



To: Affordable Housing Trust

From: Cassie Arnaud, Director of Housing Development
Alexis Turgeon, Senior Housing Development Planner

Date: October 22, 2026

Re: **1648 & 1654 Massachusetts Avenue (Marathon Sports Buildings) - Request to Change Rent-Setting Approach**

The Cambridge Housing Authority (CHA) is requesting approval to temporarily change the rent-setting approach at their recently acquired property located at 1648 and 1654 Massachusetts Avenue by shifting from income-based rents (i.e. rents set at 30% of household income) to a flat rent structure to improve unit marketability, as described in more detail below.

BACKGROUND:

In December 2025, the Trust approved up to \$18,565,000 to support the Cambridge Housing Authority (CHA) and its affiliate organization Essex Street Management, Inc. (ESMI) with the acquisition of two market-rate residential buildings located at 1648 and 1654 Massachusetts Avenue. The long-term plan is to complete a tax credit syndication process in five years that supports a full rehabilitation and utilizes project-based vouchers to ensure deep levels of affordability. In the interim, CHA is converting units to affordable housing upon turnover and completing modest repairs.

CHA Marathon LLC, an affiliate of ESMI, acquired the properties on May 14, 2026. In addition to Trust funds, the CHA, through its lending arm, Cambridge Affordable Housing Lending LLC (CHAL), provided \$6,879,365 in permanent and \$19 million in short-term bridge financing to cover remaining acquisition costs, soft costs, and immediate repairs. The CHA intends to refinance the bridge loan with permanent bank debt in 2027.

The Trust vote required that at least 80% of the units (64 units) be rented to households at or below 80% area median income (AMI) and that all units be rented to households at or below 100% AMI.

Following the Trust’s standard restriction language, the rents for both income tiers (80% AMI and 100% AMI) are required to be based on 30% of a household’s actual income.

CHA expected that most units would be filled by mobile voucher holders with rents at 110% of fair market rent but the expected demand among voucher holders has not yet materialized. The CHA reports that more units have turned over than they expected, and few voucher holders have submitted applications to date, despite their marketing and outreach.

CHA reports challenges with non-voucher holders as well. The CHA has shared the following reasons for why prospective non-voucher applicants have turned down units or chosen not to apply:

- Income-based rents are confusing for prospective applicants unfamiliar with the process
- Prospective applicants do not want to move forward with the process without knowing exactly what rent to expect and whether they can afford it
- For households at the upper end of income-eligibility, 30% of the household income is closer to market-rate rent and may not provide enough of a rent advantage to be subject to an income certification process

As a result, CHA is requesting a temporary waiver from the existing income-based rent requirements to allow them to set and offer rents using a flat rent methodology until the tax credit syndication occurs. It is expected that the rent-setting method will be revisited at the time of the tax credit syndication so that it meets the affordability requirements of any new financing sources.

FLAT RENT PROPOSAL:

CHA is proposing to switch from income-based rents to flat rents set at 30% of 65% AMI for both income tiers. The use of a flat rent structure is not atypical for Trust-funded properties that have other funding sources such as Low-Income Housing Tax Credits. CHA expects flat rents to help new residents by providing predictable rents for non-voucher applicants and deepening affordability for households earning more than 65% AMI.

The flat rent proposal would also enable the CHA to expand access to a lower income tier of applicants. Under the income-based rent structure, CHA established a minimum income requirement of 70% AMI to ensure that, at a minimum, they could rely on rents at 30% of 70% AMI to support property operations. While this minimum income limit supported the financial feasibility of the project, it also created a narrow band of eligibility for the 64 units at the 80% AMI tier which has added to their lease-up challenges. This screening criteria would no longer be necessary with a flat rent structure, opening the opportunity to offer the units to non-voucher holders at lower incomes and increasing the number of eligible households.

The flat rent structure would also simplify marketing by setting a clear, fixed rent amount. Income-based rents at the property can currently range from \$1,944 to \$4,029, with the one-bedroom rents capping out at \$3,207. The flat rents would be set at \$1,933 for a one-bedroom unit and \$2,321 for a two-bedroom unit. The below table compares various rents for the property, including what current market-rate tenants are paying, what the CHA-commissioned market study estimated as achievable market rents, what the 110% AMI contract rent would be for voucher holders, and the rent ranges under the two rent-setting methodologies:

	1-Bedroom	2-Bedroom
Rents paid by existing market-rate tenants	\$2,382 - \$ 2,756	\$3,092
Maximum achievable market- rate rents per market study	\$2,725 - \$3,300	\$3,300
Income-based rents (30% of actual household income)	\$1,944 - \$3,207	\$1,944 - \$4,029
Mobile voucher rents at 110% FMR	\$2,697	\$3,223
Flat rents set at 65% AMI	\$1,933	\$2,321

Under CHA’s flat rent proposal, rents could be as low as 20% of household income. To qualify, CHA has proposed that the rent payment ratio would need to be at or below 40% of household income. This change broadens eligibility from the current minimum income of 70% AMI down to approximately 50% AMI, expanding the pool of qualified applicants. The table below illustrates the affordability of flat rents set at 65% AMI for households ranging from 50% to 100% AMI:

Rent as a Percentage of Household Income						
	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI
1-Bedroom	37%	31%	28%	23%	22%	20%
2-Bedroom	37%	31%	28%	23%	22%	20%

While switching to flat rents would simplify marketing and make the property more affordable at some income ranges, it would also reduce rental income and therefore reduce the amount of debt the project can support. At acquisition, it was anticipated the project could support \$19 million in debt. Current projections indicate the property would only be able to support \$9.85 million in debt at the flat rents. The CHA is prepared to fill any gap that may exist between the bridge loan refinance in 2027 and the tax credit syndication.

NEXT STEPS AND PROJECT SCHEDULE:

In the coming weeks, the CHA plans to undertake additional marketing activities at the flat rents, if approved. They also plan to prepare a traditional marketing plan similar to what is done for new construction projects.

Provided the additional marketing and flat rent structure improves unit marketability, CHA plans to complete the bridge loan refinancing in 2027.

RECOMMENDATION:

Staff recommend approval of CHA's request to temporarily set flat rents at 30% of 65% AMI, as described in more detail above, to support lease-up and the property's transition to affordable housing. It is recommended that this approval be considered a waiver from the rent-setting requirements in the affordable housing restriction until the tax credit syndication is completed. Staff have reviewed and discussed the request for flat rents with Raffi Freeman, Susan Schlesinger, Alyson Stein, and Jim Stockard, who agreed with the recommendation to bring this request to the Trust for further review and discussion.

The waiver should be made contingent on the following conditions, including but not limited to:

1. Staff approval of an operating pro-forma of at least five years at the flat rents;
2. CHA acknowledgment that a portion of the bridge loan from the CHA-affiliated Cambridge Affordable Housing Lending LLC may need to remain in the project until the tax credit syndication;
3. CHA agreement to provide updates on the status of the property's conversion to 100% affordable use, as requested by Staff;
4. CHA agreement to update the minimum income screening criteria in the tenant selection plan to the 40% rent to income payment ratio described above; and
5. CHA agreement to develop and implement a comprehensive marketing plan, including conducting a lottery to establish a waitlist, by June 1, 2027.