CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
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EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

February 24, 1975

Re: Awaiting Report
Item #1

To the Honorable, the City Council:

One of the first tasks confronting me upon returning to Cambridge last year was that of assessing the reasons for the termination of work on the Willow Street Homes Development, an outgrowth of the Homes for People Study recommendations made by the Housing Task Force instituted by myself in 1970.

The following provides a highlighting of salient points leading to the development's present status:

1. In 1970 work was begun on the development utilizing a then experimental building system of steel and concrete framing. The completion of the complex was assured under its original specifications, that is local utilization of a design from a similar Lancaster, Pennsylvania project by a Bonded Bid Contract in the amount of $238,000. The cooperation of various City Departments and authorities was to have been the key element critical to the timely completion of the project. So exacting was the construction budget that any delay was projected as having a deleterious impact on its construction. Thus, all local and federal entities which were party to the experimental venture assured their cooperation in this spirit: the buildings would be complete and occupied within six months.

2. The first major stumbling block encountered by the project was an extended strike which stopped delivery of materials utilized in the framing system. Later in 1970 the architect and the Cambridge Redevelopment Authority began a series of exchanges concerning the siding material to be utilized by the project. The Model Cities Development Corporation became involved to the extent of being an arbiter. Finally, a material acceptable to the Authority was selected. The Authority then set about a series of meetings with MCDC on colors to be utilized on trim and exterior doors. At this point in the project's history, MCDC has in fact, made final decisions concerning floor covering, garbage disposals and certain other amenities and was planning for the dedication of the development. Despite the delays inherent in the strike and aesthetic differences with the CRA, it was felt that a resolve was at hand. MCDC was not aware, nor does the record indicate such, that these delays were potentially

costing the project substantial additional and unbudgeted costs.

3. In conformity with existing HUD Manpower and Affirmative Action requirements, MCDC championed the hiring of minority construction worker trainees. They did not foresee, nor did the City, the difficulties entailed in this positive move. Because many of these workers did not speak English, the contractor was obligated for expediency purposes to hire bilingual supervisory personnel. This constituted another delay and increased costs.

4. The contractor, according to his later representations, continued to advance funds for work being undertaken to correct deficiencies in the design so as to conform to the local building code and the requirements of the Authority under the assumption that the cooperating organs of government would provide funds for these changes. When MCDC was finally presented with same, the corporation refused payment as they had not been formally authorized save as noted elsewhere in this report.

5. In 1971 work on the project finally came to a halt and the Authority served notice of default on MCDC.

6. Since 1971 there have been various steps taken by the involved parties in an attempt to reactivate construction. A meeting of the legal representatives of the City, owner, architect, participating banks, contractor, together with the involved governmental agencies determined that only $1,900 in additional costs could be attributed to authorized change orders. Tens of thousands of dollars in delay charges presented by the contractor rather belatedly were deemed unpayable. However, given the nature of the delay and other claims, and the finding that the contractor had spent the money represented by him after a survey by an engineering firm retained by the banks attested to this fact, an attempt at arbitration allowed for an informal figure of an additional $50,000 as practicable to resumption of and completion of work. The contractor, however, refused further negotiation and kept billing for additional delay charges.

7. At various points in the negotiations, which continued through 1972, the Banks were willing to advance the additional funds for completion. MCDC, however, was negative concerning this and any financing which had the potential of removing the low-income nature of the project.

8. During this same period the Housing Authority was approached with a proposal that it acquire the project. A series of HUD

and Congressional inquiries resulted from this proposal as to whether any improprieties had been entailed in the handling of funds. Astronomical figures were rumored as having been spent on the development, and the Housing Authority wanted to ascertain the exact nature of the involved dollars. Independent audits certified the appropriateness of the disbursements of Federal funds, the last one being made May 5, 1971.

All requisitions in connection with these disbursements were subject to prior approval and the signatures of the President of MCDC, the CRA, the MCDC Housing Consultant, MCDC legal counsel, the architect, and contractor. Of the $195,000 construction loan, $140,000 was advanced by the bank to the contractor for work done through 1971 according to a report issued by Hemenway & Barnes, Attorneys, in March of 1972. No additional funds have been spent since that time.

Including Model Cities monies, a total of $201,470 has been spent on Willow Street Homes. These costs have covered Corporate Legal, Acquisition, Tax Apportionment, Construction, Architectural, Bank Legal and Service Charges.

