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## CITY OF CAMBRIDGE

Community Development Department

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**IRAM FAROOQ**

Assistant City Manager for  
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Deputy Director  
Chief of Administration

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# Affordable Housing Trust

October 27, 2022, 4:00 p.m.

To participate in this meeting hosted on the Zoom video meeting platform, please register using this [link](#) in advance of the meeting.

[Webinar Registration - Zoom](#)

## AGENDA

- Review of Meeting Minutes
- Update from the Community Development Department
- 49 Sixth Street: Preservation of Affordable Housing (POAH) is requesting up to \$7,750,000 to assist with their conversion of a portion of this and the adjacent property at 159 Thorndike Street into forty-six (46) units of affordable rental housing
- Adjournment

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Members of the public can provide written comments to the Affordable Housing Trust by email sent to [ccotter@cambridgema.gov](mailto:ccotter@cambridgema.gov), or by delivery to the CDD office, by 5:00 P.M. the day before the meeting.

CAMBRIDGE AFFORDABLE HOUSING TRUST  
MEETING MINUTES  
September 22, 2022 at 4:00 p.m.

Conducted virtually via Zoom

Trustees Present via Zoom: Yi-An Huang, Chair, Peter Daly, Elaine DeRosa, Florrie Darwin, Gwen Noyes, Susan Schlesinger, Jim Stockard, Bill Tibbs

Trustees Absent: Elaine Thorne

Staff Present via Zoom: Iram Farooq, Assistant City Manager for Community Development; Chris Cotter, Housing Director; Cassie Arnaud, Senior Housing Planner; Anna Dolmatch, Homeownership Program Manager; Antonia Finley, Housing Planner; Janet Haines, Housing Planner; Emily Salomon, Associate Housing Planner; Marlees West, Community Engagement Manager

Others Present via Zoom: Shahenaz Africawala, Emily Belanger, Janice Green, Merrie Haile, Alysha Hearn, Pam Howard, Jeffrey King, Ramesh Koirala, Hailey Kroll, Olinda Marshall, Urszula Masny-Latos, Diego Matho, Margaret McPartland, Vaibhav Pai, Elisa Pepe, Ethan Sobel, Taheera Steele, Sarah Vincent, James Williamson

Chris Cotter called the meeting to order at 4:05 p.m. Mr. 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 introduced the new City Manager Yi-An to Trust members and the coordinated to confirm that each participant was audible to each of the other Trust members. During the confirmation, each member introduced themselves to the City Manager.

#### **MEETING MINUTES**

Upon a motion moved and seconded, by roll call of eight in favor and one absent (Ms. Thorne) to approve the minutes for the meeting of Thursday, August 25, 2022.

#### **UPDATE FROM CDD**

**HomeBridge:** Six buyers have active commitments, one home closed this month, and two homes are under agreement.

**Homeownership Resale Program:** Five units are under agreement. Fewer than twenty units are in process.

**2072 Mass Ave.:** The Capstone/Hope team withdrew their request for a comprehensive permit at the September 2021 BZA hearing but remain committed to creating affordable housing at this site. The developers are assessing their next steps and options.

**Park View Cooperative:** Staff are in final discussion with Cooperative residents in preparing to close on the loan commitment, which is expected in the next month. The Cooperative is planning for construction to begin in early winter 2023.

**Fresh Pond Apartments:** Staff are in the final phase of implementing the preservation of Fresh Pond Apartments. The Cambridge Housing Authority has notified residents about creating new project-based voucher units, which would lower rents for currently cost-burdened households.

**Rindge Commons Phase 1:** Construction of Phase 1 has begun, which will include 24 new rental units, JAS program space and space for City-sponsored pre-kindergarten classrooms. The final loan amount is less than what Trust committed due to JAS getting funding from other sources.

**Broadway Park:** JAS has had several community meetings to review its development proposal and is assessing financing and permitting options for this development.

**35 Harvey Street:** HRI is preparing to renovate this property from SROs to studio apartments. DHCD funding award was announced in July, and HRI is in the process of assembling the remaining financing needed with a goal of beginning construction later this year.

**1627 Mass Ave.:** HRI purchased this property from Lesley University to create affordable housing in August. In September, they hosted their first meeting to formally introduce project as an overlay proposal.

