



CITY OF CAMBRIDGE

Community Development Department

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Date: June 27, 2024
To: Affordable Housing Trust
From: Janet Haines, Housing Development Planner
Cassie Arnaud, Senior Manager for Housing Development
Re: Walden Square II – Funding request

Winn Development, a Boston-based housing developer, is requesting up to \$18,750,000 in financing to assist in the new construction of 95 units of affordable rental housing as an infill development at their existing 240-unit Walden Square site off Walden Street in North Cambridge. The proposed Walden Square II development consists of two new buildings containing a total of 95 units, including 33 1-bedrooms, 33 2-bedrooms, 23 3-bedrooms and 6 4-bedrooms. Winn will be permitting Walden Square II under the provisions of the Affordable Housing Overlay (AHO), as described below in greater detail.

Background

As you may remember, several years ago, Winn had proposed a single 100+ unit building concept, with a 7-story building located at the Northern edge of the site, adjacent to the Yerxa Road pedestrian underpass. Staff shared periodic updates on the proposed development with the Trust as Winn worked through their design and development plans. Based on early feedback from the Trust, Winn agreed to update their unit mix to include more family-sized units. Winn also agreed to update their financing plan to eliminate acquisition costs and to include more soft funding from the state.

Winn began the AHO review process for the single-building plan but decided to put the project on hold following mixed response to their design concept during the community process and questions about Winn's management of the existing 240 affordable units at Walden Square. Winn spent the next year working to address these issues. Winn used the intervening time to making site improvements at Walden Square including updated landscaping, improved lighting and security, beefing up staffing, and painting and new flooring in common areas of the low-rise buildings, renovations to a number of units. Winn also made management improvements including increased staffing, additional management training, and improved communications approaching including providing translations of notices to tenants.

Attached are two letters from then Mayor and Vice Mayor, related to Walden Square. The first letter, dated January 20, 2022 describes concerns they had with Winn's management of Walden Square Apartments. The second letter, dated April 13, 2023, provides an update confirming the improvements which Winn has made at Walden Square.

Project Description

During that time, Winn also revised their design approach for Walden II to respond to community input.

The new design consists of a smaller 7-story building (Building A) with 60 units located on the north edge and a 6-story building (Building B) with 35 units located at the south portion of the property. There are currently 190 parking spaces on the site for the existing 240-unit affordable Walden Square I Apartments. The new Walden Square II development will add an additional eight spaces, for a total of 198 spaces for the entire site. There will also be 74 new long-term bike parking spaces in indoor bike rooms and outdoor enclosed bike shelters, 42 short-term bike parking spaces, and a 19-dock Blue Bike station on the property.

Winn was able to retain the large number of family-sized units during their redesign. Approximately two-thirds of the units will be two-bedroom or larger, as summarized below:

Unit Size	# Units by BR	% Units by BR
1BR	33	35%
2BR	33	35%
3BR	23	24%
4BR	6	6%
Total:	95	100%

As an infill project, the Walden Square II development will be integrated into Winn’s affordable Walden Square I site. The redeveloped site will include 2.3 acres of open space (31% of lot area), including 3 playgrounds tailored to different age groups of children, a half-court basketball court, and a number of pedestrian and bike paths available to residents of both sites.

In reviewing the funding request, staff requested that Winn provide information on the operating budgets for both Walden I and Walden II, each of which are separate developments owned by separate entities. Staff reviewed the budgets to ensure that the estimated operating costs for the new development were reasonable and in-line with what we would expect compared to other comparably sized developments and to confirm that any cost sharing between the two properties was being allocated appropriately.

The two projects will share common amenities and these costs will be shared on a pro rata basis. In addition to the shared open space, existing common space in the Walden I buildings will be expanded and improved to create larger meeting spaces, a new fitness room with exercise equipment and a yoga room, and an upgraded computer room all of which will be shared by all tenants. The new building will also house the joint property management and resident services offices servicing Walden I and Walden II properties and residents.

The cost to enlarge the existing community room space and to create a fitness center in the existing property will be funded through the Walden Square II development budget. The alternative to this approach would be to create community space in one of the new Walden Square II buildings, which would require a reduction in the number of units and/or bedrooms in Walden Square II. Staff will continue to review this to determine whether some of these costs can be paid by Walden Square I.

In addition to sharing maintenance and property management staff, the combined site will share a full-time resident services coordinator who will work directly with residents to connect them to existing services within the community, focusing on community engagement, economic mobility, housing stability, employment, health, and education. The site is also served by the Walden Square Community Association (WSCA) with a full-time staff member that arranges programming for Walden Square residents, with a focus on programming for youth and seniors. The WSCA staff member is paid by Winn, while the resident services coordinator is paid from building operations.

