CITY OF CAMBRIDGE

COMMUNITY DEVELOPMENT DEPARTMENT

City Hall Annex - Inman & Broadway - Cambridge, Mass. 02139

498-9034

M E M O R A N D U M

TO: Robert W. Healy, City Manager

FROM: Michael H. Rosenberg, Assistant City Manager for Community Development

SUBJECT: Council Order #4, 2/16/90
Bay Village Condominium Units

DATE: March 16, 1990

The Community Development Department has reviewed the prices and availability of one and two bedroom units in five Cambridge condominium projects. These projects include: Bay Village (Massachusetts Ave., Mid-Cambridge), the Pavillion (Gore St., East Cambridge), Cambridgeport Commons (Sidney St., Cambridgeport), Hammond Court/Davenport Court (Riverside, Central Square). In general, none of these developments have units whose prices would make them accessible to low or moderate income households without significant public monies to write down costs. This is true whether the units are to be sold or rented to low and moderate income households. The minimum amount of write down necessary to make a 2 bedroom unit available to a CDBG eligible household ($32,150 for a three person household, 80% or less than median) is approximately $70,000; the minimum amount necessary to make the unit available for an MHFA eligible household ($43,000 for a two person plus family; 110% of median) is $42,000. These write downs reflect the fact that a CDBG eligible household can afford a condominium unit which costs between $57,770 and $68,200 if lower rate MHFA financing is available. If the unit is financed conventionally, a CDBG eligible household could afford a unit priced between $49,800 and $58,800. The gap between what the household can afford and the price of the unit is the gap which public subsidy fills.

Average prices on two bedroom units, i.e. those appropriate for households with children, range from $180,000 at Bay Village to $135,000 at the Pavillion with Cambridgeport

Commons and Hammond/Davenport Court at $155,000 and $160,000 respectively. Downpayment amounts were calculated at 5% of the unit cost because it is usually difficult for low and moderate households to access larger amounts of cash. (In addition, to cash downpayments, prospective owners may need up to an additional 5% of the unit's cost to pay closing costs.)

There are a variety of costs associated with ownership of a condominium unit over and above the monthly payments of principal and interest. These include taxes, unit insurance, private mortgage insurance (if a homeowner makes a downpayment of less than 25%) and condo fees. All of these costs plus principal and interest make up the 30% of total income a conventional or public lender (MHFA) will use as a limit on how much a household can afford to pay. Condo fees in the five developments examined ranged from $140 per unit monthly to $230 per unit monthly. This range reflects level of amenity and overall expenses related to the building (building, elevator maintenance, condo insurance, health club, parking attendant, water and sewer, replacement reserve for future capital needs). Condo fees reduce the amount of a household's income which can go towards mortgage payments.

The rental income for condo units which are not sold is significant and makes it less likely condo developers in Cambridge will drop prices below the mortgaged amount the rental income supports. The range of rents for 1 bedroom units is $900-$1000; the range of rents for 2 bedrooms is $1100-$1400. The maximum rent paid via the Section 8 Rental Subsidy Program is $810 for 2 bedroom units. This rent includes all utility payments. A CDBG eligible family of three could afford a rent of $804 which is 30% of its income. In areas where the rental market is not as strong as Cambridge's, developers may be willing to drop prices more sharply.

In the case of all the developments surveyed it appears that sales of units are increasing somewhat. Recent price reductions have helped stimulate sales, however there are units that remain unsold in all the developments. We will continue to monitor sales prices with a view toward identifying any potential opportunities for affordable housing that may arise.

The attached chart illustrates the average price of two bedroom units in the five developments as well as the acquisition prices a family of three with an income of $32,150 could afford to pay and the resulting gap.

Name	Price	Amt. CDBG eligible household can afford w/MHFA financing (8.5%, 30 yr.)	Resulting Gap
1. Bay Village	$180,000	$57,770	$122,230
2. Pavillion	$135,000	$64,700	$ 70,300
3. Cambridgeport Commons	$155,000	$64,100	$ 90,900
4. Hammond Ct./ Davenport Ct.	$160,000	$68,200	$ 91,800

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CITY OF CAMBRIDGE

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 19, 1990

To The Honorable, The City Council:

In response to Awaiting Report Item No. 22, dated 2/12/90, relative to the development at Bay Village, attached please find a response from Michael Rosenberg, Assistant City Manager for Community Development, concerning this matter.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev

Agenda # 12 S-279

Awaiting Report Item Number Twenty-two regarding the development at Bay Village.

In City Council,

March 19, 1990

Referred back to the City manager for futher info on motion of Councillor Cyr.