



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief of Planning

Affordable Housing Trust

November 18, 2021, 4:00 p.m.

To participate in this meeting hosted on the Zoom video meeting platform, please register using this [link](https://cambridgema.zoom.us/webinar/register/WN_wrRvxtqQSeKsHte8O-7eCg) in advance of the meeting.

https://cambridgema.zoom.us/webinar/register/WN_wrRvxtqQSeKsHte8O-7eCg

AGENDA

- Review of Meeting Minutes
- Update from the Community Development Department
- 8-10 Lancaster Street: The Cambridge Housing Authority, on behalf its subsidiary Kennedy Management, Inc., is requesting to extend the term of a \$500,000 loan made to assist with the acquisition and rehab of this 65-unit property
- 35 Harvey Street: On behalf of Cascap Realty, Inc., Homeowner's Rehab, Inc., through its subsidiary Cambridge Community Housing, Inc., is requesting up to \$2,917,664 to assist with converting this 16-unit SRO with shared facilities to 12 affordable self-contained apartments
- Adjournment

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
September 23, 2021 at 4:00 p.m.

Conducted virtually via Zoom

Trustees Present via Zoom: Louis DePasquale, Chair; Peter Daly, Florrie Darwin, Elaine DeRosa, Gwen Noyes, Susan Schlesinger, Jim Stockard, Elaine Thorne, Bill Tibbs

Staff Present via Zoom: Iram Farooq, Asst. City Manager for CDD; Chris Cotter, Housing Director; Cassie Arnaud, Senior Housing Planner; Gabby Geller, Housing Development Planner; Janet Haines, Associate Housing Planner; Maura Pensak, Housing Liaison to the City Manager; Emily Salomon, Associate Housing Planner

Others Present via Zoom: Steve Baker, Joseph Bednar, Solomon Birhanie, Michael Brandon, Lee Farris, Clara Fraden, Michael Johnston, A.M. Kubilius, Margaret Moran, Cristopher Moyer, Sue Reinert, James Williamson

The acting chair, Jim Stockard, called the meeting to order at 4:03 p.m. Chris Cotter explained that this meeting of the Affordable Housing Trust would be held virtually pursuant to the temporary emergency orders currently in place, that all votes would be taken by roll call, and that there would be no public comment. Mr. Cotter then coordinated to confirm that each participant was audible to each of the other Trust members.

The Chair, City Manager DePasquale joined the meeting at 4:07 p.m.

MEETING MINUTES

Upon a motion moved and seconded, with one absent, by roll call of eight in favor and one absent (Mr. DePasquale) to approve the minutes for the meeting of Thursday, August 23, 2021.

UPDATE FROM CDD

HomeBridge: Nine buyers have active commitments and one home is under agreement.

Homeownership Resale Program: Since the last Trust meeting, three units have sold to new homeowners. Additional Resale units are being made available to new buyers under a revised process adopted due to the Pandemic to offer virtual unit tours.

Frost Terrace: Construction is complete and all 40 units have been leased. The permanent loan closing is expected in November 2021.

SquirrelWood: Construction is underway and 90% complete including new and renovated units. All of the new buildings are complete and ready for occupancy. Presently they are being used to house tenants needing relocation during rehab of their units. A lottery for 17 of the 23 new units was held and lease up has started for those units and is anticipated to be completed by mid-October. Other vacancies will be filled through the CHA waitlist. Construction completion is anticipated by November 2021.

2072 Mass Ave.: Capstone/Hope team withdrew their request for a comprehensive permit at the September BZA hearing but remain committed to creating affordable housing at this site and are assessing next steps and options.

52 New St: JAS purchased the site in early 2020 and is proposing to build a 107-unit affordable development through the Affordable Housing Overlay (AHO). AHO community meetings have been held and AHO design advisory review by the Planning Board will be scheduled in the coming weeks.

Park View Cooperative: Staff are preparing to close on the loan commitment.

Fresh Pond: Staff are working to finalize the closing of funding in order to finalize the preservation of this 504-unit property. This complex transaction is nearing completion.

Rindge Commons: JAS is working to secure the remaining funding to begin construction, including state funding and new market tax credits.

Inclusionary Housing: The City recorded a restriction on 48 affordable units at Thorndike Street/Court House, which is under construction. Housing Division staff are actively filling rental vacancies, including middle-income units at a new property, Prism.

