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## CITY OF CAMBRIDGE

Community Development Department

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# Affordable Housing Trust

May 25, 2023, 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
- Neville Place: Neville Communities, Inc. is requesting up to \$2,445,000 to assist with completing needed capital improvements at this mixed-income assisted living residence for seniors
- 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  
April 27, 2023 at 4:00 p.m.

Conducted virtually via Zoom

- Trustees Present via Zoom: Yi-An Huang, Chair; Peter Daly, Florrie Darwin, Elaine DeRosa, Jim Stockard, Bill Tibbs
- Trustees Absent: Gwen Noyes, Susan Schlesinger, Elaine Thorne
- Staff Present via Zoom: Iram Farooq, Assistant City Manager for Community Development; Cassie Arnaud, Senior Manager for Housing Development; Anna Dolmatch, Homeownership Program Manager; Janet Haines, Housing Planner; Antonia Finley, Homebuyer Coordinator; Emily Salomon, Associate Housing Planner; Christine Yu, Associate Housing Development Planner
- Others Present via Zoom: Ellie Schaffzin, Gabrielle Regan, Lahcen Medhat, Lee Farris, Lisa Blake, Lisa Oliver, Lorraine Murphy, Marianna Rezaei-Kamalabad, Mary Ruggiero, Pasang Lhamo, Wendy McLaughlin, Yolanda Gilibert, Robert Gibson

The meeting was called to order at 4:03 p.m. Mr. Cotter explained that this meeting of the Affordable Housing Trust would be held virtually pursuant to applicable requirements, that all votes would be taken by roll call, and that there would be no public comment. He then confirmed via roll call that each participant was audible to each of the other Trust members.

#### **MEETING MINUTES**

Upon a motion moved and seconded, by roll call of six in favor and three absent (Ms. Noyes, Ms. Schlesinger, Ms. Thorne) to approve the minutes for the meeting of Thursday, March 23, 2023.

#### **PROJECT UPDATE**

**HomeBridge:** 6 buyers have been approved.

**52 New Street:** JAS is preparing for construction closing.

**JP Federal:** CHA is preparing for construction closing.

**1627 Mass Ave:** HRI had their second AHO community meeting in April and are preparing to present their plans to the Planning Board for advisory design review.

**Park View Cooperative:** Work is underway and proceeding well.

**Rindge Commons Phase 1:** Construction is underway and proceeding well.

**116 Norfolk Street:** Construction is underway and proceeding well.

## **OTHER UPDATES**

**Affordable Housing Overlay Changes:** Staff are waiting on a policy order from the Council. No further meetings to discuss the topic have been scheduled at the moment.

**Trust Vacancy:** A notice of a vacancy on the Trust was posted last week. The deadline for applying is Monday, May 1, 2023.

## **NEW BUSINESS**

### **Affordable Homeownership Program Changes**

Ms. Dolmatch updated the Trustees on the potential affordable homeownership program changes and reviewed material shared with the Trust on this matter. Today's discussion is to talk about next steps for preliminary recommendations, which could be a multi-meeting conversation. She noted that legal review with the Law Department is also still ongoing.

Ms. Dolmatch provided a summary of the engagement process and its results with the community and the Trust. She talked about the current return formula and its issues. Owners have expressed a strong interest in an increase in return but also want the program to remain affordable. There is a need to balance the likely increase in costs of this program with the funding needs for all types of affordable housing.

An option developed by staff and reviewed with some Trust members was presented for discussion of preliminary recommendations. The proposal was for a new resale formula with a simple annual increase of 2.5% of the purchase price. Some benefits include no risk of decrease in value, predictability for both owners, as well as no penalties. Mr. Stockard mentioned that Ms. Dolmatch should have mentioned that different formulas were tested, which led them to land on this proposed formula.

