



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

*Assistant City Manager for
Community Development*

SANDRA CLARKE

*Deputy Director
Chief of Administration*

Affordable Housing Trust

February 22, 2018

Ackerman Room

AGENDA

- Old Business
- Project Update
- New Business
 - Request for Funding – Concord Highlands
 - Request for Funding – New Site Acquisition
- Adjournment

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
January 31, 2018

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

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

Trustees Absent: Florrie Darwin; Susan Schlesinger; Elaine Thorne;

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

Others Present: City Councilor Sumbul Siddiqui, James Williamson

The meeting was called to order at 4:08.

Upon a motion moved and seconded, it was:

VOTED: to approve the minutes of the November 29, 2017 Trust meeting.

PROJECT UPDATE –

Homebridge Program: second purchase under City's recently expanded HomeBridge program closed; both purchasers were in the 100-120% AMI range; there are a number of applicants approved for the program who are currently looking for opportunities to purchase

Jefferson Park State Public Housing – Construction is behind schedule but first phase anticipated to be complete in late February.

Concord Ave – The project received funding in DHCD's special mini-round; reviewing bids and preparing to close in two phases beginning with site work in late Spring and full construction at the end of the summer.

Frost Terrace -Capstone's application for a comp permit to create 40 new units in Porter Sq was approved at the BZA; preparing to apply for funding in DHCD February round

JAS Consolidated – Just A Start closed in December on its consolidation of 10 existing properties; the transaction involved repackaging existing financing and bringing in new resources to allow JAS to renovate existing housing and rebuild the units lost to fire at the former St Patrick's Place property

Vail Court - Court approved the City's request to demolish the buildings, but the broader litigation remains ongoing; demolition will occur in the spring.

Inclusionary Program - Staff provided a quick overview of the IZ projects being marketed or nearing completion, including new units on Cambridge Park Drive. The pipeline remains active and growing, including several homeownership projects. Trust members noted that this appears to indicate that the expansion of to the IZ program has not chilled development.

OTHER UPDATES -

Mass & Main

Staff informed the Trust that there were two issues related to the Mass & Main project which they wanted to discuss. Mass & Main is a 285-unit rental project in Central Square being developed by Twining Properties. The project is subject to special zoning provisions which require 17% low-and moderate-income units and 3% middle-income units, and contains a provision whereby the Trust could purchase up to an additional three affordable units. The first issue discussed concerned the option to purchase affordability of additional units beyond those required by zoning. Twining has provided staff with an estimate of a differential of \$1 million between the value of an affordable and a market-rate unit one-bedroom unit. Staff noted that it is possible that a closer analysis of the assumptions used to derive this estimate could result in a lower price per unit. However, Trust members agreed that even a reduction of 25% would still mean paying \$750,000 for a one-bedroom which would be well beyond the subsidy needed to produce a comparable unit, and therefore not worth pursuing. It was further noted that the fact that there would be no possibility of leveraging other sources would mean that the full subsidy needed would be borne by the City and Trust.

The second issue discussed concerned a proposal from Twining to provide larger units in exchange for smaller units on the top floors. Specifically, Twining has offered to provide two 3-bedroom and one 2-bedroom unit in exchange for three studio units, if staff would agree to limit affordable units to the first 15 floors of the 19-floor building. It was noted that this project predates the recent changes to IZ and is subject to the former methodology whereby units are evenly distributed by floor and unit type. In the case of Mass & Main, there are fewer units on the top four floors, so there would be few affordable units regardless. Staff noted that it would ultimately be up to the City to decide, but that the Trust's input would be valuable. After discussion, Trust members encouraged staff to continue discussions as this seemed like a good opportunity to get additional needed family-sized units which would improve the affordable component in this building.

Envision Cambridge

The City's Envision Cambridge process continues, with the next Housing work group meeting scheduled for later that evening. The agenda for that meeting includes discussion on indicators. Information on the schedule, including notes and materials from meetings, is available on the Envision Cambridge website.

Housing Bond Bill

There was a brief discussion of the pending Housing Bond Bill which had passed the House and would be discussed by the Senate. It was noted that the House did not include a requested increase in state housing tax credits, a resource which could become increasingly needed if federal tax reform results in reductions of federal tax credit resources.