**35 Cherry St.:** In March 2022, the City Council approved the disposition of this property to the Trust to initiate the creation of affordable homeownership housing. The City will begin the process of selecting an affordable housing developer in the coming months through an RFP process. The City will share the RFP with the Trust at an upcoming meeting prior to the selection process.

#### **AFFORDABLE HOUSING OVERLAY (AHO) UPDATES**

**52 New St:** The Affordable Housing Overlay process is complete. JAS completed its second advisory design consultation with the Planning Board in January 2021. The Planning Board issued the final Planning Board advisory design review report. DHCD awarded funding for this project in July, and JAS is assembling the final pieces of funding needed to begin construction.

**Jefferson Park Federal.** The Affordable Housing Overlay process is complete. The Cambridge Housing Authority completed its second advisory design consultation with the Planning Board in February. The Planning Board issued the final Planning Board advisory design review report. The Affordable Housing Overlay process for this project is now complete and the CHA is now in the process of securing remaining funding needed to begin construction.

**116 Norfolk Street:** In August 2022, the Trust approved funding to assist CHA in the renovation and expansion of an existing 38-unit SRO to create 62 studio apartments for individuals moving beyond homelessness. CHA has completed AHO advisory design review and is completing financing.

**Walden Square II:** Winn Development is proposing a new infill AHO project on a portion of their existing Walden Square Apartments site. They held three AHO community meetings and had been scheduled to

present their plans to the Planning Board in late 2021 but requested a delay to allow them time to revise their design. The developers held a community AHO meeting in March to present their revised plan to the public and will restart the advisory design review process at the Planning Board. A request for Trust funding is anticipated in the coming months.

**49 Sixth<sup>th</sup> Street/Sacred Heart conversion:** Staff are reviewing at a funding request from POAH & Urban Spaces for the proposed adaptive re-use of a portion of the Sacred Heart property into 46 units of affordable rental housing. Staff expect to have a recommendation for discussion at October Trust meeting. The Affordable Housing Overlay process is complete and the Planning Board issued the final Planning Board advisory design review report.

**Inclusionary Housing:** Staff are working with homebuyers to complete purchase of new inclusionary homeownership units at St. James Place and Inman Crossing.

Staff are continuing work on leasing up 165 Main Street, which has 63 affordable units with 9 of the units designated for middle-income residents. Staff are making their way tenant select of units at other new buildings.

## **OTHER UPDATES**

### **Community Preservation Act (CPA)**

The Community Preservation Act (CPA) allocations were approved by City Council last week and the FY23 process is complete. With the FY23 City Budget with CPA funds, the combined total will be \$38 million.

### **Incentive Zoning**

There was another recent hearing on a Petition to amend the Incentive Zoning contribution to \$33.34 dollars. The City Council passed the amended petition on to second reading. To address concerns about mitigating impacts of the contribution on small developments, the Petition was amended to deduct the first 30,000 square feet from the contribution to reduce impact on small developers. It was also amended to exclude square footage on existing sites if buildings are demolished and rebuilt. This Petition likely to be taken up again at the Oct. 3 City Council meeting.

Trust members expressed concerns about the proposed changes, emphasizing how Incentive Zoning is a critical funding source for the Trust. Trust members questioned whether the proposed deduction of the first 30,000 square feet of development would meet the intended goal to reduce impact on small developers, since the exemption would apply to larger developers too. There was consensus that the Trust should weigh in on the Petition and to suggest to the Council they consider further the impacts of these changes. Staff noted that one idea raised was to hold the first 30,000 s.f. of development at the current contribution rate, and anything above the 30,000 s.f. threshold be charged the new contribution rate.

Staff indicated that they will submit a memo with analysis of the revised petition for the next City Council meeting addressing the deduction of 30,000 s.f. for larger projects, and comparing the impacts of the petition as filed and as amended on recent projects to show how changes might impact funding for the Trust.

Trust members discussed their desire to send a letter to the City Council to address the pending petition and amendments. Trust members requested that this be completed so that it could be shared with the City Council for the October 3<sup>rd</sup> meeting.

### **Affordable Homeownership Program Changes**

Staff have begun a review process of several of the City's affordable homeownership program policies, including: the calculation of an affordable homeownership unit's increase in value over time, often known as the "resale formula", how capital improvements are considered, the resale process, and inheritance. The first of these efforts was a survey of over 525 owners of the City's deed-restricted.

