



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

SUSAN B. SCHLESINGER

*Assistant City Manager for
Community Development*

BETH RUBENSTEIN

*Deputy Director for
Community Development*

MEMORANDUM

TO: Robert W. Healy, City Manager

FROM: Susan Schlesinger, Assistant City Manager for Community Development
SBS

DATE: May 13, 1998

RE: Council Order #031 dated 4/13/98 RE: Report on Reduction in Project-Based Section 8 Housing Units Available at Walden Square and Fresh Pond Apartments;

Council Order #048 dated 3/30/98 RE: Work with the Tenant Association at 362-364 Rindge Avenue to Provide an Update on the Current Status of these Buildings;

Council Order #027 dated 5/4/98 RE: Use Tax Incentives to Preserve Affordability and Utilization of Allocated Project-Based Section 8 Certificates in Expiring Use Buildings

The Community Development Department has been working with tenants, owners, and state and federal officials to preserve the affordability of the expiring use restriction buildings in the City, including both Fresh Pond Apartments (362-364 Rindge Avenue) and Walden Square Apartments. There are two major policy issues that face these projects: expiring use restrictions and reductions in Section 8 subsidies.

While both of these developments are eligible to prepay their federally insured and subsidized mortgages, federal use restrictions requiring affordable rents will be in effect through the entire 40-year term of the original mortgages. These restrictions will be maintained because both projects participated in the Flexible Subsidy Program of the U.S. Department of Housing and Urban Development (HUD), which provided additional funds to these projects in the early 1980s.

Fresh Pond Apartments (504 units) will be restricted through October, 2010, and Walden Square Apartments (240 units) through June, 2014.

HUD is currently reviewing its policies on these Flexible Subsidy projects to determine how it will enforce such restrictions in the event of a mortgage prepayment. HUD circulated a draft policy in 1997 that would have provided strong protection for lower income tenants, but HUD's Inspector General recently objected that the draft HUD policy was too restrictive. The City has requested that HUD adopt a policy of strong enforcement of such requirements to ensure that the units will remain affordable to a range of low and moderate income tenants (not just the moderate tier).

With regard to the Section 8 assistance, each of these projects has contracts with HUD which provide project-based Section 8 subsidy. These subsidies are tied to the property rather than being mobile. If a tenant moves from a project-based Section 8 unit in these buildings, the Section 8 subsidy will remain in the unit for the next tenant. This allows the project to serve very low income tenants with incomes below 50% of median income. Without such subsidy, the rents would not be affordable to very low income tenants.

The following summarizes the status these two projects:

1. Fresh Pond Apartments

We have recently received information from HUD that indicates that the owner of Fresh Pond Apartments is under-utilizing its allocation of project-based Section 8 subsidies. Fresh Pond Apartments has a contract with HUD for 338 units of project-based Section 8 assistance. As of March 1998, the owner is using 264 units, or 78%, of its allocation.

This under-utilization of Section 8 assistance has an impact on the City's efforts to provide affordable housing for very low income tenants. The owner is not using available funds for over 70 Section 8 units, despite the fact that the City faces a major unmet need for such units.

The current Section 8 contract between the owner and HUD expires on June 30, 1998. HUD intends to renew the contract for the entire allocation of 338 units for the next year. In the future, HUD may decide to reduce the Section 8 allocation to the project. If the owner requested a rent increase from HUD, it would have the ability to approve such assistance only for those units actually occupied by very low income tenants.

The Community Development Department has been in contact with the owner of Fresh Pond Apartments to express concern about this under-utilization of Section

8 assistance. In response, the owner has stated that the moderately priced units, even without Section 8 subsidy, are meeting local demand.

We will continue our efforts to preserve the overall affordability as well as the Section 8 units at this project. We are planning to attend a meeting of the tenant association on May 17, 1998 to discuss the status of the project.

2. Walden Square Apartments

Walden Square Apartments faces the same issues as Fresh Pond Apartments. Walden Square has received project-based Section 8 assistance for 48 units. According to HUD, the owner is currently utilizing 46 of these units. This does not represent a significant under-utilization of the Section 8 assistance. HUD is in the process of renewing the annual Section 8 contract with the owner for the entire 48-unit allocation.

Finally, the City is exploring the use of tax incentives to preserve affordability and utilization of the project-based Section 8 subsidies in the expiring use buildings. The use of a local tool, such as a tax agreement, to preserve affordability could provide back-up protection to tenants in the event that current federal requirements are weakened or eliminated. Both expiring use properties discussed above, Fresh Pond Apartments and Walden Square Apartments, have existing tax agreements with the City under M.G.L. Ch. 121A, and we are looking at the possibility of revising the agreements to provide tax incentives in return for additional affordability protections.

Please let us know if we can provide additional information on this matter.



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307



15.

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

May 18, 1998

To The Honorable, The City Council:

Please find attached a response to Awaiting Report No. 9, regarding a report on the reduction in project-based Section 8 housing units available at Walden Square and Fresh Pond Apartments, Council Order No. 48 of March 30th, regarding working with the Tenant Association at 362-364 Rindge Avenue to provide an update on the current status of these buildings, and Council Order No. 27 of May 4th, regarding the using tax incentives to preserve affordability and utilization of allocated project-based Section 8 Certificates in Expiring Use Buildings, received from Assistant City Manager for Community Development Susan Schlesinger.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consnet Agenda #15 360-S

A report on the reduction in
project-based Section 8 housing
units available at Walden Square
and Fresh Pond Apartments.

In City Council May 18, 1998

PLACED ON FILE