Metro Mayors Housing Task Force

Staff reported that Mr. DePasquale, Ms. Farooq and Mr. Cotter had attended the first meeting of the Metro Mayors Coalition Housing Task Force which had been formed to looking at regional housing and come up with regional housing production goals. It was hoped that the work of the task force would lead to cooperation among communities in creating new housing to meet

regional needs, and identify best practices and production targets. The Coalition is staffed by MAPC and is expected to meet over the next 6-8 months.

NEW BUSINESS

Squirrelwood – funding request

Prior to discussion, Mr. Stockard recused himself and left the room. Staff presented a request from Just-A-Start Corporation for funding to enable them to build 25 new rental units on the site of their existing Linwood Court development. This would be accomplished in conjunction with their plan to consolidate Squirrel Brand Apartment and Linwood Court into a single development to streamline management and enable them to bring in new resources to pay for needed rehab at the existing affordable sites. JAS is going through the permitting process now, having presented plans to the Planning Board in January and preparing to present their request for a comp permit to the BZA in mid-February. It was noted the Project Review Committee recommended that this be a conditional commitment, and that staff would report back to the Trust prior to closing for confirmation of Trust approval of final budget and development plan. Trust members expressed support for the project, and agreed that it made sense for non-profits to look for development opportunities within their own stock, such as Squirrelwood and the recently completed Auburn Court infill development.

Upon a motion moved and seconded, with Mr. Stockard absent from discussion and abstaining from the vote, it was:

VOTED: To approve Just A Start's request for up to \$4,600,000 in financing for the Squirrelwood development, as described in further detail in the Trust's January 31, 2018 briefing materials, and subject to the following conditions:

- Obtaining necessary zoning and permitting to complete project;
- Trust and CDD staff approval of the final development and operating budgets;
- CDD staff approval of construction plans and specifications, including new construction and renovation work;
- Firm written commitments from all project funding sources;
- CDD staff approval of the tenant selection and marketing plan;
- Standard Trust terms and conditions

ADJOURNMENT

The meeting adjourned at 5:06.

Materials:

- Meeting Minutes from the Trust's November 29, 2017 meeting.
- Project Update
- Squirrelwood Funding Request
- Mass + Main memo

Cambridge Affordable Housing Trust

Status of Active Commitments

February 22, 2018

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	<i>currently approved buyers: 4</i>	2	53 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.	N/A	\$7,200,000	1-br: 40% sale 2-br: 45% sale 3-br: 50% sale	May 2011
2.	Homeownership Resale Program	CDD	<i>currently active units:</i>	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	<i>Currently active units: 1</i>	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 Proprties	HRI	34 Willow St #3	<i>Currently active units: 1</i>	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
5.	Jefferson Park - State Public Housing	CHA	104		Relocation and demolition complete; construction underway; completion will occur in phases beginning in early 2018.	\$50,800,000	\$7,934,000	\$76,288	August 2013 October 2015
6.	Concord Ave	HRI	98		Comp permit approved; received funding in DHCD special mini-round; preparing to close on site work in April and full construction in late summer 2018. Final budget to be presented at February 2018 meeting for Trust review and approval.	\$58,228,753	\$23,803,176	\$242,890	March 2016
7.	Frost Terrace	Capstone Hope	40		Comp permit approved on 1/11. Decision filed; appeal period ends 3/9. One Stop submitted 2/15	TBD	\$7,210,000	TBD	March 2016
8.	Vail Court	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 New Construction	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; decision not yet filed; applied for DHCD funding in spring 2018 round.	TBD	\$4,600,000	\$200,000	January 2018

Total Units 265

Cambridge Affordable Housing Trust
Status of Active Inclusionary Housing Developments
February 22, 2018

