

DRAFT
CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
October 26, 2017

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present: Louis DePasquale, Chair; Peter Daly, Florrie Darwin, Gwen Noyes, Cheryl-Ann Pizza-Zeoli, Susan Schlesinger

Trustees Absent: James Stockard; Elaine Thorne; William Tibbs

Staff Present: Iram Farooq, Assistant City Manager for Community Development; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner

Others Present: Natalie Ribeiro

The meeting was called to order at 4:07.

PROJECT UPDATE –

Jefferson Park State Public Housing – Construction is almost complete.

Concord Ave – The project did not receive funding in the most recent DHCD rental round, but was invited to participate in a “mini round.” The project will be discussed at today’s meeting to commit additional funding prior to the submission of the application to the state.

Porter Square –Predevelopment work is ongoing. Zoning application will be submitted in the next few days. The project is requesting a comprehensive permit.

HomeBridge Program – Two units are under agreement.

Inclusionary Program - The 1,000th unit will be approved soon, in either the Mass+Main or Lanes and Games developments. Staff are preparing a campaign to mark the milestone, with the goal of showing the impact of the program. The campaign will use the testimonials of tenants and owners impacted by the program. There will be a large event held in the spring.

OLD BUSINESS

Vail Court - Trust members asked about the status of the property located at Vail Court. Litigation is ongoing and the City is waiting for the Court’s ruling on the two parts of the litigation. The first part concerns the former owners’ gaining access to the building to remove personal property. The second is a challenge to the taking. The court has asked the two sides to attempt to agree on an action plan for access to the property. Trust members noted that the typical issue in a taking is the value of the property. Staff stated that in this case, the former owners are saying the process was not done properly. Trust members noted that abutters are concerned about the building, and asked if the City could do anything to make it more secure during the interim.

Staff stated that the injunction means that no one can do anything to the building; however, the City remains responsible for the site.

Inclusionary Tenant Survey and Meeting

Staff discussed the recently completed Inclusionary Rental Resident Survey, and the follow-up meeting that was held with tenants. While the survey results showed that most respondents have a positive view of the program -- responding that they are either very satisfied or satisfied with most aspects, the survey did reveal that there are certain buildings that have significant issues in how management and tenants interact. Staff stated that the issues seem to be systemic to the building, and the rental program staff has begun to work with building management and residents to improve the tenant experience.

Trust members suggested a follow up survey in 18 months or so. It was noted that it would be good to see the survey data between voucher holders and non-voucher holders, and families with children compared to those without. Staff stated that the next level of analysis will look at those issues, and they hope to build on the survey and meeting, and continue to foster a community bond among tenants in inclusionary buildings.

Incentive Zoning

The new rate for Incentive Zoning is \$14.95 per square foot after the CPI adjustment. Trust members asked if there has been significant revenue since the higher rate was adopted. Staff stated that while there are now a large number of projects expected to make payments in the next few years, there have not yet been any contributions received under the revised Incentive Zoning provisions.

Trust members then inquired if Mass+Main was subject to the newly adopted Inclusionary Zoning requirements. Staff stated that the project was not, but discussions are underway to see if there are options to increase the number of affordable three-bedroom units. In addition, the permitting required the developer to work with the Trust to offer to additional affordable units through a payment by the Trust. The cost is likely to be very high per-unit, without the ability to engage other funding sources to help subsidize. This provision was specific to the zoning for this property with no methodology attached to how the price for additional affordability would be calculated. Staff stated that if the developer wants to discuss options for offering larger units, that it may be helpful to discuss with the Trust. More information will be available by the November Trust meeting.

Housing Committee/Envision Cambridge

There was a Housing Committee meeting on October 25th where the Comprehensive Housing Plan filed by the Mayor was discussed. The Mayor has also scheduled a City Council Roundtable meeting for Monday, November 6 to discuss this plan. This would be an informal discussion of the Housing Plan and Trust members are invited be there and comment on the plan. Trust members discussed whether they should comment as individuals or as the Trust, and felt that it was appropriate to say that the Trust would collectively discuss and weigh in after having chance to discuss the plan. Trust members noted they would like to discuss the this plan at the November Trust meeting.

Staff noted that CDD is still hoping to encourage participating more residents to participate in the Envision process, especially now as the team is gathering feedback on the draft goals. Additional outreach to low- and moderate-income residents is being done at certain housing sites. The consultants are looking for input to set the priorities. The draft plan goals are now being shared. At the same time the City Council has also completed their goal setting. Increased access to affordable housing are prominent in both sets of goals.

Trust members asked if the new council would need to start the goal-setting process over. The City Manager stated that the hope was that new council members would support the goals that were just developed. Some members noted that it would be helpful to have materials aggregated, as there are three concurrent processes underway: Envision Cambridge, City Council, and Housing Committee.

Trust members noted that the idea of a City-funded “gap voucher” was likely to be raised during the Envision process and that it was important to educate people on the difference between an operating subsidy versus a capital subsidy, and that emphasizes why it’s important for the Trust to weigh in on the Envision plan. Trust members asked if the input was like a vote; staff stated that the feedback was given on a tool like a continuum slide. Trust members recommended paper surveys to supplement the electronic tools to increase participation.

