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 18, 2019 at 4:00 p.m.
Ackerman Room, City Hall
Cambridge, Massachusetts

AGENDA

- Review of Meeting Minutes
- Update from the Community Development Department
- 78-80 Porter Road: request from Cambridge Affordable Housing Corporation to modify the terms of existing financing
- Inclusionary Housing Monetary Contribution Rate: report on developments funded by the Trust, which will be used by the Community Development Department (CDD) to calculate the amount of subsidy necessary to create a square foot of Dwelling Unit Net Floor Area in an affordable housing project assisted by the Affordable Housing Trust, as provided in Section 11.203.3(i) of the Zoning Ordinance, so that a monetary contribution can be determined for any development subject to the Inclusionary Housing provisions (Section 11.203) for which CDD has determined that the necessary amount of Inclusionary Housing Affordable Dwelling Net Floor Area cannot be provided in affordable dwelling units in the development, in which case a monetary contribution shall be made to the Affordable Housing Trust in an amount necessary to create the equivalent amount of remaining Affordable Dwelling Unit Net Floor Area in a project assisted by the Affordable Housing Trust
- Cambridge Incentive Zoning Nexus & Jobs Linkage Study: report completed by Karl F. Seidman Consulting Services for the Community Development to reevaluate the Housing Contribution Rate and other aspects of the Incentive Zoning provisions (Section 11.202) of the Zoning Ordinance and to assess the advisability of a establishing a jobs linkage requirement
- Adjournment

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

DRAFT
CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
October 30, 2019

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present:	Louis DePasquale, Chair; Peter Daly, Florrie Darwin, Elaine Thorne, Bill Tibbs, Susan Schlesinger
Trustees Absent:	Gwen Noyes, Jim Stockard
Staff Present:	Iram Farooq, Asst. City Manager for CDD; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Janet Haines, Associate Housing Planner; Emily Salomon, Associate Housing Planner
Others Present:	Jan Devereux, Vice Mayor; Ruth Gourevitch; Yanchao Li

The meeting was called to order at 4:08 p.m.

MEETING MINUTES

Upon a motion moved and seconded, it was voted unanimously to approve the minutes for the meeting of Thursday, September 26, 2019.

PROJECT UPDATE

Frost Terrace – Capstone/Hope has closed final funding and construction has begun.

Concord Highlands – This property has been renamed Finch Cambridge. HRI and Winn are now accepting applications for the 98 units until Dec. 15, 2019 Comprehensive marketing efforts are underway, including direct mailings to voucher holders (in and outside of Cambridge), and two public information sessions at Trolley Square. Applicants will be placed into approximately 58 "buckets" based on bedroom size and preference groups. Construction is moving along with completion expected in early 2020. It is expected the project will be ready for tenants to move in late winter or early spring.

Squirrelwood – Just-A-Start has started construction.

Homebridge – A number of new buyers are in the process of searching for homes, which is possible because of the Trust funding that was approved last month. There are five approved buyers in the process of searching for homes. Two units are under agreement and two units have recently closed.

Inclusionary Housing – CDD has approved the next phase of the Alexandria Development (44 units) on Rogers Street. Most of the developments with inclusionary units are rental properties, but there are a few homeownership units. The affordable housing covenant for 50 Cambridge Park Drive

and the First Street assemblage (26 Charles St and 22 Hurley Street) are approved. An affordable covenant is in the process of being signed for Cambridge Crossing (Northpoint).

Vail Court – No update.

Frost Terrace- Construction is underway.

Incentive Zoning Study – The Incentive Zoning Study is expected to be complete next month. Recommendations from the study will be sent to the City Council for review and discussion.

Prior to 2015, many large commercial developments were not subject to Incentive Zoning. Projects that were impacted by Incentive Zoning changes in 2015 are now starting to be complete. The first Incentive Zoning contribution under the 2015 changes came in earlier this year at $2 million. The Incentive Zoning provisions have generated nearly $12 million in housing contributions so far this year.

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. Due to the sensitive information to be discussed, continuing in open session might have a detrimental effect on the negotiations. At 4:24 PM, the Chair entertained a motion to go into Executive Session to discuss this matter and indicated that the Trust would adjourn at the conclusion of the Executive Session.

Upon a motion moved, seconded and approved by a 6-0-2 roll call, the meeting went into executive session.

The Chair announced that all votes taken in executive session would be taken by roll call, and that the Trust would not convene in Executive Session.

