



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

December 13, 2018

Ackerman Room

AGENDA

- Old Business
- Project Update
- New Business
 - Squirrelwood
 - Frost Terrace
 - Willow Street
 - Preference Changes
- Adjournment



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MEMORANDUM

The Affordable Housing Trust Meetings for the year of 2019 will take place in the Ackerman Room at City Hall at 4:00pm on the following days:

January 24, 2019

February 28, 2019

March 28, 2019

April 25, 2019

May 23, 2019

June 27, 2019

July 25, 2019

August 22, 2019

September 26, 2019

October 24, 2019

November 21, 2019

December 19, 2019

DRAFT
CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
November 29, 2018

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present: Peter Daly, Florrie Darwin, Gwen Noyes, Cheryl-Ann Pizza-Zeoli, Susan Schlesinger, James Stockard, Bill Tibbs

Trustees Absent: Louis DePasquale, Elaine Thorne

Staff Present: Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner; Donna Claudio, Housing Planner

Others Present: Esther Hanig

The meeting was called to order at 4:12.

Upon a motion moved and seconded, it was voted

VOTED: To approve the minutes for the meeting of Thursday, October 25 as submitted.

PROJECT UPDATE

Squirrelwood – A request for permanent funding request will be brought to December Trust meeting.

Vail Court - Demolition of building is complete. The redevelopment process is on hold pending legal action taken by former owner.

Frost Terrace – Capstone/Hope received a funding award from DHCD. They are finalizing design and budget in advance of construction closing in early 2019. A funding request will be brought to the Trust in December.

Concord Highlands - A groundbreaking ceremony was held October 5. Construction is underway.

Jefferson Park – Construction is complete and tenants have moved in.

Homebridge – Two units have closed in 120% pilot; five under 100% have closed. A three-bedroom unit has recently closed.

Inclusionary – The pipeline is active but no new projects have come under covenant since the previous meeting. Some projects are currently coming in for building permits, including the second phase of the Alexandria residential development on Binney Street that will contain both low/mod and middle-income units.

NEW BUSINESS

Preferences

At the October Trust meeting members discussed recommended changes to the preference system for the rental and homeownership programs. The Trust had requested additional information. This meeting continues that discussion and reviews additional analyses of the potential changes provided by Staff.

Staff outlined the three potential changes to the preferences for the inclusionary rental and homeownership programs that need continue discussion. The proposed changes are to 1) change the order of preference to prioritize all emergency need applicants. This change would only impact two and three-bedroom rental applicants; 2) create an open preference for families with children under 18 for 1/3 of the two and three-bedroom units for rental and homeownership; 3) include former residents in the local preference category, potentially non-resident holders of CHA vouchers; former residents with vouchers; displaced residents without vouchers.

Any modifications to the preference system would be reviewed periodically to assess the impact of the changes.

Before discussing proposed changes to the preference system, Trust inquired about the applicant review process and the frequency of applicant denials and approvals by property managers. Staff described the role of the property managers in the applicant review process. After four denials by different property management companies, applicants are no longer eligible for the program. As credit criteria varies among properties, few applicants are denied 4 times. They can reapply to the applicant pool.

Prioritize emergency need applicants:

Current emergency needs are granted for overcrowding, cited code violations, no-fault evictions, homelessness, and severe cost burdening (paying over 50% of income for rent).

The proposed changes would prioritize all emergency need applicants over applicants without emergency needs. The emergency need criteria would be changed as follows: eliminate overcrowding and code violations, add domestic violence, and qualify cost burdening so a household would have to be paying over 50% of their income for rent and have lived in their home for at least one year.

Cheryl-Ann Pizza-Zeoli noted that the proposal for revising preferences addresses the issue that applicants with emergencies are not always served under current preference system.

The emergency preference for evictions was discussed. Only no-fault evictions are considered as a criterion for an emergency need. Jim Stockard inquired whether the software can track details of eviction. Currently the software does not track details of eviction but in the future it may be possible. There was discussion concerning at what stage the eviction should be considered an emergency, ranging from Notice to Quit to judgment and court order. At the Housing Committee, it was mentioned that eviction might be considered at the Notice to Quit. It was noted that Notices to Quit are sometimes issued by owners to help tenants qualify for available services and assistance. There was a consensus that the Notice

to Quit is too early for this criterion as most notices can be common and often do not escalate to become an eviction complaint and so should not be considered as the most dire emergency.

The staff presented an analysis which projected how applications received in a typical year might be served in housing expected to be available in the next year or so, using both the existing system of preferences and the proposed modified system to estimate how resident applicants would be considered for two- and three-bedroom units. The analysis shows that under the current system, 29% of two-bedroom applicants with local preference and 37% of three-bedroom applicants have emergency needs. Applying this to the projected number of units available over the next year, applicants with emergency needs would be considered for 83% of two-bedroom units and 100% of three-bedroom units. With the proposed changes, prioritizing emergency need applicants and changing the criteria for emergency need preferences, 16% of two-bedroom applicants and 10% of three bedroom applicants would have emergency needs. Applying this to projected units, applicants with emergency needs would be considered for 52% of two-bedroom units and 33% of three-bedroom units.

Susan Schlesinger noted that by tightening up the emergency need categories and prioritizing emergency need applicants, the analysis shows that under the proposed system emergency need applicants would be better served and more applicants without emergency needs would also be considered for units.

