

5-620

## City of Cambridge

The Housing and Community Development Committee held a public meeting on Monday, December 2, 1996, beginning at 5:45 p.m. in the Sullivan Chamber for the purpose of discussing pending housing issues, including efforts to help tenants who are losing their protected tenant status on December 31, expiring use legislation, the transfer tax possibility, the status of the Harvard housing transfer to the City and other business.

Present at the hearing were Councillor Francis Duehay, Chair of the Committee, Vice Mayor Kathleen L. Born, Councillor Henrietta Davis, Councillor Anthony D. Galluccio, Councillor Kenneth E. Reeves, Mayor Sheila T. Russell, Councillor Michael A. Sullivan, Councillor Timothy J. Toomey, Jr., Councillor Katherine Triantafillou, and City Clerk D. Margaret Drury. Also present were Robert W. Healy, City Manager, Susan Schlesinger, Assistant City Manager for the Community Development Department, Roger Herzog, Director of Housing for the Community Development Department.

Councillor Duehay convened the hearing and explained the purpose, to hear about and discuss various elements in the City's housing programs. He noted that affordable housing was named as a number one concern by citizens participating in recent goal setting for the city, and by the City Council in its recent discussion of its goals.

Councillor Duehay outlined the agenda. He noted that Mayor Russell has reported that several legislators and/or their aids will be attending this meeting. Councillor Duehay emphasized that affordable housing is a shared governmental responsibility.

Councillor Duehay then invited Robert Healy, City Manager, to make a presentation. Mr. Healy began with a report on the Harvard housing transfer. Mr. Healy said that the City and Harvard have been working hard on this. The price to the City will be \$3,125,000, or \$31,250 per unit. The purchase and sale agreements are currently being negotiated and finalized. There are no outstanding impediments; it is just a matter of final legal review and details. Mr. Healy noted that the City Council received an update on the expiring use buildings at its last meeting. He requested that Susan Schlesinger review the current situation.

Ms. Schlesinger noted that there are 1600 units in expiring use buildings. For 808 Memorial Drive, HUD has approved funding for a purchase to keep the units affordable. HRI is working with residents on this process. HUD has also approved funding for an entity consisting of Just-A-Start working with residents, so that the 274 units at 402 Rindge Avenue will also be preserved.

Cambridge Court Apartments, 411 Franklin Street, consists of 123 units, which are at risk. Fresh Pond Apartments and Walden Square Units both have use restrictions that offer some protection. Huron Towers, 700 Huron Avenue, is another building in the most at risk category. Another building that is in this category is 929 House, 929 Massachusetts Avenue.

Mr. Healy noted that the City has had several meetings with the owners of Fresh Pond Apartments to try to maximize the protection.

Mr. Healy then summarized the material set forth in the Community Development report of December 2, 1996 regarding protected tenants. There are approximately 1306 that will lose protection on December 31, 1996. Ms. Schlesinger noted that, in addition, there are many other persons on waiting lists for affordable housing.

Mr. Healy noted that the City's expenditures on affordable housing to date. In the last 18 months the City has committed \$6.75 million to affordable housing. During 1996, 264 affordable units have been preserved or added. In the next year a total of 873 units will be preserved or added.

Mr. Healy then moved to possible actions. He noted the dangers of a subsidy program, especially if not capped by amount, time and type. The long term solution is the creation of long term affordable housing. He said that the report presents a menu of options. Case management is an option. Regarding the issue of tax incentives, he and Ms. Schlesinger have been meeting with some of the large owners. The return the City would receive for such an investment is somewhat discouraging. There are also several legal issues and there may be the need for legislative changes.

Mr. Healy continued that there has been some progress in the meetings which he and Ms. Schlesinger have had with large landlords. There has been some indication of willingness to take into consideration the position of elderly protected tenants. He invited further comments from Susan Schlesinger. Ms. Schlesinger said that Stu Lin has committed to retain protection for elderly protected units for another year. Other large landlords appear to have some willingness to give consideration to the elderly.

Mr. Healy noted that there are several policy issues included in the memo for the City Council to consider. These include the transfer tax, a condo conversion fee, or a bond issue. There are priorities that must be established. All capital projects cannot go forward.

