



City of Cambridge

O-28.

IN CITY COUNCIL

October 29, 2001

COUNCILLOR BRAUDE

ORDERED: That the City Manager be and hereby is requested to confer with the Assistant City Manager for Community Development for a report back on staff deliberation and recommendations regarding the issues raised in the report of October 4, 2001 Housing Committee meeting on affordable home ownership programs.

In City Council October 29, 2001.
Adopted by the affirmative vote of nine members.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- 

D. Margaret Drury
City Clerk

SEE COMMITTEE REPORT #3

City of Cambridge

HOUSING COMMITTEE MEMBERS

*Councillor Jim Braude, Chair
Councillor Kathleen L. Born
Councillor Henrietta Davis
Councillor Marjorie C. Decker
Vice Mayor David P. Maher*

In City Council October 29, 2001

The Housing Committee held a public hearing on October 4, 2001, beginning at 5:30 P.M. in the Ackermann Room for the purpose of receiving an update on affordable home ownership programs.

Present at the hearing were Councillor Jim Braude, Chair of the Committee, and City Clerk D. Margaret Drury. Also present were Terrence Smith, Chief of Staff for Mayor Galluccio, Assistant City Manager for Community Development Beth Rubenstein and Darcy Jameson, Director of Housing, Community Development Department (CDD).

Councillor Braude convened the hearing and explained the purpose. He requested that Ms. Rubenstein introduce the presentation. Ms. Rubenstein introduced Darcy Jameson. Ms. Jameson summarized her report (**Attachment A**).

Ms. Terry Lurie, Cambridge Housing Authority, asked for statistics about the number of customers served. Ms. Jameson said that approximately 500 people per year attend first time homebuyer classes and 100 per year utilize the counseling services.

Natalie Smith, Washington Street, said that when she took the class, it was stressed that the participants needed the certificate that shows completion of the class to become first time homebuyers.

Ms. Jameson stated that there are lenders that will give a better rate to someone who has been through the course. CDD also requires the course before an applicant actually purchases a limited equity home with city funding assistance. However, CDD does not require potential applicants to have the certificate in order to submit an application.

Councillor Braude noted the issues of responsiveness raised at the joint Housing Committee/CDD neighborhood information public meetings held several months ago and asked if CDD has addressed those issues.

Ms. Rubenstein said that staff tries to return all calls, if not the same day, as soon as possible.

Terry Smith, Chief of Staff for Mayor Galluccio, stated that the Mayor cannot be here and he has requested that Mr. Smith relay his two issues to the committee:

1. Because of the number of people who have been through the CDD program for first time homebuyers, perhaps additional credit could be given to people who have been through previous lotteries.

2. What is the status of the new program that uses the Harvard loan funds for middle income first time home buyers?

Ms. Rubenstein said that with regard to the idea of giving credit for past lotteries, CDD's theory has been that fairness dictates that all people eligible at the time have an opportunity.

Councillor Braude said that there could be an equally persuasive argument the other way. He then requested that CDD staff talk about this issue, and any others raised today, to think about them and report to the City Council on the pros and cons, the choices made, and why.

Ms. Jameson responded to the question regarding the use of Harvard funds for middle income homebuyers. The program is active for applicants with incomes that are 80% - 120% of area median income (for a family of four, \$52,000 - \$84,000 approximately). This group is not eligible for housing programs using state or federal funds. Ms. Jameson then explained the limited equity part of the program. At the time of sale, the owner gets back what he/she put in, principal paid, plus interest on that principal at a rate similar to interest paid on a savings account. CDD has found that among this income group, many who inquire are not interested in buying property with this equity limitation.

Monica Leon, Green Street, Cambridge, stated that she has gone through the process twice. The second time was after the neighborhood meetings, and she found much greater responsiveness on the part of CDD staff. She stated her disagreement with the way households are considered. She is part of a family of three, two parents and one child. Her family is not eligible for a three bedroom unit. These are rental guidelines and they are not necessarily reasonable for buying a unit, which is a more long-term decision. What happens when she has another child? Ms. Leon also voiced concern about the asset limitation. If the money is put aside in funds for college or retirement such that an applicant is penalized for using it, why should the funds be counted as if they are available? She understands the need for asset limitation, but why these restricted funds and why are applicants not treated like a bank would treat any other family applying for a mortgage?

Natalie Smith stated that she is intimidated by someone with \$49,000 in the bank. She is not comfortable competing with someone with that amount of assets.

Ms. Smith stated that the First Time Homebuyers program was super. Dwayne was an excellent instructor. She applied for the Erie Street condos. She believes that there is a serious error in the structure of the point system. She has lived in one room

with her daughter for ten years. There is an extra point for having a child under six years of age. This should only apply where the child is living in a lead paint situation. Other than that there is no reason for an extra point. Instead of her, a parent living in a spacious two-bedroom lead free apartment with kids under six ended up with the unit. She emphasized that she was told that she had to take the class and go to all classes. It took effort. Then someone who had not and finished the classes got a unit.

Ruth Walsh, Fayette Park, said that she feels like she will never have a chance for a homeownership unit because her two children are over six years.

Susan Mello, Franklin Street, representing Laity and Clergy for Affordable Housing, said that when Lead Safe money is used for deleading, if the child is over six, the new homeowner has to pay back the Lead Safe money, which amounts easily to \$10,000. Ms. Mello stated that Laity and Clergy is also concerned about the use of Section 8 rental guidelines to determine eligibility for owning these units. A mother would have to be eight-plus months pregnant to qualify for a two-bedroom unit. There is also discrimination against the parents of single gender children. She is also concerned about asset limitation. Regardless of the children's age differences, a parent with two same gender children cannot qualify for a three-bedroom unit. Ms. Mello added that she does not believe that older applicants with retirement savings should be penalized.

