments every five years. This evaluation will entail comparing the racial and ethnic demographics of current residents of the property to the racial and ethnic demographics of the open-preference waiting list and of the applicable surrounding HUD-defined area. Due to the randomization of the lottery process, it is not guaranteed that the racial and ethnic demographics of Concord Highlands will match the waiting lists precisely. However, if the discrepancy is greater than 20 percent it could indicate non-random disparate impact and merit adjustment. In such a case, we would notify both the City of

Cambridge and DHCD and would take measures to avoid such disparate impact, subject to approval by the City of Cambridge and DHCD.

We do not anticipate that there will be a disparate impact on minority access to Concord Highlands if the local preference is maintained, based on past experience and a review of current local and regional demographics, and would not be opposed to taking steps to address such an impact if one were to arise. However, we felt that this change required discussion with the Trust before we could sign-off on the final TSP.

Once the TSP has been approved by the City, it will be submitted by MassHousing to HUD for review as part of HUD's risk-share process. HUD's risk-share approval is needed before HRI can begin construction. MassHousing plans to submit the TSP as soon as possible, as HUD's review will likely take several weeks. HRI was originally hoping to close in April and is concerned that delays will impact the project.

We are hopeful that HUD will approve the TSP as submitted. However, in the past, we are aware of cases where HUD has required that worker be given the same preference as resident applicants. While we hope that will not turn out to be the case, we wanted to raise now in the event such a request is made by HUD.



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To: Cambridge Affordable Housing Trust
From: Christopher Cotter, Housing Director; Cassie Arnaud, Housing Planner *CA*
Date: April 26, 2018
Re: Housing Preservation Funding

We are requesting up to \$25,000 in Trust funds to be used to continue to support efforts to preserve expiring-use properties in Cambridge. Activities funded with this Housing Preservation Funding include analyses such as capital needs assessments and appraisals, as well as preservation consulting services.

To date, Housing Preservation funding provided by the Trust has enabled us to develop and implement preservation plans for eight at-risk expiring use properties and to ensure that other preservation funding sources are maximized so that Trust resources are used most effectively in preservation efforts. As you may recall, when the Trust made its first authorization of Housing Preservation funding in 2009, there were ten privately-owned properties in Cambridge, containing more than 1,094 affordable units, which had affordability restrictions due to expire by 2021. Since that time, affordability at eight of these developments has successfully been achieved, resulting in the preservation of more than 529 affordable units:

- Cambridge Court Apartments (92+ affordable units, 122 total)
- Inman Square Apartments (116 units)
- CAST I Apartments (9 units)
- Harwell Homes (56 units)
- Chapman Arms (25 affordable units, 50 total)
- Bishop Allen/Norstin Apartments (32 units), and
- Putnam Square/2 Mt Auburn St Apartments (94 units)
- Briston Arms Apartments (105+ affordable units, 154 total)

The funds being requested will help us continue this success as we seek to extend affordability at the remaining privately-owned properties in Cambridge, most notably 504-unit Fresh Pond Apartments. We have been in active discussions with the owner of Fresh Pond Apartments on what would be needed for them to agree to extend the affordability beyond 2020. The owners have expressed a clear interest in preserving Fresh Pond and have been working cooperatively with us on a plan.

Recommendation: To approve staff's request for up to \$25,000 in Trust funding to be used for housing-preservation activities.