



To: Affordable Housing Trust

From: Cassie Arnaud, Director of Housing Development
Christine Yu, Housing Development Specialist

Date: July 23, 2026

Re: **CAST I, CAST II + Inman Square Apartments (Inman/CAST I & II) – Construction Funding Request**

Homeowner's Rehab, Inc. (HRI) is requesting up to \$4,244,897 in CAHT funding to support the rehabilitation of two existing affordable projects, CAST I and Inman/CAST II. Both projects were former expiring-use properties which HRI purchased and preserved, and together consist of five scattered-site buildings containing a total of 167 affordable rental units.

HRI will be consolidating these two projects into a one scattered-site project, referred to as Inman/CAST I & II. The consolidation, which will exist under a single ownership entity, will allow HRI to secure the resources needed to undertake necessary capital work at all buildings, streamline and minimize operating and administrative processes and costs, and create economies of scale.

BACKGROUND:

CAST I (55-59 Columbia Street and 3-10 Columbia Terrace):

HRI purchased and preserved 42-unit CAST I, three three-story buildings located in The Port neighborhood, in 2002 when the affordable housing restrictions were set to expire. The City provided \$483,485 in HOME funding to assist with the acquisition. At the time of acquisition, HRI completed some immediate upgrades to the buildings to address immediate capital needs and life safety issues, as well as limited upgrades to common areas and unit interiors.

CAST I consists of a large number of family-sized units, including 4-bedroom and 5-bedroom apartments. The unit mix is as follows: 6 one-bedrooms, 12 two-bedrooms, 16 three-bedrooms, 5 four-bedrooms, and 3 five-bedrooms. Out of the total 42 units, 29 units are restricted to households making up to 60% Area Median Income (AMI), 5 units are restricted to 80% AMI, and the remaining 8 have project-based vouchers.

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Inman Square Apartments (1221 Cambridge Street)/CAST II (49-53 Columbia Street):

In 2011, HRI purchased and preserved 116-unit Inman Square Apartments, a thirteen-story residential building located in the Wellington-Harrington neighborhood, and CAST II, a 9-unit three-story residential building located in The Port neighborhood, when affordability restrictions for both properties were set to expire. Financed together and known as Inman/CAST, the CAHT provided \$2,798,000 to assist with the acquisition, preservation, and moderate rehabilitation of these two properties.

Inman Square Apartments consists of mostly studios and one-bedroom units with family-sized townhouses on the ground floor. The unit mix is as follows: 20 studios, 77 one-bedrooms, 1 two-bedroom, 17 three-bedrooms, and 1 four-bedroom. CAST II consists of 3 one-bedrooms and 6 two-bedrooms. All units at Inman/CAST have project-based vouchers. HRI is not proposing to change the affordability mix at any property.

Collectively, the three properties, Inman/CAST I & II, consist of 167 rental units and are all subject to existing City or Trust affordability restrictions, which run for fifty years. CAST I's affordability restriction runs through December 2052. Inman Square Apartment's and CAST II's affordability restriction runs through April 2061. Any new Trust funding approved for these properties would require a new extended affordability restriction to be put in place.

Rehabilitation Needs and Proposed Scope

Neither property has had a major rehabilitation since their acquisition. While HRI has been able to use the projects' reserves for limited renovation work and to address immediate life safety concerns, all three properties are now in need of a more comprehensive rehabilitation, particularly Inman Square Apartments. HRI has been developing a plan and seeking new funding sources to address this much needed capital work.

The primary scope of work for Inman/CAST I & II is to address critical long-term capital repairs, such as replacing the roofs and outdated systems, renovating bathrooms and kitchens as needed (some have been done upon unit turnover), swapping gas stoves with electric stoves, and updating handicapped units to meet MAAB codes.

At Inman Square Apartments specifically, the bathrooms will be upgraded simultaneously with plumbing system replacements to resolve consistent leaking issues. To increase insulation and air tightness, the existing exterior siding will be removed, and a brand-new façade will be added to increase insulation and air tightness, along with new windows and doors. Additionally, a geothermal ground source heat pump will be installed, which uses the earth's underground temperature to heat and cool buildings and is expected to reduce utilities cost.

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HRI explored whether they may need limited zoning relief to allow the exterior work at Inman Square Apartments, as was needed at 808 Memorial Drive, but at this time they believe that will not be necessary. (The existing building's front setback is already non-conforming and any additional exterior insulation, which is part of HRI's rehabilitation plans, will further protrude on that.) Staff will continue to work with HRI to review their scope of work.