Ms. Mello stated that CDD does not return her telephone calls. Laity and Clergy signed away their rights for occupant selection of the current project without really understanding the implication for the organization's own goals. Laity and Clergy is a volunteer project and would like to be able to select as residents people who would work on the project. She submitted a letter for the record (**Attachment B**).

Bill Cavellini, 9 Speridakis Terrace, said that for several years the Eviction Free Zone has said that sweat equity, which is what Ms. Mello is describing, should be a part of what the City does, because it can bring the prices down. There should be a niche for it in the City's affordable housing program.

Ms. Rubenstein said that she would like time for an in-depth and thoughtful, response to these issues. She then responded to some of the issues. She said the need is so great that CDD focuses on the families' present circumstances, the funds that could be used for a down payment, the number of children in the family at this time.

Ms. Jameson said that if someone with a young child is in a lead free rental unit, they could have to leave at any time, homeownership of a lead-free unit provides more certainty of protection for the children.

Ms. Rubenstein said that with respect to Laity and Clergy's Cedar Street project, it is being built on land from the City, and Laity and Clergy had already agreed that the City would manage occupant selection. However, she would like to talk more about the larger issue and she would like to talk with the city-supported nonprofits as well. She

said that she is not sure about how sweat equity could fit in with the public bid requirements.

Ms. Smith noted that her child's allergies did not count at all in the selection process.

Councillor Braude said that the complaints he heard most at the joint neighborhood meetings on affordable housing programs were issues of unavailability - inability to get through to get information from staff and the mailing list. He stated that since those meetings, he has received far fewer complaints about the issues, which lead him to assume that the CDD staff has addressed them.

Lauren Curry, Just-A-Start, stated that she has seen over 150 applicants in the last three years. She emphasized how many families are in dire need and how few units there are. Some of the decisions are triaging decisions, for example, to save three-bedroom units for families who already have two children of the opposite sex. She urged the City to double the housing allocation.

Councillor Braude thanked all those present for their participation. He explained that a report of this meeting will go to the full City Council, along with his request that the CDD report back on the issues raised. All those who provide their names and addresses to the City Clerk will receive copies of the reports.

The meeting was adjourned at 6:30 p.m.

For the Committee,

A handwritten signature in cursive script that reads "Jim Braude".

Councillor Jim Braude, Chair

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CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Assistant City Manager for
Community Development

MALAINA BOWKER
Deputy Director for
Community Development

MEMORANDUM

To: Robert W. Healy, City Manager
From: Beth Rubenstein, Assistant City Manager for Community
Development
Date: June 13, 2001
Re: Council Order #19 dated June 4, 2001. Report on the efficacy of
the first-time homebuyers program.

In response to the above referenced order, this response provides an overview of the programs offered by CDD, the process for marketing units, and selecting a homebuyer.

Overview of First-time Homebuyer Education and Counseling Program

CDD offers free education and counseling for households interested in homeownership. The homebuyer course is a series of four 2-hour classes. CDD Housing staff and guest speakers, including bankers, home inspectors, and real estate attorneys, facilitate the classes. The curriculum includes the legal aspects of buying a home, the home inspection, the mortgage lending process, and how to manage your credit and debt. Graduates of the FTHB class are also eligible for one-on-one counseling with a CDD housing counselor and have access to subsidized mortgage products, such as the Soft Second Program.

CDD conducts the FTHB series 10 times a year. CDD also collaborates with other agencies such as the Massachusetts Alliance of Portuguese Speakers to offer special classes for non-native English speakers. In addition, CDD works with local organizations to help address special populations such as recent immigrants that may not have a long credit history. In March 2001, CDD offered a class designed especially for female heads of households. We educate approximately 500 people annually. CDD also provides one-on-one counseling to over 100 households annually.

FTHB participation includes a wide range of people with different socio-economic and ethnic backgrounds. Translation services are available upon request for classes and counseling.

City Hall Annex
57 Inman Street
Cambridge, MA 02139
Voice: 617 349-4600
Fax: 617 349-4669
TTY: 617 349-4621

How do affordable homeownership opportunities become available and how are they advertised?

There are two primary ways that affordable homeownership opportunities become available:

1. **Non-profit Sponsored Development:** Homeowner's Rehab and Just A Start develop both rental and homeownership units throughout the city. Once the units are completed, the agency markets the units in accordance with their marketing and selection policy, which is based on city and other lender requirements.

The agencies distribute flyers throughout the City and advertise in local newspapers. In addition, CDD provides the agencies with a mailing list from its database of households that have expressed an interest in homeownership, are income eligible, and have the appropriate household size.

2. **Inclusionary Zoning Units:** Homeownership units become available through the city's Inclusionary Zoning. CDD assists private developers in identifying low-moderate income buyers for these units (application and selection process outlined below).

CDD distributes flyers throughout the city, advertises in local newspapers, and provides flyers to the non-profits for their distribution. In addition, CDD mails a flyer to households that have expressed an interest in homeownership, are income eligible, and have the appropriate household size.

What is CDD's application and selection process for homeownership units?

The following outlines CDD's marketing, application, and selection process for affordable homeownership units. For each unit that CDD markets, we receive between 40 and 80 applications.