Bill Tibbs asked to see the same analysis for studio and one-bedroom units. Although the proposed changes won't impact those units, it will give a sense of the number of emergency need applicants overall. Jim Stockard pointed out that under the current system, we aren't able to address all emergency need applicants, and some may no longer have an emergency. (There are applicants with emergency needs have been in the two and three-bedroom pools for several years.) If these applicants still have emergencies, they potentially could be served under the revised preferences.

Modify preference based on age of children:

This proposal would change the current system from a preference for children under 6 to an open preference for every third unit which would have a preference for a household with a child under 18. Trust discussed that this proposal would allow applicants who have been in the waiting pool for a long time, to have the opportunity to be housed in an affordable unit. It was noted that this change would also be a benefit for applicants whose children "age out" of the priority system. (The household applies when the child is under 6, but is not considered for unit and then child ages to above 6.) These households would be eligible to be considered for every third unit.

Cheryl-Ann Pizza-Zeoli emphasized the importance of tracking the results of the preference system, so accurate and clear data is available to review the new preference system.

Staff described the impact of the proposed changes on the homeownership program. Since there is no emergency need preference for homeownership, the only change that would impact the program is adjusting the preference for the age of children. Projecting forward for three years under the current system, all two and three bedroom units would be sold to families with children under 6. Under the proposed system, 1/3 of the units would likely be offered to families with children under 18.

Including former residents in the local preference category:

This issue was not resolved in the discussion of the Preference Review Working Group. Staff described the three groups that could be included in this category: non-resident holders of CHA vouchers (some of whom may not be former residents); former residents with vouchers; former residents without vouchers. It is harder to document former residents without vouchers. The Trust discussed the impact of broadening the pool of applicants receiving this preference on current Cambridge residents. With a limited number of units available, resident applicants will have a tougher time in a larger pool of applicants. Trust members noted that CHA criterion for local preference includes households in which a member works in Cambridge and also veterans. Therefore, not all CHA voucher holders living outside of Cambridge are former Cambridge residents. Trust members discussed the efforts and preferences CHA has offered to help CHA voucher holders move to Cambridge, and noted that these options remain available.

The Trust discussed the path through affordability levels – public housing, project-based vouchers, inclusionary. Staff informed the Trust that staff maintains and updates annually an affordability ladder that shows this progression.

There was a consensus that former residents should not be added to the local preference definition. It is too broad and difficult to document former residents without vouchers. Since CHA has a broader local preference definition than the inclusionary program, some voucher holder may not even be former residents. Most importantly, there are a limited number of resources which members thought should be prioritized for current residents. Adding former residents will negatively impact the number of current residents who will be offered housing and could result in displacement of residents.

There was consensus to recommend the changes to the ordering of preferences for family-size rental units, along with changes to the emergency need preference and the age of children preferences, and to maintain the current priority for Cambridge residents.

For rental, the recommended changes would result in the following order of preferences:

1. *Cambridge Residents*
 - a. *Emergency need applicants with children under 6 for 2 units. (2- and 3-bedroom units)*
 - b. *Emergency need applicants with children under 18 for every third unit (2- and 3-bedroom units)*
 - c. *All other Emergency need applicants*
 - d. *Applicants with children under 6 for 2 units. (2- and 3-bedroom units)*
 - e. *Applicants with children under 18 for every third unit (2- and 3-bedroom units)*
 - f. *All other Applicants*
2. *Works in Cambridge*
 - a. *Same order of preferences as under Cambridge residents*
3. *Non-residents*
 - a. *Same order as under Cambridge residents*

For homeownership, the recommended changes would result in the following order of preferences:

1. *Cambridge Residents*
 - a. *Applicants with children under 6 for 2 units.*
 - b. *Applicants with children under 18 for every third unit.*
 - c. *All other Applicants*
2. *Works in Cambridge*
 - a. *Same order of preferences as under Cambridge residents*
3. *Non-residents*
 - a. *Same order as under Cambridge residents*

The Trust discussed next steps. Bill Tibbs asked about the next steps and wants to be certain the Trust recommendations are clear. The next step will be for the Housing Committee to discuss the preferences. The preferences will be part of the regulations promulgated for the inclusionary program. The City Manager has the authority to issue the regulations after a public hearing process. It was decided a formal vote on the changes proposed by the Trust will be taken at the next Trust meeting.

Other Business

Trust members discussed the proposed Affordable Housing Overlay. Trust members discussed how the overlay is perceived and different approaches to talk about it in light of some opposition. Ideas are to discuss the role and importance of zoning and the actual impact of the overlay; City's priority of affordable housing and the need for consistency in saying it is a priority and taking action; emphasizing social equity; providing more detail to illustrate impacts of the overlay; and describing what is affordability, what it means.