OTHER UPDATES

Incentive Zoning: The City Council passed a policy order to increase the contribution rate from the current rate of \$20.31 to \$33.34. This order was referred to and will be discussed by the Housing Committee.

Community Preservation Act (CPA) Public Hearings: The City Council has approved the recommendation from the CPA committee to allocate 80% of FY22 funds to the Trust, an allocation of \$14 million which brings the total amount of City funds allocated to the Trust in FY22 to \$32.4 million.

Cherry Street: A second public meeting will be held tonight to discuss ideas for creating housing on the site.

City Council Committees: The Housing Committee met to discuss a proposed condominium conversion ordinance. A draft was passed on to city council for discussion.

JEFFERSON PARK FEDERAL FUNDING REQUEST

The Trust continued its discussion from the August 2021 Trust meeting regarding the request from the Cambridge Housing Authority for up to \$43,611,615 to assist with the comprehensive modernization of the CHA's Jefferson Park Federal development which will involve the demolition of the existing buildings and the new construction of 277 affordable units to replace the 175 units currently at the site.

The conversation began with a review of a memo prepared by City staff in response to the discussion at the last Trust meeting which provided a comparison of the density of the proposed Jefferson Park Federal redevelopment to other affordable housing developments in Cambridge.

City staff then introduced the Trust to from the Cambridge Housing Authority who had been invited to attend the meeting to provide a presentation on the revitalization plans. Some of the key points from the presentation included:

- The proposed redevelopment will involve the complete rebuilding of the 175 existing affordable units, including the 57 units which have been taken off-line due to deteriorated conditions, and adding more than 100 new affordable units.
- The site will be redesigned with a layout to better integrate the housing into the surrounding neighborhood.
- The new buildings will be constructed to Passive House standards.
- The density of Jefferson Park Federal will be similar or less than other comparably sized CHA developments (floor area ratio of 1.2, comparable to Jackson Gardens).
- There has been a concerted effort to engage resident participation in the redevelopment planning process.

Ms. Fraden and other CHA staff described the process working with residents to generate input into the design and planning process, which began several years ago in traditional resident meeting format. By the end of 2020, CHA used a hybrid approach through open phone hours to make staff available for feedback, virtual resident meetings, outdoor table sessions during summer months, and resident newsletters that were translated in multiple languages. CHA staff estimated 70% of residents had participated in some way.

In response to questions from several Trust members regarding indoor community spaces within the apartment buildings, CHA staff said that there will be one large community room and a smaller resident lounge in one of new buildings. They said that they are trying to accommodate more resident lounges in the other elevated buildings if space allows, balancing the need for housing units with desire for common space.

Several Trust members also asked about the outdoor community spaces. CHA staff walked Trust members through the different open spaces being created, each which will have different types of programming. One courtyard will have private decks, with grills in the center of courtyard; and one courtyard will have playground. CHA staff said that in addition to the new green spaces being created, the proposed street grid design will also increase social spaces and informal interactions as neighbors pass each other in and out of their homes.

Trust members asked CHA staff to explain cost estimates for the Jefferson Park Revitalization. CHA cited a few reasons for high construction costs: a premium to build to Passive House standards, central A/C in all the apartments, increased square footage of family sized units, and a rise in construction inflation as well as construction cost increases attributable to COVID-19. Although the per square foot construction costs are comparable to other developments, the site and infrastructure costs increase the overall project costs, which were underestimated early in the planning stages.

Mr. Johnston, emphasized the long-term maintenance plan and the robust landscape team that will focus on JP Federal's open spaces and tree care. Mr. Johnson explained that over the last decade, the CHA has repositioned itself to ensure the properties have sufficient reserves are not reliant on congressional appropriations. For example, CHA has done 20% onsite energy production and hope JP Fed will be almost net zero and not use fossil fuels.

The CHA is working to assemble the final pieces of financing, including \$10 million in DHCD funding, with an anticipated construction start date of August 2022.

Florrie Darwin left the meeting at 5:03 p.m.

Peter Daly left the meeting at 5:04 p.m.

After a lengthy discussion, Trust members voted on the proposed funding request. Upon a motion moved and seconded, with Mr. Daly, Ms. Darwin absent, and Ms. DeRosa abstaining, by roll call of six in favor, two absent, and one abstaining, it was:

VOTED: to approve the Cambridge Housing Authority's request for up to \$43,611,615 for the revitalization of Jefferson Park Federal as outlined in more detail in the Trust's September 2021 briefing materials.