1. **Marketing Units:** As noted above, when a unit is ready to be marketed, flyers are distributed throughout the city (e.g., libraries, senior centers, non-profit organizations, etc). Advertisements are also placed in the *Cambridge Chronicle* and *Tab* (see example attached).
2. **Applications:** Applications are mailed to interested households. The application packet includes a step-by-step process for how to complete an application, due date, and required information and documentation. It also

includes income guidelines and occupancy standards to help households determine if they are eligible.

3. Application “Help” Session: Prior to the application due date, CDD staff facilitate an application “Help” Session. Housing staff review the step-by-step process, eligibility criteria, and the required information and documentation that an applicant must provide. Translation services are available upon request.
4. Application Review:
 - After the application due date, complete applications are reviewed to determine if the applicant is income eligible and has the appropriate household size. To be income eligible, the household’s income must be 80% of the area median income or less. The occupancy standards are based on HUD guidelines (e.g., no more than 2 person shall occupy the same bedroom, etc).
 - Applicants who are both income eligible and have the appropriate household size are invited to an open house at the unit. After the open house, households indicate to CDD if they are still interested in the unit.
 - Applications of interested households are then scored based on the priority point system. Priority points are awarded to a) Cambridge residents and residents displaced from Cambridge due to rent control, b) households with children under 18 years, c) households with children under 6 years d) households with an emergency housing situation.

(Emergency housing situation is defined as applicant is currently facing a no-fault eviction by court order; applicant is living in a property that has been cited by the City for outstanding code violations; applicant is paying more than 50% of their monthly gross income on rent; or applicant is living in an overcrowded situation.)

5. Selecting a homebuyer: If there is more than one applicant with the highest number of priority points, then those applicants with the highest number of priority points are entered into a lottery. The first applicant selected has an opportunity to purchase the unit. If for some reason the household elects not to purchase the unit, the second applicant selected in the lottery is offered the unit. If no applicant from the group with the highest number of points purchases the units, then a lottery is held with the next group of applicants with the highest point total.

Down Payment and Closing Cost Assistance

In May 2001, CDD was awarded a \$100,000 grant from the Massachusetts Department of Housing and Community Development (DHCD) for down payment and closing cost assistance to households purchasing units in the city.

Availability of Units

In winter 2001, CDD marketed three homeownership units through the Inclusionary Zoning Ordinance (two at 98 Erie Street and one at 330 Broadway). Currently, applications for four units in the Cornerstone Co-Housing Development are under review. CDD will be marketing three units on Cedar Street this summer and Just A Start will be marketing three units on Harvard Street in fall 2001.

In addition, based on CDD's experience, 1-2 existing affordable homeownership units are resold on an annual basis. These units will also be advertised as described above.

Affordable Condos

City of Cambridge & Cornerstone Village Cohousing

About Cornerstone Village Cohousing:

Cornerstone Village is a 32-unit community, planned and designed by Member households. A mixture of apartments and townhouses with common facilities, it is located on Harvey St. in North Cambridge. Cornerstone is a community that promotes sensible sharing of personal, social, and natural resources and provides a safe, stimulating environment for the growth of children and adults. There is 1 one-bedroom, 1 two-bedroom, and 2 three-bedroom units ranging from approximately \$112,000 to \$140,000.

Eligibility Requirements

- > Pre-qualified for a mortgage amount sufficient to purchase the unit
- > Applicants must have a minimum 3-5% of the purchase price for downpayment and closing costs
- > Attendance at a Cornerstone Orientation Meeting (see below)
- > Appropriate household size for available units
- > Incomes below the following maximum limits:

<u>Household Size:</u>	<u>1 person</u>	<u>2 persons</u>	<u>3 persons</u>	<u>4 persons</u>	<u>5 persons</u>	<u>6 persons</u>
Maximum Income:	\$36,750	\$42,000	\$47,250	\$52,500	\$56,700	\$60,900

Eligible applicants will be prioritized according to the City ranking system (as outlined in our application packet). In the event of a tie in the ranking system, a lottery will be held to select the buyers for the units. These units are subject to resale restrictions.

DEADLINE FOR SUBMITTING AN APPLICATION IS:

Wednesday, May 16, 2001 AT 12:00 Noon

City of Cambridge Community Development Department, 238 Broadway, Cambridge
For more information and an application, please call the Housing Division at 349-4622.

≡CORNERSTONE ORIENTATION: APPLICANTS ARE REQUIRED TO ATTEND ONE SESSION

Saturday, April 28th, 2-4 p.m., Cambridge Senior Center, 806 Mass. Avenue

Monday, May 7th, 7-9 p.m., Banneker School, 21 Notre Dame Avenue

The City of Cambridge Community Development Department does not discriminate on the basis of disability. The Department will provide auxiliary aids and services, written materials in alternative formats, and reasonable modifications in policies and procedures to persons with disabilities upon request.



Laity + Clergy
for Affordable
HOUSING

Zero Garden Street Cambridge, MA 02138 617.868.4805

To: Darcy Jamison, Director of Housing; Chris Cotter, Project Planner, Cambridge Community Development Department

From: Dean Johnson and Susan Mello, Project Managers, Laity and Clergy for Affordable Housing (LCAH)

Subject: LCAH Homebuyer Selection Process

Date: June 6, 2001

cc: Beth Rubenstein, Assistant City Manager for Community Development

On behalf of Laity and Clergy, we wish to thank Chris Cotter for taking the time to meet with us on May 22 to discuss the process and criteria our organization uses to select the families to whom we sell our properties, as well as some of our concerns.