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units
1.	61 Loomis Street	JF Trust	Covenant recorded 3/2011. Building complete. Converting to homeownership.		1
2.	130 Cambridge Park Drive	Hanover Company	Covenant Recorded 8/12/15. Tenant selection nearing completion	25	
3.	88 Ames Street	Boston Properties	Covenant Recorded 1/28/16. Under construction. Expected completion late spring 2018.	36	
4.	262 Monseignor O'Brien Highway	Minco Corp.	Covenant Recorded 3/8/16. Under construction. Expected completion spring 2018.		6
5.	Avalon North Point	Avalon	Covenant Recorded 5/5/16. First phase complete. Tenant selection to begin soon.	31	
6.	77 New Street	Abodez	Covenant Recorded 9/14/16. Under Construction.	11	
7.	88 Cambridge Park Drive	Hanover Company	Covenant Recorded 9/30/16. Under Construction.	30	
8.	253 Walden Street	Observatory Hill Apartments LLC/ Eric Hoagland	Covenant Recorded 11/18/2016. Under Construction	3	
9.	95 Fawcett Street	Ed Doherty	Covenant Recorded 12/29/2016. Under Construction		5
10.	10 Essex Street	Morris Naggar	Covenant Recorded 3/9/2017. Under Construction.	5	
11.	1699 Mass. Ave.	Lotus Harvard Enterprise	Covenant Recorded 3/30/2017. Building Permit issued. Revised plans under review.	2	
12.	305 Webster Ave.	305 Webster Ave. Condominiums LLC	Covenant Recorded 8/11/17. Under Construction		4
13.	47 Bishop Allen	Twining	Covenant Recorded 10/13/17. Under Construction	3	
14.	St. James - Mass Ave/Beech	Oak Tree	Covenant Recorded 11/21/17	5	
15.	Mass & Main	Twining	Covenant Recorded 11/24/17. Under Construction	58	
16.	249 Third Street	Equity	Covenant Recorded 12/22/17. Under Construction	12	

Total Units under IHP Covenants:
846 **rental**
211 **ownership**
1057 **total**

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units
1.	300 Putnam Ave.	Biotech Realty Investors	Covenant being finalized		2
2.	Lanes and Games	Criterion	Covenant in signature process	44	
3.	16-18 Elliot Street	Charles River Holdings	IHP plan under review	2	
4.	18-26 Chauncy Street	Chestnut Hill Realty	IHP plan under review	1	



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

Assistant City Manager for
Community Development

SANDRA CLARKE

Deputy Director
Chief of Administration

MEMORANDUM

To: Affordable Housing Trust
From: Project Review Committee *AK*
Date: February 22, 2018
Re: 2072 Mass Ave/Capstone and Hope

Capstone Communities and Hope Real Estate Enterprises are requesting an acquisition and predevelopment loan of \$3,800,000 from the Affordable Housing Trust to purchase the property at 2072 Mass Ave. Development of the site will require an extensive design, zoning and permitting process.

The 8,514 square foot parcel is located in North Cambridge on the corner of Walden Street, .3 miles from the Porter Square MBTA station and shopping center. The site is currently a small fast food restaurant with parking. The restaurant lease runs until 2020.

The parcel is zoned Business A-2, with an area of approximately 685 square feet in the Residence B district at the rear of the site, which abuts a small City-owned parking lot, currently used for resident permit parking. The CHA's Russell Apartments, a six-story elderly housing building, abuts to the east.

Capstone/Hope were aware the site was available for sale and had been assessing how an affordable housing development might be feasible there. While Capstone/Hope were discussing the opportunity with the seller, the site was listed for \$3.68MM and quickly generated market interest.

The developers plan to propose a 25- to 30-unit development, with approximately 2,000 square feet of retail space and ten at-grade parking spaces. The inclusion of ground-floor retail would be an asset by the neighborhood, and the concept received a positive reaction from CDD urban design staff. However, given the challenges in leasing retail space in that area, the developers will need to use conservative underwriting of the retail and it therefore may require capital subsidy to create this portion of the project.

The preliminary concept would require relief for FAR, unit count, parking, height, setbacks and open space. The relief would be to modify the base zoning, and the idea would be to mass height along Mass Ave, with six stories to match the adjacent Russell Apartments, with a lower portion in the rear abutting the Res B district. The City parking lot creates a buffer between the residential along Walden Street.