ADJOURNMENT

Upon a motion moved and seconded, Mr. Daly, Ms. Darwin absent, by roll call of seven in favor and two absent, it was voted to adjourn the meeting at 5:19 pm

The next meeting is scheduled for October 28, 2021.

Materials:

- Agenda
- Meeting Minutes from the Trust's August 25, 2021 meeting
- Project update: Status of Active Commitments
- Community Development Department Memo September 23, 2021: Jefferson Park Federal Funding Request
- Community Development Department Memo August 25, 2021; Revised September 23, 2021: Jefferson Park Federal Funding Request
- Cambridge Housing Authority PowerPoint Presentation to the Cambridge Affordable Housing Trust September 23, 2021: Revitalization of Jefferson Park Federal

Cambridge Affordable Housing Trust

Status of Active Commitments

November 18, 2021

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	currently approved buyers: 6	24	79 scattered site units purchased by first time buyers to-date. Program expansion up to 120% AMI now active. 1 unit closed October 2021 and 1 unit under agreement.	N/A	\$18,200,000	1-br: 40% sale 2-br: 45% sale 3-br: 50% sale	May 2011
2.	Homeownership Resale Program	CDD	currently active units:	24	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers.	N/A	\$7,500,000		December 2011
4.	Frost Terrace 1971 Mass Ave	Capstone Hope	40		Construction is complete and all 40 units have been leased. The 40 tenants were selected through a lottery with 945 applications. Permanent loan closing is anticipated in November, 2021.	\$27,219,486	\$10,785,358	\$269,634	March 2016 and December 2018
5.	Vail Court (139 Bishop Allen)	TBD	TBD	TBD	Trust and City hosted public meeting in 2017 to hear from the community on affordable housing needs and ideas for the redevelopment of Vail Court. Additional public meetings will be scheduled but are currently on hold pending the legal action taken by former owner.	TBD	TBD	TBD	N/A
6.	Squirrelwood (multiple addresses, corner of Broadway and Market)	JAS	23		Construction is underway and 90% complete including new and renovated units. All of the new buildings are complete and ready for occupancy. Presently they are being used to housed tenants needing relocation during rehab of their units. A lottery for 17 of the 23 new units was held and lease up has started for those units and is anticipated to be completed by mid October. Other vacancies will be filled through the CHA waitlist. Construction completion is anticipated November 2021.	\$9,505,726 (new units only)	\$4,115,457	\$178,933	January 2018 and December 2018
7.	2072 Mass Ave	Capstone Hope	TBD	TBD	Capstone/Hope purchased site in April 2018 and sought a comprehensive permit to enable the construction of a new 48 unit affordable housing building; they withdrew their request at September 2021 continued BZA hearing; they remain committed to creating affordable housing at this site and are assessing next steps and options.	TBD	\$5,071,000	TBD	February, 2018 and June, 2021
8.	52 New St	JAS	107		JAS purchased the site in early 2020 and anticipates permitting the project through the Affordable Housing Overlay. JAS will be seeking state funding with a goal of beginning construction in 2022. JAS has held community meetings on 2/25, 3/25 and 4/15 to discuss their ideas for the site in advance of submitting final plans for the project. The first AHO design advisory review by Planning Board was held on 10/16/21. Jas now reviewing PB comments on their plan.	TBD	\$10,650,000	\$99,533	October 2019 and June 2021
9.	Park View Coop	Park View		12	Funds committed May 2021; Preparing to close on funding commitment	TBD	\$4,199,215	\$349,935	March 2019 and May 2021
10.	Fresh Pond Apartments	Schochet	504		In March 2020, the Trust committed funding for the preservation of Fresh Pond Apartments. This commitment was combined with \$15 million in City funding which was appropriated by the Council. After many months of preparation, the Fresh Pond Apartments funding closed on October 6, 2021 and a new 50 year affordable restriction was recorded. In coming months, CHA will certify tenant incomes; the new program is expected to officially begin in early 2022.	\$34,533,179	\$34,533,179	\$68,518	March 2020
11.	Rindge Commons - Phase 1	JAS	24		In June 2020, the Trust approved funding for the first phase of Rindge Commons. Following PB hearing in early August, BZA voted to approve a comprehensive permit for the project on August 23, 2020. JAS is in the process of securing the necessary financing to begin construction of Phase 1.	TBD	\$4,250,000	\$177,083	June 2020
12.	Broadway Park	JAS		15	In March 2021, the Trust approved funding to create 15 affordable homeownership units. JAS has had several community meetings to reviews its proposal and will be applying for a coprehensive permit for this development. JAS also seeking to asembl funding needed for this development.	TBD	\$3,600,000	\$240,000	March 2021