Ms. Schlesinger said that the City must look at both short-term and long-term decisions. The needs of tenants who may face displacement in January, 1997 must be considered; so also must those of long-term diversity and affordability in the City.

Councillor Duehay then invited statements from governmental elected officials or their representatives.

Mr. Earl Moore, Assistant to U.S. Representative Joseph Kennedy, stated that Congressman Kennedy applauds the efforts of Cambridge. The 104th Congress has been very disappointing. There is a stopgap measure in effect for expiring use housing. Representative Kennedy's office has been meeting with Huron Towers residents. Along with Cambridge, Brookline and Boston are also at the forefront print of trying to look at these issues. Representative Kennedy is the ranking Democratic member of the Housing Committee.

Councillor Duehay noted the importance of Section 8 vouchers and expiring use money. In addition, Cambridge utilizes HOME funds and CDBG funds. Also, Cambridge has a very successful CHA, which needs support.

Mr. Moore then introduced Mr. Morris Berry, HUD Regional Office. Mr. Berry said that Congress has appropriated \$100 million for vouchers for displaced tenants. The vouchers are good for one year. Councillor Duehay asked if there was enough for all those facing displacement. Mr. Berry said that there is, but they are only good for one year. Owners will request the rent they want. It may be higher than the normal CHA payment. This "enhanced voucher" payment will be good for one year; and he does not know whether Congress would be willing to pay additional rates for more than one year. Mr. Berry said that 402 Rindge Avenue and 808 Memorial Drive both look very good for permanent affordability.

Councillor Born asked whether the owners would be required to accept these vouchers. Mr. Berry said that there probably won't be a problem in the first year, when the payments will be "enhanced", for example, higher than Housing Authority's usual fair market value.

Earl Moore said that there will definitely be a new bill before the Congress. Mr. Berry added that vouchers will be provided for tenant with incomes of up to 80% of median percent.

Councillor Reeves asked about first time homebuyer funds. Mr. Moore said that HUD has taken the initiative for first time homebuyer programs.

Councillor Galluccio stated that two owners have expressed interest in prepayment. Is there a cutoff point after which tenants can feel safe that the owners will not prepay? Mr. Berry said that some units are not eligible based on use restrictions. Other than that, prepayment is possible anytime after the 20th anniversary of the mortgage.

Councillor Duehay then invited Daniel Wuenschel, Executive Director of the Cambridge Housing Authority to comment. Mr. Wuenschel provided a brief summary of what the Cambridge Housing Authority has done, information which included in the December 2, 1996 Community Development report. The Section 8 waiting list is 6,000; the family waiting list for public housing is 4100; the wait list for elderly is 1500 people. The Cambridge Housing Authority had closed the waiting list for Section 8 because of the horrendous length, but due to the current crisis, the list was reopened. The Cambridge Housing Authority is working closely with the Community Development Department to increase the fair market rents that the Cambridge Housing Authority can award.

Mr. Wuenschel stated that the City Manager's actions have been very appropriate. There is a big problem with the federal desire to have a balanced budget and the need to fund the HUD budget. At present, 1/2 to 2/3 of the HUD budget is needed just to keep current Section 8 vouchers and certificates funded. Councillor Duehay asked Mr. Wuenschel for his judgement of priorities in the City Manager's memo. Mr. Wuenschel said that his top priority would be the bond issue to increase the inventory of permanently affordable housing. Rental subsidies are a quick fix, but they are very expensive.

Councillor Duehay then invited Peter Daly, Executive Director of HRI to comment. Mr. Daly outlined the severity of the problem faced by the City. He said that he agreed with Mr. Wuenschel regarding the importance of bonding for permanent affordable housing.

Councillor Duehay stated his intention to hear from elected officials and invited comments from Alice Wolf, State-Representative elect. Representative-elect Wolf stated that she had met today with Representative Toomey. This week is the deadline for filing bills for the next legislative year. There is a bill for a transfer tax and a bill for bonding that could include bonding for housing. She outlined additional bills that may affect housing, for example, bills regarding the welfare laws, and stated that she is looking forward to working on legislation that will assist affordable housing.