Ms. Dolmatch mentioned that the current policy regarding home repairs does not work well for everyone since the costs of repairs are the same for all owners, however the caps on the amount owners can be reimbursed for improvements varies depending on their purchase price. She presented for Trust an option that the policy be changed to a maximum dollar amount of \$5,000 annually. The other aspects of the policy would remain the same, such as requiring documentation and allowing flexibility for extraordinary costs.

Ms. Thorne asked how the \$5,000 maximum was determined. Ms. Dolmatch answered that staff looked at the costs that homeowners typically incur on average per year over the course of their ownership. She noted that this is the upper end and varies greatly by unit; some owners may not incur any capital improvement costs. Mr. Stockard asked how much money a hypothetical roof change would be for example. Ms. Dolmatch said it is specific to the home. Mr.

Daly mentioned a concern that \$5,000 right now may not have the same value in a few years, and that an index to CPI should be added.

The Trust also reviewed the option of having an affordable price circuit breaker, which would cap the maximum unit price increase to ensure a unit remains affordable at a certain level. The impact would vary depending on future changes in AMI and interest rates. Mr. Daly said that the circuit breaker could add a layer of complexity. Mr. Tibbs commented that this would be a good mechanism to maintain affordability and should be something to consider. Mr. Stockard followed up on Mr. Daly's comment by mentioning that it might be worth trying and documenting when this causes a problem. Ms. Dolmatch noted the unknowns of future affordability and the potential of lower funding levels. Mr. Tibbs said that there should be flexibility and reevaluation processes built into the new potential policy.

The Trust also reviewed options for recommending a new inheritance policy, which would allow direct inheritance for certain beneficiaries. Any new owner would be subject to income eligibility requirements and required to enter an Affordable Housing Covenant. Trustees bought up and discussed multiple legal scenarios that may add complexity to the policy. Mr. Cotter said that once a general inheritance policy is adopted, the details would be addressed during the development of new legal documents, and the applicability might vary owner to owner depending on their estate plans. What was suggested would create options for inheritance but no obligation, and the equity in the unit would be available to the estate in cases where a home was not passed on to an heir.

The Trust stated that they did not need additional discussion of the proposed recommendations and were prepared to move to the next steps. Ms. Dolmatch stated that the next step will be to conduct outreach with current owners on the recommendations, then bring that feedback to a future Trust meeting for additional discussion prior to a final vote on policy changes.

Upon a motion moved, seconded, and approved by a roll call of five in favor (Mr. Daly, Ms. Darwin, Ms. DeRosa, Mr. Stockard, Mr. Tibbs), four absent (Chair Huang, Ms. Noyes, Ms. Schlesinger, Ms. Thorne), it was:

VOTED: for CDD Staff to engage with stakeholders to get feedback on the recommended homeownership program changes as presented.

#### **MOVE TO EXECUTIVE SESSION**

Mr. Huang left the meeting prior to this discussion.

Mr. Cotter indicated that the next item for discussion before the Trust pertained to details regarding the potential acquisition of real estate. Due to the sensitive information to be discussed, continuing in open session might have a detrimental effect on the negotiations. At 5:04 PM, Mr. Cotter entertained a motion to go into Executive Session to discuss this matter and indicated that the Trust would adjourn at the conclusion of the Executive Session.

Upon a motion moved, seconded, and approved by a roll call of five in favor (Mr. Peter Daly, Ms. Darwin, Ms. DeRosa, Mr. Stockard, Mr. Tibbs) and four absent (Chair Huang, Ms. Noyes, Ms. Schlesinger, Ms. Thorne), it was:

VOTED: for the meeting to go into Executive Session.

The next meeting is scheduled for May 25, 2023 at 4:00 p.m.