Anna Dolmatch, Homeownership Program Manager, opened the discussion by noting that all owners of affordable homes had been invited to attend the Trust meeting and that many owners are attending the meeting today. Trust members welcomed the owners in attendance and thanked them for joining.

Ms. Dolmatch gave a PowerPoint presentation providing an overview of survey. 36% of homeowners responded to the survey and their breakdown by bedroom size, length of tenure, and demographic information was representative of the homeowners in the program as a whole.

The goals of the survey were to better understand perspectives on current program, gather information on priorities, introduce some of the questions to consider for potential policy changes, to highlight any areas with notable similarities or differences in opinions, and provide additional channel for current owners to provide input into the review process.

The presentation included results of survey questions around four areas: views on the current city program, views on affordable housing programs, views on the inheritance policy, and views on the resale formula.

Ms. Dolmatch shared the next steps to engage owners and other stakeholders in program changes. Staff will host 10 facilitated listening sessions with homeowners through Oct. 24, which will be summarized and brought to the Trust for discussion. There will be opportunities for community members, homeownership applicants and potential applicants, Housing Committee and City Council to provide feedback, which will lead to a recommendation process.

City Manager Huang left the meeting at 5:00 p.m. and passed the chairing duties to Jim Stockard.

Gwen Noyes left the meeting at 5:18 p.m.

### **35 Harvey Street**

Prior to discussion, Mr. Daly recused himself from the discussion and left the meeting at 5:33 p.m.

On behalf of Cascap Realty, Inc., Homeowner's Rehab, Inc., through its subsidiary Cambridge Community Housing, Inc., requested an increase of Trust funds up to \$421,773 to assist with converting this 16-unit SRO with shared facilities to 12 affordable self-contained apartments. The Trust has already committed \$2,917,664 towards this project.

Due to recent increases in constructions costs, all of the construction bids that came back over the summer were over budget. There is a currently a gap of \$1 million. HRI plans to fill this gap through increased Trust funding, by requesting more funds from state and reducing their fee in order to balance the budget.

Trust members emphasized that the longer the delays for this project, the more it will cost. They emphasized the importance of this project, and also the need to monitor the increase in construction costs when reviewing funding requests for affordable housing.

Upon a motion moved, seconded and approved by a roll call of five in favor with 4 absent (Mr. Daly, Mr. Huang, Ms. Noyes, and Ms. Thorne) to increase the funding commitment up to of up to \$421,773.

### **ADJOURNMENT**

Upon a motion moved, seconded and approved by a roll call of five in favor with 4 absent (Mr. Daly, Mr. Huang Ms. Noyes, and Ms. Thorne) to adjourn the meeting.

The meeting adjourned at 5:41 p.m.

The next meeting is scheduled for October 27, 2022 at 4:00 p.m.

### Meeting Materials:

- Agenda
- Meeting Minutes from the Trust's August 25, 2022 meeting
- Project update: Status of Active Commitments
- Powerpoint Slide Deck, September 22: Homeowner Survey Results Overview
- Community Development Department Memo, September 22, 2022: 35 Harvey St loan increase request from HRI