As we explained to Chris, when interest in our projects grew and the pool of qualified applicants increased, LCAH felt it was important to codify our selection process and the objectives we apply in selecting a family. Consequently, LCAH formed a committee responsible for defining the process and criteria. Its recommendations were accepted, and in 1998 we formally adopted our selection guidelines. Since 1998 all properties sold by LCAH, including the Jefferson Street and Columbia Street projects, have used the official LCAH selection guidelines to select homebuyers. A summary of our criteria for selecting a family follows below. As the list bears out, the majority of our guidelines are similar in focus to the Priority Points list employed by your department.

Summary of LCAH Priority Guidelines:

Income:

Low/Moderate Income Eligible Homebuyers must meet income guidelines for the Cambridge CDD's First Time Homebuyer program. This is essential, not only because we wish to target low to moderate income buyers, but because the affordability of our properties to buyers is based on the subsidies provided through the First Time Homebuyer program and the city's Affordable Housing Trust.

Families:

Although LCAH has supported affordable housing for individuals-- specifically the 324 Franklin Street SRO project--our main objective has been to provide family-sized units for Cambridge families of modest means. We define "family" very broadly to include non-traditional families as well.

Cambridge Residents:

Our housing is specifically targeted to the Cambridge community, especially long term Cambridge residents or residents already living in the neighborhood, who are in danger of being displaced by the escalating housing market. (Former Cambridge residents who already have been displaced by the housing crisis would be included as well.)

Currently Under housed:

We are particularly interested in providing housing to families who are currently under housed, which would include families experiencing homelessness as well as overcrowding.

Involvement In Community:

We are looking for families who are currently active and involved participants in the Cambridge community.

Volunteered on LCAH Project(s):

We are a volunteer organization and we are able to provide housing only through the concerted efforts and energy of many caring volunteers. Although we do not require a set number of "sweat equity" hours (Habitat for Humanity requires 300 hours from each family), we strongly prefer that the selected homebuyers participate in the building (or renovating) process of their future homes. Perhaps because the Habitat for Humanity sweat equity model is so well known, LCAH volunteers often inquire about the participation of future homeowners and many have expressed disappointment that homeowner participation is not mandatory for our homes. (We appreciate that not everyone has the skills or physical ability required for some tasks, however, there are many different ways to help-- stuffing envelopes for a mailing can be just as valuable as pounding nails.) We highly value those families that have volunteered on past or present LCAH projects and who show an appreciation for the volunteer effort involved, as well as a willingness to help themselves and others who have been adversely affected by the housing crisis.

[Not on our List: Religious Affiliation]

For the record, we are an interfaith organization, welcoming of all people, regardless of beliefs and without preference for one faith over another. Religion is not a consideration for selection.

Explanation of LCAH Selection Process:

While we do not award points, per se, as your priority points list does, we look for the family that most closely meets our list of ideals and is the best match to the property. In addition to the information about the families provided to LCAH by your department, LCAH requests that each family submit a letter telling us about themselves and why they want to own the LCAH property. We then review the applications and discuss the merits of each family. The final selection is made by vote of members in LCAH and then confirmed by vote of interfaith Action (our fiscal conduit and the holder of our 501[c][3] accreditation). Our process, as Chris Cotter rightly pointed out, is very similar to the one used by Habitat for Humanity in the selection of their homeowners.

Points of Concern to LCAH:

Selection Process and Criteria:

In previous projects, LCAH owned the properties outright and turned to the CDD as a marketing resource to help us find qualified buyers through your First Time Homebuyer program. LCAH's homebuyer selection process was never interfered with nor mandated by the CDD. LCAH was given a list of income eligible

families who were participating in the First Time Homebuyer program and our members made the final selection using the criteria we adopted. It now appears, however, that the CDD intends to take a more directive role in the marketing of the 63 Cedar Street properties, which is a change in policy for which LCAH was not prepared.

We realize that LCAH has embarked on a new relationship with your department and our organization is building, literally, on new (city) ground. The Cedar Street project is a departure from our previous projects in that for the first time LCAH has partnered with the city to build new construction on a city parcel. In LCAH's letter of agreement to the CDD regarding the Cedar Street project, Rev. Bob Tobin stated that LCAH agreed to market the three units at Cedar Street in compliance with the First Time Homebuyers program, as we have done in the past. LCAH was not aware of the CDD's intention to remove the selection process from our jurisdiction or your intention to select the homeowners by lottery. These policy changes were never disclosed by the CDD or discussed with LCAH.

Use of Section 8 Guidelines to Determine Unit Size Eligibility

Another Issue that has come to our attention recently has to do with the use of HUD Section 8 rental guidelines to determine the number of bedrooms in a unit that a family is eligible to purchase through the First Time Homebuyer program. We believe that the application of these rental guidelines to a home purchase is inappropriate and misguided. We are not advocating selling a 3 bedroom unit to a single person, or even a couple, since there are other prospective buyers with larger families who are better matched to a three-bedroom unit, but these Section 8 policies clearly discriminate against younger and growing families, as well as families with same gender children (who according to the policy would be required to share a room unless they are more than ten years apart in age). We are not aware of any restrictions regarding family size vs. unit size that were previously imposed by the city on LCAH's properties sold through the First Time Homebuyer program; in fact, the Jefferson Street property that LCAH sold through the CDD's First Time Homebuyers program in 1998 allowed a family of three (husband, wife, and one child) to move into a three bedroom unit. Under existing Section 8 guidelines, that sale would be prohibited.