Meeting Materials:

- Agenda
- Meeting Minutes from the Trust's March 23, 2023 meeting
- Project Update
- Homeownership Program Review

**Cambridge Affordable Housing Trust**

**May 25, 2023**

**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:	7	89 scattered site units purchased by first time buyers to-date. Program expansion up to 120% AMI now active.	N/A	\$24,200,000	1-br: 40% sale 2-br: 45% sale 3-br: 50% sale	several, including most recent: February 2023
2.	Homeownership Resale Program	CDD	currently active units:	15	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers.	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. JAS is preparing for construction closing this summer.	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 completed October 2022; renovations underway.	\$4,986,321	\$4,199,215	\$349,935	March 2019 and May 2021
8.	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 is underway.	\$17,307,771	\$4,250,000	\$177,083	June 2020
9.	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
10.	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 has begun preparing to close on construction, now expected to begin in late summer 2023.	TBD	\$43,611,615	\$156,876	September 2021
11.	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	\$3,339,437	\$243,139	November 2021
12.	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. Second community meeting held 3/15/22. HRI preparing submission for first Planning Board advisory design review meeting	TBD	\$7,925,000	TBD	January 2022 and August 2022
13.	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 completed AHO advisory design review in late 2022 and closed on funding in December 2022; construction is underway	TBD	\$10,161,150	\$163,890	August 2022
14.	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. RFP draft presented to Trust in March 2023 for review and comment. RFP now being finalized, incorporating comments from Trust and Purchasing Department.	TBD	TBD	TBD	March 2022
15.	49 Sixth Street	POAH	46		In October 2022, the Trust approved funding to assist in the conversion of a portion of the Sacred Heart church property to affordable housing. POAH has completed the AHO process. POAH is assembling remaining financing with a goal of beginning construction in early 2024.	TBD	\$7,750,000	\$168,478	October 2022

**Total Units 578**

**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. Preparing for construction closing.	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. Preparing for construction closing.	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. Assembling remaining funding needed to begin construction.	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 issued on 10/28/22 and transmitted to the Trust on 11/17/2022. Closed 12/2022; under construction.	6		Design Consultation Complete; see above
6.	<a href="#">1627 Mass. Ave.</a>	Homeowner's Rehab Inc	First AHO community meeting held 9/15/22. Second community held 3/15/22.	TBD		Community meetings underway.

**Status of Active Inclusionary Housing Developments**

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	50 Cambridgepark Drive	Hanover	Covenant recorded 8/6/19. Building Permit issued 12-5-19. Construction complete. Finishing tenant selection.	55		Revised ordinance at 20% sf requirement
2.	95-99 Elmwood	95-99 Realty	Covenant recorded. Building Permit issued 7-2-20. Under construction. Nearing completion		4	Ordinance prior to revision
3.	Cambridge Crossing, 151 North First Street	DivcoWest	Covenant recorded; Building Permit issued 8-24-20. Construction complete. Finishing tenant selection.	54		Ordinance prior to revision
4.	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 soon; preparing for tenant selection.	99		Revised ordinance at 20% sf requirement
5.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded. Building Permit issued. Under construction	48		All units are affordable
6.	605 Concord Ave.	Abodez Acorn	Covenant recorded; Building Permit issued 12/9/21. Under Construction.	7		Revised ordinance at 15% sf requirement
7.	3-5 Linnaean	Willow Land Corp.	Covenant recorded; Building Permit issued.	1		Zoning for basement housing overlay
8.	1043-1059 Cambridge St.	418 Real Estate	Covenant recorded. Building permit issued 7/11/22. Under construction. Completion expected Fall 2023.		3	Revised ordinance at 20% sf requirement

<b>Under Development:</b>	<b>264</b>	<b>7</b>
<b>Completed Units:</b>	<b>1015</b>	<b>211</b>
<b>All Units:</b>	<b>1279</b>	<b>218</b>
	<hr/>	
	<b>1497</b>	

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	121 Broadway	Boston Properties	IHP Plan under review.	~102; 81 (inclusionary), 21 (middle income)		MXD zoning - 20% Inclusionary + 5% Middle-Income



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To: Cambridge Affordable Housing Trust  
From: Cassie Arnaud, Senior Manager for Housing Development  
Janet Haines, Housing Development Planner  
Date: May 25, 2023  
Re: Neville Place

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As introduced to the Trust at the March meeting, Neville Community Inc (NCI), the operator of Neville Place, a 71-unit mixed-income assisted living residence, is requesting up to \$2,445,000 in funding from the Trust to address immediate capital repairs and expected capital needs at Neville Place over the next 5 years. At our previous meeting, a number of questions were raised including how the property is currently operating financially, how it is projected to operate into the future, how affordability is currently being maintained at Neville Place, and how residents are selected for the affordable units.