**Cambridge Affordable Housing Trust**

**October 27, 2022**

**Status of Active Commitments**

	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	82 scattered site units purchased by first time buyers to-date. Program expansion up to 120% AMI now active. 3 units closed in September; 1 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:	15	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers. 2 units currently under agreement.	N/A	\$7,500,000		December 2011
3.	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
5.	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 but withdrew their request at the September 2021 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
6.	52 New Street	JAS	107		JAS purchased the site in early 2020 and is permitting the project through the Affordable Housing Overlay. After JAS held 3 AHO community meetings, the proposal was reviewed by the Planning Board at the two advisory design review meetings required by the AHO, first on 10/16/21, and again on 1/4/22. A final Planning Board report has since been issued. The Trust increased its predevelopment loan for the project in January 2022. DHCD funding award was announced in July, and JAS is assembling the final pieces of funding needed to begin construction.	TBD	\$18,025,390	\$168,462	October 2019, June 2021, January 2022
7.	Park View Coop (24-26 Corporal McTernan Street)	Park View Coop		12	Funds committed May 2021; Closing process is underway.	TBD	\$4,199,215	\$349,935	March 2019 and May 2021
8.	Fresh Pond Apartments (362 and 364 Rindge Ave)	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. The owner has been working with the CHA, City and tenants to transition tenants to the new program.	\$34,533,179	\$34,533,179	\$68,518	March 2020
9.	Rindge Commons - Phase 1 (site of 402 Rindge Ave)	JAS	24		In June 2020, the Trust approved funding for the first phase of Rindge Commons. Project received a comprehensive permit in August 2020 and began construction in June 2022. The CAHT loan at closing was \$3,706,358 or \$154,444 per unit. This is a \$543,342 reduction from the original loan commitment. Construction underway.	\$17,307,771	\$4,250,000	\$177,083	June 2020
10.	Broadway Park (240 Broadway)	JAS		15	In March 2021, the Trust approved funding to create 15 affordable homeownership units. JAS has had several community meetings to review its proposal and expects to seek a comprehensive permit for this development. JAS also will be seeking to assemble remaining funding needed for this development.	TBD	\$3,600,000	\$240,000	March 2021
11.	Jefferson Park Federal (45-60; 61-75; 77-92; 93-108; Jackson Circle; 1; 2-19, 21-42; 109-124; 1000 Jackson Place)	CHA	278		In September 2021, the Trust approved funding to assist with the comprehensive modernization of Jefferson Park Federal. After the CHA held 3 AHO community meetings, the proposal was reviewed by the Planning Board at the two advisory design review meetings required by the AHO, first on 11/9/21, and again on 2/15/22. A final Planning Board report has since been issued. The CHA is now in the process of assembling the remaining financing needed, with a goal of beginning construction before the end of 2022.	TBD	\$43,611,615	\$156,876	September 2021
12.	35 Harvey Street	HRI / Cascap	12		In November 2021, the Trust approved funding to assist with the renovation and reconfiguration of Harvey Street from SROs to studio apartments. DHCD funding award was announced in July, and HRI is in the process of assembling the remaining financing needed, with a goal of beginning construction in the coming months.	TBD	\$2,917,664	\$243,139	November 2021
13.	1627 Mass. Ave.	HRI	TBD	TBD	In January 2022, the Trust approved funding to assist with the purchase of this property from Lesley University to create affordable housing. The Trust approved additional predevelopment funding in August 2022. HRI acquired the site in August 2022 and held first AHO Community meeting on 9/15/22.	TBD	\$7,925,000	TBD	January 2022 and August 2022
14.	116 Norfolk Street	CHA	62		In August 2022, the Trust approved funding to assist in the renovation and expansion of an existing 38-unit SRO to create 62 studio apartments for individuals moving beyond homelessness. CHA has completed AHO advisory design review and is completing financing.	TBD	\$10,161,150	\$163,890	August 2022
15.	35 Cherry Street	TBD	TBD	TBD	In March 2022, the City Council approved the disposition of this property to the Trust to initiate the creation of affordable homeownership housing. Transfer from MIT complete, planning for RFP to select affordable housing developer and process underway.	TBD	TBD	TBD	March 2022

**Total Units 1035**

**Cambridge Affordable Housing Trust**

**Status of Affordable Housing Overlay (AHO) Developments**

	AHO Development	Developer	AHO Status & Activity	Rental Units	Ownership Units	Development Status
1.	<a href="#">52 New Street</a>	Just-A-Start Corporation	AHO Community meetings held on 2/25/21, 3/25/21, and 4/15/21. Planning Board design consultation held on 10/26/21 and 1/4/22. Design consultation completed January 2022; Final Planning Board report issued 1/20/22 and was transmitted to the Trust in its 1/27/22 briefing materials.	107		Design Consultation Complete; see above
2.	<a href="#">Jefferson Park Federal (45-60, 61-75, 77-92, 93-108; Jackson Circle; 1; 2-19, 21-42; 109-124; 1000 Jackson Place)</a>	Cambridge Housing Authority	AHO Community meetings held on 3/2/21, 4/1/21, and 10/19/21. Planning Board design consultation held 11/9/21 and 2/15/22. Final Planning Board report issued 3/9/22 transmitted to the Trust in its 3/24/22 briefing materials.	278		Design Consultation Complete; see above
3.	<a href="#">Walden Square II (102 Sherman Street)</a>	WinnDevelopment Companies	AHO Community meetings held on 3/23/21, 4/13/21 and 5/27/21. Submission for first Planning Board advisory design consultation was withdrawn by developer on 11/16/21. Design revised based on community comments. Community meeting held 2/23/22.	~102		Original submission withdrawn; community meetings underway