Similar to other developments sponsored by this team, an Agreement to Reconvey would be put in place to allow the Trust to compel the sale of the property if the development does not make sufficient progress within a certain schedule. The

Agreement will include provisions for any necessary subsequent sales, and would ensure that any market appreciation is returned to the Trust.

The proposed price of \$3.6MM for 25 units results in an acquisition price of \$144,000 per unit. This is in line with our recent experience of the market. The developers will look at all possible funding sources, including both 9% and 4% LIHTC options.

In addition to the acquisition, Capstone/Hope are requesting predevelopment funds. These funds will be used for architecture and engineering for design; permitting; legal costs; acquisition costs including survey and appraisal; and developer overhead totaling \$100,000 for two years. This amount will be considered part of the overall developer fee. A portion of the developer fee will be paid as a broker commission by the seller (effectively reducing the net purchase price of the property). Additional predevelopment costs will be covered by cash flow from the current lease.

The predevelopment budget for requested Trust funds is:

Design	\$ 80,000	Includes A&E, structural, permitting
Legal	\$ 60,000	City legal, loan docs, permitting
Environmental	\$ 25,000	Phase I and II, geotechnical
Fees	\$ 10,000	DHDC application fee, market study
Overhead	<u>\$ 35,000</u>	Additional \$65,000 paid from acquisition
TOTAL	\$200,000	

Developing affordable housing at this site will expand the housing options in the Porter Square area. While the proposed project will require zoning relief, the preliminary proposal fits with the existing scale of buildings in this area, and the "corridor" concepts being discussed during the Envision process. In addition to addressing the critical need for housing, the project can transform an underutilized site into an attractive, sustainable mixed-use building.

RECOMMENDATION:

This project is an opportunity to acquire a site in an excellent location. There is great potential to develop into permanently affordable housing. The current cash flow of the occupied site provides funding for the predevelopment period and reduces the costs of carrying the site.

The Project Review Committee recommends that the Affordable Housing Trust approve Capstone/Hope's request for an acquisition and predevelopment loan of \$3,800,000 to the Affordable Housing Trust 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 \$3,800,000. 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 not less than 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;
5. An Agreement to Reconvey as acceptable to staff, which shall allow for the Trust to compel the sale of this site if sufficient progress is not being made, and, as applicable, shall include provisions for the Trust to benefit from market appreciation;

At or prior to loan closing:

1. CDD staff approval of predevelopment budget and scope of work
2. CDD receipt of appraisal of value sufficient to support acquisition
3. Environmental assessment and/or remediation plan acceptable to staff;

Following acquisition closing but prior to construction closing:

1. CDD staff approval of final design and development plan;
2. CDD staff approval of final budget and operating proforma;
3. 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.



CITY OF CAMBRIDGE
Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director/
Chief of Administration &
operations

MEMORANDUM

To: Cambridge Affordable Housing Trust *CA*
From: Project Review Committee
Date: February 22, 2018
Re: HRI Concord Highlands/671-675 Concord Avenue:
predevelopment and permanent financing requests

Homeowner's Rehab Inc. (HRI) is preparing to close on the first phase of construction of its 98-unit affordable rental project, HRI Concord Highlands. As you may recall, it was agreed that in advance of closing, staff would report back to confirm Trust approval of the final amounts and terms of funding.

Since the Trust last reviewed the project in October 2017, HRI has been working to finalize the budget and now expects the total development cost to be \$58,228,753 which, at \$595,000 per unit, is slightly under previous estimates of \$600,000 per unit. The final request for Trust permanent financing is \$23,803,176, of which \$11,250,000 has been previously approved, and of which \$12,553,176 is now being requested. This balance of \$12,553,176 is reduced from the \$14,825,000 conditionally approved by the Trust in October 2017, largely as a result of increased HOME and CDBG funding. The total City/Trust contribution to the project will be \$26,808,176 or \$273,500 per unit. The breakdown of City and Trust financing is as follows:

	CAHT	City HOME	City CDBG	Total
Committed:	11,250,000	875,000	1,500,000	13,625,000
Conditionally approved:	12,553,176	630,000		13,183,176
Total:	23,803,176	1,505,000	1,500,000	26,808,176

In addition to funding from the Trust and the City, the project will be funded with a combination of sources including \$3.8 million in MassHousing WorkForce Housing funding, \$1.5 million in DHCD HSF funding, \$1.5 million in Massachusetts Affordable Housing Trust funding, an estimated \$9.9 million in 4% tax credit equity, an estimated \$3.75 million in state tax credit equity, and approximately \$10.3 million in first mortgage financing.