But arguably the most troubling aspect of the Section 8 guidelines for us concerns the Section 8 policy which refuses to acknowledge a pregnancy and count it as an additional family member unless the pregnancy is within two months of term. Given that LCAH's membership is comprised largely of churches and religious organizations, it should come as no surprise that we take issue with the morality of a 8+ month fetal viability policy. This policy is analogous to restricting an expectant couple to buying a two-seater car because the baby isn't expected for another few months. The CDD's own First Time Homebuyer course encourages prospective buyers to act responsibly and engage in long-term planning. Restricting home purchases according to current family size and gender make up will force many families into difficult, and possibly inappropriate, purchasing decisions. While these policies may have some applicability for rental housing, they are inappropriately applied to homebuying. There are enough restrictions placed on limited-equity homebuyers without the program limiting their ability to make reasoned decisions regarding optimal unit size for their family's needs.

Summation

These changes in procedure and policy come to us as an eleventh hour surprise and raise many serious concerns on our part regarding the current project as well as future projects LCAH is pursuing. If it was the intention of the CDD to change the way it does business with LCAH, we believe it was incumbent upon you to

inform us of those changes, in the interest of fairness and full disclosure, we believe that we have a right to expect that we are operating under the same set of procedures and guidelines as we have in the past. We believe that our organization has acted fairly and ethically in our past selections of homeowners, and it is our intention to continue to operate in accordance with the procedures adopted by LCAH's membership. It is our sincere wish that you appreciate LCAH's unique position in the field of non-profit developers of affordable housing in Cambridge and respect the nature of our organization.

Furthermore, LCAH believes that the following families*, currently excluded under Section 8 guidelines, should be considered eligible to purchase a 3 BR units at Cedar Street:

- 1) family with 1 child, currently expecting another child
- 2) family with 2 children of the same gender
- 3) family with 1 child who anticipate more children


(* as long as the total number of family members equals 3 or more)

We hope that these policy issues can be resolved quickly. If you need to contact us further, we can be reached at the following numbers: Dean Johnson @ 617-868-4805/ Susan Mello @ 617-354-6231. LCAH looks forward to working with your department in the future and continuing our mutual goal of increasing the stock of affordable housing for the Cambridge community.

Thank you for your consideration and continuing assistance.



Susan Mello



Dean Johnson



City of Cambridge

Committee Report #3

IN CITY COUNCIL

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Committee Report
#3

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said that she is not sure about how sweat equity could fit in with the public bid requirements.

Ms. Smith noted that her child's allergies did not count at all in the selection process.

Councillor Braude said that the complaints he heard most at the joint neighborhood meetings on affordable housing programs were issues of unavailability - inability to get through to get information from staff and the mailing list. He stated that since those meetings, he has received far fewer complaints about the issues, which lead him to assume that the CDD staff has addressed them.

Lauren Curry, Just-A-Start, stated that she has seen over 150 applicants in the last three years. She emphasized how many families are in dire need and how few units there are. Some of the decisions are triaging decisions, for example, to save three-bedroom units for families who already have two children of the opposite sex. She urged the City to double the housing allocation.

Councillor Braude thanked all those present for their participation. He explained that a report of this meeting will go to the full City Council, along with his request that the CDD report back on the issues raised. All those who provide their names and addresses to the City Clerk will receive copies of the reports.

The meeting was adjourned at 6:30 p.m.

For the Committee,

A handwritten signature in cursive script that reads "Jim Braude".

Councillor Jim Braude, Chair

A



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Assistant City Manager for
Community Development

MALAINA BOWKER
Deputy Director for
Community Development

MEMORANDUM

To: Robert W. Healy, City Manager
BR
From: Beth Rubenstein, Assistant City Manager for Community
Development
Date: June 13, 2001
Re: Council Order #19 dated June 4, 2001. Report on the efficacy of
the first-time homebuyers program.

In response to the above referenced order, this response provides an overview of the programs offered by CDD, the process for marketing units, and selecting a homebuyer.

Overview of First-time Homebuyer Education and Counseling Program

CDD offers free education and counseling for households interested in homeownership. The homebuyer course is a series of four 2-hour classes. CDD Housing staff and guest speakers, including bankers, home inspectors, and real estate attorneys, facilitate the classes. The curriculum includes the legal aspects of buying a home, the home inspection, the mortgage lending process, and how to manage your credit and debt. Graduates of the FTHB class are also eligible for one-on-one counseling with a CDD housing counselor and have access to subsidized mortgage products, such as the Soft Second Program.

CDD conducts the FTHB series 10 times a year. CDD also collaborates with other agencies such as the Massachusetts Alliance of Portuguese Speakers to offer special classes for non-native English speakers. In addition, CDD works with local organizations to help address special populations such as recent immigrants that may not have a long credit history. In March 2001, CDD offered a class designed especially for female heads of households. We educate approximately 500 people annually. CDD also provides one-on-one counseling to over 100 households annually.

FTHB participation includes a wide range of people with different socio-economic and ethnic backgrounds. Translation services are available upon request for classes and counseling.

How do affordable homeownership opportunities become available and how are they advertised?

There are two primary ways that affordable homeownership opportunities become available:

1. **Non-profit Sponsored Development:** Homeowner's Rehab and Just A Start develop both rental and homeownership units throughout the city. Once the units are completed, the agency markets the units in accordance with their marketing and selection policy, which is based on city and other lender requirements.