ADJOURNMENT

The meeting adjourned at 5:50 PM. The next meeting date is December 13, 2018

Materials:

- Preference Change Recommendations and Matrix dated 9/27/18
- Inclusionary Housing Rental Program (Proposed Changes)
- First Time Homebuyer Program (Proposed Change)
- Meeting Minutes from the Trust's October 25, 2018 meeting.
- Project Update

Cambridge Affordable Housing Trust
Status of Active Commitments

December 13, 2018

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	currently approved buyers: 2	7	58 scattered site units purchased by first time buyers to-date. New program rollout June 2017; new HomeBridge name, inclusion of "work in Cambridge" eligibility; pilot 120% AMI program. Two units have closed in 120% pilot. Five units under 100% have closed; one under agreement.	N/A	\$7,200,000	1-br: 40% sale 2-br: 45% sale 3-br: 50% sale	May 2011
2.	Homeownership Resale Program	CDD	currently active units:	11	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers.	N/A	\$3,500,000		December 2011
3.	Harvard Properties	HRI	50 Trowbridge #6	Currently active units: 1	100-unit portfolio acquired. Rehab of units on-going upon first vacancy in each unit, building systems and exterior renovations ongoing per approved portfolio plan. ~86 units completed to-date.	\$7,220,999	\$750,000	\$7,500	March 1997
4.	Bedrick Properties	HRI	34 Willow St #3	Currently active units: 1	95-unit portfolio acquired. Rehab of units on-going upon first vacancy in each unit, building systems and exterior renovations ongoing per approved portfolio plan. ~64 units completed to-date.	\$15,615,000	\$5,586,000	\$58,800	November 1999
6.	671-675 Concord Ave	HRI	98		Phase 1 site work nearing completion, Phase 2 underway.	\$58,228,753	\$23,803,176	\$242,890	March 2016
7.	Frost Terrace 1971 Mass Ave	Capstone Hope	40		Comp permit approved. DHCD funding was approved July 2018. Finalizing design and budget in advance of construction closing in early 2019. Bringing perm funding request to December Trust meeting.	TBD	\$7,210,000	TBD	March 2016
8.	Vail Court (139 Bishop Allen)	TBD	TBD	TBD	Trust and City hosted public meeting on 7/24/17 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 City receiving a response from the Court regarding the legal action taken by former owner.	TBD	TBD	TBD	N/A
9.	Squirrelwood (multiple addresses, corner of Broadway and Market)	JAS	23		JAS building 23 new units as part of the consolidation/renovation of Linwood and Squirrel Brand Apartments; received conditional approval of Trust funding in January 2018 and comp permit approved at 2/15/18 BZA hearing. Bringing perm funding request to December Trust meeting.	TBD	\$4,600,000	\$200,000	January 2018
10.	2072 Mass Ave	Capstone Hope	TBD	TBD	Capstone/Hope purchased site in April 2018.	TBD	\$3,800,000	TBD	February 2018
			Total Units		161				

Cambridge Affordable Housing Trust
Status of Active Inclusionary Housing Developments

December 13, 2018

Approved Active Projects	Developer	Status	Rental Units	Ownership Units
1. 88 Ames Street	Boston Properties	Covenant Recorded 1/28/16. Tenant selection underway.	36	
2. 262 Monsignor O'Brien Highway	Minceo Corp.	Covenant Recorded 3/8/16. Buyers selected. Closings to be scheduled.		6
3. 88 Cambridge Park Drive	Hanover Company	Covenant Recorded 9/30/16. Tenant selection underway.	30	
4. 77 New Street	Abodez	Covenant Recorded 9/14/16. Under Construction.	11	
5. 253 Walden Street	Observatory Hill Apartments LLC/ Eric Hoagland	Covenant Recorded 11/18/2016. Under Construction	3	
6. 95 Fawcett Street	Ed Doherty	Covenant Recorded 12/29/2016. Under Construction		5
7. 10 Essex Street	Morris Naggar	Covenant Recorded 3/9/2017. Under Construction.	5	
8. 1699 Mass. Ave.	Louis Harvard Enterprise	Covenant Recorded 3/50/2017; revised 6/28/18. Under construction	2	4
9. 305 Webster Ave.	305 Webster Ave. Condominiums LLC	Covenant Recorded 8/11/17. Under Construction		
10. 47 Bishop Allen	Twining	Covenant Recorded 10/13/17. Under Construction	3	
11. St. James (1991 & 2013 Mass. Ave.)	Oak Tree	Covenant Recorded 11/21/17. Under Construction	5	
12. Mass & Main (multiple addresses, Mass Ave. & Columbia St.)	Twining	Covenant Recorded 11/24/17. Under Construction	58	
13. 249 Third Street	Equity	Covenant Recorded 12/22/17. Under Construction	12	
14. Lane & Games (195&211 Concord Tpk.)	Criterion	Covenant Recorded 3/16/18. Under Construction	44	
15. 14-16 Chauncy Street	Chestnut Hill Realty	Covenant Recorded 4/20/18. Under Construction	1	

Total Units under IHP Covenants:

891	rental
211	ownership
1102	total

Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units
1. 16-18 Elliot Street	Charles River Holdings	IHP plan under review.	2	
2. 605 Concord Ave.	Abodez Acorn	IHP plan review complete. Covenant being drafted.	7	
3. Alexandria - 50 Rogers Street	Alexandria	IHP plan under review. Includes middle income units.	~47	
4. 107 First & 22 Hurley Streets	Urban Spaces	Preliminary IHP plan submitted.	~16	



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To: Cambridge Affordable Housing Trust

From: Project Review Committee

Date: December 13, 2018

Re: Squirrelwood Apartments – Permanent Funding Request

At the January 2018 meeting the Trust voted to conditionally approve up to \$4,600,000 in financing to Just-A-Start Corporation (JAS) for the construction of 23 new affordable rental units on their Linwood Court property. The infill project will be accomplished as a component of the overall plan to rehab, preserve and consolidate its 45-unit Linwood Court Development with its 20-unit Squirrel Brand Apartments development. This project preserves and provides much needed capital improvements and repairs to 65 units and creates 23 new affordable units.