Materials:

- Meeting Minutes from the Trust's September 24 , 2019 meeting
- Memorandum: New Site Acquisition – acquisition and predevelopment request

Cambridge Affordable Housing Trust

Status of Active Commitments

December 18, 2019

	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: 5*	14	68 scattered site units purchased by first time buyers to-date. 1 unit closed last month; 1 inder 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:*	17	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		Construction underway. Marketing also underway. Application deadline was 12/15; lotteries to be held in 2020	$58,228,753	$23,803,176	$242,890	March 2016
7.	Frost Terrace 1971 Mass Ave	Capstone Hope	40		Construction underway.	$27,219,486	$10,785,358	$269,634	March 2016 and December 2018
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. Additonal public meetings will be scheduled but are currently on hold pending the legal action taken by former owner.	TBD	TBD	TBD	N/A
9.	Squirrelwood (multiple addresses, corner of Broadway and Market)	JAS	23		Construction underway.	$9,505,726 (new units only)	$4,400,000	$191,304	January 2018 and December 2018
10.	2072 Mass Ave	Capstone Hope	TBD	TBD	Capstone/Hope purchased site in April 2018	TBD	$3,800,000	TBD	February 2018
11.	52 New St	JAS	TBD	TBD	JAS preparing to acquire site in early 2020	TBD	$9,800,000	TBD	October 2019
		Total Units	**161**						

Cambridge Affordable Housing Trust

Status of Active Inclusionary Housing Developments

December 18, 2019

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units
1.	47 Bishop Allen	Twining	Covenant Recorded 10/13/17. Complete. Tenant selection underway.	3	
2.	10 Essex Street	Morris Naggar	Covenant Recorded 3/9/2017. Complete. Tenant Selection underway.	5	
3.	14-16 Chauncy Street	Chestnut Hill Realty	Covenant Recorded 4/20/18. Complete. Tenant selection to begin	1	
4.	305 Webster Ave.	305 Webster Ave. Condominiums LLC	Covenant Recorded 8/11/17. Expecting completion 3/2020		4
5.	Mass & Main (multiple addresses,Mass Ave. & Columbia St.)	Twining	Covenant Recorded 11/24/17. Columbia Street buidling and first 10 floors of Tower complete. Remainder of tower under construction.	58	
6.	249 Third Street	Equity	Covenant Recorded 12/22/17. Complete. Tenant selection to begin soon.	12	
7.	Lane &Games (195&211 Concord Tpk.)	Criterion	Covenant Recorded 3/16/18. Under Construction. First phase complete.	44	
8.	St. James (1991 & 2013 Mass. Ave.)	Oak Tree	Covenant Recorded 11/21/17. Under Construction.	5	
9.	77 New Street	Abodez	Covenant Recorded 9/14/16. Under Construction.	11	
10.	95 Fawcett Street	Ed Doherty	Covenant Recorded 12/29/2016. Under Construction		5
11.	1699 Mass. Ave.	Lotus Harvard Enterprise	Covenant Recorded 3/30/2017; revised 6/28/18. Complete. Tenant selection underway.	2	
12.	Alexandria - 50 Rogers Street	Alexandria	Covenant Recorded 6/4/19. Under construction.	44	
13.	Charles Street	Urban Spaces	Covenant recorded 8/6/19. Building Permit issued 9-3-19	14	
14.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19.	55	

1004	rental
211	ownership
1215	total

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units
1.	22 Hurley Street	Urban Spaces	Covenant recorded 8/6/19. Building Permit not yet issued.	2	
2.	Cambridge Crossing, Building I	DivcoWest	Covenant signed; pending recording	54	
3.	605 Concord Ave.	Abodez Acom	Covenant in signature process	7	
4.	95-99 Elmwood	95-99 Realty	Covenant recorded.		4
5.	165 Main Street	Mitimco	IHP Covenant recorded 12/17/19.	64	
6.	212 Hampshire Street (Ryles)	212 Hampshire LLC, Binoj Pradhan	Voluntary affordable unit.	1	
7.	3-5 Linnean	Willow Land Corp.	Covenant in signature process	1	
	55 Wheeler Street	Toll Brothers	IHP plan submitted.	99	

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To: Project Review Committee
From: Christopher Cotter, Housing Director
Linda Prosnitz, Housing Planner
Date: December 16, 2019
Re: Monetary Contribution for Inclusionary Housing Projects

The Inclusionary Housing provisions of the Zoning Ordinance require that a monetary contribution be established for cases in which the total amount of inclusionary housing floor area cannot fully be accommodated in units in new buildings (Section 11.203.3(i)). Pursuant to the Ordinance, the contribution is determined by CDD with information provided by the Trust on the amount of subsidy needed to create new affordable housing in buildings funded by the Trust. We believe the Trust can now provide us new information so that the rate can be updated.