The agencies distribute flyers throughout the City and advertise in local newspapers. In addition, CDD provides the agencies with a mailing list from its database of households that have expressed an interest in homeownership, are income eligible, and have the appropriate household size.

2. **Inclusionary Zoning Units:** Homeownership units become available through the city's Inclusionary Zoning. CDD assists private developers in identifying low-moderate income buyers for these units (application and selection process outlined below).

CDD distributes flyers throughout the city, advertises in local newspapers, and provides flyers to the non-profits for their distribution. In addition, CDD mails a flyer to households that have expressed an interest in homeownership, are income eligible, and have the appropriate household size.

What is CDD's application and selection process for homeownership units?

The following outlines CDD's marketing, application, and selection process for affordable homeownership units. For each unit that CDD markets, we receive between 40 and 80 applications.

1. **Marketing Units:** As noted above, when a unit is ready to be marketed, flyers are distributed throughout the city (e.g., libraries, senior centers, non-profit organizations, etc). Advertisements are also placed in the *Cambridge Chronicle* and *Tab* (see example attached):
2. **Applications:** Applications are mailed to interested households. The application packet includes a step-by-step process for how to complete an application, due date, and required information and documentation. It also

includes income guidelines and occupancy standards to help households determine if they are eligible.

3. Application “Help” Session: Prior to the application due date, CDD staff facilitate an application “Help” Session. Housing staff review the step-by-step process, eligibility criteria, and the required information and documentation that an applicant must provide. Translation services are available upon request.
4. Application Review:
 - After the application due date, complete applications are reviewed to determine if the applicant is income eligible and has the appropriate household size. To be income eligible, the household’s income must be 80% of the area median income or less. The occupancy standards are based on HUD guidelines (e.g., no more than 2 person shall occupy the same bedroom, etc).
 - Applicants who are both income eligible and have the appropriate household size are invited to an open house at the unit. After the open house, households indicate to CDD if they are still interested in the unit.
 - Applications of interested households are then scored based on the priority point system. Priority points are awarded to a) Cambridge residents and residents displaced from Cambridge due to rent control, b) households with children under 18 years, c) households with children under 6 years d) households with an emergency housing situation.

(Emergency housing situation is defined as applicant is currently facing a no-fault eviction by court order; applicant is living in a property that has been cited by the City for outstanding code violations; applicant is paying more than 50% of their monthly gross income on rent; or applicant is living in an overcrowded situation.)

5. Selecting a homebuyer: If there is more than one applicant with the highest number of priority points, then those applicants with the highest number of priority points are entered into a lottery. The first applicant selected has an opportunity to purchase the unit. If for some reason the household elects not to purchase the unit, the second applicant selected in the lottery is offered the unit. If no applicant from the group with the highest number of points purchases the units, then a lottery is held with the next group of applicants with the highest point total.

Down Payment and Closing Cost Assistance

In May 2001, CDD was awarded a \$100,000 grant from the Massachusetts Department of Housing and Community Development (DHCD) for down payment and closing cost assistance to households purchasing units in the city.

Availability of Units

In winter 2001, CDD marketed three homeownership units through the Inclusionary Zoning Ordinance (two at 98 Erie Street and one at 330 Broadway). Currently, applications for four units in the Cornerstone Co-Housing Development are under review. CDD will be marketing three units on Cedar Street this summer and Just A Start will be marketing three units on Harvard Street in fall 2001.

In addition, based on CDD's experience, 1-2 existing affordable homeownership units are resold on an annual basis. These units will also be advertised as described above.

Affordable Condos

City of Cambridge & Cornerstone Village Cohousing

About Cornerstone Village Cohousing:

Cornerstone Village is a 32-unit community, planned and designed by Member households. A mixture of apartments and townhouses with common facilities, it is located on Harvey St. in North Cambridge. Cornerstone is a community that promotes sensible sharing of personal, social, and natural resources and provides a safe, stimulating environment for the growth of children and adults. There is 1 one-bedroom, 1 two-bedroom, and 2 three-bedroom units ranging from approximately \$112,000 to \$140,000.

Eligibility Requirements

- Pre-qualified for a mortgage amount sufficient to purchase the unit
- Applicants must have a minimum 3-5% of the purchase price for downpayment and closing costs
- Attendance at a Cornerstone Orientation Meeting (**see below**)
- Appropriate household size for available units
- Incomes below the following maximum limits:

Household Size:	1 person	2 persons	3 persons	4 persons	5 persons	6 persons
Maximum Income:	\$36,750	\$42,000	\$47,250	\$52,500	\$56,700	\$60,900

Eligible applicants will be prioritized according to the City ranking system (as outlined in our application packet). In the event of a tie in the ranking system, a lottery will be held to select the buyers for the units. These units are subject to resale restrictions.

DEADLINE FOR SUBMITTING AN APPLICATION IS:

Wednesday, May 16, 2001 AT 12:00 Noon

City of Cambridge Community Development Department, 238 Broadway, Cambridge
For more information and an application, please call the Housing Division at 349-4622.

≡CORNERSTONE ORIENTATION: APPLICANTS ARE REQUIRED TO ATTEND ONE SESSION

Saturday, April 28th, 2-4 p.m., Cambridge Senior Center, 806 Mass. Avenue

Monday, May 7th, 7-9 p.m., Banneker School, 21 Notre Dame Avenue

The City of Cambridge Community Development Department does not discriminate on the basis of disability. The Department will provide auxiliary aids and services, written materials in alternative formats, and reasonable modifications in policies and procedures to persons with disabilities upon request.