Since the Trust last reviewed the project in January, JAS has secured a Comprehensive Permit to build the 23 new units, assembled additional financing and finalized construction pricing. JAS is now seeking to formalize the Trust's permanent funding commitment in the amount of up to \$4,400,000 (\$191,304/unit) in anticipation of beginning the construction closing process in Spring 2019.

Located between Broadway, Columbia and Market streets in the Port neighborhood, Linwood Court consists of eight detached buildings that were substantially renovated and converted to affordable housing in 1973. Squirrel Brand Apartments, located across the street from Linwood in the former home of the Squirrel Nut manufacturer, was purchased by JAS in 1999 and includes 18 units in the converted factory and two units on Boardman Street.

The proposed 23-unit new development will include 2 new buildings and an addition to an existing building, designed to fit into the existing fabric of the Linwood community. Plans include the addition of an elevator in one of the new buildings and 3 new accessible units allowing for a more accommodating environment for tenants with mobility impairments. The renovations in the existing units include sprinkler systems, new roofs, windows, some kitchens and baths and exterior work.

The 23 new units will consist of 12 1-bedroom, 8 2-bedroom and 3 3-bedrooms units. As you may recall, over-housing has been an issue at Linwood as the majority of the existing units (92%) are 2, 3 and 4+ bedrooms and there has been nowhere for families to move when their household sizes decrease. With the consolidation, and the addition of the new 1 and 2-bedroom units, there will be flexibility to move tenants around the development to allow for "right-sizing" and freeing up large units for families that need them.

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The new units will serve a range of incomes, including 13 for low and moderate-income residents, and ten which will be available to households up to 100% AMI through funding from MassHousing's Workforce program.

The total development cost of both the renovation of existing 65 units and new construction of the 23 new units is estimated at \$42,357,901 (\$481,340/unit). The cost for the new construction only component is anticipated to be \$9,505,726 (\$413,292/unit). The new construction will be funded with \$1,139,392 in tax credit equity, \$1,031,339 in DHCD funding, deferred fee of \$143,750, as well as the Trust funding and first mortgage debt. At the request of the Project Review Committee, JAS will be increasing their first mortgage financing as it was noted that the project could support more debt than had been assumed in the budget. With the increase in debt, the amount of Trust funding needed is reduced to \$3,981,000. However, JAS is requesting that the Trust authorize permanent financing up to \$4,400,000 as some construction pricing is yet to be finalized and may come in higher than budgeted. If that is not the case, and costs remain on budget, the final Trust loan will be closer to \$4 million. Staff will continue to work with JAS to assess options to both reduce costs and maximize resources, all of which would offset needed Trust funding.

In addition to the request for permanent financing, JAS is requesting to consolidate the existing outstanding City and Trust loans on the two properties. The loans, listed below, would be amended and restated to reflect the new entity with terms that reflect our current terms and conditions. A new affordable housing covenant will be entered into as a part of the consolidation.

Project	Lender	Loan Amount	Estimated Accrued Interest:	Estimated Outstanding Loan Balance*
Linwood Court	CAHT	\$329,000	\$302,428	\$631,428
Linwood Court	City	\$237,561	\$178,545	\$416,106
Squirrel Brand	CDBG	\$460,000	\$641,328	\$1,101,328
Total Both Properties*		\$1,026,561	\$1,122,301	\$2,148,862

* prior to closing, actual amount of outstanding principal and accrued interest will be calculated

RECOMMENDATION:

Given the need for new affordable housing and the lack of suitable sites, we value and support Just A Start's efforts to not only maintain existing affordable units but to create new affordable opportunities at their existing sites. The proposed consolidation will enable JAS to complete needed upgrades to the existing 65 units of affordable housing, as well as build the much needed additional 23 units for households that cannot afford market rate rentals in Cambridge.

The Project Review Committee recommends that the Trust approve Just A Start's request for between \$3,981,000 up to \$4,400,000 CDD in permanent financing for the new construction of 23 rental units subject to the following conditions:

The permanent financing commitment should be made contingent on the following:

1. CDD staff approval of the final development and operating budgets, including specifically any increase in Trust permanent financing above \$3,981,000;
2. CDD staff approval of the repayment provision(s) of Trust financing, whereby 50% of net cash flow and the ground lease be used to repay the loans, or such other similar provision acceptable to staff;
3. CDD staff approval of construction plans and specifications;
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. Firm written commitments from all funding sources, sufficient to complete transaction.

Loan shall be subject to standard Trust terms and conditions 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 affordability be set at one year longer than the longest restriction on the property, and in any event no less than 50 years, or such other longer period as may be required by the existing underlying financing and/or zoning
- 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.
- Loans 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 requisitions to other sources.

Consolidation and restatement of existing financing should be subject to the following:

- That the maturity date(s) for the Loan(s) be extended to 50 years from closing, or such other similar period, acceptable to staff;
- That the interest rate(s) be set to 3% annually compounding, or such other similar rate as may be required by the investor and acceptable to CDD Staff.
- That the new affordability restriction(s) be set at one year longer than the longest restriction on the property, and in any event no less than 50 years, or such other longer period as may be required by the existing underlying financing and/or zoning.