9. The original approach to the Housing Authority for their completion of the project was not acted upon at that time. However, the various engineering surveys, audits, and legal work undertaken in conjunction with that effort have served as the foundation for all subsequent approaches at a resolve. MCDC stated at that time that the problem, from their vantage point, was rather simple: more money was spent for the project, then about 80% complete, than was available to pay the bills. The existence of serious cost over-runs did not emerge formally until January 1971, at which time the builder put MCDC on notice for the first time about the existence of these excess costs. (MCDC, as stated above, had taken formal action on less than $1,900 of cost over-runs.) Much of this additional money was spent by the builder either without authorization or with very ambiguous authorization. The builder was not willing to go forward to completion without assurances that he could be paid for his labors and expenditures. MCDC was not in a position to give these assurances as it did not have the additional funds to back them up.

10. While in the midst of attempting to resolve the issue in 1971 and 1972, both firms involved in the development, that is the architect and contractor, were facing bankruptcy and finally went into receivership. This fact has been a major determinant since that time in meeting a resolve.

11. Over these past five years, MCDC has both formally and informally sought to spearhead the completion of the project.

Various alternatives which would have allowed for the completion of construction were investigated. Positive assurances for such were, however, in all instances coupled with the removal of the low income covenants in the Land Disposition Agreement.

The nature of the construction is such that the buildings would make for high priced condominiums or town houses if the corporation or the banks were of such a mind.

12. The banks themselves have met with MCDC as often as necessary over these years to lend weight to the corporation's dealings with governmental bodies who might be of assistance. The banks have, to say the least, exercised considerable restraint in the light of an almost impossible situation.

13. Most recently a number of possible solutions have presented themselves. They are as follows:

    - The Housing Authority, having been allocated 25 units of State 705 Housing, has retained an architect to investigate Willow Street as one possibility for utilization of this program.

    - MCDC has requested assistance from the Department of Housing and Urban Development under the discretionary provisions of the new Community Development legislation. The Secretary of HUD has certain allocation powers for projects such as Willow Street. The specifics of this portion of the legislation will be available later this month under the section referred to as Urgent Needs.

    - The Model Cities Board has given its Capital Projects top priority under the Transitional funding grant for 1975. While, initially, these monies have been utilized to provide the City's local share for the three Neighborhood Facilities under construction or scheduled for completion this year, some funds may be available for Willow Street Homes. The Model Cities Board has, with respect to its construction activities, sought to pay the total cost of the local share dollar which would otherwise be levied against the City in fulfillment of the Neighborhood Facilities Grants.

    - The City's upcoming Community Development application will include provisions for the completion of Willow Street under the guidelines of Section Eight of the legislation.

    - The Massachusetts Housing Finance Agency has been approached by MCDC with respect to a plan for completion. A formal reply has yet to be received.

The lack of any formal response or tangible assistance from the

Department of Housing and Urban Development from late 1971 through mid-1974 was, in the main, due to the effect of the Housing Freeze imposed by President Nixon over all federally-assisted housing developments.

The posture of HUD suggested the issue was a purely local concern even in the face of working knowledge that other Model Cities Programs facing similar problems were receiving technical assistance and additional or renegotiate sources of financing.

What all of the above points to is the fact that despite an almost four-year history of problems, the determination of the MCDC corporate membership to oversee the development's completion according to its original intent for low income occupancy now has the potential of being fulfilled. Again, Willow Street Homes is not an isolated instance in the history of federally-assisted housing construction.

What should be remembered in the midst of all the difficulties is that the involved entities have annually provided for and sought the eventual resolve of the matter; that is, the Housing Authority has renewed its pledge of lease agreements, the Redevelopment Authority has continued to make technical staff and resources available, Model Cities has underwritten the necessary legal and audit costs, and the banks have budgeted security personnel and engineering surveys.

As already stated, some of the options advanced to MCDC would not have given priority to low income neighborhood and Cambridge residents had they chosen to accept them simply to be done with the project. The corporation's determination to see the project through, especially when its formation was envisioned by HUD as only titular and short-lived for purposes of facilitating construction, is to be congratulated.

They could have dissolved, as envisioned in the summer of 1970, and left the City with the problem, since the agreement with the Department of Housing and Urban Development provided for this option.

I hope to be able to soon and positively report on the outcome of the negotiations referred to above, as I share with the Council its concern that Willow Street Homes soon be completed.

Very truly yours,

James L. Sullivan
City Manager

JLS/mbf

Agenda # 15 75

Awaiting REPORT re: Willow Street Homes.

in City Council,

February 24, 1975

Placed on file