The rehabilitation planned for CAST I & CAST II is not as extensive as at Inman Square Apartments. The primary scope includes system upgrades and limited work to unit interiors. A new semi-centralized energy recovery ventilator system will be installed, and the existing heating and cooling system will be upgraded to ducted heat pumps, which is more energy efficient as they transfer existing heat rather than generating it. New insulation will be added to the interior side of the buildings as the exterior brick cannot be touched due to its historic significance.

PROPOSED BUDGET AND FUNDING REQUEST:

The total budget for this consolidation, refinance, and rehabilitation is estimated at \$134.5 million (approximately \$805,300 per unit or \$477,000 per bedroom), including \$37.15M in "acquisition" costs which primarily consists of existing financing that will be paid off or rolled over at closing, as shown below. When the carried "acquisition" cost is removed, the total development cost per unit is \$582,831 per unit, reflecting the actual cost of the consolidation and renovation work.

Hard costs, including a 10% contingency, are currently estimated at \$383,690 per unit, or \$480 per square foot, and total soft costs are budgeted at \$118,709 per unit. Reserves are budgeted at \$2,984,565 or \$17,872 per unit, which includes \$3,000 per unit for an initial replacement reserve contribution and operating reserves equal to six months' debt and operating expenses, as required by the tax credit investors. Staff will work with HRI to explore whether there are alternatives to capitalizing the operating reserve upfront, including exploring whether the Trust could hold these funds as a line of credit to be disbursed if needed and to be recaptured by the Trust if and when the reserve is no longer necessary.

USES	Total	Per Unit	Notes
Acquisition:			Carried over debt/repaid debt/new value as shown below
<i>Existing MassHousing & MHP Mortgages/ Investor Exit Taxes</i>	<i>13,980,000</i>	<i>83,713</i>	<i>To be paid off at construction closing</i>
<i>Existing Debt to be Rolled-Over</i>	<i>14,992,522</i>	<i>89,776</i>	<i>See below for details</i>
<i>New appraised value</i>	<i><u>8,177,478</u></i>	<i><u>48,967</u></i>	<i>Based on new appraisal to maximize LIHTC equity; offset by Sponsor Note of same amount</i>

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Total Acquisition	37,150,000	222,455	
Hard Costs	64,076,239	383,690	Contingency at 10% (\$5,825,113)
Soft Costs	19,824,351	118,708	A & E at \$3,197,619
Reserves (Operating and Replacement)	2,984,565	17,872	\$501,000 for replacement reserves and \$2.4 million for operating reserves
Developer Fee/Overhead	10,447,559	62,560	\$4.1 million deferred fee and \$6.3 million paid; calculated on standard QAP formula
TDC:	134,482,713	805,286	
TDC w/o “Acquisition”	97,332,713	582,831	

The following table summarizes the existing debt and accrued interest on the property which will be rolled over as part of the new transaction.

Lender	Type	Property	Principal	Interest *	Total
CAHT	Existing/Rollover	Inman/CAST II	2,798,000	1,086,785	3,884,785
City of Cambridge (HOME)	Existing/Rollover	CAST I	483,485	613,415	1,096,900
EOHLC	Existing/Rollover	CAST I	840,000	774,733	1,614,733
HRI	Existing/Rollover	Inman/CAST II	350,000	154,125	504,125
CNAHS	Existing/Rollover	CAST I	126,000	718,161	844,161
CNAHS	Existing/Rollover	Inman/CAST II	5,400,000	1,339,286	6,739,286
CNAHS	Existing/Rollover	Inman/CAST II	180,000	128,532	308,532
MHP	Existing Pay-off	CAST I	1,919,648		1,919,648
MassHousing	Existing Pay-off	Inman/CAST II	11,444,600		11,444,600
Sponsor Note	New	Both	8,793,229		8,793,229

*accrued interest will be updated at closing

TOTAL 37,150,000

HRI has applied for and been awarded funding through the Massachusetts Community Climate Bank (MCCB), a new initiative started by the Healey-Driscoll Administration to support the decarbonization of affordable housing developments in the state. In 2025, Inman/CAST I & II was selected as one of the first projects to be supported by the MCCB. Funding from the MCCB can be used to create energy efficient housing, improve the energy performance of existing housing, and advance clean energy technologies.

Other new sources include Capital Magnet Fund (CMF) funding, which supports the rehabilitation of existing affordable housing, and Climate Ready Housing (CRH), which finances deep energy retrofits in existing multi-family affordable housing. HRI is also working to make the project eligible

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for historic tax credit equity through the historic certification of CAST I and CAST II, and has already gained Part I approval through the Massachusetts Historical Commission.