4.	<a href="#">49 6th Street</a>	POAH & Urban Spaces	AHO Community meetings held on 7/27/21 and 11/3/21. First Planning Board advisory design consultation meeting held 4/5/22. Second design consultation meeting was held on 6/28/22; Planning Board report issued 7/14/22 and transmitted to the Trust on 8/4/2022.	46		Design Consultation Complete; see above
5.	<a href="#">116 Norfolk Street</a>	Cambridge Housing Authority	First AHO community meeting held 2/10/22. Second community meeting held 4/26/22. First Planning Board advisory design consultation meeting was held on 7/5/22. Second advisory design consultation held 9/13/22. Planning Board report to be issued.	~62		Design Consultation Complete; report to be issued
6.	<a href="#">1627 Mass. Ave.</a>	Homeowner's Rehab Inc	First AHO community meeting scheduled for 9/15/22.	TBD		Community meetings underway.

**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. Construction is complete. Lotteries complete. Closings underway.		4	Ordinance prior to revision
2.	St. James (1991 & 2013 Mass. Ave.)	Oak Tree	Converted to ownership. Construction is complete. Lotteries complete. Closings underway.		5	Ordinance prior to revision
3.	Alexandria - 50 Rogers Street/Prism	Alexandria/Owner Amico	Covenant Recorded 6/4/19. Complete. Tenant selection nearing completion.	44		Zoning for Alexandria PUD
4.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19. Construction nearing completion. First group of units complete.	55		Revised ordinance at 20% sf requirement
5.	165 Main Street	Mitimco	IHP Covenant recorded 12/17/19. Building Permit issued 12-20-19. Complete. Tenant selection underway.	63		Zoning for MIT
6.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Under construction.		4	Ordinance prior to revision
7.	Cambridge Crossing, Building I	DivcoWest	Covenant recorded; Building Permit issued 8-24-20 Under construction. First phase complete. Completion expected of the entire building fall 2022.	54		Ordinance prior to revision
8.	212 Hampshire Street	212 Hampshire LLC, Binoj Pradhan	Covenant recorded. Construction complete. Tenant selection underway	1		BZA requirement of affordable unit
9.	55 Wheeler Street	Toll Brothers	Covenant recorded 3/12/21. Building Permit issued 3/16/21. Under Construction. Completion of first phase of units expected in late 2022.	99		Revised ordinance at 20% sf requirement
10.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded. Building Permit issued. Under construction	48		All units are affordable
11.	605 Concord Ave.	Abodez Acorn	Covenant recorded; Building Permit issued 12/9/21	7		Revised ordinance at 15% sf requirement
12.	3-5 Linnaean	Willow Land Corp.	Covenant recorded; Building Permit issued.	1		Zoning for basement housing overlay
13.	1043-1059 Cambridge St.	418 Real Estate	Covenant recorded May 4, 2022.		3	Revised ordinance at 20% sf requirement

**Under Development:**

**372                      16**

**Completed Units:**

**907                      202**

**All Units:**

**1279                      218**

**1497**

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	600 Massachusetts Ave.	418 Real Estate	IHP plan was submitted but is on hold as developer is exploring other options to create affordable units.			Revised ordinance at 20% sf requirement





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## MEMORANDUM

**To:** Affordable Housing Trust  
**From:** Christopher Cotter, Housing Director  
Cassie Arnaud, Senior Housing Planner  
**Date:** October 27, 2022  
**Re:** Conversion of 49 Sixth Street/Sacred Heart by POAH

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Preservation of Affordable Housing (POAH), a Boston-based housing non-profit, is requesting up to \$7,750,000 in Trust financing to assist with their plans to convert a portion of the Sacred Heart Archdiocese site in East Cambridge into forty-six (46) units of affordable housing.

### Background

The Sacred Heart property consists of a school building, convent, rectory, chapel, and church facility. POAH's plan involves creating 46 new affordable rental units in the school, rectory, and convent buildings, while the church and chapel would continue to be used by the Archdiocese.