Trust members reviewed the draft minutes from the meeting of September 28th, and,

Upon a motion moved and seconded, it was voted

VOTED: To approve the minutes for the meeting of Thursday, September 28 with the amendment that Peter Daly left the room for the discussion of 675 Concord Ave.

NEW BUSINESS

Trust Funds Update

Staff presented information on the Trust’s First Quarter financial projections. The amount of funds available does not include the FY2018 CPA amount or the \$2.8MM from the City budget. Those funds will be reflected in the Second Quarter projections.

Trust members asked for clarification of what “encumbered” funds are. Chris Cotter stated that encumbered means that they are in a contract, but have not been disbursed. Susan Schlesinger asked how much was expected for CPA for this year. The expected amount is approximately \$10.05MM.

Susan Schlesinger stated that it would be interesting to see the anticipated uses for funds. Chris Cotter stated that staff are looking at the projected pipeline for the next four to five years. This will inform decisions about what is feasible given the resources. It is anticipated that the preservation of Fresh Pond Apartments will require a large amount of Trust resources. In the coming years staff expect to see new funds from Incentive Zoning payments, which are expected to become a significant funding source. The Trust will need to balance preserving expiring use properties and new production.

Trust members requested more detail on the uses, and suggested that in the future the report include both commitments and encumbrances. The City Manager reiterated that it is difficult

to do accurate projections until the amount of the request for the preservation of Fresh Pond Apartments is known.

Concord Highlands

Peter Daly left the room. Staff presented a request for \$15,325,000 in combined funding from the City and the Trust. Staff met with the Project Review Committee (PRC) twice to discuss the costs. While the costs are high, they are in line with other projects creating new affordable units. There are certain conditions at the site that will increase development costs, including soil conditions and the location near the Alewife flood plain.

The exact split between City and Trust sources is not currently known. However, HRI was invited to participate in a DHCD funding “mini round”, and having committed sources will increase their competitiveness.

The project budget includes funds for a Section 8 voucher reserve fund. This fund will allow HRI to use a projected net operating income assuming at least 25 mobile voucher holders. The reserve fund will give lenders security that if the number of mobile vouchers decreases, there is a reserve to offset the lost income. The fund amount is based on 10% voucher attrition per year. It is anticipated that the this reserve will enable HRI to secure an increase in hard debt. The reserve fund will be structured to ensure that any unused portion is returned to the City and the Trust at the earliest possible date.

HRI is requesting that \$500,000 of the total request is made available to fund predevelopment costs. These funds will be used for A&E, permit fees, remediation, legal and other costs. HRI is anticipating a two-stage closing to enable them to begin site work in Spring 2018 if they receive a funding award.

The City Manager inquired about what would happen if HRI did not receive a funding award from the state in the current round. Staff stated that HRI would then reapply to the next round, which would shift the estimated project timeline.

Trust members noted that the PRC closely examined the costs, and found that they are in line with expectations for current multi-family development costs. However, all PRC members felt that the Trust should look to be repaid out of cash flow. She suggested looking at repayment provisions and formulas used by other programs. She also noted that the higher per-unit subsidy requirement was due to the LIHTC program, which is based on a maximum of 40 units. While there are economies of scale in a large project, it is not possible to leverage LIHTC equity for all units.

Members inquired if the numbers in the request were final numbers. Staff stated that HRI is still refining the project budget, but it was important that they have a conditional commitment for the DHCD funding round, and that the request once final would be brought back for a vote to confirm final terms.

Upon a motion moved and seconded, it was

VOTED: To approve the request for up to \$15,325,000 in combined permanent financing; with \$500,000 of this funding available as an increase to HRI’s existing predevelopment loan.

The permanent financing funds should be contingent upon:

1. Trust approval of final development and operating budgets;
2. Trust approval of the City/Trust recapture provision of the Section 8 Reserve;
3. Trust approval of a repayment provision for City/Trust financing;
4. Firm written commitments from all funding sources, sufficient to complete transaction;
5. CDD staff approval of the tenant selection and marketing plan.

The loan shall be subject to standard Trust terms and conditions, including but not limited to:

- All affordable units will be subject to the City's standard affordable housing restriction to be signed at loan closing, requiring affordability for a minimum of 50 years.
- Loan(s) will have an interest rate of 3% compounding, or such other rate approved by CDD staff, and a term of 50 years.
- Loan(s) will be subject to a penalty rate of 8%. The penalty rate is only applied upon violation of the affordability restriction.
- Except for loans with payback provisions, all other Trust loan(s) will be due and payable at the end of their term; however, repayment can be extended for an additional term upon approval by the Trust and extension of the affordability period.
- Loans shall be non-recourse.

The predevelopment loan increase shall be subject to the same terms and conditions as the original predevelopment funding including:

- Funds will be disbursed for approved predevelopment costs in accordance with an updated Loan Disbursement Agreement to be entered into with Lender;
- Term shall be 36 months or until construction loan closing, whichever occurs sooner; it is anticipated that 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 shall either be waived, at Lender discretion, or deferred.

ADJOURNMENT

The meeting adjourned at 5:06.

Materials:

- Request for Funds for Predevelopment and Construction at 671-675 Concord Ave/Concord Highlands
- Meeting Minutes from the Trust's September 28, 2017 meeting.
- Project Update