CITY OF CAMBRIDGE

Community Development Department

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To: Affordable Housing Trust
From: Project Review Committee
Date: May 27, 2021
Re: 2072 Mass Ave predevelopment funding increase

The team of Capstone Communities LLC and Hope Real Estate Enterprises LLC (Capstone/Hope) is requesting up to $1,271,000 in additional predevelopment financing from the Trust for its development of 2072 Mass Ave. The Trust previously funded $3,800,000 in 2018 for acquisition and initial predevelopment for the 8,514 sq.ft. site located in North Cambridge on the corner of Walden Street and Mass Ave.

The proposed design envisions a 9 story building on Mass. Ave stepping down to 5 stories in the rear and includes 48 residential units including 16 one-bedroom, 20 two-bedroom and 12 three-bedroom units plus 995 sq.ft. of retail space on Mass Ave. The project will also contain a small, planted roof deck on the 5th floor roof. There will be 48 bike parking spaces and vehicle parking will be limited to three handicap spaces and two drop off and pick up spaces.

The development team has worked with Callahan Construction to develop an estimate of construction costs based on the current plan. They have completed initial site environmental and civil tests. The existing building presently houses a single story restaurant still in operation.

Capstone/Hope is anticipating an additional request of $5,527,682 bringing the total, including this request, and previous acquisition and predevelopment funding to $10,598,682 in permanent financing from the Trust. The Trust/City per unit contribution would be $220,806 including acquisition costs which is in line with or less than recently funded projects. Other funding sources Capstone/Hope are pursuing include both State and Federal (9%) tax credits, DHCD program funding, and energy rebates in addition to deferred fee and income from rents collected from the existing restaurant. CDD staff will continue to work with the developers to refine the budget and reduce costs.

The developers are seeking a Comprehensive Permit for the project and began the process in late 2020. The project received a favorable recommendation by the Planning Board at its December 1, 2020 meeting and was heard by the BZA on December 10, 2021. After several continuations, and some interim design changes, the development team presented the current 9-story proposal to the Planning Board on May 4, 2021 and the BZA on May 20, 2021. While the Planning Board reconfirmed its support of the project's design, the BZA had a number of questions and continued the hearing again until September 2021 in order to give the development team time to prepare a response, while avoiding a BZA hearing over the summer months for a project which is garnering a lot of public response.

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Predevelopment Loan Increase

The funds being requested by Capstone/Hope should be sufficient to carry the project to construction close. Remaining anticipated predevelopment activity includes bringing plans to construction documents level, completing environmental testing and reports, and preparing legal documents for organizational structure and construction closing.

To date, the Trust has provided $200,000 in predevelopment funding and $3,600,000 for acquisition. The proposed budget for the additional predevelopment funding is summarized below:

Remaining Predevelopment:	
A&E	623,055
Environmental	5,000
Geotech/testing	20,000
Permits/Fees	50,000
Civil Engineering	35,000
Clerk of Works	25,000
Survey	10,000
Insurance	75,000
Legal	130,000
Accounting	13,000
LEED Consultant	25,000
Financing Fees	99,425
Miscellaneous	100,000
Contingency	60,520
Subtotal:	**1,271,000**

RECOMMENDATION:
This project is an opportunity to create much needed affordable housing in an excellent location creating a significant number of family-sized units. It will also transform an underutilized parcel into an attractive, sustainable building.

The Project Review Committee recommends that the Trust approve Capstone/Hope's request for an increase of $1,271,000 in predevelopment funds bringing the total Trust commitment to date to $5,071,000, of which $3,800,000 has already been disbursed for acquisition and predevelopment.

The $1,271,000 increase in predevelopment loan funding should be made contingent on the following:

1. CDD staff approval of predevelopment budget, 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 36 months or until construction loan closing, whichever occurs sooner;
4. Interest shall accrue at a rate of 3% annually;
5. 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.

   Funds will be disbursed in accordance with the Loan Disbursement Agreement approved by staff.