C I T Y O F C A M B R I D G E
Community Development Department

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To: **Cambridge Affordable Housing Trust**
From: **Christopher Cotter, Housing Director**
Cassie Arnaud, Senior Housing Planner
Date: **August 4, 2022**
Re: **116 Norfolk Street – permanent supportive housing**

Cambridge Housing Authority is requesting up to $10,161,150 to assist in their efforts to renovate and expand its existing 38-unit SRO property on Norfolk Street into 62 units of permanent supportive housing.

Background

The existing 116 Norfolk Street building dates back to 1907 and was originally operated as a convent. The CHA renovated the property in 1975 as 38 SRO units with shared kitchens and bathrooms. The property is currently occupied by seniors and individuals with disabilities.

The CHA plans to reconfigure the existing 38 SRO units into 38 self-contained studio apartments and to construct a new rear addition to the historic building to contain an additional 24 studios. The completed 62-unit property will be leased to returning residents and to individuals coming out of homelessness.

The 116 Norfolk Street redevelopment will be permitted under the provisions of the Affordable Housing Overlay (AHO). Following a series of meetings with the surrounding neighborhood and direct abutters, the CHA held its two official AHO Community meetings in February and April 2022 and began the Planning Board Advisory Design Review process on July 5, 2022. The proposal was received favorably, and the CHA team is working to respond to Planning Board comments in preparation for their next presentation to the Planning Board

Design/Scope of Work

The existing building will undergo a comprehensive update including new plumbing, HVAC, heating, electrical and fire protection systems, as well as exterior work and site improvements to enhance accessibility and improved common areas. Upgrades will also include energy efficiency improvements such as added insulation and rooftop solar arrays. CHA determined that it would be too difficult and costly to retrofit the existing building to meet the more extensive but preferred Passive House standards so the building will be renovated to meet Enterprise Green Communities standards.

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The CHA has designed the new addition to complement the existing structure and to be sited to maximize interior efficiency while also preserving the maximum number of existing trees and open space as feasible.

Supportive Services Plan

The CHA will be partnering with Eliot Community Housing Services (Eliot) to provide residents with a robust set of services. The CHA selected Eliot through a Request for Services process held in 2021. The CHA reported that they conducted a thorough interview and reference check process and that the references for Eliot highlighted their history of hiring strong case managers, low turnover rates, and expertise navigating MassHealth, Medicaid and other insurance reimbursement programs and in accessing other available funding for homeless services. The CHA also received positive references from staff at the City's Department of Human Services Programs (DHSP) and have worked with DHSP on developing and vetting the proposed service plan.

It is anticipated that the total services budget for Norfolk Street will be in the range of $550,000 annually. Funding for services will include a combination of Community Support for Persons Experiencing Chronic Homelessness (CSPECH) funding, MassHealth and Medicaid reimbursables, and through funds set aside in the building's operating budget. The CHA, after consultation with Eliot and DHSP, estimates that approximately $284,000 of the service budget will be funded through CSPECH based on projections that at least 45 of the 62 residents will be eligible to receive $6,314 in CSPECH funding annually. The additional $263,730 will be included in the operating budget, of which $188,730 will be used for tenant services, $10,000 for tenant events, and $65,000 for overnight staffing.

After renovations are complete, there will be four full-time on-site case managers, as well as part-time supervision by CSPECH related staff including Director and Housing Coordinator. There will also be off-hours emergency assistance as needed. Any unit which is not re-occupied by returning residents following renovations will be filled through the Cambridge Coordinated Access Network (C-CAN), a waitlist of people experiencing homelessness in Cambridge maintained by DHSP. DHSP staff will work with the CHA and Housing staff to determine appropriate tenant selection approaches, including local preferences.

