

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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New Site Acquisition

Staff presented a request for \$3,800,000 for Capstone Communities and Hope Real Estate Enterprises to purchase a site located at 2072 Mass Ave. The request includes \$3,600,000 for acquisition and \$200,000 for predevelopment.

The site is located at the corner of Mass Ave and Walden Street, .3 miles from the Porter Square T station. The developers plan to propose a new affordable development, with retail space on the first floor.

Peter Daly noted that retail space can be difficult to lease, so the underwriting for the project should be very conservative on the estimated retail income. This may require a larger portion of the first mortgage financing to be used for the retail, increasing the subsidy need for the housing. Trust members and staff discussed the importance of including a retail component, and to ensure that the design for the site is in line with the expected recommendations for the Mass Ave corridor in the Envision Cambridge plan. Trust members asked about other affordable developments with retail space in addition to Trolley Square, and staff noted that there are several, including Elm Place and Trembridge.

The site abuts a small City-owned parking lot that is currently used for resident-only parking. Trust members discussed past attempts to look at developing that parking lot as affordable housing. The site also abuts the CHA's Russell Apartments, and staff noted that the developers have been in touch with the CHA about the proposed redevelopment of the site.

Trust members and staff discussed the community and permitting process, and noted that there is currently strong city-wide support for affordable housing projects.

Upon a motion moved and seconded, by a 6-0-0 roll call, it was

VOTED: To approve the request for \$3,800,000 in acquisition and predevelopment funding for Capstone Communities and Hope Real Estate Enterprises to purchase the parcel located at 2072 Mass Ave.

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 any market appreciation.

At or prior to loan closing:

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

The meeting then returned to open session.