

## **Kagawa Loan Application**

### **Part 1: OVERVIEW**

#### **Organization Information**

**Organization Name:** Boston Community Cooperatives, Inc. (BCC)

**Address:** 102 Morrison Ave. Somerville, MA 02144

**Contact Person:** Nirmal Trivedi

**Phone:** 617-718-9285, 617-718-9373

**Fax:**

**Year Organized:** 1998

**Referred to CDCC/the Kagawa Fund by:** NASCO, Steve Dubb

#### **Project Information:**

**1. Total Project Cost:** To be determined

**2. Amount to CCDF loan requested:** \$40,000

**3. Address of the development project:** 28 Moreland St., Somerville, MA 02145  
(example)

**4. How many units in the proposed project:** 12-18 bedrooms in first house

**5. In a sentence or two, describe the population you anticipate will live in the housing:**

We anticipate serving and cultivating a community of students, working people, singles and couples, families with children, and elderly retired people looking to live and promote cooperative living in the Greater Boston area. We hope to attract students, community organizers, political activists, and artists who wish to live cooperatively and support member-controlled housing.

**6. The Kagawa Fund loan will be used for:**

☒ Site control/acquisition

☐ New construction

☐ Operating deficit

☐ Rehab

☐ Repair

☐ Equity/share financing

☐ Conversion

☐ Refinancing

☐ Guarantee

**7. What type of loan?**

☒ Gap financing (downpayment, etc.)

☐ Construction

☐ Bridge

☐ Pre-development

**8. Why are you applying to the Kagawa Fund for this loan?**

We believe our project fits the goals of NASCO and CCDC to provide affordable cooperative housing that is member-owned, aims to financially support further development of cooperative houses, and helps to sustain the local communities by stabilizing rent costs.

**9. What terms do you propose for the loan?**

· \$40,000, 10- to 15- year amortization, and 8.0% annual interest rate with monthly principal and interest payments.

*1) When do you anticipate you will need the Kagawa Fund loan?*

We would need the loan as soon as an appropriate building become available for purchase and negotiations with our primary depends on our ability to fund the down payment.

*2) When do you anticipate that this project will be complete?*

We anticipate the acquisition of property by mid- to late January 2002.

**Part 2: ORGANIZATION**

**1. How would you best describe you organization?**

☐ Group of individuals, no organization yet

☒ Established organization

☐ Forming an organization

☐ Established organization owning/leasing property

☐ Other organization (describe)

**2. If your organization is incorporated, under what laws:**

- ☐ 501(c)(3) tax exempt (or)
- ☐ For-profit corporation
- ☒ Non-profit corporation
- ☐ Not incorporated yet

**3. Please include a copy of your Articles of Incorporation, Bylaws, Policies & Management Procedures, and IRS letter showing tax-exempt (501)(c)(3) status with this application. If not, you must submit these prior to closing the loan.**

Will submit week of September 17, 2001.

**4. Describe your organization and its work (its origins, who is involved, major activities to date, etc.)**

The purpose of the Boston Community Cooperatives, Inc. (BCC) is to encourage the formation of community and affordable, stable housing in the Greater Boston Area. BCC is a non-profit corporation that seeks to acquire and manage real estate in the Greater Boston area, acting as an umbrella organization for properties leased to groups of people living together cooperatively. By removing these properties from market speculation and basing the monthly rent on a fixed mortgage payment, BCC will keep housing costs low for its members and promote neighborhood stabilization.

Millstone will be the first of many co-op houses to be purchased by BCC. As the organization accumulates equity from paying off its mortgage, it will use that equity to finance the acquisition and management of additional co-op houses.

The roots of Millstone go back five years (1996) to a group of seven Millstone founding members who lived together in 2D, a 40-person vegetarian co-op at Princeton University. Development discussions started in earnest in September of 1998 and members began living together in June of 1999.

In the long term, BCC plans to transfer properties to a Community Land Trust in order to permanently remove the property from market speculation;.