Laity + Clergy
for Affordable
HOUSING

Zero Garden Street Cambridge, MA 02138 617.868.4805

To: Darcy Jamison, Director of Housing; Chris Cotter, Project Planner, Cambridge Community Development Department

From: Dean Johnson and Susan Mello, Project Managers, Laity and Clergy for Affordable Housing (LCAH)

Subject: LCAH Homebuyer Selection Process

Date: June 6, 2001

cc: Beth Rubenstein, Assistant City Manager for Community Development

On behalf of Laity and Clergy, we wish to thank Chris Cotter for taking the time to meet with us on May 22 to discuss the process and criteria our organization uses to select the families to whom we sell our properties, as well as some of our concerns.

As we explained to Chris, when interest in our projects grew and the pool of qualified applicants increased, LCAH felt it was important to codify our selection process and the objectives we apply in selecting a family. Consequently, LCAH formed a committee responsible for defining the process and criteria. Its recommendations were accepted, and in 1998 we formally adopted our selection guidelines. Since 1998 all properties sold by LCAH, including the Jefferson Street and Columbia Street projects, have used the official LCAH selection guidelines to select homebuyers. A summary of our criteria for selecting a family follows below. As the list bears out, the majority of our guidelines are similar in focus to the Priority Points list employed by your department.

Summary of LCAH Priority Guidelines:

Income:

Low/Moderate Income Eligible Homebuyers must meet income guidelines for the Cambridge CDD's First Time Homebuyer program. This is essential, not only because we wish to target low to moderate income buyers, but because the affordability of our properties to buyers is based on the subsidies provided through the First Time Homebuyer program and the city's Affordable Housing Trust.

Families:

Although LCAH has supported affordable housing for individuals-- specifically the 324 Franklin Street SRO project--our main objective has been to provide family-sized units for Cambridge families of modest means. We define "family" very broadly to include non-traditional families as well.

Cambridge Residents:

Our housing is specifically targeted to the Cambridge community, especially long term Cambridge residents or residents already living in the neighborhood, who are in danger of being displaced by the escalating housing market. (Former Cambridge residents who already have been displaced by the housing crisis would be included as well.)

Currently Under housed:

We are particularly interested in providing housing to families who are currently under housed, which would include families experiencing homelessness as well as overcrowding.

Involvement In Community:

We are looking for families who are currently active and involved participants in the Cambridge community.

Volunteered on LCAH Project(s):

We are a volunteer organization and we are able to provide housing only through the concerted efforts and energy of many caring volunteers. Although we do not require a set number of "sweat equity" hours (Habitat for Humanity requires 300 hours from each family), we strongly prefer that the selected homebuyers participate in the building (or renovating) process of their future homes. Perhaps because the Habitat for Humanity sweat equity model is so well known, LCAH volunteers often inquire about the participation of future homeowners and many have expressed disappointment that homeowner participation is not mandatory for our homes. (We appreciate that not everyone has the skills or physical ability required for some tasks, however, there are many different ways to help-- stuffing envelopes for a mailing can be just as valuable as pounding nails.) We highly value those families that have volunteered on past or present LCAH projects and who show an appreciation for the volunteer effort involved, as well as a willingness to help themselves and others who have been adversely affected by the housing crisis.

[Not on our List: Religious Affiliation]

For the record, we are an interfaith organization, welcoming of all people, regardless of beliefs and without preference for one faith over another. Religion is not a consideration for selection.

Explanation of LCAH Selection Process:

While we do not award points, per se, as your priority points list does, we look for the family that most closely meets our list of ideals and is the best match to the property. In addition to the information about the families provided to LCAH by your department, LCAH requests that each family submit a letter telling us about themselves and why they want to own the LCAH property. We then review the applications and discuss the merits of each family. The final selection is made by vote of members in LCAH and then confirmed by vote of interfaith Action (our fiscal conduit and the holder of our 501[c][3] accreditation). Our process, as Chris Cotter rightly pointed out, is very similar to the one used by Habitat for Humanity in the selection of their homeowners.

Points of Concern to LCAH:

Selection Process and Criteria:

In previous projects, LCAH owned the properties outright and turned to the CDD as a marketing resource to help us find qualified buyers through your First Time Homebuyer program. LCAH's homebuyer selection process was never interfered with nor mandated by the CDD. LCAH was given a list of income eligible

families who were participating in the First Time Homebuyer program and our members made the final selection using the criteria we adopted. It now appears, however, that the CDD intends to take a more directive role in the marketing of the 63 Cedar Street properties, which is a change in policy for which LCAH was not prepared.

We realize that LCAH has embarked on a new relationship with your department and our organization is building, literally, on new (city) ground. The Cedar Street project is a departure from our previous projects in that for the first time LCAH has partnered with the city to build new construction on a city parcel. In LCAH's letter of agreement to the CDD regarding the Cedar Street project, Rev. Bob Tobin stated that LCAH agreed to market the three units at Cedar Street in compliance with the First Time Homebuyers program, as we have done in the past. LCAH was not aware of the CDD's intention to remove the selection process from our jurisdiction or your intention to select the homeowners by lottery. These policy changes were never disclosed by the CDD or discussed with LCAH.