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To: Cambridge Affordable Housing Trust
From: Project Review Committee
Date: December 13, 2018
Re: Frost Terrace Apartments Project – Permanent Funding Request

The team of Capstone Communities LLC and Hope Real Estate Enterprises LLC (Capstone/Hope) is requesting up to \$10,785,378 in permanent financing from the Trust for Frost Terrace Apartments. This request includes \$6,700,000 in acquisition financing and \$480,000 predevelopment financing previously provided.

Located in the heart of Porter Square, Frost Terrace Apartments involves the creation of 40 new affordable rental units through the conversion of three single-family homes and the construction of a new 27-unit structure. As you may recall, in May 2016, the Trust approved the purchase of 1791 Massachusetts Avenue assuming a 25-unit project. In May 2017, the Trust approved additional financing for the purchase of the two rear parcels to expand the project. At that time, it was estimated that the total City/Trust contribution would be \$11,719,209 or \$272,539/unit assuming 43 units.

One of the incentives for expanding the size of the project was that the project could accommodate a greater number of family-sized units. Early designs indicated that the combined parcels could yield up to 30 2- and 3-bedroom units. The original design concept involved creating 43 units by replacing the two rear houses to make room for a single large new multi-family building, while retaining and relocating the existing historic house at 1791 Massachusetts Avenue. However, in response to feedback during the permitting process, the project was reduced to 40 units and designs changed to retain all three existing houses and to build a 4-5 story 27-unit structure in the middle of the site. In the end, Capstone/Hope was able to secure a Comprehensive Permit for 40 units including 14 one-bedrooms, 13 two-bedrooms and 13 three-bedrooms.

Since securing permitting, Capstone/Hope has worked to secure financing for the project including \$2 million in combined DHCD funding, \$2 million in state AHT funding, approximately \$9 million in tax credit equity, and \$3.2 million in first mortgage financing. The Cambridge Housing Authority has also awarded the project 8 project-based vouchers.

In September, they received pricing estimates based on design development drawings which came in higher than anticipated. Since then, they have been working with their architect and contractor on options to reduce costs.

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Project Costs/Cost Reduction Options

Capstone/Hope attributes the higher than anticipated pricing to a variety of factors including the general construction environment where material costs are increasing due to tariffs and where there is a surplus of construction work making bidding less competitive. The project is also uniquely costly due to design changes made during the permitting process including preserving the two rear houses and relocating the front house, preserving most of the existing mature trees on-site, and use of a more expensive façade articulation than originally proposed. In addition, the height of the new structure was limited to 4-5 stories which resulted in the need to excavate basement space for partial residential use to maintain unit count and proposed bedroom configuration.

After the first round of value engineering, including a series of interior design changes, Capstone/Hope has succeeded in significantly reducing anticipated costs. At this time, it is estimated that the Total Development Cost (TDC) would be \$27,219,486 or \$680,487 per unit, requiring a Trust contribution of \$10,785,378 or \$269,634 per unit. As part of their value engineering review, they also explored converting some 1-bedroom units to studios. While Capstone/Hope plans to proceed with the original unit configuration (13 3-bedrooms, 13 2-bedrooms and 14 one-bedrooms) the Project Review Committee supports their request for the Trust to grant them the flexibility of converting up to four 1-bedroom units to studios if necessary to stay at or below the anticipated TDC.

In the meantime, they continue to explore options to both reduce costs and bring in more resources, all of which would be used to further reduce the Trust funding. Staff will continue to work with them through this process, in preparation for a full construction closing in Spring 2019.

Predevelopment Loan Increase/Early Start Funding

In addition to the permanent request, Capstone/Hope are requesting that a portion of the funding be made available early for predevelopment and early stage site work. To date, the Trust has provided \$480,000 in predevelopment funding for the project. Capstone/Hope is requesting that an additional \$1,670,996 be made available prior to full construction closing to be used to take out existing predevelopment funding from BlueHub Capital (formerly BCC) and to pay for additional early stage activities including interior demolition of the two rear houses, excavation and foundation work, and preparation of front house for its relocation. The proposed budget is summarized below:

Remaining Predev/Early Stage Work:	
Demolition/Site Work	644,100
Environmental	37,925
A&E	305,806
Insurance	15,000
Taxes	29,084
Legal	21,803
Geotech	10,790
Permits/Fees	5,000

Accounting	5,000
Civil Engineering	14,289
Clerk of Works	13,223
Survey	5,000
Landscape Architect	10,000
Arborist	2,000
LEED Consultant	26,960
Financing Fees	20,000
Carrying Cost	5,015
Subtotal:	1,170,996
BCC Loan:	500,000
Total Early Funding:	1,670,996

RECOMMENDATION:

This project, in the heart of Porter Square, is a rare opportunity to create a significant number of family-sized units in an area traditionally underserved by affordable housing. While the TDC is higher than anticipated, the Trust funding request remains in line with the original budget. Costs at Frost Terrace are largely driven by a higher than typical acquisition per unit of \$168,417 and higher than typical design costs given the site constraints and permitting requirements. The team of Capstone and Hope has demonstrated a commitment to continue to work to bring costs down to reduce the overall TDC and funding needed from the Trust.

The Project Review Committee recommends that the Trust approve Capstone/Hope's request for permanent financing up to \$10,785,378, of which \$7,180,000 has already been disbursed for acquisition and predevelopment and of which \$1,670,996 may be made available before the full construction closing for early stage activities as outlined above. In addition, the Trust grants Capstone/Hope flexibility to convert up to four 1-bedroom units to studios if necessary in order to maintain costs.