344 Broadway
Cambridge, MA 02139
Voice: 617 349-4600
Fax: 617 349-4669
TTY: 617 349-4621
www.cambridgema.gov

Loan Repayment Options and Reserve Recapture

As discussed previously, HRI will be assuming that, in addition to the project's eight (8) project-based Section 8 units, they will attract at least twenty-five (25) mobile voucher holders. This will increase the estimate net operating income, and available debt, as the payment standard for mobile vouchers is higher than for project-based units, and much higher than LIHTC units without rental assistance. However, lenders are cautious about underwriting mobile voucher income as tenants may choose to leave the property. As a result, HRI will capitalize a "Section 8 Reserve" which is sized assuming 10% mobile voucher attrition per year.

It will be a condition of closing that any unused funds in the Section 8 reserve be returned to the City and Trust. As noted at the October 2017 meeting, staff will need to negotiate the timetable for reviewing and recapturing funds with other lenders and investors but plan to request a process to review and recapture of unneeded reserve funds on a basis of every three years.

The Trust also recommended that, given the amount of local funding required at Concord Avenue, the loans should contain a repayment component. The PRC recommends that 50% of net cash flow be used to repay the loans.

Project Timing/two-stage closing

HRI is hoping to begin construction in late summer 2017, with an early partial closing on a portion of the City/Trust funding in early spring. These funds will be used for site work and enable a portion of the City/Trust funds to be moved off-budget in order to accommodate DHCD's per unit TDC caps.

RECOMMENDATION:

The opportunity to create almost 100 new units of 100% affordable housing is extraordinarily rare and special in Cambridge. HRI has taken full advantage of this opportunity by securing a comprehensive permit that will allow the new construction of affordable housing at this scale. While the amount of subsidy needed is high, we believe that the chance to develop a site of this size represents an opportunity too valuable to pass up.

Given its size, the Concord Avenue project is triggering a range of requirements and elements which we do not encounter on smaller-scale new construction. In addition, like many urban sites, the parcel itself has characteristics which make development more costly including challenging environmental and geotechnical conditions. HRI has worked closely with their engineers and with City staff to determine the most cost-effective ways to meet these challenges, and while they may not have been able to substantially reduce costs estimates, staff is satisfied that they have made significant efforts to avoid incurring additional costs and that the proposed budget is reasonable.

The Project Review Committee recommends that the Trust approve HRI's request for additional funds as follows:

\$2,800,000 - funding from FY2018 City Budget

\$9,753,176 - CPA funds

\$12,553,176

This funding should be made conditional on the following:

For the Phase 1 closing, the permanent financing funds should be made contingent on:

1. CDD staff approval of the final development and operating budgets, including the budget for the Phase 1 work;
2. CDD staff approval of the repayment provision(s) of City/Trust financing, whereby 50% of net cash flow 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 1 work;

For the Phase 2 closing, the permanent financing funds should be made contingent on:

1. CDD staff approval of the final development and operating budgets, including the budget for the Phase 2 work;
2. CDD staff approval of the repayment provision(s) of City/Trust financing, whereby 50% of net cash flow 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 2 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 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.

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.



CITY OF CAMBRIDGE

Community Development Department


IRAM FAROOQ

Assistant City Manager for
Community Development

SANDRA CLARKE

Deputy Director
Chief of Administration

MEMORANDUM

To: Affordable Housing Trust
From: Project Review Committee 
Date: February 22, 2018
Re: 2072 Mass Ave/Capstone and Hope

Capstone Communities and Hope Real Estate Enterprises are requesting an acquisition and predevelopment loan of \$3,800,000 from the Affordable Housing Trust to purchase the property at 2072 Mass Ave. Development of the site will require an extensive design, zoning and permitting process.