The monetary contribution is made when the final amount of the net floor area of all the inclusionary units is less than the affordable dwelling unit net residential floor area required in a new building. This circumstance results when there is remaining inclusionary housing floor area that is too small to comprise a full housing unit. In these cases, developers make a monetary contribution for the remaining floor area, which is determined as the amount of subsidy that would be needed to create the affordable dwelling unit net floor area not included in the identified affordable units. The monetary contribution rate is currently $397 per square foot, and contributions are made to the Affordable Housing Trust.

There are new affordable housing developments recently funded by the Trust which could be used in determining the monetary contribution rate. We recommend that the Trust provide the most recent information on new affordable housing development for use in CDD's calculation of this rate. The attached analysis includes information on developments that have been active in the past five years. We recommend that the Trust review and provide this updated information on the attached analysis. As was done when the Trust first provided this information in 2017, the amount of subsidy for each development has been adjusted to 2019 dollars based on changes in construction pricing based on a construction industry standard pricing index. The analysis shows that that if CDD were to update this calculation using subsidy amounts needed for these developments, the updated calculation would result in a monetary contribution rate of $450 per square foot.

344 Broadway
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To date, the revised inclusionary provisions have applied to four approved projects. Two of these projects are complete and two are under construction. The amount of the contribution is estimated at the time of the issuance of the building permit and finalized and due prior to the issuance of the Certificate of Occupancy. The monetary contribution for the two complete developments totals $72,909 and has been received. The two developments which are currently under construction will provide a combined estimated monetary contribution of roughly $14,768.

As noted above, the Zoning Ordinance provides that CDD can adjust this monetary contribution rate from time to time based on information received from the Trust on developments the Trust has assisted. We recommend that the Trust review and confirm the information on the attached analysis so that CDD can be provided with the most recent information for use in calculating the monetary contribution rate.

Inclusionary Monetary Contribution - Recent Trust-Funded New Construction

Date: 12-13-19

Project	Frost Terrace		SquirrelWood		Concord Ave/Finch		Port Landing		Temple			Combined Total	
	2019		2019		2018		2016		2016				
Sq. Feet	49,722		24,997		109,979		22,576		42,833			250,107	
Units	40		23		98		20		40			221	
Uses		psf		psf		psf		psf		psf			psf
TDC	28,460,391	572	11,754,416	470	56,720,689	516	10,129,611	449	20,872,245	487		127,937,352	512
Sources													
Debt	4,162,499		2,125,971		8,900,000		793,393		4,568,628			20,550,491	
Subsidy Sources												0	
CAHT	10,785,378		4,115,457		23,803,177		2,947,795		4,500,000			46,151,807	
City (HOME/CDBG/other)	0		0		3,005,000		504,466		877,000			4,386,466	
DHCD/Soft	4,059,792		2,232,463		6,800,000		2,000,000		2,450,000			17,542,256	
Tax Credit Equity	9,089,091		3,195,525		13,673,073		3,672,605		8,071,617			37,701,911	
Other	0		0		0		106,170		405,000			511,170	
Deferred Fee	363,630		85,000		539,439		105,182		0			1,093,251	
Total Subsidy Sources	24,297,892	489	9,628,445	385	47,820,689	435	9,336,218	414	16,303,617	381		107,386,861	429
Total Sources	28,460,391		11,754,416		56,720,689		10,129,611		20,872,245			117,807,741	
RS Means Cost Index at time of construction	232.9		232.9		222.9		207.3		207.3				
Current RS Means Index	232.9		232.9		232.9		232.9		232.9				
Historical Cost Index Escaltor	100.00%		100.00%		104.17%		112.01%		112.01%				
Subsidy Sources adjusted to current costs based on RS Means Index	24,297,892	489	9,628,445	385	49,815,899	453	10,457,645	463	18,261,939	426		112,461,820	450

Average subsidy 2019 dollars need to create one sq.ft of Affordable Housing. $ 450

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To: Project Review Committee
From: Christopher Cotter, Housing Director
Janet Haines, Associate Housing Planner
Date: December 17, 2019
Re: 78-80 Porter Rd – Permanent Funding Request

The Cambridge Housing Authority (CHA) through its Cambridge Affordable Housing Corporation (CAHC) is requesting to convert $4,500,000 in existing short-term financing of $4,350,000 for its Porter Road development into a new permanent loan of $6,109,518.