In addition to the \$4.2 million in requested new Trust funding, the project will be funded with approximately \$31.9 million in new permanent debt, \$52.6 million in federal 4% tax credit equity, \$1 million from the CMF, \$7 million in MCCB funding, \$6.7 million in federal and state historic tax credits, \$1.5 million in CRH funding, \$2.3 million in Investment Tax Credit, almost \$15 million in existing soft debt, \$8.1 million in a seller note, and \$4.1 million in deferred developer fee. Staff expect that HRI will defer more fee if costs turn out higher than budgeted.

The state historic tax credits are not provided in a lump sum and will be awarded three times a year so long as HRI continues to apply and is approved for them. In the event that HRI is not able to secure the budgeted historic tax credit equity in time, they are prepared to bridge or replace the gap with HRI financing. In addition to the potential bridge loan, HRI is providing almost \$2.8 million of their own funds, at a 3.85% interest rate, to finance all predevelopment activities, which will be repaid at construction closing.

SOURCES	Total	Per Unit	Notes
CAHT	4,244,897	25,419	New Trust funding; does not include existing debt
New Debt	31,890,000	190,958	New MassHousing Risk Share mortgage
Existing/Roll-Over Debt	14,992,522	89,776	Includes soft debt on Inman and CAST I/II, which will have extended terms and will be subordinate to new first mortgage
Federal LIHTC 4%	52,575,394	314,823	
Fed/State Historic Equity	6,716,691	40,220	Approx. \$3.6M in fed. and \$3M in state
Capital Magnet Fund	1,000,000	5,988	0% interest rate with a 40-year term
MCCB Retrofit Demonstration Loan	7,000,000	41,916	Funding that focuses on decarbonization of affordable housing developments
Climate Ready Housing (CRH)	1,500,000	8,982	To be confirmed prior to closing, but likely 0% interest with a 30-year term
Investment Tax Credit (ITC)	2,261,952	13,545	Federal financing for government subsidized projects in three categories: renewable energy, affordable housing, and historic rehabilitation
Sponsor Note	8,177,478	48,967	
Def Fee/Eq	4,123,779	24,693	
Total Sources	134,482,713	805,286	

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Staff will continue to work with HRI to review and refine their budget, including seeking opportunities to reduce costs to the extent possible. HRI has also committed to continue to seek additional funding sources, any of which would reduce the amount of Trust funding to the project.

NEXT STEPS AND PROJECT SCHEDULE:

The Trust funding being requested is the last major piece of financing needed for this consolidation and rehabilitation project. HRI hopes to have all funding secured in time to close by the end of 2026 as CMF's \$1 million funding has a year-end deadline. They anticipate starting construction in early 2027 and expect completion in two years.

HRI will continue to work with residents on relocation planning. Current residents will be temporarily relocated for approximately two months during construction. Households will be able to return to their unit once completed. In cases where households do not exercise their right to return, PBV units will be filled through the CHA's waitlist and any of the non-PBV units at CAST I will be filled through CAST I's existing waitlist.

As noted, staff will also continue to work with HRI to review the scopes of work and budgets in order to see whether there are opportunities to reduce the amount of Trust funding needed for the project.

RECOMMENDATION:

The Inman Square and CAST properties are an important existing affordable housing resource and HRI's planned renovation work will ensure that current and future tenants will continue to enjoy high-quality, energy-efficient homes for the long term. Investing in the buildings' major rehabilitation will ensure the future financial viability of these properties by reducing reliability on operating and replacement reserves to address capital needs and by making improvements which will improve livability for residents and reduce operating costs. The decarbonization aspect of the renovation work will have the broad benefit of reducing greenhouse gas emissions, as well as increasing livability for residents by providing energy-efficient, updated, and healthier homes, as well as reducing operating costs.

Requests like this are somewhat atypical for the Trust, as Trust funding is typically used to create new affordable units, to deepen existing affordability, and/or to extend expiring affordability restrictions. When evaluating requests for Trust funding to support renovation work only, which is not also accompanied by those other elements, a number of criteria are taken into consideration. These considerations include a review of how the properties have been managed, including a review of operating budgets and the use of replacement reserves. Review also includes ensuring that other potential funding sources have been sought in order to ensure that the amount of Trust being

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provided is the minimum amount needed and that the Trust funding is being used to leverage other sources.

The Inman Square and CAST properties were among the first expiring-use projects to be preserved in 2011 with the primary focus on preserving affordability that was then at-risk. We expect that we may receive similar requests for funding to support capital work at other former-expiring use properties where there may now be similar deferred capital needs. An infusion of new funding may be required in cases where needed capital work was not able to be fully addressed at the time of initial acquisition, or covered through operating budgets and reserves.