We expect the majority of financing for the purchase of the house to come from a bank. We are in discussions currently with Medford Co-op Bank and Wainwright Bank and have had positive responses from both. The bank will likely lend us 80%–90% of the purchase price of the building. The bank will have the first lien on the mortgage: if the house is unable to cover its costs, the bank will recover its loan first through the sale of the property.

The remaining 10%–20% will be financed through a variety of sources. Initial members and their close connections are providing a good chunk of this financing. However, this investment is in the form of a loan and does not constitute an ownership stake in the house.

The organization is composed of local community organizers as well as students and professionals interested in the development of cooperative housing and the promotion of cooperative living.

Since its inception, Millstone has been involved in the larger community, providing meeting spaces, free website hosting, and support to a number of local bicycle advocacy, affordable housing, food security, and bulk food ordering organizations. Millstone has fostered the development of the Boston Cooperative Network, an organization facilitating communication and collaboration among residential cooperatives in the Boston area. Millstone also hosts regular public potlucks and discussion groups furthering a sense of community and investment in the neighborhood. Millstone has also supported local activism; for example, by preparing and delivering vegan meals to students participating during the Harvard Living Wage Sit-in, and by hosting visiting speakers for a local conference on the environmental risks of genetically engineered crops.

**5. How long has your organization been in existence?**

- ☒ Just getting started  
☐ Less than 2 years  
☐ 2 to 5 years  
☐ more than 5 years

**6. Are you affiliated with another organization? If yes, please describe.**

We are members of NASCO as well as the Boston Cooperative Network.

**7. Does your organization have a membership? If yes, what qualifies someone as a member?**

See Bylaws. (Will submit week of September 17, 2001)

**8. How is your Board of Directors selected?**

- ☐ Self-selecting (including appointed members)

- ☒ Both self-selecting and member-elected  
☐ Elected by membership  
☐ Selected by parent organization

**9. If you have staff, how large is your staff?**

We have no staff at this time, but we are looking to hire an intern to work more directly on the development project.

**10. What are your organization's goals for the next three to five years? (In addition to answering here, you may attach reports, brochures, etc.)**

After we have purchased our first property, we anticipate working with Teal House, a cooperative in Somerville's Teele Square, to purchase their house from the current owners, former residents of Teal House. Subsequently, BCC will assist other cooperative groups with purchase of residential properties, as well as support the development of new cooperatives through community-building activities and technical assistance pertaining to the zoning, legal, and other logistical issues relating to cooperative ownership.

**11. How will this Project help your organization meet its goals?**

The formation and purchase of these co-op houses will catalyze the cooperative movement in Greater Boston and consequently become a resource for furthering the cooperative movement nationwide.

**12. Who will own the Project?**

The BCC will own all property as an umbrella organization. Individual members will be co-owners "as members" of BCC, owning shares of the corporation.

**13. How experienced is your organization in the area of in the area of housing development?**

- ☒ First project  
☐ 1-3 projects  
☐ 4 or more projects

**14. What technical assistance will your organization require in order to complete the Project (from CDCC or others)?**

We are currently receiving legal assistance from a pro bono lawyer team referred

to us through the Lawyers Clearinghouse on Affordable Housing and Homelessness, as well as real estate advice from a buyer's broker. We have received some informal assistance from NASCO and CCDC staff, but do not anticipate needing any other technical assistance.

**15. Will the Kagawa fund's involvement in the Project enhance your organization capacity? How?**

Real Estate costs in the Boston area are prohibitively expensive without adequate funding help from such funds as Kagawa. Helping to finance the down payment for the first purchase will catalyze the development, allowing BCC to secure the home loan from a primary lending bank.

**Please include copies of the following in the application:**

- *Board of Directors with affiliations and phone numbers*
- *Resumes of any staff members of your organization:*
- *2 Letters of support stating your community's support of your organization.*
- *Newspaper articles of your organization*
- *Current Operating Budget*
- *Audited Financial Statements for most recent fiscal years (if possible), including balance sheets, operating statements; compilation of assets and promissory notes or other indebtedness. If one or more of these statements is not included in your audited statements, or if you have no audited statements, please include documents you produced yourself that give the requested information.*

Please see attached documents: Board of Directors, Pro Forma Operating Budget, Pro Forma Monthly Charges, Pro Forma Development Budget.