Background: In 2009, the Trust approved a short-term acquisition loan of $2,300,000 and a short-term bridge loan of up to $2,200,000 (of which 2,050,000 was disbursed) to enable CAHC to purchase a 26-unit rental property in Porter Square. At the time of purchase, the plan was for CAHC to assemble the needed additional financing to allow them to renovate the property and to convert from what was mostly market-rate housing to affordable housing rented to income-eligible residents. It was anticipated that the Trust acquisition loan would be converted to permanent financing and that the Trust bridge loan would be repaid at construction closing. Anticipated sources included 9% housing tax credits, historic tax credits and DHCD soft funding.

However, while CAHC was able to secure Historic Tax Credits, they have been unable to secure 9% Low Income Housing Tax Credits (LIHTC) and the anticipated accompanying soft debt from DHCD to help undertake the rehabilitation of the property. CAHC's attempts to obtain these funding commitments in 2010, 2011(twice) and 2012 were unsuccessful. Because of the previous ownership structure, CAHC had to wait ten years in order to be eligible to access 4% LIHTC.

Porter Road 2009-2019

While the plan for the building to transition to affordable housing and undertake renovations did not come together as CAHC originally planned, CAHC did develop an interim strategy to transition the use of the property to affordable housing. That strategy involved initial repairs to address code-related issues and the conversion of the $625,000 bridge loan due to East Cambridge Savings Bank into a $1 million permanent mortgage that allowed CAHC to stabilize its debt service requirements at the property and secure resources needed to supplement its reserve accounts to ensure repairs be addressed while awaiting the appropriate time to undertake the full renovation project. During this time, CAHC also transitioned the property to income-eligible occupancy as units turned over. Deficiencies at the property have been addressed as they surfaced, and CAHC has worked to address the challenges associated with maintaining a property with older systems. Most recently CAHC replaced the older, inefficient oil-fired boilers with a new, gas-fired, energy-efficient system.

344 Broadway
Cambridge, MA 02139
Voice: 617 349-4600
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TTY: 617 349-4621
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2019 Rehabilitation Plan

CAHC's revised plan has been to seek a permanent solution to the financing and renovation needs at Porter Road when the project became eligible to seek 4% tax credits at some point after 2019-2020. However, they accelerated this process after a fire and recently discovering undetected live knob and tube wiring which elevated concerns about the safety of the building. Since that discovery, CAHC has begun the process of relocating residents and putting together a comprehensive renovation plan. While DHCD has continued to give this project a very low priority, MassDevelopment indicated this year that it will commit $8.1 million in private activity bonds which allows the project to qualify for 4% low-income housing tax credits. The funds do need to close prior to the end of the year as they are allocated for 2019.

The rehab scope has grown to include additional capital needs that have developed over the 10-year holding period and compliance with current building and accessibility codes. Bathrooms and kitchens will be replaced, new electrical systems replacing old wiring and increasing building service capacity, a new roof, significant masonry envelope repairs, a fire suppression system, new plumbing, heating and sanitary lines, new storm and sewer connections, two units converted to accessible units, and a new accessible entrance will be added to one building. Several units will be reconfigured decreasing the number of studios and two bedrooms and increasing the number of three bedrooms.

In addition to the $4,350,000 in funding already provided by the Trust, the project will be funded with MassDevelopment bonds, 4% tax credits, a first mortgage with Boston Private Bank and Savings and CHA loans and equity. The CHA is contributing $2,922,345 through MTW funds and direct funds. Additionally, accrued replacement reserves and cash flow account for another $1,192,593 of funds. There is no request for additional funds from the City or Trust. The complete development budget is attached. A summary of the budget is below.

