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

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MEMORANDUM

To:	**Affordable Housing Trust**
From:	**Cassie Arnaud, Senior Manager for Housing Development**
	Christine Yu, Associate Housing Development Planner
Date:	**August 2, 2023**
Re:	**Acquisition and Predevelopment of 30 Wendell Street**

Homeowners Rehab Inc. (HRI) has an accepted offer to purchase 30 Wendell Street, a site in the Baldwin neighborhood owned by Lesley University. The 11,249 square foot lot is currently a tennis court, and is part of the second set of properties Lesley has put on the market. HRI is requesting up to $6,357,000 in CAHT funds to support the acquisition ($5,700,000) of the site, as well as predevelopment costs ($657,000).

The property is located in the C-2A base zoning district, which would allow up to 37 market units as of right, not including any Inclusionary Zoning bonus. The site is assessed by the City at $5,760,600. A formal valuation will be required as a condition of loan funding.

HRI's offer of $5,700,000 was accepted by Lesley in mid-June and they are currently negotiating Purchase and Sale agreement (P&S) with the expectation that it will be signed in the coming weeks.

HRI plans to redevelop the site under the provisions of the Affordable Housing Overlay (AHO). They are assessing design options for the site, with a goal of constructing high-quality multi-family rental housing which is compatible with the aesthetics of the neighborhood and which reflects AHO design guidelines. HRI will conduct a community process to present their plan as part of proposing an AHO development.

At this early stage, based on similar developments underway, HRI estimates that the total development cost (TDC) would be in the range of $950,000 to $990,000 per unit, with a large number of family-sized apartments. Staff will work with HRI on seeking to minimize costs as plans proceed.

Their preliminary approach will assume hard costs of $465/square foot, including a 5.0% contingency, which is higher than pre-pandemic construction costs but not significantly more than other current projects where construction

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costs are up due to steep increases in interest rates, materials, and labor costs. HRI will continue working with their development team to refine their budget as their designs and plans, including number of units, progress.

HRI intends on applying to the Executive Office of Housing and Livable Communities (EOHLC, formerly DHCD) for soft funding in the Winter 2024-2025 Rental Round. Other anticipated sources for the project include 4% LIHTC credits, as well as an estimated total of $10,500,000 in CAHT funding.

NEXT STEPS AND PROJECT SCHEDULE:

HRI will continue its due diligence in the coming months, with an anticipated acquisition closing in Fall 2023. Following acquisition, HRI expects to begin the AHO community process with a goal of having funding and zoning secured in time for a late 2025 construction start, with initial occupancy in mid-2027.

FUNDING REQUEST:
HRI is requesting $6,357,000 in Trust funding, including $5,700,000 in acquisition financing and $657,000 in predevelopment financing. The anticipated predevelopment budget is as follows:

Anticipated Predevelopment Budget	
Acquisition Closing Costs	**$60,000**
Carrying Costs	**$20,000**
Architectural & Engineering	**$490,000**
Survey/Civil & Permits	**$20,000**
Environmental ıeer/Geotech	**$38,500**
Non-Acquisition Legal	**$5,000**
AHO/Community Process	**$15,000**
Appraisal	**$3,500**
Contingency/Misc	**$5,000**
Total Costs:	**$657,000**

RECOMMENDATION:
The 30 Wendell site is ideally located for new housing, in close proximity to the amenities of the Massachusetts Avenue corridor, including shops, restaurants and the public transit. The acquisition and development of this site will result in the creation of high-quality affordable rental housing in an area of the city where there is not already a lot of affordable housing.

Staff recommend that the Trust approve HRI's request for up to $6,357,000 in acquisition and predevelopment funding, as described in more detail above, to support the purchase and redevelopment of 30 Wendell Street.

We have reviewed and discussed this request with Jim Stockard, Susan Schlesinger, and Bill Tibbs, who agreed with our recommendation to bring this request to the Trust and recommend approval. The funds should be made contingent on standard Trust terms and conditions including, but not limited to, the following:

- The loan shall be structured as a first mortgage loan of up to $6,357,000;
- Term shall be 36 months or until construction loan closing, whichever occurs sooner; it is anticipated that some or all of the loan will be converted to permanent financing at construction loan closing;
- Interest shall accrue at a rate of 3% annually;
- All principal and interest shall be due at maturity; however, at construction closing, accrued interest may either be waived or deferred, at Lender discretion;
- Loan shall be non-recourse.

At or prior to loan closing, the following conditions shall be met:

- Staff approval of preliminary budgets, design and development scenarios;
- Evidence of site control, satisfactory to Staff
- Agreement to enter into a Loan and Security Agreement and Mortgage at acquisition loan closing 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 capture market appreciation;
- Appraisal of value sufficient to support acquisition acceptable to Staff;
- Environmental assessment and/or remediation plan acceptable to staff.

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

- Staff approval of final design and development plan;
- Staff approval of final budgets and operating proforma;
- 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 Lender); and
- Buyer/tenant selection plan acceptable to Staff.

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.