The \$1,670,996 increase in predevelopment loan funding should be made contingent on the following:

1. CDD staff approval of predevelopment budget, specs and scope of work;
2. The loan shall be structured as either an amendment to the existing CAHT mortgage or a new first mortgage, pari passu with the existing CAHT financing;
3. Loan term shall be 24 months or until construction loan closing, whichever occurs sooner;
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.

The permanent financing commitment of up to \$10,785,378 should be made contingent on the following:

1. CDD staff approval of final design and development plan;

2. CDD staff approval of the final development and operating budgets;
3. CDD staff approval of the repayment provision(s) of Trust financing, whereby 50% of net cash flow be used to repay the loans or such other similar provision acceptable to staff;
4. CDD staff approval of construction plans and specifications;
5. CDD staff approval of the tenant selection and marketing plan, which shall include provisions to ensure at least 70% local preference in tenant selection;
6. Firm written commitments from all funding sources, sufficient to complete transaction.

Loan shall be subject to standard Trust terms and conditions 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.
- Loans shall be non-recourse.

For both early stage work and construction periods:

- 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 requisitions to other sources.



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

Assistant City Manager for
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SANDRA CLARKE

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To: Cambridge Affordable Housing Trust

From: Project Review Committee

Date: December 13, 2018

Re: 155 Willow St – new request

The Cambridge Housing Authority is requesting up to \$6,522,388 for the construction of a new 26-unit affordable rental housing development at 155 Willow Street in East Cambridge. This CHA-owned site is currently being used as parking for Roosevelt Towers and is located a block from Cambridge Street and within short walking distance to the Union Square MBTA station currently being built. The CHA has determined that there is ample on-site parking at Roosevelt and that this lot is available to be redeveloped.

The CHA believes that the site can accommodate a 4-5 story building of approximately 30,000 square feet, with 7 units per floor, over a ground floor podium with common space at the front street level and parking at the rear. After considering a range of different building configurations, the CHA has settled on a proposed 26-unit structure which would include 3 full stories of residential and a partial 5th floor of residential, to provide a top floor setback from the adjoining property. Their plan is to use modular construction.

In addition to looking at different-sized building envelopes, the CHA has also reviewed different unit size configurations and has narrowed the project down to one of two proposed 26-unit scenarios, as summarized in the chart below. While both scenarios have four 3-bedroom units, Option 1 has more 2-bedroom units and fewer 1-bedrooms resulting in a greater overall percentage of family-sized units (73.1%), as well as greater TDC and greater need for Trust funding. Option 2 has more one-bedroom and fewer two-bedroom units resulting in a lower percentage of family-sized units (57.7%) but is estimated to need less Trust funding as a result of a TDC that is lower than Option 1. The CHA is prepared to proceed with either plan, based on input from the Trust. The following table provides a summary of each option:

155 Willow Street	Option 1	Option 2
1 BRs	7	11
2 BRs	15	11
3 BRs	4	4
Total units:	26	26
% family units:	73.1%	57.7%
Estimated TDC:	\$17,818,983	\$17,026,639
~TDC/unit:	\$685,345	\$654,871
~CAHT:	\$6,522,388	\$5,838,044
~CAHT/unit:	\$250,861	\$224,540

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At this time, the CHA is estimating a total development cost (TDC) of between \$7 million to \$8 million, or \$650,000 to \$685,000 per unit, depending on building configuration. The CHA attributes these higher than typical TDCs primarily to the CHA procurement requirements which they estimate to add more than 25% to construction costs. While these TDCs are significantly higher than other current and recent projects, the fact that the CHA is contributing land at no cost helps keep the numbers down to levels more in-line with what we might expect for new construction of family-sized units.

The CHA is electing to use modular construction primarily because they want to familiarize themselves with the technology in advance of embarking on larger projects which could benefit from modular design. While there could be some reductions in cost with modular, they do not anticipate significant cost savings as reductions may be offset by new modular-related costs such as the need to hire an outside consultant. However, they expect that using modular will be at least cost-neutral and believe that the anticipated savings in time may translate into cost savings. The PRC recognized the value of developing familiarity with new approaches such as modular construction but was concerned that this project would need to absorb added costs due to the learning curve. In order to expand the benefits of this learning curve, they recommended that the Trust require the CHA to work with staff to identify ways to include other local affordable housing developers in the modular construction learning experience.

The CHA plans to apply for \$1,500,000 in DHCD funding in the 2019 Spring Round if their preliminary application is approved by DHCD. In addition to the DHCD and Trust funding, the project would be funded with approximately \$6 million in tax credit equity, \$2.4 million in first mortgage financing, and \$1.4 million in CHA funding. The CHA is anticipating that the project will include two project-based VASH vouchers, eight project-based vouchers from DHCD, and at least nine mobile vouchers. The \$1.4 million in CHA funding will be used as a Section 8 reserve to back up the mobile vouchers. The structure and terms of the CHA funding has not yet been determined. Similarly, the repayment provisions of the CHA and Trust funding will need to be worked out as the project proceeds. Prior to finalizing the commitment, Staff will work with the CHA on a proposed structure for both the CHA Section 8 reserve as well as repayment provisions of both the Trust and CHA financing.