Funding Sources and Trust Request

The CHA estimates that the total development cost (TDC) for 116 Norfolk will be in the range of $44,425,000, or $716,500/unit. The CHA is requesting up to $10,161,150 in Trust funding (or $163,890 per unit). The remaining funding sources for Norfolk Street are anticipated to include $17,440,000 in 4% tax credit equity, $5,351,000 in debt, $11,000,000 in direct CHA funding and $500,000 deferred developer fee. It should be noted that the CHA is proposing to proceed without DHCD soft funding at Norfolk Street. Initially the CHA had included a request of

$1,500,000 in DHCD funding but after discussions with DHCD staff and given the higher priority to access DHCD funding for Jefferson Park Federal, the CHA is proposing that the CHA increase its funding in order to replace the DHCD soft funding for Norfolk, which is reflected in the $11,000,000 direct CHA funding. It is expected that the terms and priority for this loan will be the same as other soft loans with repayment only out of shared cash flow.

While a TDC of $716,000 per unit is substantially higher than we would expect to see for studio units generally, we can understand this figure given historically high construction costs and, as we have discussed in relation to other CHA requests, that CHA is subject to public bidding requirements which further increases costs. While the TDC is higher than typical, a Trust request of $163,890 per unit is in line with other recent new construction projects as shown below:

- 52 New Street: $168,513 per unit (new construction)
- Squirrelwood: $173,087 (new construction)
- Rindge Commons: $177,083 per unit (new construction)
- Jefferson Park Federal: $156,876 (new construction)

We convened a Project Review meeting consisting of Peter Daly, Susan Schlesinger, Bill Tibbs and Jim Stockard to discuss 116 Norfolk Street, including the CHA's proposed inclusion of supportive services in the operating budget and proposed replacement of DHCD funding with increased CHA funding. The PRC was overall supportive of both of these approaches, and the project overall, so long as the CHA funding is treated the same way in which DHCD soft funding would be treated and is not structured as a loan with priority over the Trust with regard to any repayment provisions.

Recommendation:

The creation 62 units of permanently supportive housing at 116 Norfolk Street will greatly help address the City's need for safe and permanent housing for residents at risk of homelessness, and the proposed modifications to the existing building will make the existing housing more livable and healthy for returning and for new residents.

CDD staff recommends that the Trust approve the Cambridge Housing Authority's request for up to $10,161,150 in Trust permanent financing. This loan commitment of $10,161,150 shall be made subject to the Trust's standard terms and conditions including, but not limited to, the following:

1. Staff approval of the final development and operating budgets;
2. Staff approval of construction plans and specifications;
3. Firm written commitments from all funding sources, sufficient to complete the development;

4. Staff approval of the terms of CHA funding including a requirement that CHA funding be pari passu or subordinate to Trust funding;
5. Staff approval of supportive services plan;
6. Staff approval of the tenant selection and marketing plan, which shall include provisions to ensure the maximum allowable local preference and such other provisions as required by the Affordable Housing Overlay zoning provisions;
7. Trust review and consideration of Planning Board report(s) and any response(s) from the CHA pursuant to the AHO advisory design review;
8. Standard Trust terms and conditions, including:
    a) All affordable units shall be subject to the City's affordable housing covenant to be signed at or prior to loan closing and which shall reflect the requirements of the Affordable Housing Overlay, including the requirement for permanent affordability;
    b) All units shall be restricted to households earning below 80% AMI, as defined in the affordable housing restriction;
    c) The loan shall be secured as a shared second mortgage loan of up to $10,161,150;
    d) Loan term shall be 50 years and shall have an interest rate of 3% compounding, or such other rate approved by Staff;
    e) Loan shall be subject to a penalty rate of 8% compounding; applicable upon violation of the affordability restriction;
    f) All principal and accrued interest shall be due and payable at the end of the term; however, the repayment date may be extended for an additional term upon approval by the Trust and extension of the affordability period;
    g) Staff approval of the repayment provision(s) of Trust financing, whereby 50% of net cash flow be used to repay the loan(s) or such other similar provision acceptable to Staff;
    h) Loan shall be non-recourse;
    i) Any reductions in project costs or increases in non-Trust funding sources shall be used to reduce the amount of the Trust commitment unless otherwise approved by Staff.