

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
December 13, 2018

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present: Florrie Darwin, Gwen Noyes, Cheryl-Ann Pizza-Zeoli, Susan Schlesinger, Bill Tibbs

Trustees Absent: Louis DePasquale, James Stockard

Staff Present: Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Janet Haines, Associate Housing Planner; Linda Prosnitz, Housing Planner;

Others Present: Councillor Sumbul Siddiqui

The meeting was called to order at 4:12.

Upon a motion moved and seconded, it was VOTED: To approve the minutes for the meeting of Thursday, November 29, 2018 as submitted.

PROJECT UPDATE

Squirrelwood – Preparing to close; request for permanent funding was approved at December Trust meeting, as described below.

Vail Court - Demolition of building is complete. The redevelopment process remains on hold pending legal action taken by former owner.

Frost Terrace – Preparing to close; request for predevelopment increase and permanent funding was approved at December Trust meeting, as described below.

Concord Highlands - A groundbreaking ceremony was held October 5. Construction is underway.

Homebridge – Two units have closed in 120% pilot; five under 100% have closed. A three-bedroom unit has recently closed.

NEW BUSINESS

Squirrelwood Infill Development – permanent financing request

Staff presented a request to make final the Trust's conditional financing commitment for Just A Start's Squirrelwood infill project. At the January 2018 meeting the Trust voted to conditionally approve up to \$4,600,000 in financing to Just A Start for the construction of 23 new affordable rental units on their Linwood Court property. Since that time, JAS has completed permitting and assembled financing. The final Trust funding request has been reduced to \$4,400,000 and may be further reduced depending on final construction pricing. Staff will continue to work with JAS to assess options to both reduce costs and maximize resources, all of which would offset Trust funding.

In addition to the request for permanent financing, JAS requested that the existing outstanding Trust loans on the two properties be consolidated. The loans would be amended and restated to reflect the new ownership entity and a new affordable housing covenant will be entered into as a part of the consolidation.

Before voting to approve the request, Trust members had a brief discussion about the process used to present requests to the Trust. Several PRC members noted that staff receive a range of materials from developers requesting Trust funding and suggested that it could be helpful if staff created a set of forms for developers to use to make review easier for both staff and Trust members. Another member suggested that staff create a form that is used to present requests to the Trust. It was also agreed that staff would work with the Trust to develop a set of Trust funding guidelines which could be shared in advance with developers and which could make the underwriting and review process easier and more consistent across projects. For instance, it could be helpful for the Trust to establish policies regarding loan terms such as repayment, cash flow, and developer fee payments.

In addition to creating a more uniform application and review process, one Trust member asked whether funding requests could be put into more context so that funding needs can be better evaluated and understood by the Trust. Staff noted that anticipated funding requests are included in staff's funding projections and that they would continue to share both funding balances and projections with the Trust on a quarterly basis.

Upon a motion moved and seconded, the Trust voted to approve Just A Start's request for up to \$4,400,000 in permanent financing for the new construction of 23 rental units and to amend the terms of existing Trust loans as further outlined in the Trust briefing material.

Frost Terrace Apartments – Permanent Funding Request

Staff presented a request for up to \$10,785,378 in permanent financing from the Trust for Frost Terrace Apartments, a 40-unit new construction project being developed by the team of Capstone Communities LLC and Hope Real Estate Enterprises LLC (Capstone/Hope). This request includes \$6,700,000 in acquisition financing and \$480,000 predevelopment financing previously provided.

Staff provided an overview of how the project had evolved since acquisition of the sites, explaining that changes made during the permitting process resulted in a more expensive project. For instance, the size of the project was reduced and new design elements were added. Staff will continue to work with them through this process, in preparation for a full construction closing in Spring 2019.

In addition to the permanent request, Capstone/Hope requested that a portion of the funding be made available early for predevelopment and early stage site work. To date, the Trust has provided \$480,000 in predevelopment funding for the project. Capstone/Hope is requesting that an additional \$1,670,996 be made available prior to full construction closing to be used to refinance existing predevelopment funding and to pay for additional pre-construction activities.

Before approving the request, the Trust discussed the impact which the reduction in project size had on costs and suggested that this is useful information to incorporate into the ongoing discussions regarding an Affordable Housing Zoning Overlay. It was also suggested that it might be useful to schedule another meeting between the Trust and Planning Board to talk about the

challenges of affordable housing development and the impact design changes may have on feasibility. Trust members noted that it remains important for affordable housing properties to be attractive, noting that they believe that many affordable housing projects look as good or better than market-rate housing. Trust members noted that it is important for the community how good affordable housing looks, as the discussions regarding the proposed overlay get underway. All agreed that it would be helpful to create new Trust materials which include images of Trust-funded affordable housing. Staff noted that 2019 marks the Trust's 30th anniversary and that there already are plans to produce a new Trust brochure.