Daphne Abeel, legislative aid to Representative Thompson, stated that Rep. Thompson is unable to be here, but wants people to know that he is very concerned.

Dan Bouchard, 11 Vail Court, stated that there are deteriorated conditions in the building. The balconies have been removed. Tenants are being asked to pay market rents. The residents have formed a tenant organization. Many members are protected tenants. He encouraged other tenants in similar situations.

Skip Schloming, 102 Inman Street, stated that he was speaking on behalf of himself and Lenore Schloming, president of SPOA. He re-affirmed SPOA's concern with tenants and its support for rental subsidies. He noted that SPOA does not support a transfer tax. He pointed out errors in the Community Development Department's report dated December 2, 1996. He stated that present federal law provides for vouchers for 3 years for any tenant displaced from an expiring use building. Mr. Schloming said that the arguments are stacked erroneously against subsidies. Cost comparisons between subsidies and built units are inaccurate. SPOA recommends a short-term emergency subsidy program under a case management approach. Landlords can be part of the equation but not all of it.

Dorothy Miller, 402 Rindge Avenue, stated that she is here to ask what is going to happen to the children.

Faira Poridov, 700 Huron Avenue, stated that the only way to protect tenants at risk is to continue the Section 8 building-based program. In a Brighton expiring use building, the vouchers worked for one year. After that year, the rents were raised but the vouchers were not. Section 8 certificates are also useless. Apartments cannot be found. She urged negotiation with the owner of Huron Towers.

Bonnie Lingoski, 1200 Massachusetts Avenue, stated that she has been a Cambridge resident for 15 years and has worked in Cambridge for almost 10 years. She has written to her landlord to try to negotiate. She urged the City Council to do what it can to aid tenants, and noted the long term needs.

Marie Daoust, 47 Inman Street, stated that she is a non-protected tenant who has lived in Cambridge for 15 years. It is appalling that 1300 means-tested low income tenants are being forced out of their homes by unreasonable rent increases. She urged support for legal services and a public housing organizer. She urged support for the Campaign to Save 2000 Homes. Subsidies are essential.

Bill Marcotte, 19 Agassiz Street, stated that the City Council is to be applauded for what it has done on this issue. However, for two years, there has been a great dislocation of low income people. He requested that the City Council act on this issue at its next meeting. Stop-gag measures are essential. He urged disbursement of already approved funds and expanded funds for legal services.

Francoise Veysseyre, 35 Trowbridge Street, stated that she has been a tenant for 20 years and has been a good tenant. She received a 72% rent increase, an increase of over \$500.00 on her present rent of \$631.00.

Diana Rootmik Wattington, 288 Harvard Street, spoke in support of mixed income housing.

Nancy Hall, Putnam Gardens, stated that she is a member of the Steering Committee of the Eviction Free Zone. She described the development of the \$10 Million Housing Plan and the Campaign to save 2000 Homes. Some parts were voted - legal services and housing organization, but have not been implemented. The transfer tax is still in committee. Activists here are prepared to defend their homes. In the end, it is the organizing that will be successful.

Florrie Darwin, 7 Follen Street, stated that she is speaking as a member of the Affordable Housing Trust. The Trust is generally not in favor of across-the-board rental subsidies, because the long-term solution for the City is the development of affordable housing under its control. She urged increased condominium protection. Councillor Duehay requested that the City Council be provided with those protection in language that can be adopted by the next meeting.

Gerald Bergman, 82 Elm Street, thanked the Committee for holding and televising this meeting. He stated that he is not in favor of the city "writing checks to landlords;" he is not in favor of subsidies. It is an endless pursuit that will inflate housing costs. Once it starts that there is no ethical and moral way to limit the groups that get them. He suggested more investment in health care, job training and a wide-range of community stabilization. He urged support for bonding for housing, and noted the importance of supporting housing at the neighborhood level. He urged case management, housing services and legal services through the City of Cambridge. Regarding the proposed taxes, sales and condominium, both are flawed; there is no stated particular purpose.