13.	Jefferson Park Federal	CHA	278		In September 2021, the Trust approved funding to assist with the comprehensive modernization of Jefferson Park Federal. The CHA is in the process of assembling the remaining financing needed, with a goal of beginning construction Summer 2022. They will be permitting the project under the AHO and held a third AHO community meeting on 10/19/21. The first AHO advisory design review by the Planning Board was held on 11/9/21.	TBD	\$43,611,615	\$156,876	September 2021
-----	------------------------	-----	-----	--	--	-----	--------------	-----------	----------------

Total Units 1051

**Cambridge Affordable Housing Trust
Status of Active Inclusionary Housing Developments**

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	305 Webster Ave.	305 Webster Ave. Condominiums L	Covenant Recorded 8/11/17. Nearing completion. Marketing of affordable units to begin soon.		4	Ordinance prior to revision
2.	St. James (1991 & 2013 Mass. Ave.)	Oak Tree	Converted to ownership. Construction is complete. Marketing of affordable units to begin soon.		5	Ordinance prior to revision
3.	77 New Street	Abodez	Covenant Recorded 9/14/16. Complete. Tenant selection nearing completion.	11		Ordinance prior to revision
4.	95 Fawcett Street	Ed Doherty	Ownership Covenant Recorded 12/29/2016. Under Construction. Converting to rental	5		Ordinance prior to revision
5.	Alexandria - 50 Rogers Street/Prism	Alexandria/Owner Amico	Covenant Recorded 6/4/19. Complete. Tenant selection underway.	44		Zoning for Alexandria PUD
6.	Charles & Hurley Streets	Urban Spaces	Covenant recorded 8/6/19. Building Permit issued 9-3-19(Charles Street) and 12-23-19 (Hurley Street) Under Construction. Completion expected winter 2021.	16		Ordinance prior to revision
7.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19. Under Construction	55		Revised ordinance at 20% sf requirement
8.	165 Main Street	Mitimco	IHP Covenant recorded 12/17/19. Building Permit issued 12-20-19. Under Construction. Completion expected winter 2022.	63		Zoning for MIT
9.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Under construction.		4	Ordinance prior to revision
10.	Cambridge Crossing, Building I	DivcoWest	Covenant recorded; Building Permit issued 8-24-20 Under construction.	54		Ordinance prior to revision
11.	212 Hampshire Street (Ryles)	212 Hampshire LLC, Binoy Pradhan	Covenant recorded. Construction complete. Tenant selection underway	1		BZA requirement of affordable unit
14.	55 Wheeler Street	Toll Brothers	Covenant recorded 3/12/21. Building Permit issued 3/16/21. Under Construction	99		Revised ordinance at 20% sf requirement
15.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded. Building Permit issued. Under construction	48		All units are affordable

Under Development:

396 13

Completed Units:

875 202

All Units:

1271 215

1486

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	605 Concord Ave.	Abodez Acorn	Covenant recorded; pending building permit	7		Revised ordinance at 15% sf requirement
2.	3-5 Linnaean	Willow Land Corp.	Covenant recorded; pending building permit	1		Zoning for basement overlay
3.	1043-1059 Cambridge St.	418 Real Estate	IHP plan was submitted. Property sold. Amendment of Special Permit under review at Planning Board.		3	Revised ordinance at 20% sf requirement



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ

Assistant City Manager for
Community Development

SANDRA CLARKE

Deputy Director
Chief of Administration

KHALIL MOGASSABI

Deputy Director
Chief of Planning

MEMORANDUM

To: Cambridge Affordable Housing Trust

From: Christopher Cotter, Housing Director
Cassie Arnaud, Senior Housing Planner
Janet Haines, Associate Housing Planner

Date: November 18, 2021

Re: Lancaster Apartments - loan extension request

The Cambridge Housing Authority, on behalf of Kennedy Management, Inc, its wholly owned subsidiary, is requesting that the terms of one of the Trust loans for its Lancaster Apartment property be amended. CHA is requesting that the payment of \$500,000 due November 30, 2021, with accrued interest, be deferred to July 31, 2055 to be coterminous with the balance of the other Trust and City financing on the property.