Letters of support , newspaper articles, and video clip will arrive week of September 17, 2001.

**Part 3: PROJECT**

**Section A: Development Team**

*The development team is the group of people responsible for making your Project happen successfully, from the beginning planning stages to the time when it is "up and running." This team includes your Board or members who have direct responsibilities for this Project, as well as those you hire or recruit as volunteers to do specific tasks. Part of the Kagawa Fund Trustees' decision to make a loan depends on the strength and commitment of this team.*

*In this section, list the members of your development team. You may attach separate sheets. If a certain team member has not been identified yet, indicate "Not Yet Identified." Include the following information for each team member applicable to your project:*

- *Relevant experience: the team member's experience that is directly or closely related to housing or real estate development. For example, is your attorney someone who represents you regularly on real estate issues?*
- *Relationship: the Team member's relationship to your organization, e.g. Board member, staff, consultant.*
- *Status: paid, volunteer.*
- *Commitment: How definite is this person as a member of your team? E.g. potential, probable, definite, contracted.*

*In addition, provide key information for each of the following as applicable:*

- Sponsor/owner (if other than applicant):
- Architect
- Development Consultant
- Contractor
- Construction Manager/consultant
- Attorney
- Management
- Co-op Consultant

Please see attached documents: Development Team.

## **Section B: Neighborhood**

**1. Describe the immediate neighborhood in which your Project is located (housing stock, economic and ethnic composition, proximity to campuses, public transportation, etc.)**

See attached document: Somerville.

**2. Would you describe the condition of most of the housing in the neighborhood as:**

- ☒ Decent
- ☐ Mixed
- ☐ Deteriorated
- ☐ Abandoned

**3. What characteristics of the neighborhood will make your Project unattractive to the population that you are targeting (location, safety, services and amenities, etc.)?**

See attachment: Somerville.

**4. How will you overcome these drawbacks in order to attract people to fill your Projects?**

See attachment: Somerville.

**5. What steps have you taken to inform neighborhood residents about the project? What steps do you plan to take?**

We have in contact with the Somerville Community Corporation, and are working together on several projects to alleviate the housing crisis in the city. We hope to build this connection further as we become a stronger and more stable force for community change. Because BCC has developed an extensive network of potential members, our potential for organizing a campaign for legislative change will bring residents to awareness about our presence.

For the past two years, we have been holding a monthly potluck that encourages members from the community as well as those interested in cooperative living to meet us and become familiar with our project. Turnout has been encouraging as it has helped us develop a solid network of potential members.

Our continued efforts in developing the Boston Cooperative Network and coalitions with community and activist organizations will facilitate awareness of our project.

**6. Is there potential or actual opposition to your project by neighborhood residents and/or political leadership? How do you plan to deal with this opposition?**

We do not foresee any actual opposition at this time. Somerville is known for its progressive politics and is the home to several existing co-operative living groups (although these groups generally do not own their property).

*With your application, please include copies of: signatures of neighbors, minutes of public meeting, newspaper articles, or other documentation of neighborhood/political support for the Project.*

Letters of support , newspaper articles, and video clip will arrive week of September 17, 2001.

**Section C: Site**



**1. Why is this site an appropriate or strategic location for your project? Are there drawbacks to this site?**

The example site we have provided approximates the location, size, and general status of the building we will eventually own.

**2. The property in question is currently an:**

- ☒ Occupied building
- ☐ Vacant building
- ☐ Partially occupied building
- ☐ Vacant lot\*

**3. If the property is an existing building, how would you describe its general condition?**

- ☒ Good repair
- ☐ Needs moderate rehabilitation
- ☐ Needs minor repair
- ☐ Needs major rehabilitation\*

**4. How did you inspect this site?**

- ☐ No inspection
- ☐ Walk-through
- ☐ Walk through with an Engineer/builder/architect
- ☐ Consultant structural analysis

We have not conducted an inspection of the example site, but we will conduct a thorough investigation of the property with an architect, an inspector, and a real estate agent (buyer's broker) at the time of acquisition.