Staff plan to prepare some guidelines to proposed for use in reviewing of requests for new Trust funding of existing Trust-funded housing, in cases which do not also involve the creation of new or significantly extended affordability.

Housing Staff recommend that the Trust approve HRI's request for up to \$4,244,897 in new Trust funding to support the rehabilitation of Inman/CAST I & II, as described in more detail above and subject to the conditions outlined below. In preparing this request and recommendation, we reviewed HRI's request with Susan Schlesinger, Alyson Stein, and Jim Stockard, who agreed with Staff's recommendation to bring this request to the Trust for discussion and approval.

The loan commitment for up to \$4,244,897 in new permanent Trust funding shall be made contingent on the following terms and conditions:

1. Staff approval of final rehabilitation plans;
2. Staff approval of final rehabilitation and operating budgets, including twenty (20) year operating proforma;
3. Firm written commitments from all funding sources, sufficient to complete transaction;
4. Environmental assessments and/or remediation plans, if necessary;
5. Staff approval of the tenant selection and marketing plan, which shall be consistent with the City's marketing preferences including but not limited to maximum preferences for Cambridge residents; the tenant selection plan will also include the City's demographics reporting requirements, as requested and in a form acceptable to Staff;
6. Staff approval of relocation plan;
7. Staff approval of construction plans and specifications;
8. Submission of final construction bid and trade items from general contractor along with construction contract Borrower has entered into with contractor;
9. Zoning approval and permitting necessary to project, as applicable;
10. Standard Trust terms and conditions, including, but not limited to:
 - All affordable units shall be subject to an affordable housing covenant to be signed at or prior to loan closing; prior to loan closing, Staff shall be authorized to decide whether the existing affordable housing restrictions should be amended and restated and remain as individual covenants or replaced by a single combined covenant;

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- The term of the affordable housing covenant(s) shall be the longest period allowable by law, or fifty (50) years or one year longer than the longest restriction on the property now or in the future, as approved by Staff;
 - All units shall be restricted to households earning at or below 80% AMI, as defined in the amended affordable housing covenant(s);
 - The existing Trust loan of \$2,798,000 shall be amended and restated to be combined as a single permanent financing loan with the new Trust financing of \$4,244,897, totaling \$7,042,897;
 - The new Trust financing of up to \$4,244,897 and the existing Trust financing (\$2,798,000 plus accrued interest) shall be combined and secured by a new shared second mortgage subordinate only to private first mortgage financing on terms acceptable to Staff; this is anticipated to be accomplished through an amendment and replacement of the existing Trust loan documents or other approach acceptable to Staff;
 - The combined loan shall have an interest rate of 3% compounding annually, or such other rate approved by Staff;
 - The term of the amended and restated combined loan shall be fifty (50) years;
 - The combined loan shall be subject to a penalty rate of 8% compounding annually; applicable upon violation of the affordability housing covenant;
 - Any funds loaned to the project by HRI or an affiliated entity shall be subordinate to Trust funding and have an interest rate no greater than 3% compounding or such other rate approved by Staff. In the event that HRI or an affiliate needs to provide financing to bridge, or replace, the anticipated historic tax credit equity, it is expected that that funding shall be subject to the following additional conditions:
 - If the historic funding is awarded, any funds advanced under the HRI bridge loan shall be repaid and replaced by the historic financing;
 - If the historic funding is not awarded, HRI bridge loan shall be converted to a permanent loan and remain subordinate to the Trust, at an interest rate not exceeding the rate of the Trust financing;
 - Execution of all loan documents, including but not limited to the Loan and Security Agreement;
 - 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;
 - The combined loan shall provide for repayment of principal and interest from 50% of net cash flow from the development, or through other means, or other terms acceptable to Staff;
 - Loan shall be non-recourse; and,
 - Any reductions in project costs or increases in non-Trust funding sources shall be used to reduce the amount of the Trust commitment, as determined and approved by Staff.

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During the construction period, the Borrower shall comply with the following requirements:

- Notify Lender’s Construction Manager of proposed renovations, construction meetings, and copy on meeting minutes;
- Copy Lender on all change orders;
- Copy Lender on all funding requisitions to other sources; and,
- Submit requisitions in form acceptable to Lender.

Following lease-up, the Borrower shall comply with the following requirements:

- Provide required demographic information per approved tenant selection plan;
- Provide data on the project’s as-built and operating costs in format acceptable to Staff.