In late 2020, the Archdiocese entered into an agreement to enter into a 99-year ground lease with Urban Spaces, a market-rate development company, to convey the convent, rectory, and school building for residential redevelopment. Subsequently, Urban Spaces negotiated an option agreement with POAH whereby POAH and Urban Spaces would be partners during the entitlement and predevelopment period, and that Urban Spaces would exit the project at construction closing at which time the ground lease would be assigned to a POAH-controlled entity.

Since POAH first introduced the project last year, POAH has made significant progress, refining their designs to maximize the number of family-sized units, securing some initial funding commitments, renegotiating the ground lease agreement with the Archdiocese, and successfully completing the Affordable Housing Overlay process.

### Proposed Design/Zoning

POAH held three AHO community meetings in 2021 and completed the second advisory design review by the Planning Board in June 2022, following an initial design review in April 2022. POAH has refined their plans, incorporating input provided through the community process, consultation with City staff and, most recently, feedback provided by the Planning Board at two AHO advisory design meetings.

POAH updated their initial development program to include more family-sized units than contemplated in their initial plans. POAH has also made efforts to ensure that units are designed to be more livable in terms of size and layout, within the constraints posed by the reuse and preservation of existing historic structures. The unit mix will include 14 one-bedroom, 20 two-bedroom, 11 three-bedroom and 1 four-bedroom units.

POAH has also worked closely with staff from the City’s Department of Public Works (DPW) to ensure that adequate measures and flood mitigation features were included into the design the buildings where portions of the ground floor units will be slightly below grade. The ground floor units will have sufficient light as they will retain the large historic windows and will also have normal amounts of ceiling clearance.

The proposed design was well-received by the Planning Board during the AHO advisory design review process, as described in the Board’s Final Report shared with the Trust in August. DPW and the Historic Commission have also provided memos affirming their support of the project as designed.

Affordability Levels

All of the units will be affordable to households earning up to 80% AMI per the project’s approval under the Affordable Housing Overlay. However, POAH is planning to create some more deeply affordable units at the property, as follows:

	<b>30% AMI</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>80% AMI*</b>	<b>Total</b>
<b>1BR</b>	1		11	2	<b>14</b>
<b>2BR</b>	3	2	12	3	<b>20</b>
<b>3BR</b>	3		7	1	<b>11</b>
<b>4BR</b>	1				<b>1</b>
<b>Total</b>	<b>8</b>	<b>2</b>	<b>30</b>	<b>6</b>	<b>46</b>

POAH was able to secure \$500,000 in Federal Home Loan Bank funding as a result of their inclusion of more deeply affordable units. They anticipate having 8 project-based vouchers for the 30% AMI units. All of the units at the project, including those at 80% AMI, will receive tax credits through “income-averaging” which allows owners to include units above 60% AMI (the standard tax credit eligibility limit) as long as the average income of the project remains at 60% or less.

Development Costs/Sources

POAH has also been working on reducing project costs from their initial estimates. At this time, the total estimated development cost is \$29,918,447 or \$650,401 per unit. This estimate assumes construction costs of \$340/sf based on a cost estimate completed in April 2022. The proforma also shows an acquisition amount of \$2,087,075, which consists of an accumulated lease payment up until closing of \$1,287,075 and a one-time lease payment at closing of \$800,000, as discussed further below. Finally, the budget estimates soft costs at

\$105,000 per unit, capitalized reserves of \$8,300 per unit, and a developer fee of just under 9%, all of which are consistent with other recent affordable transactions.

In terms of sources, in addition to the \$7,750,000 in Trust funding being requested, the development is expected to be financed with \$11.5 million in 4% tax credit equity, \$5.08 million in combined state and federal historic tax credits, \$3.37 million in debt, \$500,000 from the Federal Home Loan Bank (already awarded), \$200,000 in deferred fee, and \$1.5 million in soft funding from DHCD which POAH is prepared to bridge, or replace, with POAH/sponsor financing, as described in further detail below.

#### DHCD Funding/POAH Bridge Loan

POAH will be submitting a pre-application for \$1,500,000 in DHCD funding later this month and hopes that they will be invited into DHCD's full 2023 winter funding round. POAH is proposing that they be allowed to bridge, or even replace, the DHCD financing if it appears that moving forward sooner would benefit the project. In such a case, POAH would provide a \$1,500,000 POAH bridge note at closing, bearing an interest rate of no more than 3%, and with equal loan priority with the Trust loan.