Elizabeth Kondajian, Linnaean Street, thanked the City Council for its support of the Campaign to Save 2000 Homes and the Harvard initiative. She thanked Joanne Preston. Her landlord, Steven Wolfberg has offered her a 5% raise. Some landlords are listening. She urged other owners to follow this example.

Lloyd Smith, Craigie Circle, thanked the City Council for its support. He stated his belief is that many landlords are trying to keep a low profile for the next year. He is very convinced about the "silence of the lambs." Behind the City Council is the Cambridge Police force. In the last analysis that is what tenants fear. There is a higher law than the police force. He noted the analogy of the Civil Rights Struggle.

Joanne Preston, 124 Oxford Street, Co-Chair, stated that her neighborhood is very changed. Right now, the main concern must be the over 2000 tenants who need immediate assistance. She provided examples of protected tenants who are very much in need of staying in Cambridge. She offered four modest proposals. She suggested that the City Manager write to the landlords of all protected tenants, not just elderly. Ms. Preston noted that the City does not have any Harvard units, and proposed that the City make every effort to speed up the transfer and fund overtime work to make these units available. She noted an ad for rental of previously rent controlled units as short term rentals for executives. She recommended taxing them as hotels. Finally, she recommended standing with the poor and needy tenants.

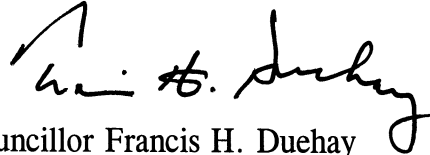
Jean Turner and Laura McGrath, 929 Massachusetts Avenue, stated that she suffered a serious brain injury nine years ago. She lost her career and her assets. She urged support for affordable housing for persons with disabilities.

Susan Hegel, Cambridge and Somerville Legal Services, stated that she wants to correct misinformation about protections to tenants in expiring use buildings. In September, 1996, Congress made many changes in the law. Those tenant protections cited by Skip Schloming explicitly no longer apply.

Councillor Duehay requested that the City Clerk get the correct law and inform Mr. Schloming. He stated that the testimony and recommendations of the City Manager will be taken under advisement.

At 8:22 p.m., Mayor Russell moved that the meeting be recessed subject to the call of the Chair, and on a voice vote, the motion carried.

For the Committee,

A handwritten signature in black ink, appearing to read "Francis H. Duehay". The signature is written in a cursive style with a large initial "F" and a long, sweeping tail.

Councillor Francis H. Duehay  
Chair

C A S C A P  
I N C

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**Comments Prepared  
for the  
City of Cambridge City Council's Housing and Community Development's  
Sub-Committee Public Hearing  
on  
December 2, 1996**

Good evening. My name is Brad Day and I am the Director of Housing Development for CASCAP, Inc., a non-profit provider of affordable homes based here in Cambridge. Thank you for holding this public hearing and providing this opportunity for interested parties to address the critical issue of affordable housing in the City of Cambridge.

Michael Haran, CASCAP's Executive Director, was unable to be here this evening, but he asked me to bring you his greetings and to make the following comments on his behalf.

"We at CASCAP consider it our good fortune to undertake the affordable housing aspect of our mission here in the City of Cambridge. We have a 23 year history of developing and managing affordable housing in Cambridge and other communities and can honestly report that Cambridge is a City that puts its resources together in ways that effectively promote both economic diversity and high quality housing. This is due in large part to the leadership of the Cambridge City Council, the City Manager and a highly committed and skilled Community Development Department staff.

With respect to addressing the current housing crisis, of which we at CASCAP are acutely aware, we strongly support and endorse the proposals which have been put forward here tonight by the Cambridge Community Development Department.



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In particular, CASCAP strongly supports passage of the proposed **Bond Issue to Support Increased Affordable Housing Development**. In the current economic climate we believe that the most efficient way to gain the most permanently affordable housing with the limited resources available is to provide inexpensive capital support developments that:

- are well planned and affordable
- are to be undertaken by not-for-profit housing developers
- carry appropriate long term use restrictions

CASCAP, Inc. provides homes and supportive services:

- for single adults with psychiatric disability,
- for low to moderate income older people and we are currently planning a project which will address the housing needs of
- single working adults.