As you may recall, Lancaster Apartments is a 65-unit affordable rental property located at 8-10 Lancaster. The City and CAHT provided funding for the acquisition and comprehensive rehab of the property, which was done in two phases, Phase one, acquisition and initial renovations in 2001 and Phase two renovations beginning in 2005. The property includes 55 units for tenants at or below 80% of Area Median Income (AMI) and 10 for tenants earning up to 120% AMI.

The original funding for acquisition approved in 2000 included the following City/CAHT sources:

- CAHT: \$2,350,000 (restated, as described below)
- HOME: \$245,000 (Discharged, as described below)
- CAHT - Harvard 20/20: \$1,500,000 (repaid as of 12/31/20)

In 2005 for the tax credit Phase 2 closing, the Trust also provided \$800,000 in additional funding to cover higher than anticipated construction costs for the second phase of the rehab. A new mortgage for \$1,300,000 which included the additional \$800,000 and \$500,000 from the acquisition phase required annual payments of a portion of cash flow and a balloon payment of \$500,000 plus accrued interest to be paid by July 31, 2021. The balance of the loan and accrued interest is due July 31, 2055. To date, the CHA has requested a deferral of a total of \$131,788 in cash flow to use the funds for capital repairs. CDD staff have agreed to these payment deferrals based on the capital work required, described below, and the expectation that the full \$500,000, plus accrued interest, would be repaid in July 2021.

The CHA has completed more than \$1.2 million in capital work in the last three years, including replacing the roof, repairing brick masonry, replacing the hallway

skylights to eliminate water infiltration issues and emergency plumbing repairs to address a cracked sanitary line.

Work Completed to Date	2019	2020	2021	Total
Bldg. Envelope (Roof, Masonry)	\$ 35,705		\$ 787,000	\$822,705
Plumbing /Systems		\$ 45,315	\$56,535	\$101,850
Softs Costs	\$29,120	\$ 149,000	\$144,300	\$322,420
Totals	\$64,825	\$194,315	\$987,835	\$ 1,246,975

A 2019 Capital Needs Assessment projects another \$2.5 million will be needed in the next 5 years for upgrades to HVAC, common interiors, unit appliances, unit lighting, windows and upgraded fire alarm system and detectors.

In 2011 the CHA refinanced their first mortgage in the amount of \$4,010,000 with MHP. It is amortized over 30 years but due in 2031. A required \$600,000 operating reserve is fully funded.

The CHA is now requesting to extend the maturity date of the \$500,000 which is now due until July 31, 2055 to be coterminous with the balance of the Trust loan. They intend to use funds to complete the needed capital work referenced above.

Recommendation:

Based on a review of the CHA's proposed Capital Plan and twenty-year operating proforma, we recommend that the Trust approve the request made by the Cambridge Housing Authority, on behalf of the owner, Kennedy Management, Inc's, to extend the maturity date for the \$500,000 to July 31, 2055 as described above and as subject to the following additional condition:

- That the amended loan documents maintain repayment provisions which require repayment from 50% of available cash flow after payment of approved asset management fee.

We have reviewed this request with Trust members Peter Daly, who agreed with our recommendation to bring this request to the Trust for review and approval.



CITY OF CAMBRIDGE

Community Development Department

MEMORANDUM

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief Planner

To: Cambridge Affordable Housing Trust

From: Christopher Cotter, Housing Director
Cassie Arnaud, Senior Housing Planner
Gabby Geller, Housing Development Planner

Date: November 18, 2021

Re: 35 Harvey Street – funding request

On behalf Cascap Realty Inc., Homeowner's Rehab Inc (HRI), through its subsidiary Cambridge Community Housing, Inc. (CCHI), is requesting up to \$2,917,664 in Trust funding to reconfigure and renovate 35 Harvey Street to into separate apartments. The property would continue to be permanently affordable and to serve low and very-low-income households, but the current configuration as 16 standard SRO units with shared facilities would be converted into 12 enhanced SROs, with private baths and kitchenettes, in order to better meet the needs of its residents.