**5. Do you currently have control of the site? If yes, what constitutes this control (or near control)?**

- ☐ Own
- ☐ Option to buy (Length of Option:\_\_\_)
- ☐ Leasing
- ☐ Negotiating purchase and sale agreement
- ☐ Negotiating option to buy
- ☐ Purchase and sale agreement closed

We would not have control of the site at the time of acquisition.

**6. What is the tax status of the property?**

☐ Current

☐ Delinquent\*

*If it is in arrears (tax delinquent), how much back taxes are owed? Who will pay the back taxes?*

TBD

*For the following questions regarding the specifics of the property, please refer to the attached document, Example Property.*

**7. What is the tax-assessed value of the property?**

**8. Has an outside appraiser appraised the property?**

**9. What is its appraised value?**

**10. Describe the zoning status of the building.**

**11. Do you need a zoning variance or other special use permit? If yes, status:**

☐ Approved

☐ Pending

☐ Hearing set

☐ Not filed yet

TBD

**12. Does the project require additional approvals? (Environmental impact statement approval by neighborhood council, etc.)? If yes, describe the nature and status of this process.**

TBD

**13. Include a Map of the site with your application.**

Please see attached document: Site Map

**Section D: Development Plan and Financing**

**Pro Formas (Budgets)**

*The budgets you prepare for your Project are crucial in determining its feasibility and financial strength. By thoroughly preparing your pro Formas for the Project, you will be able to identify your financing needs and take account of the uncertainties that remain.*

*Use the forms provided with this application to prepare your pro Formas for the Project. Feel free to substitute pro Formas that you have prepared, but be sure to provide information at the level of detail of our pro Formas.*

*Please keep in mind that listing uncertainties, contingencies, and estimates are not "wrong answers." On the contrary, by accurately noting the status of various pieces of your budgets, you show that you are planning the Project carefully.*

Please see attached Pro Forma financial statements.

*Timeline: The project timeline is another crucial piece of your development plan. It serves as a check list of what you need to do, as well as helping you coordinate the timing of various elements. In a context of pulling together financing from a variety of sources, negotiation the approvals process, and lining up consultants and contractors, it is impossible underestimate the importance of have a clear overall view of the project and the calendar.*

*Use the form provided with this application to prepare your timeline. You may substitute your own form, using our form as a checklist.*

Please see attached document: Timeline.

*Construction: If your project includes construction (new construction or rehabilitation), please answer the following questions, even if your loan application is not for a construction loan.*

We do not anticipate having to renovate in any extensive way.

\*1. What is the status of selecting a building contractor?\*

- ☐ Contract executed
- ☐ Preparing bid package
- ☐ Bid period
- ☐ Reviewing bids
- ☐ Contractor selected
- ☐ Process not begun

NA

*If you are in the process of reviewing bids, have you reviewed the statement of qualification and financial responsibility of prospective contractors? Are prospective contractors licensed? Bonded?*

\*2. If the contractor you plan to hire or have hired is not a general contractor, who will fill the legal and financial role of general contractor?\*NA

\*3. Will you need to relocate tenants during construction? What kinds of arrangements have you made to deal with this?\*NA

### **Section E: Kagawa Fund Loan**

#### **1. Will a Kagawa Fund Loan make other financing possible?**

Yes, a loan from Kagawa will help to ensure financing from a major lender, as we will be able to supply a down payment

*How Much?* We expect the cost of a house to range from \$500,000 to \$800,000. We will borrow roughly 80% of this amount from a local mortgage lender.

*From Whom?* We have started negotiations with several local banks.

#### **2. Will a Kagawa Fund loan and its terms directly affect rents in the Project? In what way specifically?**

The Kagawa Fund will help to finance our down payment. Our rents will largely be determined by the terms of our mortgage. To a lesser extent, better terms on a Kagawa loan will allow us to offer lower rents.

#### **3. Whose name will be on the loan documents (on other words, who will be legally responsible to repay the loan)?**

BCC will be responsible for repayment of the loan.

