CITY OF CAMBRIDGE
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: **1627 Massachusetts Avenue - predevelopment funding request**

Homeowner's Rehab Inc (HRI) is requesting up to $725,000 in predevelopment financing from the Trust to assist with predevelopment activities related to their purchase and development of 1627 Massachusetts Avenue. This funding is in addition to the acquisition financing approved by the Trust in January 2022.

As you may recall, 1627 Massachusetts Avenue is a 14,400 square foot site located on the corner of Mellen Street and Massachusetts Avenue, between Harvard Square and Porter Square. The parcel consists of a 6,500 square foot historic building, as well as a parking lot at the rear of the site with access from Mellen Street. The existing building, known as the Charles Saunders House, is historically significant and is on the National Register of Historic places.

The property is one of a number of sites which Lesley University has made available for sale. HRI made an offer to purchase 1627 Massachusetts Avenue in early 2022 and Lesley accepted HRI's offer to purchase 1627 Massachusetts Avenue earlier this spring. HRI expects to complete the acquisition of the site later this summer and will then begin to explore development options. HRI expects to use the Affordable Housing Overlay to convert the existing historic structure to an affordable multi-family residential use and to build new affordable units in an addition at the rear of the site.

The predevelopment funding being requested will enable HRI to complete a range of predevelopment activities including design and development planning, legal, environmental testing, civil and geotechnical work. The proposed predevelopment budget is summarized below:

Acquisition Closing (legal/recording)	52,000
Carrying Costs (taxes, insurance, maintenance)	57,151
Architecture and Engineering	442,551
Green Consultants	25,000
Survey and Permits	14,575
Environmental/Geotech	52,800
Non-Acquisition Legal	5,000
Appraisal	3,500
Community/outreach/website	10,000

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Historic Tax Credit Consultant	3,477
Contingency/Misc (8.85%)	58,947
Total:	725,000

RECOMMENDATION:

The predevelopment funding being requested will enable HRI to complete needed early stage development work. Staff will continue to work with HRI to refine the predevelopment budget and will update the Trust regularly once the site is acquired and HRI begins the development planning process.

Staff recommends that that the Trust approve Homeowner's Rehab Inc's request for up to $725,000 in predevelopment funds. This predevelopment funding is in addition to the funding the Trust has already approved for acquisition which will be dispersed at acquisition closing.

The predevelopment loan shall be subject to the Trust's standard terms and conditions for predevelopment financing including the following terms:

1. Staff approval of predevelopment budget and scope of work;
2. The predevelopment loan shall be secured by a mortgage that is combined with or pari passu with the CAHT acquisition 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 staff discretion, or deferred; and,
6. Funds will be disbursed in accordance with the Loan Disbursement Agreement to be entered into at or prior to loan closing.

Following acquisition closing, prior to construction closing, the conversion of any predevelopment funds to permanent financing shall be subject to additional conditions including, but not limited, to the following:

7. Staff approval of final design and development plan;
8. Staff approval of final budgets and operating proforma;
9. Agreement to enter into the City's affordable housing covenant, restricting all units built to households earning at or below 80% of Area Median Income (or other standard approved in advance by CAHT); and,
10. Buyer/tenant selection plan acceptable to Staff.

In addition, upon request, Borrower shall provide written updates to the Cambridge Affordable Housing Trust on project status including proposed design and development scenarios, proposed budgets, and anticipated development timeline.