Proposed Development Budget

The total development cost (TDC) for the project is estimated to be \$80,413,447, or \$846,457 per unit. In addition to the \$18,750,000 (\$197,368) request from the Trust, the project will be funded with \$10,010,000 in hard debt, 4% tax credit equity of \$36,716,000, EOHLC soft funding of \$9,500,000, MassHousing’s Workforce funding of \$5,000,000, Passive House grants of \$285,000, and deferred fees of \$152,447

The estimated TDC for the project has increased from Winn’s earlier estimates due in large part to general increases in construction costs being seen by all projects in recent years, as well as the increased cost of moving to a two-building plan, which requires twice as many elevators and other expensive items. While the amount of Trust funding requested per unit is higher than some other recent Trust-funded projects, Walden Square II is in line when reviewed by funding per bedroom, given the number of 3-bedrooms and 4-bedrooms at Walden Square II, as shown in the following table:

	Walden II	87-101 Blanchard	52 New Street
Units	95 units	110 units	106 units
TDC/Unit	846,457	617,898	852,451
Fees+OH/Unit	51,861	48,378	69,212
TDC/Bedroom	418,420	617,898	426,226
TDC/sq.ft.	672	649	699
CAHT & City Funding/Unit	197,368	165,174	170,051
CAHT & City % of TDC	23.32%	27%	20%
EOHLC/MH funding/Unit	152,632	100,000	63,679
EOHLC/MH % of TDC	18.03%	16%	7%

Staff will continue to work with Winn on seeking ways to reduce the overall budget, including the funding needed from the Trust.

AHO Review

Winn held a community meeting in February 2022 to update the neighborhood on improvements made to Walden Square I and introduced their revised designs to the community in 2023. They completed their AHO community review in September 2023 and began their AHO advisory design review with the Planning Board in March 2024. Their first Planning Board review was held on March

12, 2024, and their second and final Planning Board is scheduled for July 2nd, 2024. Their revised design plans have been generally well-received.

The final Planning Board report on the AHO design consultation will be forwarded to the Trust for review when it is completed.

Recommendation

The Walden Square II development will create 95 high-quality affordable housing units including a large number of much needed three- and four-bedroom units. It is located in a good location for housing, close to Danehy Park, one of the largest public parks in Cambridge and bordered by the Cambridge Friends School, which features a large play field. The site is .5 miles from Porter Square, with access to the MBTA commuter rail and Red Line and within .5 miles are grocery stores, numerous restaurants, retail, and other amenities. Winn has reported that there are over 1,000 households on the waiting list for their existing 240-unit Walden Square I development, demonstrating the demand for affordable housing at this location.

In preparing this request and recommendation, we reviewed Winn's request with Alyson Stein, Jim Stockard, and Susan Schlesinger who agreed with our recommendation to bring this request to the Trust and recommend approval.

Housing staff recommends that Winn Development's request for up to \$18,750,000 in permanent financing be approved by the Trust subject to the following conditions. The loan commitment shall be made subject to the Trust's standard terms and conditions including, but limited to, the following:

1. Staff approval of the final development and operating budgets including confirming appropriate division of costs between Walden Square 1 and Walden Square II for any shared amenities, staffing, services and other shared expenses.
2. Environmental assessment and/or remediation plan, acceptable to staff.
3. 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;
6. Staff approval of the approach used to separate the Walden Square II site from the existing Walden Square I site, anticipated to be either a ground lease or condominium structure;
 - a. In the event of a ground lease structure, staff approval of the terms of the ground lease, including the requirement that any ground lease payments made to landlord (an entity related to Winn) be reinvested back into the development, on terms approved by Staff;
7. Staff approval of the tenant selection and marketing plan, which shall be consistent with the City's marketing preferences including but not limited to maximum preferences for Cambridge residents;
8. The Trust's review and consideration of Planning Board final AHO advisory design review report;

9. 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, subordinate only to first mortgage financing;
- The loan shall have an interest rate of 3% compounding, or such other rate approved by 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 maturity date may be extended subject to 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 as described in the loan documents, or such 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 commitments, on terms acceptable to Staff.

During the construction period, the Borrower shall comply with the following requirements:

- Notify Lender's Construction Manager of all construction meetings and copy on meeting minutes;
- Copy Lender on all change orders;
- Copy Lender on all funding requisitions to other sources; and,
- Submit requisitions in form acceptable to Lender.

Following lease-up, the Borrower shall comply with the following requirement:

- Provide demographic information on the race and ethnicity of applicants at initial marketing, initial lease up, initial occupancy, and on waitlists and ongoing occupancy over time, as requested and in a form acceptable to the Lender; such reporting requirements will be included in the tenant selection plan documentation approved by Staff at or prior to Loan closing.
- Provide data on the project's operating costs, upon request, in format acceptable to Staff.