#### **4. Does your organization have a prior credit history?**

No credit history as yet

*Name of Creditor*

*Purpose*

*Status*

**5. What will you offer as collateral for the loan?**

- ☒ Real estate
- ☐ Guarantee
- ☐ Assignment of contract
- ☐ To be determined
- ☐ Unable to offer collateral
- ☐ Other

**6. For your collateral, include:**

*Description of item:*

*Value:*

*How Value Determined:*

Please see attached document: Example Property.

**7. If your collateral is a mortgage in real estate, what mortgage position will the Kagawa Fund have?**

We anticipate that Kagawa will have the second lien on the property, after the bank.

**8. Actual or anticipated holders of other mortgages:**

Lender:

Amount Outstanding:

Mortgage Position:

TBD

**9. If you have more than one potential item of collateral, please attach a separate sheet giving description, determination of value, and mortgage information for each item.**

No other collateral available.

**10. How will you pay the interest on Kagawa Fund Loan?**

- ☒ Rent  
☐ Fundraising  
☐ Construction financing  
☐ To be determined  
☐ Other

**11. How will you repay the principle on your CDF loan?**

- ☒ Rents  
☐ Fundraising  
☐ Refinancing  
☐ To be determined  
☐ Other

**12. If you plan to repay the loan through fundraising:**

*Briefly describe your goals, strategies, and possible funding sources for this repayment. (Include capital grants and operating grants). Who specifically will be responsible for raising these funds?*

\*13. If you will use refinancing to pay off the Kagawa fund Loan, which lender will replace ("take out") to Kagawa Fund loan? What uncertainties exist regarding this takeout financing?\*

TBD

\*14. If you don't presently have a takeout lender, who do you plan to approach for refinancing?\*

TBD

**Section F: Tenancy and Marketing**

\*1. If the building is currently occupied, who are the current tenants (check all that apply)?\*

- ☐ Students  
☐ Non-students  
☐ Single people

- ☐ Households with children
- ☐ Households without children

TBD

**2. If the new residents will live in the project, do you anticipate that they will be (check all that apply):**

- ☒ Students
- ☒ Non–students
- ☒ Households with children
- ☒ Households without children
- ☒ Single people
- ☒ Disabilities/special needs:

**3. Describe in as much detail as possible your organizations strategies for marketing this project (attach additional pages as applicable).**

Our primary strategy will be outreach to already established community and activist organizations in the Boston Area and nationwide. We have built relationships with the Somerville Community Corporation, NASCO, CCDC, CDF, and several cooperative projects around the country.

Locally, we have held weekly and monthly potlucks to expand our network of those interested in our project, advertised in food cooperatives and newspapers (Somerville Community News, Community Magazine) and established the Boston Cooperative Network.

**4. What lease terms do you propose to offer to resident–members?**

Leases will run for a full year.

**Section G: Management and Governance**

**1. Will this project enhance the control of housing by students? Describe in detail how the resident–members of the cooperative have a role in the governance of the project.**

Given our location, students are and will constitute a considerable portion of our membership. We are in the vicinity of various universities and colleges (e.g. Tufts, Harvard, MIT).

Our bylaws give ultimate control of the organization to the membership.

**2. Who will manage the Project during the interim period when you own the project?**

Board of Directors of the BCC

**3. Who will manage the Project when it becomes a cooperative? Describe the proposed management structures, including aspects such as caretaking, maintenance, food, and finances?**

See bylaws; will submit week of September 17, 2001.

**4. How does your organization propose to deal with 1) member turnover 2)–summer management?**

To deal with the possibility of vacancy during periods of member turnover, we will budget for a 5% vacancy year-round. To maintain continuity in our membership and culture, we will give preference to members who can commit to stay for longer periods and we will allow long-term Boston area residents to sit on our board as community trustees.

*In planning and implementing a housing cooperative, your organization will prepare a number of documents relating to the structure, membership governance, and management of the cooperative. In order to show the Kagawa Fund Trustees the details of how the cooperative will be structured and managed, we encourage you to include or attach a copy of whatever Policies and Management Procedures your organization may have developed.*