Although I have not compiled statistics to recite here tonight, I think none of us doubt that all of the groups of people cited above need our ongoing clear thinking, planning and commitment if they are to reside with a measure of dignity in the City of Cambridge.

We continue to be effective in bringing federal and state dollars to Cambridge for affordable housing, but there is never quite enough to adequately develop housing without the critical support of the City.

Cambridge is ~~also~~ fortunate to have at least four highly effective non-profit housing development entities including:

- the Cambridge Housing Authority
- Homeowners Rehab / Neighborhood Apartment Housing Services
- Just-A-Start and
- CASCAP

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All of these organizations have long track records of successful housing development and management in Cambridge. They also communicate and cooperate in effective ways to ensure that each organization compliments the efforts of the others rather than duplicate or compete in such efforts. Individually and as a group these organizations provide Cambridge with an excellent vehicle by which to invest its limited housing resources. With each passing year these organizations become more proficient in their work and more sophisticated housing institutions.

No single measure will help these organizations provide affordable housing more effectively than will the availability of low cost capital funds such as those that would be available through the proposed bond measure.

We at CASCAP are committed to continuing our work with all of you to assure economic diversity and a place for all in Cambridge. Thank you for your continuing commitment to affordable housing and for your thoughtful consideration of these comments."

December 2, 1996

**TO:** Frank Duehay, Chair of the City Council Housing and Community Development Committee

**RE:** Strategies and focus of affordable housing assistance

**FROM:** Gerald Bergman, 82 Elm Street, 02139, (354-2648)



- 1) I believe the focus of our affordable housing strategies should be those **most in need**, no matter what their relationship is to the expiration of rent control. As part of the equation of assistance, **assets must be considered**. Over the more than 25 years of rent control, hundreds of households have been forced from Cambridge due to their inability to meet housing costs. As an administrator of housing programs and an advocate, it was evident that hundreds of families did not have the protection of rent control or that rent control rents were beyond their means. Those households facing the expiration of rent control may not be the most in need at this time, and they certainly are not the only households in need.
- 2) We must invest in programs that give the city and/or non-profits and/or current tenants **control** over their housing. Rental assistance programs do not give control, are inflationary and are not cost effective or effective in any way over the long term. To this end, any effort to own, build, buy, rehab etc. housing which is controlled over the long term is better than housing subsidies, given to landlords, which increase their profits. **The \$20M bond initiative suggested by the Community Development Department is far more cost and public policy effective than subsidy programs!**
- 3) Any staffing initiatives must be fully controlled by the city rather than controlled by private non-profits which often have dissimilar agendas from the city. Outreach to elders has not been effective enough to provide us with strategies for assisting this "class" of tenants. Mediation and dispute services, organizing and outreach, information and referral, must be centralized and coordinated within city departments.
- 4) The city must make priorities in its spending. **I believe that a bond issue for affordable housing must be the top priority of the city.** Such a bond issue is a major part of any long-term Cambridge race and class diversity policy, a policy central to the goals and objectives of the city.
- 5) **Additional money** needs to be spent on our major institutions (health, education, daycare, employment) to help stabilize the community and meet racial, class, cultural etc. goals. Money spent on these institutions would be far more cost effective than housing subsidies in providing opportunities for Cambridge residents. Such needs must be determined and prioritized by city departments in light of impending Federal cutbacks and policy changes.

November 26, 1996

**TO:** Frank Duehay, Chair of the Cambridge Housing and Community Development Committee

**RE:** Transfer (residential sales) tax - for discussion at the December 2 hearing

**FROM:** Gerald Bergman, 82 Elm Street (354-2648)



The transfer tax (residential sales tax) has been "floating" about in the city for more than one year, having first been introduced (the \$10M campaign) as a way for the city to "recover and direct" a portion of profits gained by large landlords due to increased housing values and rents after the Question Nine ballot decision.