Following this discussion, upon a motion moved and seconded, the Trust voted to approve Capstone/Hope's request for permanent financing up to \$10,785,378, of which \$7,180,000 has already been disbursed for acquisition and predevelopment and of which \$1,670,996 may be made available before the full construction closing for early stage activities as outlined above. In addition, the Trust voted to grant Capstone/Hope flexibility to convert up to four 1-bedroom units to studios if advisable to maintain costs.

155 Willow Street – new funding request

Staff presented a request from the Cambridge Housing Authority for up to \$6,522,388 for the construction of a new 26-unit affordable rental housing development at 155 Willow Street in East Cambridge. Their plan is to use modular construction. Staff said that they CHA had reviewed different configurations and had narrowed the project down to one of two proposed 26-unit scenarios. While both scenarios have four 3-bedroom units, one option has more 2-bedroom units resulting a higher development cost and greater need for Trust funding, while the other option has more 1-bedrooms resulting in a lower Trust funding request. Some Trust members expressed a preference for the option with the most family-sized units while others said that they were neutral as they recognized that the CHA has a greater need for one-bedrooms.

It was explained that the CHA is electing to use modular construction because they want to familiarize themselves with the technology to see if it might be helpful in reducing costs in larger projects. Staff said that the PRC recognized the value of developing familiarity with new approaches such as modular construction and suggested that the Trust require the CHA to work with staff to identify ways to include other local affordable housing developers in the modular construction learning experience.

In terms of costs, staff said that the CHA is estimating a total development cost (TDC) of between \$7 million to \$8 million depending on building configuration. The CHA attributes these higher than typical costs primarily to the CHA procurement requirements. It was noted that the fact that the CHA is contributing land at no cost helps keep the numbers down to levels more in-line with what we might expect for new construction of family-sized units.

Trust members felt the Willow Street project was a good project but expressed concerns about the cost. Given the fact that the costs are high and the project is still in its early stages, the Trust recommended that any financing approval at this time be conditional and subject to further review as project details become more clear. Trust members noted that the project is worth pursuing, however, several members asked for more information on why CHA development costs are so high and what possible options exist to reduce costs. It was suggested that the CHA meet directly with the Trust at some point in the future to help the Trust better understand the reasons for the costs and the range of potential options.

One Trust member expressed reservations about making a commitment at such an early stage. While others acknowledged this concern, most were comfortable with an early commitment as long as the vote would be conditional, and a final request would be brought back to the Trust. In addition, members noted that the Trust often makes early commitments when many details are still unknown, such as in cases where the Trust is approving the acquisition of a site, and that a Trust commitment would make the project more competitive in the DHCD funding round. In response to a question regarding what other projects were ready for the state's 2019 funding round, staff said that it had been expected that Vail Court would have been in this round, but that given the delays with Vail Court, the Willow St project would be the only application.

After a discussion, it was suggested that the proposed vote be amended to expire on the earlier of December 31, 2019 or if the CHA receives notification from DHCD that the project would not be in the Spring funding round.

Upon a motion moved and seconded, it was voted to conditionally approve the CHA's request for up to \$6,522,388 in Trust financing as described in the Trust briefing materials.

Preference Policies

The Trust continued prior discussions regarding recommended changes to the preference system for the rental and homeownership programs. Recommendations will be forwarded to the Housing Committee for discussion. In preparation for that discussion, staff have drafted a detailed memo for review by the Trust, and will update information shared with the Trust with charts and graphics to illustrate the information in consultation with members of the Trust's ad hoc Preferences Committee. Copies of the draft member were distributed and reviewed by the Trust. One member suggested using the phrase "to greater advantage families with children" in description of the preferences. There were also questions about whether the definition of residency documentation would be broadened, which staff said was being discussed.

The Trust reiterated its recommendation that local preference not be extended to former residents, particularly given fact that the CHA already provides a path back to Cambridge for tenants with vouchers. A graphic will be created to help illustrate and put the recommendations in context to help highlight the impact of the recommended changes. For instance, before having extensive discussions regarding eliminating or expanding a particularly preference, it is useful to how many units this would impact and how many households are likely to fall into that preference group. The Trust agreed to share any final feedback with staff so that staff can get the full packet to the Co-Chairs of the Housing Committee.

Other Business

Before adjourning, the Trust discussed where we are with regard to the 100%-affordable housing zoning overlay process. One member invited Trust members to participate in ongoing discussions and to weigh in to support the overlay as opportunities arise. Trust members proposed coming up with an action plan, with a schedule, to help move it forward. Staff agreed and said that materials are in the process of being prepared and that a schedule would be produced once the Housing Committee meeting is scheduled. It was agreed that the overlay would be discussed in greater depth at the January Trust meeting.

ADJOURNMENT

The meeting adjourned at 6:05 PM. The next meeting date is January 24, 2019.

Materials:

- Recommended Changes for Preferences in Resident Selection Policies (Draft memo)
- Squirrelwood memo (funding request)
- Frost Terrace memo (funding request)
- Willow Street memo (funding request)
- Meeting Minutes from the Trust's November 29, 2019 meeting.
- Project Update