Ideally, DHCD funding would become available before any of POAH's bridge loan needed to be drawn down. However, if DHCD funding becomes available after some, or all, of the POAH "bridge loan" funds have been used, those funds would be repaid to POAH when DHCD enters the project. If DHCD opts not to fund the project at all, POAH's loan would convert from a bridge to a permanent loan and remain in the project on a "pari passu" shared priority basis with the Trust funding.

This approach is similar to what was recently approved for the Cambridge Housing Authority's Norfolk Street project where it was agreed that the CHA funding being used to replace anticipated funding from DHCD, and which loan was approved to be of equal priority with Trust funding.

#### Acquisition/ Ground Lease

While most sites are secured through a standard "fee simple" purchase of the property, the Archdiocese is only making the property available through a ground-lease structure. Urban Spaces signed a ground-lease with the Archdiocese on terms which might have worked for a market-rate development, but which were less feasible for an affordable development.

Given these concerns, POAH and the Archdiocese have agreed to new ground lease terms when POAH assumes control of the lease from Urban Spaces at construction closing. POAH has reported that the terms of the ground lease will be amended to reduce the total lease period from 99 years to 50 years and to reduce lease payments at construction closing.

One way to compare the cost of a ground lease cost to a more standard "fee simple" acquisition is by calculating the net present value of lease payments over time. At Sixth Street, the net present value of all ground lease payments, assuming a discount rate of 6% and the new lease terms, to be \$4,733,701 or \$102,907 per unit, an amount that is in-line with, or below, other recent fee simple acquisitions.

In preparing this request and recommendation, we reviewed POAH's request with Peter Daly, Susan Schlesinger, Jim Stockard and Bill Tibbs. This was especially helpful given some of the unusual features the request, including the acquisition of a leasehold interest, and the access to and plans for alternate subsidy funding in the event DHCD funding is not available at construction closing.

## **CONCLUSION/RECOMMENDATION**

The 49 Sixth Street development will create 46 much needed units of affordable housing, including 32 family-sized units. POAH's thoughtful design will restore and preserve existing historic structures while converting their use to high-quality affordable housing.

CDD staff recommends that POAH's request for up to \$7,750,000 in Trust permanent financing be approved by the Trust subject to the following conditions.

1. Trust approval of POAH's requests to allow the project to close on construction financing ahead of a DHCD funding commitment on terms acceptable to staff, including but not limited to the following:
  - POAH to provide a POAH Bridge Note of \$1,500,000 at closing;
  - Interest rate of POAH Bridge Note shall be no more than 3% compounding;
  - POAH Bridge Loan shall be in shared loan position with Trust financing;
  - If DHCD funding is awarded, any funds advanced under the POAH Bridge loan shall be repaid and replaced by DHCD financing at DHCD closing;
  - If DHCD funding is not awarded, POAH Bridge loan shall be converted to a permanent loan and remain in shared position with the Trust, at an interest rate not exceeding 3% compounding;
2. CDD staff approval of the final development and operating budgets;
3. CDD staff approval of construction plans and specifications;
4. Submission of final construction bid and trade items from general contractor along with construction contract Borrower has entered into with contractor;
5. Firm written commitments from all funding sources, sufficient to complete transaction, including a commitment of 8 project-based vouchers;
6. CDD staff approval of the tenant selection and marketing plan, which shall include provisions to ensure 70% local preference in tenant selection and such other provisions required under the Affordable Housing Overlay;
7. The Trust's review and consideration of Planning Board report(s) provided at the August 2022 meeting;
8. Standard Trust terms and conditions, including:
  - All affordable units shall be subject to the City's affordable housing covenant to be signed at loan closing which shall reflect the requirements of the Affordable Housing Overlay, including the requirement for permanent affordability;
  - All units shall be restricted to households earning below 80% AMI, as defined in the affordable housing restriction;

- The loan shall be secured as a second mortgage loan of up to \$7,750,000;
- The loan shall have an interest rate of 3% compounding, or such other rate approved by CDD Staff;
- Loan shall be subject to a penalty rate of 8% compounding; applicable upon violation of the affordability restriction;
- 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 loan shall provide for repayment of principal and interest from 50% of net cash flow from the development, or other terms acceptable to staff;
- Loan shall be non-recourse;
- Any reductions in project costs or increases in non-Trust funding sources shall be used to reduce the amount of the Trust commitment.