Background

In 2007, the Trust provided \$1,180,000 to Cascap Realty Inc. (Cascap) for the purchase and renovation of 35 Harvey Street, a 16-unit lodging house in North Cambridge. At the time of the purchase, there was significant demand for SRO housing as demonstrated by long waiting lists for SRO units at the YMCA and YWCA. Cascap's purchase was seen as an important step in preserving one of the last remaining private lodging houses in the city. The property consists of 16 small SRO units with shared communal bathrooms and limited kitchen amenities consisting of hot plates and a common refrigerator for resident use.

HRI has recently assumed operational control of Cascap's housing portfolio, including the 35 Harvey Street property, through its subsidiary CCHI. CCHI and Cascap have been operating under a Memorandum of Understanding (MOU) since 2019 which provides CCHI operational influence over the Cascap portfolio. Both organizations have been moving through a process through which CCHI and HRI will take on operational control over Cascap. While a full merger of Cascap into CCHI was considered, due to the expense and need for substantial public funds to facilitate, the path to take on control of Cascap effectively merges the organizations together under one parent organization.

At the time HRI assumed control through its subsidiary CCHI, the property had been experiencing high rates of vacancy for several years. Staff had previously worked with Cascap and DHSP to look issues causing vacancy and found that the marketability of the units based on the configuration of the building had become a significant issue for residents there. As with other owners and operators of similar

SRO properties in the area, HRI and Cascap staff found that in recent years that demand for SROs has decreased to the extent that this type of housing model no longer worked as intended. The Covid-19 pandemic further exacerbated the problems, given the size and limits of the SRO units and shared spaces, leading to high vacancies and rates of turnover.

As a result of these challenges, HRI has developed a plan to renovate the property to create more viable permanent housing in the form of enhanced SROs with private bathrooms and small private kitchen facilities in each unit.

In addition to reconfiguring the units, HRI will also be making improvements to increase the property's energy efficiency and livability, as well as accessibility upgrades. The proposed unit reconfiguration has been laid out with maximum efficiency to keep as many units as possible and to have a fully accessible unit as well as ancillary office for management and/or service coordination staff, and a small common space for residents. The rehab plan is being designed to meet Passive House standards and includes upgraded insulation, improved windows and HVAC systems, with a long-term plan towards full electrification of the building. The scope also includes the restoration of some historical façade details as requested by the Cambridge Historical Commission.

In addition to physical upgrades to the property, HRI has put together a robust supportive services plan. HRI is partnering with Heading Home to provide 26 hours of on-site case management services per week to Harvey Street residents. These services are voluntary so residents may choose to meet with the case manager less frequently and/or less formally. Heading Home's case managers generally work during the day, but tenants will have access to Heading Home supportive services staff on a 24/7 on-call basis for emergencies. New MRVP rental subsidies will cover a portion of the estimated \$60,000 per year for social services for residents. The balance of the cost will be covered out of project income from rents.

Project Budget

The total development cost for the renovation is estimated at \$3,917,666, or \$326,472 per unit, assuming 12 units. In addition to the \$2,917,664 being requested from the Trust, HRI has applied for the maximum \$1,000,000 in funding available in DHCD's recent Supportive Housing Round plus an additional award of 4 MRVP enhanced vouchers that will provide \$1,500 per unit per year for Supportive Services. HRI will also be seeking \$100,000 in City of Cambridge Historic funds. HRI is refinancing the existing private \$140,000 mortgage on the property but is not planning to increase the amount of private debt as it is not supportable over time without capitalizing an operating reserve. The following provides more detail on the proposed budget:

Hard Costs:

Hard Costs represent 68% of the TDC and are estimated at \$2,917,664 (\$480/square foot or \$243,139/unit). This square foot cost is higher than other recent projects which have come in closer to an average of \$362.96 per square foot at Trust approval.

The cost increase and is attributable largely to historic restoration of the façade, current higher construction costs driven by increased materials cost across various trades, as well as HRI's plan to pursue Passive House Design. As noted above, the Cambridge Historic Commission is requesting that the building's former historic façade be restored which will involve the replacement of the existing aluminum siding with new siding to replicate the look of the original clapboard. Designing to Passive House standards comes with an upfront cost premium due to higher-quality and more efficient windows, insulation, ventilation and systems. However, the benefit of this added upfront cost is expected to result in a higher quality living environment for residents, lower environmental impact, as well as lower operating costs over time. Of the total recent projects to look at for comparable costs, the Squirrelwood project is the most comparable. At the time of Trust funding, the project was estimated at \$262.00 per square foot. Those costs increased to \$355.00 per square foot at the time of construction closing.

