

## **OUTLINE FOR CPC FUNDING APPLICATION**

**May 2026**

Below is a proposed outline for a funding application to the Watertown Community Preservation Committee (CPC) to create an “affordable housing site control and pre-development reserve” at the Watertown Affordable Housing Trust (the “Trust”) funded by Community Preservation Act (CPA) Funds.

### **Summary**

The Trust should request \$530,000 to create a reserve to be held by the Trust sufficient to support affordable developers obtain site control and do the pre-development work necessary for a strong CPC application for an affordable housing development in the City. Such a reserve would allow an affordable developer to sign a site control agreement with confidence that its due diligence and initial pre-development work can be supported with local funds. The proposal should include terms that allow the CPC to meet its obligations as statutory steward of CPA funds.

### **Rationale for Proposal**

The Trust has been actively looking for a site to support a new affordable housing development since May 2023. In November 2023, the City entered into “on call” contracts with two architectural firms and one environmental firm to help the Trust evaluate potential sites. City staff has discussed acquisition with multiple property owners (or their representatives), with several discussions involving affordable developers potentially interested in the identified sites.

Site acquisition has been challenging for several reasons. Many owners have stated their interest in preserving present uses or selling/redeveloping the site for commercial purposes in the future. Owners have also indicated their reluctance to enter into a process that involves uncertainty and patience, or have valued the property differently than the City. While many of these factors are beyond the City’s control, having the proposed reserve can improve our position.

There are three typical scenarios for an affordable developer to obtain site control:

- “Buy” scenario: the developer enters into a purchase/sale agreement, with a short due diligence period (60-90 days is typical), then buy or pass on the property.
- “Patient seller” scenario: the developer enters into a long term option agreement, with due diligence, permitting and funding contingencies that can stretch for two to three years. Such an owner is typically a public or mission-driven entity willing to hold the property and take the risk that nothing happens, all with modest compensation.
- “Short leash” scenario: the developer enters into a shorter term option agreement, with contingencies that stretch six to nine months. The developer must then decide whether to take the risk of buying the property without permitting and/or full funding.

The Trust's proposal can help with all three scenarios, but is particularly designed for the third, and most likely, scenario.<sup>1</sup> For affordable developers, knowing that they will have public funding to help support the site control and pre-development spending during the contingency period substantially reduces their risk. It also allows them to agree to shorter contingency periods, increasing the likelihood of a deal.

Locating this reserve at the Trust would make the City more "nimble" in its ability to act on opportunities presented in the real estate market.

### **Cost of obtaining site control**

The proposal would assume that an approximately \$50,000 refundable deposit will be necessary to enter into an option agreement under the "short lease" scenario. This deposit is designed to hold the property for 60 to 90 days to allow an initial environmental and title investigation. At the end of this due diligence period, the developer should be able to walk away from the agreement or extend site control. The proposal would assume this extension will allow site control for a further 120 to 180 days and require an additional payment in the range of \$150,000-\$200,000. At this point, the proposal would assume that the deposit and extension payments are non-refundable (and a credit to the purchase price at closing). For purposes of this application, the assumed cost of site control is \$250,000.

### **Projecting necessary pre-development costs<sup>2</sup>**

The proposal would assume preliminary pre-development activities are undertaken during the 60-90 day due diligence period, including the following (all costs are approximate):

- Environmental investigation (\$7,500)
- Title investigation (\$2,500)
- Additional environmental investigation (if necessary) and/or architectural design costs (up to \$10,000)<sup>3</sup>

In the event the deal continues to progress, the proposal would assume additional pre-development activities are undertaken after an extension and before a full CPA funding application, including the following (all costs are approximate):

- Deeper environmental review (\$15,000)
- Appraisal (\$20,000)

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<sup>1</sup> This scenario is most likely because few Watertown sites are owned by a public or mission-driven entity.

<sup>2</sup> All the pre-development costs discussed here would be "out of pocket," i.e. paid to third-party professionals, and not the developer's staff time.

<sup>3</sup> The proposal would assume that the developer has come to the Trust with a schematic site plan projecting the unit yield and ability to park the site.

- Architectural and engineering work, including survey, stormwater study, preliminary site and building design plans (\$200,000)
- Zoning assessment and permitting application preparation, including meetings between counsel and city staff and at least one community meeting (\$25,000)

These pre-development activities (totaling \$280,000) would be calculated to advance the project far enough down the permitting path so that the developer and the CPC would have confidence in the project's ability to obtain the necessary governmental approvals. This pre-development work is also necessary to provide the CPC with a strong application to support the proposed development.

### **Other key elements of proposal**

The proposal would provide additional detail on the following:

- The Trust's process for considering site control/pre-development funding requests
- Factors the Trust is likely to consider when making its funding decisions
- Information sharing between the Trust and the CPC during any period where the Trust is using executive sessions to protect confidential information
- The Trust's periodic reporting to the CPC on the status of the affordable housing site control and pre-development reserve
- Disposition of the funds after three years

### **Next Steps**

Assuming the Trust authorizes a proposal, staff will work with the Chair to prepare and submit a project eligibility form (considered on a rolling basis) and, if eligibility is approved, a full application in the FY27 funding application cycle.