In terms of next steps, depending on feedback from the Trust, the CHA will begin a process with the community in preparation for applying for a Comprehensive Permit for the project. As the project takes shape, staff will continue to work with the CHA to assess costs and identify ways to reduce the overall TDC as well as needed Trust funding. In addition, staff will provide periodic updates to the Trust in advance of bringing a final formal request back to the Trust for review and confirmatory approval.

RECOMMENDATION:

The proposed Willow Street project is an opportunity to use an existing CHA site to create 26 new affordable units, including a large number of family-sized units. After discussion, the Project Review Committee agreed that the redevelopment of the Willow Street lot for affordable housing is an opportunity worth exploring further. While the costs are high and the project is still in its early stages, the PRC supports discussing the project at the December Trust meeting. The PRC recommends that any financing approval at this time be conditional and subject to further review as project details become more clear.

Specifically, the PRC recommends that the Trust conditionally approve the CHA's request for up to \$6,522,388 in Trust financing assuming they proceed with Scenario 1 or up to \$5,838,044 assuming they proceed with Scenario 2, as described above and subject to the following conditions:

- Given the project's early stage, the funding commitment should be time-limited and should expire on December 31, 2019 unless the following conditions have been completed to the satisfaction of the Trust:
 1. CDD Staff and Trust approval of final design and development plan;
 2. CDD Staff and Trust approval of final development and operating budgets, including proposed terms and conditions of CHA funding;
 3. CDD Staff and Trust approval of repayment provision(s) of Trust financing which require that a portion (typically 50%) of net cash flow be used to repay Trust loans;
 4. successful completion of permitting process;
 5. provision of project updates, at periodic request of CDD Staff and Trust;
- CDD Staff approval of a process by which the CHA will work with CDD staff to include other local affordable housing developers in the modular construction learning process; for instance, by convening meetings to discuss the project, scheduling site visits, and creating other activities to share the learning experience;
- Prior to closing, CDD staff shall bring final funding request to the Trust for approval;
- CHA may seek an extension to the Trust commitment.

In addition to the above-listed conditions, Trust financing for the Project shall be subject to standard Trust terms and conditions including, but not limited to:

- CDD staff approval of construction plans and specifications;
- CDD staff approval of the tenant selection and marketing plan, which shall include provisions to ensure at least 70% local preference in tenant selection;
- Firm written commitments from all funding sources, sufficient to complete transaction;
- All affordable units will be subject to the City's standard affordable housing restriction to be signed at loan closing, requiring permanent affordability;
- Loan will have an interest rate of 3% compounding, or such other rate approved by CDD Staff, and a term of 50 years.
- Loan will be subject to a penalty rate of 8%. The penalty rate is only applied upon violation of the affordability restriction.
- Loans shall be non-recourse.

During the construction period:

- Notify Lender's Rehabilitation Specialist of all construction meetings and copy on meeting minutes;
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MEMORANDUM

TO: Housing Committee

FROM: Affordable Housing Trust
CDD Staff

DATE: December XX, 2018

RE: Recommended Changes for Preferences in Resident Selection Policies

In the last term, the Housing Committee asked the Trust and Community Development Department (CDD) to develop recommendations for changes in the criteria which determine which applicants receive preference for inclusionary housing offered through CDD. After reviewing program information, considering the current criteria, identifying gaps and opportunities for change, and projecting the impact of recommended changes, we are now forwarding recommendations to the Housing Committee for consideration and discussion.

Changes to the current resident selection preference criteria will be made through the City Manager's promulgating regulations for the Inclusionary Housing Program under authority provided in the 2017 zoning amendment. The Housing Committee had asked for recommendations from the Trust to help provide policy guidance in developing changes to the current preference criteria. Staff will incorporate recommendations from the Housing Committee into regulations for the Inclusionary Housing Program, which will be first issued in draft form. The City will offer opportunities for the community to provide comments for consideration before regulations are finalized.

We have considered both the hierarchy of preference criteria as well as the criteria themselves and are recommending changes in each.

HIERARCHY OF PREFERENCES

The hierarchy of preferences is the order in which different preference criteria are considered. The current hierarchy includes residency, households with children, and emergency need. Residency has been the significant preference, followed by that for applicants with children, and then lastly the preference for applicants with emergency needs.

We recommend that residency remain the most important and impactful preference, and that given the needs in the community and changes we have seen in the socioeconomic profile of the city over time, that this preference remain fully available for residents for all units.

We reviewed the preference for applicants with children, which is currently the second most impactful preference, and found the current policy had a negative impact on rental applicants with an emergency housing need (there is no emergency need criteria for homeownership) by providing too significant an advantage to applicants with children. This advantage for families with children has made it more difficult for applicants with emergency housing needs without children to be considered for available rental units. Often those applicants (e.g. all-adult resident households) are not considered for available units.

We recommend a change to prioritize resident applicants with an emergency housing need for rental housing, so that these applicants are considered before applicants who are more stably housed. This would change the current hierarchy of preferences for two- and three-bedroom units (as there is no preference for applicants with children for studio and one-bedroom units), and place resident applicants with an emergency need ahead of all applicants without an emergency need including resident applicants with children. We recommend that among applicants with emergency needs, that those applicants with children receive priority and be considered ahead of emergency need applicants without children for two- and three-bedroom units.

After all resident applicants with emergency housing needs are considered for rental housing, and for all homeownership units, we recommend that the preference for families with children remain to facilitate housing families in larger units.