I attended the only hearing to be held on this tax (several months ago), and at that time I raised a number of points for discussion, hoping for clarification and possible amendment. As far as I know, during the ensuing months, neither clarification or amendments were offered. I state these issues once again:

- 1) The effort to tax the increased profits of large landlords due to the end of rent control is not a direct and singular focus of this new tax scheme as presented by the community development department. We are taxing residential property without regard to their past history in relation to rent control! While increased profits of landlords will be impacted, such a wide net is thrown as to make the goal of landlord profits a by-product of the tax scheme itself.**
- 2) This new tax was suggested without clearly stating the use of the new moneys to be generated! This approach to planning ( raise taxes, then come up with a spending plan at a later date,) seems the reverse of the best planning approaches. It reminds me of a recent vote by the City Council supporting a public housing organizer without developing a clear job description with clear statements of anticipated outcomes.**
- 3) This tax would be inflationary, both as to property costs and potential rents, an outcome which Cambridge does not need or desire. We often seem to be sending the message that owning a home is bad and is not something that should be a goal of hard work and sacrifice.**

**4) This tax does not include the transfer of commercial property as is the case in several states and counties that have such a transfer/sales tax. I had asked to receive some explanation for this decision to exclude commercial property.**

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**5) This tax is levied on property value without regard to: a) the income or assets of the purchasing family, b) the equity they may have in a home they are leaving - i.e.. equity may be increasing by only \$50,000 from one home to another, but the sales tax may be on the full value of the new home -, c) whether or not it is a first time purchase, d) the fact that the new homeowners may be working several jobs to finance the new home, e) circumstances such as the need for a larger home or apartments due to increased family size as a result of taking care of elder members of the extended family, disabled family members or a newly arrived child.**

**6) There is no focus on property sales for speculative purposes, i.e.. how quickly the property turns over (rates could be based, in part, on speculative outcomes). It is not home ownership that is bad, but it is the excessive profit and speculation that must be curtailed.**

**7) We have not seen enough options presented by the Community Development Department as to possible rate levels, exclusions, focus on past rent control activities, built in rewards for keeping some units affordable etc.**

**8) Are there other forms of taxes that could be used (for a clearly defined purpose) immediately, without legislative approval, ie. taxes from existing or future hotel/motel development?**

**9) It is unlikely that such a tax for just one city like Cambridge will pass the legislature. Legislation may have to be passed that allows for local enactment of limited impact taxes (transfer and sales), free of legislative oversight and special home rule legislation. Have we been in contact with other cities and towns that are considering the filing of such local impact taxes? Is there any message in the fact that around the country, only county and state government has passed impact taxes such as the one proposed for the city of Cambridge? What is the position of the Cambridge delegation - are they ready to move forward if the City Council votes for such a tax?**

**COMMENTS ON**  
**HOUSING AND SUBSIDY PROPOSALS**  
**FROM COMMUNITY DEVELOPMENT DEPARTMENT**

By Lenore Schloming and Skip Schloming  
Small Property Owners Association

2 December 1996

I want to comment on several points in the memorandum from Susan Schlesinger to the City Manager, dated November 25, 1996..

Let me affirm my own and SPOA's commitment to help needy tenants with landlord compassion and restraint at this time of transition and indeed indefinitely into the future -- and our commitment to the city's helping needy tenants through subsidies. This puts us completely in alignment, curiously, with one portion of a recent weekly bulletin of the Campaign to Save 2,000 Cambridge Homes. That bulletin calls for "limited rental subsidies" funded out of a transfer tax. We do not support a transfer tax, but we do support "limited rental subsidies" as the most economical and responsive way to meet critical tenant needs. The \$4-8 million increased annual city revenue from decontrolled properties should be more than ample to fund such a subsidy program.

Now to errors in the memorandum:

1. At the top of page 2, it is stated that "the federal government has chosen to deal with the 'expiring use' issue by essentially allowing owners to prepay their mortgages and no longer make *units* available to low and moderate income residents." [Emphasis added.] Units may not be protected permanently, but the existing tenants are, and the memorandum, wishing to create an image of an "affordable housing disaster," ignores key features of the federal law (section 4113(e) of Title 12 of the U.S. Code) which provides the following:

a) HUD "shall allocate assistance" so that "the total number of assisted units . . . does not decrease because of prepayment."

b) all tenants, regardless of income, are allowed to stay "for a period of 3 years" in the same building at the same rent. Elderly or disabled tenants can stay indefinitely.

c) tenants may qualify for rental vouches that pre-paying owners "shall not refuse."

d) owners must pay at least "50 percent of the moving expenses" of any tenant who moves.