Soft Costs:

The soft costs represent 32% of the TDC and at \$59,868/unit are generally comparable to other projects of this size. The biggest soft cost line item is relocation at \$124,450. HRI will be working with Heading Home to relocate the current residents who will ultimately be able to return when work is complete. Architecture and Engineering costs are also somewhat higher than other comparably sized projects due to the complexity around reconfiguring the space and the historic preservation requirements. HRI is working to provide more detail on the costs that are specifically related to historic preservation as drawings and scope of work is finalized.

Operating Costs:

Project Operating costs are projected at \$190,039 per year or \$15,837 per unit per year. While these costs are considerably higher than a standard affordable project, \$60,000 per year of that cost is for Resident Services.

Timeline and Next Steps/Predevelopment Funding

HRI is currently preparing a One Stop Application for the Supportive Services Round for DHCD which is due next month. They will be meeting with residents and notifying abutters as the project progresses. If they are successful in securing the needed funding, they expect to begin relocation once the project has full funding in place in order to begin construction in Summer of 2022.

HRI has requested that up to \$180,000 of their total \$2,817,664 funding request be made available before construction closing for needed predevelopment activities per the Predevelopment Cost Budget below:

USES	Total Predev Expenses
Architecture and Engineering	103,198
Survey and Permits	3,400
Environmental Engineer	2,100
Legal	15,000
Relocation	25,000
Appraisal	5,000
Inspecting engineer	2,500
Application & LIHTC	1,600
Contingency/Misc	22,202
Total	180,000

Recommendation

The reconfiguration of the 35 Harvey Street property to enhanced SRO units will better meet the needs of the residents the housing is designed to serve. The property has had ongoing vacancy issues which have only grown worse in the wake of the Covid Pandemic. Residents having their own private bathrooms and kitchen areas will enable residents to have much more private space and allow for the likelihood that residents will be more at home and stay long term. This will also provide for more financial stability for the building.

Staff recommends approval of HRI's request, on behalf of the owner, Cascap Realty Inc, of up to \$2,917,664 in Trust funding of which up to \$180,000 may be made available in advance of the full construction closing for predevelopment activities as described above. We have reviewed and discussed this request with a Trust member, Jim Stockard, who agreed with our recommendation to forward this request to the full Trust for review and approval.

The closing and disbursement of up to \$180,000 in predevelopment funding shall be made contingent on the following:

1. CDD staff approval of predevelopment budget and scope of work;
2. Funds will be disbursed for approved predevelopment costs in accordance with a Loan Disbursement Agreement to be entered into prior to closing;
3. Term shall be 36 months or until construction loan closing, whichever occurs sooner; it is anticipated that the predevelopment funding will be combined with the remaining balance of \$2,737,664 to be converted to permanent financing at construction loan closing;
4. Interest shall accrue at a rate of 3% annually compounding;
5. All principal and interest shall be due at maturity; however, at construction closing, accrued interest shall either be waived or deferred, at CDD staff discretion.

The closing and disbursement of the remaining balance of \$2,917,664 as permanent financing shall be made contingent on the following conditions:

1. CDD staff approval of final design and development plan;
2. CDD staff approval of construction plans and specifications;
3. Environmental assessment and/or remediation plan acceptable to staff;
4. Firm written commitments from all project funding sources;
5. CDD staff approval of the tenant selection and marketing plan;
6. Standard Trust terms and conditions, including:
 - a. All 12 units will be subject to the City's standard affordable housing restriction to be signed at loan closing, in senior position unless otherwise agreed to by the CDD staff;
 - b. All 12 units will be restricted to households earning below 80% of Area Median Income as defined in the affordable housing restriction.
 - c. The loan will have an interest rate 2% compounding, or such other rate approved by CDD staff;
 - d. The loan will be subject to a penalty rate of 12%, applicable upon a violation of the affordable housing restriction;
 - e. All principal and accrued interest will 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;
 - f. All loans will be non-recourse;
 - g. Any reductions in project costs or increases in project sources may result in a reduction of the Trust loan.

The following requirements shall apply to both the predevelopment and permanent financing:

- Demonstrated control of the property by HRI or an HRI-affiliated subsidiary in a manner satisfactory to CDD staff;
- CDD staff will continue to work with the borrower as the project progresses through the DHCD approval process. Should the budget be found to be able to accommodate additional debt, the borrower may be required to seek additional private funding to reduce the amount of Trust funding;
- 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.