CITY OF CAMBRIDGE
Housing Department

Christopher Cotter
Director of Housing

MEMORANDUM

To:	**Affordable Housing Trust**
From:	**Cassie Arnaud, Senior Manager for Housing Development** **Christine Yu, Associate Housing Development Planner**
Date:	**September 26, 2024**
Re:	**1826 & 1840 Massachusetts Avenue – Request for Acquisition and Predevelopment Funding**

Just A Start (JAS) is requesting up to $10,900,000 in Trust funding to support the acquisition and predevelopment of 1826 and 1840 Massachusetts Avenue, two parking lots owned by Lesley University, both located across from Lesley's University Hall building in Porter Square. Of the total amount being requested, $10,500,000 would be used for acquisition and up to $400,000 would be made available for early-stage predevelopment work.

BACKGROUND:

JAS has an accepted offer to purchase the sites at 1826 and 1840 Massachusetts Avenue, totaling 25,270 square feet, from Lesley University for $10,500,000. Located in Neighborhood Nine, the sites are in close proximity to the Porter Square MBTA station and the amenities of Porter Square. Both lots are zoned Business C which would allow up to 65 market units as of right, including the Inclusionary Zoning bonus.

The accepted purchase price is supported by an appraisal completed in July 2024 which values the combined parcels at $10,700,000 or $165,000 per unit, assuming 65 units. JAS's offer of $10,500,000 was accepted by Lesley at the end of July and they are in the process of negotiating the Purchase and Sale agreement (P&S). JAS plans to redevelop the site under the provisions of the Affordable Housing Overlay (AHO) which allows for the construction of 100% affordable buildings up to 15 stories on the Lesley Porter Overlay District corridor.

At this early stage, JAS is only beginning to assess design and development options and will work with City staff and the community on designs as the project unfolds. Early site analyses have identified a number of potential design options for the combined sites, including scenarios which build on both sites as well as scenarios which could potentially involve a single building on one site with other uses on the other site. At this early stage, JAS estimates that as many as 90 affordable units might be able to be created on the combined sites.

PROPOSED BUDGET:

Preliminary budget estimates put total development cost (TDC) per unit in the range of $890,000

to $1.1 million per unit, assuming a significant number of family-sized apartments. These very early budgets assume up to a total of $23 million from the Trust with the balance of sources to include 4% LIHTC credits, state tax credits and state soft funding from the Executive Office of Housing and Livable Communities (EOHLC), as well as private bank debt and deferred fees. Staff will work with JAS on reviewing and refining their budget as their designs and plans, including number of units, progress.

FUNDING REQUEST:

JAS is requesting $10,900,000 in Trust funding, including $10,500,000 in acquisition financing and $400,000 in predevelopment financing. The anticipated predevelopment budget is as follows:

Predevelopment Budget	
A&E	$200,000
Survey/Permits	$20,000
Clerk	$25,000
Environmental	$15,000
Legal	$30,000
Title & Recording	$25,000
Real Estate Taxes	$40,000
Insurance	$20,000
Appraisal/Market Study	$5,000
Misc.	$20,000
Total	**$400,000**

NEXT STEPS AND PROJECT SCHEDULE:

JAS will continue its due diligence in the coming months, with an anticipated acquisition closing of in November 2024. Following acquisition, JAS expects to begin the AHO community process in early 2025 with a goal of having funding and zoning secured in time for a late 2026 construction start date, with initial occupancy in mid-2028.

RECOMMENDATION:

The 1826 and 1840 Massachusetts Avenue sites are ideally located for new housing, in close proximity to the amenities of the Massachusetts Avenue corridor, including shops, restaurants and the Porter Square MBTA train station. The acquisition and development of this site will result in the creation of a significant number of high-quality affordable housing for the neighborhood.

Staff recommend that the Trust approve JAS's request for up to $10,900,000 in acquisition and predevelopment funding, as described in more detail above, to support the purchase and development of 1826 and 1840 Massachusetts Avenue. In preparing this request and recommendation, staff reviewed JAS's request with Susan Schlesinger, Alyson Stein, and Jim Stockard, 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 $10,900,000;
- 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;
- Plan to secure any necessary zoning and/or permitting approvals necessary to construct project, acceptable to Staff;
- All principal and interest shall be due at maturity; however, at construction closing, accrued interest may either be waived or deferred, at Lender discretion; and,
- 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 these sites if sufficient progress is not being made and, as applicable, shall include provisions for the Trust to capture market appreciation;
- Evidence of value sufficient to support acquisition, acceptable to staff; and,
- 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:

- Approval of final design and development plan;
- 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 by Trust);
- Standard Trust Terms and Conditions; and,
- Approval of the tenant selection plan.

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