The memorandum ignores these provisions, as has all discussion to date on the expiring-use question. I would suggest that tenants get a copy of the federal law and find out exactly what they are entitled to, because they have not been getting a straight story.

In particular, a straight story has not been told about the federal funding of vouchers or subsidies. In this memorandum, for example, the alleged "disaster" in affordable housing from the federal government regarding subsidies is described as [quote] "*new* Section 8 certificates all have either been eliminated or reduced dramatically." [end quote, emphasis added] This says only that *new* subsidies are not being funded; *old* or *existing* or *continuing* subsidies **ARE** being funded. No tenant is having their subsidy taken away; new tenants can take over the old subsidy when an old tenant no longer qualifies. Therefore, expiring-use tenants do not have to worry about their own situation. Similarly, in the New York Times Magazine article attached to the memorandum, the subtitle says exactly the same thing: "Why has Washington let the number of new subsidized housing units drop -- to zero?" This implies we should be hysterical, but all it really is saying is that the *growth* or *addition* of *new* subsidies is being stopped. Nothing existing is being stopped or cut. The federal government is committed to the existing level of subsidy, but not growth. Expiring-use tenants, take note. You can expect rental assistance for as long as you need it, but your unit as a permanent subsidy may go out of existence.

2. On the issue of a rent subsidy program versus the city building so-called "permanent" affordable housing, the memorandum makes a stacked case against subsidies and for built units, using "apples-and-oranges" figures, incomplete and noncomparable calculations, and just plain invalid arguments.

a) Quote: "It is extremely difficult to stop a subsidy program once it has started." End quote. But the very same criticism can be made of built units. In fact, that's the argument I have heard repeatedly: built units are permanent, subsidies are not. Subsidies, in fact, can be much more flexible to the actual needs of tenants.

b) The memorandum tells us that \$2.75 million is needed for a flat subsidy for all the elderly, disabled and families with children among protected rent control tenants, \$4.62 million for an income-based subsidy, and says that is just much more expensive than a \$20 million bond. What the memorandum does not say is that the subsidy will support 615 households, but the \$20 million bond will build only 200-300 units. Apples are not being compared to apples, but to oranges.

The memorandum says that city-built units will cost \$1-2,000 per unit per year, whereas a rent subsidy will cost between \$3,600 to \$8,400 per unit per year. This statement is misleading and a false comparison. A subsidy that helps the tenant pay the full market rent covers all of the housing's costs. That \$1-2,000 per unit per year is only the debt service. The memorandum does not say that. Roger Herzog verified that to me this afternoon.

Later, the memorandum says: "The annual debt service on a \$20 million bond would be no greater, and likely less than the cost of a rent subsidy program." This is a critical statement. Just note: debt service cost is equal to the cost of a rent subsidy

program. BUT, debt service is not the only cost of housing, and my conversation with Roger Herzog verified what I already knew were the additional costs of city-built housing besides the debt service on the \$20 million bond:

- The debt service on about \$10 million additional bank loans procured.
- Cost of capital reserve replacement -- routine, periodic replacement of failing parts.
- Cost of management and staffing
- cost of repairs
- cost of insurance
- cost of water, sewer, electrical, heat
- cost of taxes.

It seems rather clear to me that, if we accept the statement that the annual debt service on a \$20 million bond is equal to the cost of a rent subsidy program, then, in the end, the cost of a subsidy program is considerably cheaper.

The Assessors Office has determined that the average market value (land and unit) of a typical Cambridge apartment is \$42,800. That is their estimate of what they can be bought for on the open market. The city, to built its housing, however, will spend \$70,000 up to \$130,000, according to Roger Herzog. And it is clear that Garfield Place, the new project on Mass Ave between Harvard and Porter Squares, is costing about \$180,000 per unit. We cannot see any way that city-built housing can be cheaper. And the real question is: how many tenants are going to be served by the city: just a few lucky to get into the very slow process of cranking out expensive units, or many serviced by a quick-acting subsidy program.