PREFERENCE CRITERIA

We have the following recommendations and comments for each preference area. A matrix showing the current and recommended criteria is attached to assist in review; we have also included CHA preference criteria for reference.

Resident Preference (Rental Housing & Homeownership)

We strongly recommend that the preference policy continue to allow for all

residents to be considered for housing before any non-resident. However, recognizing that some residents have a hard time documenting their residency, recommend that the criteria for documenting residency be expanded. City staff is considering how best to do this.

To assist residents who may face displacement while waiting for housing, we also recommend that residency status applicants be determined at the time of initial application, and not reexamined for so long as an applicant has an active application. This would be a change that would prevent residents who might be displaced from losing their status for City housing programs where they have pending applications.

We discussed at great length how to consider displaced former residents – both those with vouchers issued by CHA¹, and other displaced low- and moderate-income households who are harder to quantify because they are not receiving housing assistance. We share the desire expressed by the Committee to bring displaced residents back, however discussed the paths that CHA has created to assist CHA voucher holders in moving to Cambridge in housing accessed through the CHA². Given the great need among current residents, we recommend that the residency preference be limited to current residents to help minimize displacement of current residents who will still face long wait times for housing.

Emergency Housing Need Preference (Rental Housing)

We also discussed at length and recommend limiting emergency criteria to those housing emergencies which warrant moving an applicant to the front of the line, and in many cases jumping past hundreds of applicants who have been waiting for housing for a long time. We noted that if an applicant meets our emergency criteria that we would want them to be considered for housing very quickly, and if they could not be (for example, if there were too many emergency need applicants to serve), then the emergency need criteria should be re-considered to prioritize applicants with the most significant needs.

¹ A 2017 CHA analysis found that 399 of 746 (53.5%) CHA MTW voucher holders living outside of Cambridge are from Cambridge; this number and ratio may be slightly higher as most vouchers issued since 2017 have been “emergency” vouchers issued to residents, and most new vouchers issued continue to be used outside of the city

² CHA offers preference for voucher holders living outside of Cambridge and considers these households first when filling vacancies in project-based units in Cambridge

With this goal, in addition to making it become a more impactful preference, we recommend the following changes:

- Maintain and/or modify the following emergency criteria:
 - Eviction threat – maintain criteria for applicants facing no-fault evictions, however we recommend a change so that the criteria is met when court action is commenced to give ample time before any court order is issued;
 - Cost-burdening – maintain criteria with a threshold of more than 50% of income, however we recommend a change to limit this criteria to applicants who have lived in their home for at least one year;
 - Homeless applicants – maintain criteria and rely on letters from shelters or other assistance providers; we recommend that applicants also be eligible for the residency preference if they can document their last permanent address in the city;
 - Transitional housing – maintain this criteria for applicants living in time-limited transitional housing, and clearly define criteria for what is considered transitional housing;
 - Housing condition – maintaining criteria, but we recommend limiting it only the most severe conditions, and recommend changing the criteria, which is currently available to applicants who are living in a unit with code violations, to be available only to applicants who have received a notice to vacate by the City, or who are victims of a natural disaster;
- Add the following emergency criteria:
 - Domestic Violence – while applicants seeking to escape abusive situations may qualify for other emergencies, we strongly recommend having explicit emergency criteria available; we recommend this criteria be limited to recent incidents which could result in loss of housing as confirmed by police reports, court records, or statements from service providers;
- Remove the following emergency criteria:
 - Overcrowding – while significant for some applicants we recommend removing criteria to ensure housing is prioritized for applicants with most significant housing needs.

We recommend that applicants who meet the recommended emergency criteria maintain that status for so long as the emergency exists, and this status be subject to reevaluation if circumstances change while their application is

pending. We likewise recommend that the criteria be limited so that applicants are offered one available unit, and be forfeited if an applicant declines a unit offered.

Finally, we discussed at length applicants who are doubled up, reviewing the reasons why applicants might be doubled up, and the challenges in documenting and confirming such circumstances which would make it difficult to implement such criteria equitably. Staff have seen applicants who have doubled up by need (for example after an eviction for cause) and by choice (for example moving from another community), and it is often difficult to determine the full set of facts and open to subjective determinations. Where we desire clear, objective, and transparent criteria, we do not recommend this as emergency criteria.

Families with Children (Rental Housing & Homeownership)

We recommend maintaining this preference for families with children for both rental and homeownership applicants. However, acknowledging that it has been difficult for many families with children 6 years old or older to be considered, we recommend splitting this preference so that the additional preference for families with children under the age of 6 be maintained for every 2 out of every 3 units, and that an “open” preference for all applicants with children under 18 be in place for every 3rd available unit. We recommend that this be done for two- and three-bedroom units for both the rental and homeownership program. For homeownership, we recommend that this preference also be applied to these units within specified income ranges (e.g. 60-80% AMI, 80-100% AMI, etc.) to ensure that all applicants with children will over time have a chance to be considered for these opportunities.

PROJECTING IMPACT OF RECOMMENDED CHANGES

CDD staff have analyzed how recommended changes would impact households served in both rental and homeownership units. Using data on applications received, staff have projected how who is offered housing might change from the current criteria were replaced as recommended above. This analysis assumes that the types of applications will not change as result of changed preference criteria. While the actual impact of any changes going forward cannot be predicted with certainty, this attached analysis helps to demonstrate how the changes would impact different types of applicants.