BUDGET SUMMARY USES	Total	26 units per unit	25,320 sq.ft. per sq.ft.
Acquisition*	$5,640,347	$216,936	$223
Hard Costs - GC	$12,156,000	$467,538	$480
Hard Costs - Contingency	$1,136,600	$43,715	$45
A&E	$672,721	$25,874	$27
Other Soft Costs	$1,968,856	$75,725	$78
Reserves	$155,845	$5,994	$6
Fees/OH	$555,096	$21,350	$22
TDC	$22,285,465	$857,133	$880

SOURCES	Total	per unit	per sq.ft.
Debt	$5,652,000	$217,385	$223
City/CAHT	$4,350,000	$167,308	$172
DHCD/MHFA	$0	$0	$0
Tax Credit Equity	$7,398,474	$284,557	$292
CHA accrued cash flow & reserves	$1,192,593	$45,869	$47
CHA direct funding	2,922,345	$112,398	$115
Other	770,053	$29,617	$30
Total Sources	$22,285,465	$857,134	$880
Total Sources excluding Original purchase	$17,310,465	$665,787.12	$684

*Acquisition includes original acquisition cost and capital repairs made to building by CHA.

Current Request

CAHC is requesting to convert the Trust financing already provided for the property at 78-80 Porter Road into permanent loans. They are also asking that interest that has accrued at 8% on the acquisition loan since the 2009 acquisition in the amount to $1,974,094 be forgiven. The original acquisition loan note provides for forgiveness of interest at conversion to a permanent loan. The bridge loan did not have this provision. CAHC is requesting that the two existing loans along with interest that has accrued on the bridge loan be consolidated into a new repayable loan. Repayment of the loan would be made from 50% of all ground lease payments to the CAHC from the tax credit entity owning the building. CAHC would enter into a new Affordable Housing Covenant with a permanent affordability period.

CAHC must close before the end of 2019 and plans to begin construction immediately. A construction contract has been signed, all other financing is committed, and 24 of 26 tenants have been relocated. Closing is anticipated prior to the end of the year.

The acquisition and rehabilitation of this property was approved by the Trust ten years ago, but the rehab was, by necessity, delayed. The staff supports CAHC's plan to rehab the property. Building systems, electrical and plumbing are inadequate, kitchens and bathrooms are in poor condition, the roof needs to be replaced, there are no accessible units or entrances, and exterior masonry is failing and allowing water penetration leading to potential mold issues. The costs are significantly higher than what was anticipated given the how significantly the rehab scope has been expanded. Costs are driven in part by the CHA's procurement constraints, the tight site, the extended relocation of tenants and the nature of the work.

RECOMMENDATION

Given the need for affordable housing, we continue to support CAHC's effort to complete the much-needed renovation and additional capital improvements at this property. CAHC's plan will ensure that this building will continue to be an affordable housing resource in Porter Square for years to come.

Staff recommends that the PRC forward to the Affordable Housing Trust CAHC's request to convert and consolidate existing financing of $4,350,000 and $1,759,518 of accrued interest into permanent financing of $6,109,518 from the Trust. Staff also recommends that the PRC forward CAHC's request to forgive $1,974,094 in interest, to the Affordable Housing Trust for review and approval.

This funding should be made conditional on the following:

- CDD staff approval of the final development and operating budgets;
- CDD staff approval of repayment provisions of Trust financing, whereby 50% of Ground Lease payments be used to repay the loan or other such similar provisions acceptable to staff. 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 for a minimum of 50 years;
- 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.
- Except for loans with payback provisions, all other Trust loan(s) will be due and payable at the end of their term; however, repayment can be extended for an additional term upon approval by the Trust and extension of the affordability period.
- Loans shall be non-recourse.

By way of explanation, we are in a difficult situation because of the incredibly complicated situation with volume cap. We have managed to push down the acquisition value of the property to a low level in order to maximize the amount of funds available for rehabilitation. Every dollar we spend on acquisition reduces the rehab budget by a corresponding dollar. So we cannot have the ground tenant, which is the tax credit entity, assume the City debt. To do so would explode the acquisition budget. Our solution has been to have the City subordinate to the ground lease, so the ground tenant is not deemed to have assumed the City debt. That can only hold true if the City also subordinates to all of the ground tenant's debt, including program funds that CHA is loaning to it and State Historic Tax Credit equity that is being loaned to it. These loans will only be secured by the ground lease, so that in the end the City will be in first position after the termination of the ground lease. So effectively, the City is receiving as collateral the share of ground rent payments being paid to it and the residual interest in the fee simple estate, which the City is not giving up. We hope the City will take the long view on this and accept this mix of collateral, which we think is not all that different from what it typically would receive, albeit with a shorter maturity.