Staff have been working with NCI and its stakeholders to respond to these and other questions. Staff have received additional information and met with stakeholders to to address the questions and issues this request has raised.

### Background

In 2000 the City, Cambridge Health Alliance, the Cambridge Housing Authority, the Cambridge Affordable Housing Trust formed a partnership to create Neville Place, a 71-unit assisted living facility, and Neville Manor, a 112-bed skilled nursing facility. The City provided CDBG funding to support the construction of the assisted living residence. The project also received funding and tax credits from DHCD, and the Cambridge Housing Authority provided 30 project-based vouchers to support the operations of Neville Place. In 2005, the Trust provided a loan of \$325,000 to fund critical capital needs and a replacement reserve for the assisted living residence. Both the City CDBG loan and the Trust loan were repaid and discharged in 2013. However, a City affordability restriction remains on the property requiring 57 of the 71 units at Neville Place to be affordable to low- and moderate-income households earning up to 80% AMI.

The entity overseeing both Neville Place (the assisted living residence) and Neville Manor (the skilled nursing facility) is Neville Communities, Inc (NCI). Representatives from the Cambridge Health Alliance, Cambridge Housing Authority, and Cambridge Affordable Housing Trust and City serve on NCI's board.

Neville Communities Inc (NCI) initially requested funding from the Trust for capital work at both Neville Place and Neville Center. However, as a nursing facility is not eligible for Trust funding, staff has focused on the Neville Place request. The request for \$2,445,000 in capital needs funding is discussed in more detail below.



Capital Needs Request/Refinancing

Neville Place has an existing first mortgage from Rockland Trust which matures in July 2023. NCI is in the process of refinancing with Cambridge Savings Bank. The current mortgage being refinanced is presently \$6.24 million with interest amortized at a variable rate which is presently at 7.2% with a current annual mortgage expense of \$608,408. NCI expects the annual mortgage expense, after refinancing with Cambridge Savings Bank, to be reduced to \$528,320. NCI must demonstrate adequate funding to address capital needs prior to closing on their new first mortgage financing.

The request for \$2,445,000 in capital needs funding is based on a Capital Needs Assessment (CNA) which identified immediate needs and projected needs over the next 5 years. The CNA has been reviewed by CDD staff and appears to be reasonable. The work to be done immediately includes roof replacement, HVAC system component replacements and repairs, elevator work, carpet replacement and miscellaneous site work including repaving and sidewalk and handrail repairs, while later work includes anticipated replacement of additional HVAC components, windows, laundry equipment, carpeting and stairway repairs and site upkeep: Immediate/year --one capital needs total an estimated \$1,592,000 while another \$852,000 would be needed over the next 4 years.

The Trust raised a number of questions at its previous discussion, some of which are addressed below and some of which will require more time to answer, in large part due to the complexity of operating an affordable assisted living facility. While the request for capital needs is straightforward, the Trust also emphasized the importance of demonstrating that the long-term financial viability of Neville Place can be sustained so that it will remain an accessible affordable resource for low- and moderate-income households.

Operating projections/Affordability

Staff have worked to understand how the property has operated historically, why the property has been recently unable to fund its needed capital work and how the property is projected to operate going forward.

