

CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

MEMORANDUM

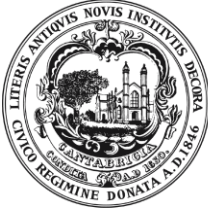
To: Cambridge Affordable Housing Trust
From: Cassie Arnaud, Senior Manager for Housing Development
Christine Yu, Associate Housing Development Planner
Date: August 1, 2024
Re: 49 Sixth Street/Sacred Heart – Request For \$500,000 Funding Increase

Preservation of Affordable Housing (POAH), a Boston-based non-profit affordable housing provider, has been working to assemble the funding needed to begin construction on 49 Sixth Street, an affordable rental development proposed by POAH which involves the conversion of a portion of the Sacred Heart Archdiocese site in East Cambridge into forty-six (46) units of affordable housing under the Affordable Housing Overlay (AHO). POAH is requesting an increase of \$500,000 to the \$10,750,000 in financing approved by the Trust in March 2024. This would bring the Trust's total commitment to the project to \$11,250,000 or \$244,565 per unit.

As you may remember, at the time of the Trust's March 2024 funding approval, it was understood that this would be the last piece of major funding needed to move the development forward. POAH had made good progress securing historic tax credit awards and it had been publicly announced in January 2024 that the project had been awarded state funding from the Executive Office of Housing and Livable Communities (EOHLC).

Unfortunately, POAH subsequently learned that the 4% tax credits they anticipated getting from MassDevelopment would be unavailable for an indefinite period of time due to an unexpected lack of bond volume cap, an issue which has impacted numerous affordable housing developments across the state. Since that time, POAH has worked to find a solution and has come up with an alternative funding strategy that they hope will allow them to close and begin construction by the end of this year.

The new plan is that the \$16,624,666 in 4% Federal LIHTC will be replaced by approximately \$5 million in 9% Federal LIHTC and \$10.1 million in State LITHC. POAH has also been able to increase their permanent debt by approximately \$1 million based on updated current fair market rents for project-based vouchers and MRVPs. Staff have confirmed with EOHLC that they support the new financing plan and that the project has been invited into a special September 2024 funding round to secure the 9% LIHTC and state tax credits. The plan also includes a request for the Trust to fill the remaining gap of \$500,000.



CITY OF CAMBRIDGE

Housing Department

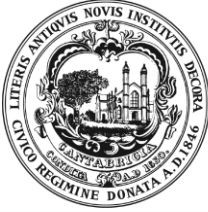
Christopher Cotter
Director of Housing

POAH currently estimates that the total development cost (TDC) for the project will be \$44,050,312 or \$957,615 per unit (an increase of \$2,206 from \$955,409 per unit as presented to the Trust in March 2024). The table below summarizes the current estimated budget proposed by POAH in comparison to the budget previously presented to the Trust. * The acquisition line item consists of carrying costs incurred prior to construction closing including ground-lease rent, utilities, and other expenses; the NPV calculation described above includes this upfront payment.

Uses	July 2024 (Total)	Per Unit	Difference from March 2024 Budget (Total)
Acquisition*	2,520,325	54,790	179,397
Hard Costs	30,189,496	656,293	438,320
Soft Costs	8,195,097	178,154	(541,939)
Fees/Reserves	3,145,395	68,378	25,714
Total Uses	44,050,312	957,615	101,492
* The acquisition line item consists of carrying costs incurred prior to construction closing including ground-lease rent, utilities, and other expenses; the NPV calculation described above includes this upfront payment.			

Sources	July 2024 (Total)	Per Unit	Difference from March 2024 Budget (Total)
CAHT	11,250,000	244,565	500,000
Debt	6,646,012	144,479	935,459
4%	0	0	(16,624,666)
9%	5,095,490	110,772	5,095,490
State LIHTC	10,123,988	220,087	10,123,988
Other DHCD	2,469,000	53,674	0
FHLB	500,000	10,870	0
Historic Tax Credits	7,765,822	168,822	71,221
Deferred Fee	200,000	4,348	0
Total Uses	44,050,312	957,615	101,492

The final budget for 49 Sixth Street includes \$5 million in 9% housing tax credits, \$10.1 million in state housing tax credits, \$7.7 million in combined state and federal historic tax credit equity, \$500,000 from the Federal Home Loan Bank (FHLB), and \$2.5 million from other state funds. POAH has been awarded \$1.5 million of the total \$2.5 million of state historic tax credit equity they anticipate being able to capture for the project and are confident that they will be able to secure



CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

the remaining credits through one remaining submission. They also report that they have received their award letter for eight Project-Based Vouchers from EOHL in May 2024.