Use of Section 8 Guidelines to Determine Unit Size Eligibility

Another Issue that has come to our attention recently has to do with the use of HUD Section 8 rental guidelines to determine the number of bedrooms in a unit that a family is eligible to purchase through the First Time Homebuyer program. We believe that the application of these rental guidelines to a home purchase is inappropriate and misguided. We are not advocating selling a 3 bedroom unit to a single person, or even a couple, since there are other prospective buyers with larger families who are better matched to a three-bedroom unit, but these Section 8 policies clearly discriminate against younger and growing families, as well as families with same gender children (who according to the policy would be required to share a room unless they are more than ten years apart in age). We are not aware of any restrictions regarding family size vs. unit size that were previously imposed by the city on LCAH's properties sold through the First Time Homebuyer program; in fact, the Jefferson Street property that LCAH sold through the CDD's First Time Homebuyers program in 1998 allowed a family of three (husband, wife, and one child) to move into a three bedroom unit. Under existing Section 8 guidelines, that sale would be prohibited.

But arguably the most troubling aspect of the Section 8 guidelines for us concerns the Section 8 policy which refuses to acknowledge a pregnancy and count it as an additional family member unless the pregnancy is within two months of term. Given that LCAH's membership is comprised largely of churches and religious organizations, it should come as no surprise that we take issue with the morality of a 8+ month fetal viability policy. This policy is analogous to restricting an expectant couple to buying a two-seater car because the baby isn't expected for another few months. The CDD's own First Time Homebuyer course encourages prospective buyers to act responsibly and engage in long-term planning. Restricting home purchases according to current family size and gender make up will force many families into difficult, and possibly inappropriate, purchasing decisions. While these policies may have some applicability for rental housing, they are inappropriately applied to homebuying. There are enough restrictions placed on limited-equity homebuyers without the program limiting their ability to make reasoned decisions regarding optimal unit size for their family's needs.

Summation

These changes in procedure and policy come to us as an eleventh hour surprise and raise many serious concerns on our part regarding the current project as well as future projects LCAH is pursuing. If it was the Intention of the CDD to change the way it does business with LCAH, we believe it was incumbent upon you to

inform us of those changes, in the interest of fairness and full disclosure, we believe that we have a right to expect that we are operating under the same set of procedures and guidelines as we have in the past. We believe that our organization has acted fairly and ethically in our past selections of homeowners, and it is our intention to continue to operate in accordance with the procedures adopted by LCAH's membership. It is our sincere wish that you appreciate LCAH's unique position in the field of non-profit developers of affordable housing in Cambridge and respect the nature of our organization.

Furthermore, LCAH believes that the following families*, currently excluded under Section 8 guidelines, should be considered eligible to purchase a 3 BR units at Cedar Street:

- 1) family with 1 child, currently expecting another child
- 2) family with 2 children of the same gender
- 3) family with 1 child who anticipate more children

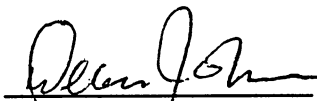
(* as long as the total number of family members equals 3 or more)

We hope that these policy issues can be resolved quickly. If you need to contact us further, we can be reached at the following numbers: Dean Johnson @ 617-868-4805/ Susan Mello @ 617-354-6231. LCAH looks forward to working with your department in the future and continuing our mutual goal of increasing the stock of affordable housing for the Cambridge community.

Thank you for your consideration and continuing assistance.



Susan Mello



Dean Johnson

1-508-355-4776

3

City of Cambridge

HOUSING COMMITTEE MEMBERS

*Councillor Jim Braude, Chair
Councillor Kathleen L. Born
Councillor Henrietta Davis
Councillor Marjorie C. Decker
Vice Mayor David P. Maher*

In City Council October 29, 2001

The Housing Committee held a public hearing on October 4, 2001, beginning at 5:30 P.M. in the Ackermann Room for the purpose of receiving an update on affordable home ownership programs.

Present at the hearing were Councillor Jim Braude, Chair of the Committee, and City Clerk D. Margaret Drury. Also present were Terrence Smith, Chief of Staff for Mayor Galluccio, Assistant City Manager for Community Development Beth Rubenstein and Darcy Jameson, Director of Housing, Community Development Department (CDD).

Councillor Braude convened the hearing and explained the purpose. He requested that Ms. Rubenstein introduce the presentation. Ms. Rubenstein introduced Darcy Jameson. Ms. Jameson summarized her report (**Attachment A**).

Ms. Terry Lurie, Cambridge Housing Authority, asked for statistics about the number of customers served. Ms. Jameson said that approximately 500 people per year attend first time homebuyer classes and 100 per year utilize the counseling services.

Natalie Smith, Washington Street, said that when she took the class, it was stressed that the participants needed the certificate that shows completion of the class to become first time homebuyers.

Ms. Jameson stated that there are lenders that will give a better rate to someone who has been through the course. CDD also requires the course before an applicant actually purchases a limited equity home with city funding assistance. However, CDD does not require potential applicants to have the certificate in order to submit an application.

Councillor Braude noted the issues of responsiveness raised at the joint Housing Committee/CDD neighborhood information public meetings held several months ago and asked if CDD has addressed those issues.

Ms. Rubenstein said that staff tries to return all calls, if not the same day, as soon as possible.

Terry Smith, Chief of Staff for Mayor Galluccio, stated that the Mayor cannot be here and he has requested that Mr. Smith relay his two issues to the committee:

3865

Committee Report #3

Committee Report from Councillor Jim Braude, Chair of the Housing Committee, for a meeting held on October 4, 2001 for the purpose of receiving an update on affordable home ownership programs.

In City Council October 29, 2001

Report accepted

PLACED ON FILE

ORDER ADOPTED

see Order #28