Neville Place is subject to a City affordability restriction requiring that 57 units be affordable to households under 80% AMI, with the remaining 14 available as market-rate housing. Additional affordability restrictions from DHCD and other funders have required deeper affordability as shown below:

<40% AMI	<60% AMI	<80 AMI	Market	Total
4	35	18	14	71

There are 30 project-based vouchers available to the property, 18 of which are presently used. Efforts are being made to increase voucher utilization, but we understand from NCI that it has been a challenge to screen applicants for eligibility due to residents' inability or unwillingness to provide needed eligibility documentation. It is possible that closer coordination with the CHA and other intake specialists could help increase utilization of vouchers. The creation of a plan to reach and maintain full voucher utilization could be a condition of Trust funding.

The property met its required 1.2 debt service coverage ratio requirement consistently until 2019 when there was a drop in operating income. The drop is attributable to a variety of factors including vacancies and a failure to request available Section 8 rent increases, which when later combined with COVID related impacts starting in 2020, required the substantial draw down of both operating and replacement reserves, leaving the property with inadequate capital reserves to complete necessary capital work. While the Section 8 rents have now been adjusted to increase revenue and there is full occupancy, there is insufficient operating income to support anticipated capital repairs over time.

At staff's request, NCI provided a 20-year operating proforma. The proforma indicates a viable financial model. The proforma assumes 39 project-based voucher rents with 30 project-based vouchers, 5 mobile vouchers available and an anticipated 4 applicants with mobile vouchers.

While the 20-year projections indicate a solid financial footing going forward, the property needs to be able to weather reduced rent increases, another pandemic, or unexpected capital needs. This will require that all financial sources available must be used to the fullest. One of the Trust's standard funding requirements is the receipt of an operating budget that is satisfactory to staff. It is recommended that the Trust specify that NCI must provide a more detailed operating proforma which includes both scheduled contributions to and anticipated draws on reserves and be based on assumptions acceptable to staff.

In addition, it is recommended that NCI develop a 20-year capital plan to help determine what is required for reserve contributions and how to meet those reserves. The previous availability of both operating and capital reserves served the property well to assist them to weather the pandemic. With replacement reserves depleted, after the current 5-year plan there will be a need to understand how available reserves will meet capital needs in the years that follow.

#### Affordability/Assets/Tenant Selection

Staff have received information confirming that all 57 affordable units have been leased to low or moderate-income residents, in accordance with the City's affordability restriction. However, questions remain regarding how these units are marketed and how residents are selected.

Residents at Neville Place are charged for an assortment of non-housing related living services including meals, help with bathing, dressing, health care monitoring, medication reminders, recreational activities, in addition to more traditional rent costs. For instance, while rent for a unit at Neville may be \$1,014 per month, the added living expense fee for that unit may be as high as \$5,000 per month. These charges vary widely as the needs of the residents vary widely. The more services a resident needs the higher the services fee will be. While housing subsidies such as the CHA vouchers can cover the housing portion of the costs, other sources need to be found to cover living costs. In some cases, residents may be eligible for PACE (Program for All-Inclusive Care for Elderly) or American Veteran's Aid. There is also an existing operating reserve of \$376,000 which can be tapped.

While NCI staff have demonstrated their commitment to providing this housing opportunity regardless of an applicant's savings or assets, the financial model has assumed the majority of applicants would be able to supplement their income with savings, assets or family contributions. NCI staff have reported that they work with applicants and current residents to

find subsidies to support the charges when savings and assets are not available. (There are currently 24 residents without assets).

However, the intake process for Neville is very complicated and the lack of clear information may deter some potential applicants from applying. The Cambridge Housing Authority reports that many of their seniors who are aging in place may be better served in assisted living but lack of information about how it could be affordable for these seniors has created a disincentive to apply. Both the Council on Aging and the Multi Service Center also report that this serves as a barrier to low-income applicants. Understanding how the Neville program and its affordability is operating, and what subsidies are available needs to be communicated better to our social service teams. Staff have discussed with the NCI board convening a working group to look further into these issues and create a formal written marketing, outreach and tenant selection plan which addresses how this housing can best serve community needs while balancing the need for operational sustainability.