3. We would recommend a short-term, emergency rental subsidy program. People change, they lose jobs, they get jobs, they have trouble with people in their lives, with drugs. They need help, but not permanently. We urge a case management approach, rather than any kind of blanket "entitlement." The assistance a tenant or a family needs is not just money. When a tenant can't pay the rent, there is a problem. They need help on that problem. Landlords can be part of that equation, but not all of it. They certainly can be asked to be tolerant for a while if a remedy of their problem with a tenant can be reasonably assured. We recommend, if you really want cooperation from landlords, that the city provide case management workers that are friendly to landlords, not hostile advocates of the past.



## Garfield Place: affordable for whom?

Just a few blocks from Harvard Square. The corner of Massachusetts Avenue and Garfield Street. A juicy prime commercial lot in Cambridge. Look again. It's "Garfield Place," where the city of Cambridge just began construction on eight luxury-cost units of "affordable" housing, for eight low-income families.

Initial cost: almost \$1.5 million, calculated from the \$378,000 assessed land value plus \$1.07 million in announced construction loans. The staggering \$181,000 cost per unit is more than four times the average market value (\$42,800) of a Cambridge apartment.

Continuing cost: rent subsidies, because the low-income families won't possibly be able to cover the on-going mortgage payments.

Continuing cost: \$51,800 annually in lost property tax revenues to the city (the project is tax-exempt), assuming an equivalent commercial building could have been on the site instead. That forfeited tax revenue alone, divided among the eight families, could have given each family \$6,000 annually forever — and saved the other costs.

### DOES THIS MAKE SENSE?

Garfield Place is the new look of public housing. It's being built by the Cambridge Housing Authority.

The new look is not huge complexes concentrating the poor and fostering crime and stagnation, but scattered small sites mixed into ordinary neighborhoods. So far, so good.

But it is still public housing, and expensive in three ways:

(1) The cost of construction is, for various reasons, much higher with public money than private money.

(2) New construction, it's well known, is much more expensive than old construction.

(3) The choice of a prime commercial site in the case of Garfield Place also pushes cost up dramatically. Besides lost tax revenue, the construction on the outside at least has to match the historic 19th-century mansions on its two sides, one owned by Harvard University.

The city government is making all the wrong choices on each of these points.

### AVOID PRIVATE HOUSING

For whatever reason, the municipal government avoids looking at options with the much more economically operated private housing market, which would reduce costs or expand the number of poor families helped. For the same initial cost of Garfield Place, for example, the city could buy 34 typical Cambridge apartments or even 24 high-end Cambridge apartments (based on figures from Cambridge Assessor's Office: \$42,800 average assessed value of a

Cambridge apartment, \$60,000 typical assessed value of a high-end apartment with rent about \$1,500 a month.) Or for the same continuing subsidy cost, the city could subsidize dozens of tenant families in average-rent privately owned apartments.

### EXECUTIVE WELFARE

The suspicious factor in the city's choices is the huge payments going to top-level professionals: Call it "executive welfare."

In the Garfield Place project, at least a quarter million dollars is going to the architect, the engineer and high-level bureaucrats with overseeing functions (calculated by subtracting building permit estimated construction costs from total loans procured).

Then, at least another quarter million dollars (based on standard contractor mark-up) is going as profits, salaries or overhead to the developer, the various contractors and the owners of the construction-related companies working on the project. Less than a quarter of the project costs are going for materials and direct construction labor.

Making the choice of new construction at public cost keeps millions of dollars flowing to a circle of construction professionals and executives. The Garfield Place developer has done six other projects in the city previously.

### Permanent?

Subsidies aren't permanent, government housing officials whine. Here's proof that "permanent" government-built housing is not permanent either. This large housing project in Cambridge is being completely gutted, with added features built entirely from scratch.



Committee Report #5

S-620

A report was received for a meeting held on December 2, 1996 for the purpose of discussing pending housing issues, including efforts to help tenants who are losing their protected tenant status on December 31, 1996, expiring use legislation, the transfer tax possibility, the status of the Harvard housing transfer to the City and other business.

In City Council December 16, 1996

*Report accepted,  
Placed on file  
on motion of  
Councillor Dineen.*