As you may recall, the Roman Catholic Archdiocese of Boston is making this site available through a long-term ground lease. POAH was invited to enter into a partnership agreement with Urban Spaces (US), a private developer, who had control of the site through a 99-year ground lease with the Archdiocese. Under the terms of the POAH/US partnership agreement, the two entities would work together during the entitlement and predevelopment period and then US will exit the project at construction closing at which time the ground lease will be assigned to a POAH-controlled entity. We understand that POAH has made progress on negotiating the final ground lease, which will take effect at construction closing. As shown below in the vote language, the closing of any Trust financing will be conditional on staff review and approval of the final ground lease.

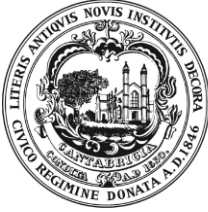
CONCLUSION/RECOMMENDATION

The 49 Sixth Street development will create 46 units of much needed 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.

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

Housing staff recommends that the Trust approve POAH's request for up to a total of \$11,250,000 for the 49 Sixth Street development, representing an increase of \$500,000 to the \$10,750,000 funding amount approved in March 2024. This loan commitment of \$11,250,000 shall be made subject to the Trust's standard terms and conditions including, but not limited, to the following:

1. Housing Staff approval of the final development and operating budgets;
2. Housing Staff approval of construction plans and specifications;
3. Approval of final construction bid and trade items from general contractor along with construction contract Borrower has entered into with contractor;
4. Staff receipt and approval of final ground lease with Archdiocese, or other acceptable evidence of site control;
5. Firm written commitments from all funding sources, sufficient to complete transaction, including the following:
 - 9% Low-Income Housing Tax Credit equity of approximately \$5,095,490;
 - State Low-Income Housing Tax Credit equity of approximately \$10,123,988
 - Combined state and federal historic tax credits of approximately \$7,765,822;

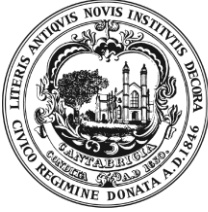


CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

- Permanent mortgage financing of approximately \$6,646,012;
 - Executive Office of Housing and Livable Communities soft funding of approximately \$2,469,000;
 - Federal Home Loan Bank funds of \$500,000;
 - 8 Project-based vouchers and 8 MRVPs sufficient to support operating budget; and
 - Deferred Developer Fee of \$200,000 at 0% interest rate or on other terms approved by staff.
6. Housing 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;
 7. The Trust's review and consideration of Planning Board report(s) provided at the August 2022 meeting, pursuant to the Planning Board advisory design review under the zoning provisions of the Affordable Housing Overlay [This condition has already been met.]; and,
 8. POAH may, at their election, provide their own financing to bridge, or replace, funding from EOHLC on terms acceptable to staff, including but not limited to the following:
 - Interest rate of any POAH bridge loan shall be no more than 3% compounding;
 - POAH bridge loan shall be in shared loan position with Trust financing;
 - If EOHLC funding is awarded, any funds advanced under the POAH bridge loan shall be repaid and replaced by EOHLC financing at EOHLC closing;
 - If EOHLC 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;
 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; the term of the Trust AHC shall be fifty (50) years or one year longer than the longest restriction on the property;
 - 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 shared second mortgage loan of up to \$11,250,000 with other soft lenders;
 - The loan shall have an interest rate of 3% compounding, or such other rate approved by Housing 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;



CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

- The loan documents shall provide for repayment of principal and interest from 50% of net cash flow from the development's operations, or through other means, or on other terms acceptable to and approved by 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.

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.