#### Conclusion, Recommendation and Next Steps

Neville Place's ability to provide welcoming and comfortable assisted living at significantly less than market rates is an important community benefit. While a number of questions remain, it is clear that the property has been successfully serving low- and moderate-income households in need of assisted living and that efforts should be made to enable this important resource to remain available over the long-term.

Given the impending refinancing of their existing mortgage, staff recommend the Trust condition its approval of NCI's request in a way that allows the refinancing to move forward and for immediate capital needs be made, while holding funding not immediately needed pending further work to address resident selection and operational questions as noted above.

More specifically, staff recommend the following:

- That up to \$1,600,000 be made available to NCI for immediate capital needs as described above and in the attached CNA
- That disbursement of the remaining \$844,000 be contingent on the following:
  - Convening a working group to review, to update and/or develop an Affirmative Marketing and Tenant Selection Plan to provide transparent description of the eligibility (e.g. income and asset) and documentation requirements (e.g. birth certificates and photo id), the intake and application process and how different types of applicants might meet the requirements and be candidates for voucher-assisted and other affordable units.

Working group will be convened by CDD staff and NCI and may include representatives from:

- NCI board and staff
- NCAL staff
- Cambridge Health Alliance
- Cambridge Housing Authority
- Cambridge Affordable Housing Trust
- CDD and other City staff

- Experts in affordable, senior housing planning and financing;

**Recommendation:**

CDD staff recommends that the Trust approve Neville Communities Inc. request for up to \$2,445,000 in Trust permanent financing for Neville Place; subject to the following conditions:

- Formation of working group to develop Tenant Selection Plan as described above;
- Commitment to work with CHA, Cambridge Council on Aging and other community partners on resident referrals;
- Plan to reach full Project Based Voucher utilization acceptable to Staff;
- 20-year operating proforma acceptable to Staff;
- Long term capital needs schedule acceptable to Staff;
- Schedule and budget for immediate capital repairs acceptable to Staff;
- Staff approval of construction plans and specifications;
- Loan to be structured as a Reserve Loan, restricted to Neville Place, to be drawn in accordance with a loan distribution agreement which will allow \$1,600,000 to be disbursed after loan closing for immediate needs and the balance disbursed in accordance with the conditions described more fully below;
- Annual Capital Reserve contribution, restricted to Neville Place, acceptable to Staff, that provides for continued upkeep of property;
- First mortgage financing in an amount and on terms acceptable to Staff;
- Standard terms and conditions, including:
  - 57 units are subject to the City's standard affordable housing restriction to be amended or replace at loan closing;
  - 57 units will be restricted to low and moderate income households earning at or below 80% of Area median income as defined in the affordable housing restriction;
  - Loan term shall be 50 years;
  - Loan shall be secured by a second mortgage that is subordinate only to private bank funding;
  - Loan will have an interest rate of 3% compounding, or such other rate approved by Staff;
  - The loan will be subject to a penalty rate of 8%, applicable upon a violation of the affordable housing restriction;
  - All principle 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;
  - Loan shall be non-recourse.

Up to \$1,600,000, reflecting the estimated cost for immediate capital needs, may be disbursed in accordance with the loan disbursement agreement subject to the Trust's standard terms and conditions after loan closing. The balance of the loan commitment, \$845,000, will

be disbursed in accordance with the loan disbursement agreement subject to the following conditions:

- Affirmative Marketing and Tenant Selection Plan acceptable to Staff;
- Review and approval of proposed capital repairs by Staff;
- Review and approval of operating proforma by Staff;
- Compliance with Affordable Housing Restriction

After Loan closing, the Borrower shall comply with the following requirements:

- Notify Lender's Rehabilitation Specialist of all construction meetings and copy on meeting minutes;
- Copy Lender on all change orders;
- Submit requests for disbursements in requisition form acceptable to Lender; and
- Provide demographic information on the race and ethnicity of residents at requested point in time and of applicants on waitlists in a form acceptable to the Lender including a break-down by preference category.