



CITY OF CAMBRIDGE

COMMUNITY DEVELOPMENT DEPARTMENT

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M E M O R A N D U M

TO: Robert W. Healy, City Manager

FROM: Michael H. Rosenberg, ^{WHR} Assistant City Manager for
Community Development

SUBJECT: Awaiting Report #4
Bay Village Condominium Units

DATE: January 24, 1990

The Community Development Department has, on an ongoing basis, been tracking the availability and prices of unsold condominium units in Cambridge to assess whether these units could be purchased for low and moderate income housing.

Since our response last March, prices of mid-range Cambridge units have remained relatively high, and the gaps between the sale prices and the amounts that are affordable to moderate income buyers remain large. The gap has decreased in most buildings, due to lower sale prices and interest rate reductions. This effect has been offset by higher condominium fees (which may have been artificially low initially), and the net reduction in prices has been relatively modest. While there have been reduced-price auctions of two high-end buildings in Cambridge (River Court and the upcoming auction at The Esplanade), moderately priced condominiums have sold relatively well, and their prices have been more stable. One reason prices have not been reduced significantly is that Cambridge's rental market remains very strong, so developers of mid-priced units can recover a large proportion of their costs by renting units, while waiting for a stronger sales market.

In March, the minimum prices of 2-bedroom condominiums was \$135,000. Today, projected sale prices range from \$127,000 to \$230,000. The attached chart shows the prices of two-bedroom units in the developments surveyed, as well as the acquisition prices a family of three with an annual income of

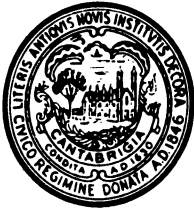
\$32,100 could afford to pay, and the gap that results.

In March, 1990, the minimum write-down required to make a 2-bedroom unit available to a CDBG eligible household (\$32,150 for a three person household, 80% of median income) was \$70,000. Currently, the gaps for these units remain around the same level, ranging from \$68,000 for the lowest cost units to up to \$179,000 for higher cost units with relatively high condominium fees. Using below-market (8.5%) financing provided by the Massachusetts Housing Finance Agency, the gap ranges from \$58,000 per unit to \$171,000.

The Community Development Department will continue to track prices in these and other condominium buildings and investigate other sources of subsidy that can reduce the affordability gap. In addition, we continue to monitor situations involving condominium projects that have been taken over by lenders. I will supply a further update if it appears that the acquisition of units in any of these projects, for low and moderate income buyers or renters, will become financially feasible.

Project Name	Price	Amount CDBG-Eligible household can afford with conv. financing	Resulting Gap
Bay Village	\$170,000	\$62,000	\$108,000
Pavillion	\$127,000	\$59,000	\$ 68,000
Cambridgeport Commons	\$150,000	\$63,000	\$ 87,000
Graves Landing	\$230,000	\$51,000	\$179,000

Project Name	Price	Amount CDBG-Eligible household can afford with MHFA financing	Resulting Gap
Bay Village	\$170,000	\$71,000	\$ 99,000
Pavillion	\$127,000	\$69,000	\$ 58,000
Cambridgeport Commons	\$150,000	\$73,500	\$ 76,500
Graves Landing	\$230,000	\$58,500	\$171,500



CITY OF CAMBRIDGE
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

January 28, 1991

To The Honorable, The City Council:

In response to Awaiting Report Item No. 4, regarding Bay Village Condominium Units, please find attached a report from Michael H. Rosenberg, Assistant City Manager for Community Development.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert W. Healy", is written over a horizontal line.

Robert W. Healy
City Manager

RWH/mev
attachment

Agenda # 25

3-19)

Awaiting Report Item Number 4 regarding
Bay Village Condominium Units.

In City Council,

January 28, 1991

Placed on file