The 8,514 square foot parcel is located in North Cambridge on the corner of Walden Street, .3 miles from the Porter Square MBTA station and shopping center. The site is currently a small fast food restaurant with parking. The restaurant lease runs until 2020.

The parcel is zoned Business A-2, with an area of approximately 685 square feet in the Residence B district at the rear of the site, which abuts a small City-owned parking lot, currently used for resident permit parking. The CHA's Russell Apartments, a six-story elderly housing building, abuts to the east.

Capstone/Hope were aware the site was available for sale and had been assessing how an affordable housing development might be feasible there. While Capstone/Hope were discussing the opportunity with the seller, the site was listed for \$3.68MM and quickly generated market interest.

The developers plan to propose a 25- to 30-unit development, with approximately 2,000 square feet of retail space and ten at-grade parking spaces. The inclusion of ground-floor retail would be an asset by the neighborhood, and the concept received a positive reaction from CDD urban design staff. However, given the challenges in leasing retail space in that area, the developers will need to use conservative underwriting of the retail and it therefore may require capital subsidy to create this portion of the project.

The preliminary concept would require relief for FAR, unit count, parking, height, setbacks and open space. The relief would be to modify the base zoning, and the idea would be to mass height along Mass Ave, with six stories to match the adjacent Russell Apartments, with a lower portion in the rear abutting the Res B district. The City parking lot creates a buffer between the residential along Walden Street.

Similar to other developments sponsored by this team, an Agreement to Reconvey would be put in place to allow the Trust to compel the sale of the property if the development does not make sufficient progress within a certain schedule. The

Agreement will include provisions for any necessary subsequent sales, and would ensure that any market appreciation is returned to the Trust.

The proposed price of \$3.6MM for 25 units results in an acquisition price of \$144,000 per unit. This is in line with our recent experience of the market. The developers will look at all possible funding sources, including both 9% and 4% LIHTC options.

In addition to the acquisition, Capstone/Hope are requesting predevelopment funds. These funds will be used for architecture and engineering for design; permitting; legal costs; acquisition costs including survey and appraisal; and developer overhead totaling \$100,000 for two years. This amount will be considered part of the overall developer fee. A portion of the developer fee will be paid as a broker commission by the seller (effectively reducing the net purchase price of the property). Additional predevelopment costs will be covered by cash flow from the current lease.

The predevelopment budget for requested Trust funds is:

Design	\$ 80,000	Includes A&E, structural, permitting
Legal	\$ 60,000	City legal, loan docs, permitting
Environmental	\$ 25,000	Phase I and II, geotechnical
Fees	\$ 10,000	DHDC application fee, market study
Overhead	\$ 35,000	Additional \$65,000 paid from acquisition
TOTAL	\$200,000	

Developing affordable housing at this site will expand the housing options in the Porter Square area. While the proposed project will require zoning relief, the preliminary proposal fits with the existing scale of buildings in this area, and the "corridor" concepts being discussed during the Envision process. In addition to addressing the critical need for housing, the project can transform an underutilized site into an attractive, sustainable mixed-use building.

RECOMMENDATION:

This project is an opportunity to acquire a site in an excellent location. There is great potential to develop into permanently affordable housing. The current cash flow of the occupied site provides funding for the predevelopment period and reduces the costs of carrying the site.

The Project Review Committee recommends that the Affordable Housing Trust approve Capstone/Hope's request for an acquisition and predevelopment loan of \$3,800,000 to the Affordable Housing Trust 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 \$3,800,000. 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 not less than 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;
5. An Agreement to Reconvey as acceptable to staff, which shall allow for the Trust to compel the sale of this site if sufficient progress is not being made, and, as applicable, shall include provisions for the Trust to benefit from market appreciation;

At or prior to loan closing:

1. CDD staff approval of predevelopment budget and scope of work
2. CDD receipt of appraisal of value sufficient to support acquisition
3. Environmental assessment and/or remediation plan acceptable to staff;

Following acquisition closing but prior to construction closing:

1. CDD staff approval of final design and development plan;
2. CDD staff approval of final budget and operating proforma;
3. 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.