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PHONE 617.492.5559 FAX 617.492.6928 TTY 617.234.2992

March 2, 1998

Jane Wallis Gumble, Director
Department of Housing and Community Development
Commonwealth of Massachusetts
100 Cambridge Street, Floor 18
Boston, MA 02202-0044

Re: Application for Tax Credits and HOME Funds for Eight (8) Affordable
Rental Apartments at 11 Walnut Avenue and 80 Upland Road, Cambridge

Dear Ms. Gumble:

In response to the *Department of Housing & Community Development Division of Private Housing's Notice of Funding Availability for Affordable Rental Projects (Spring, 1998)*, I am pleased to submit a proposal for funding to re-develop the property at 11 Walnut Avenue and 80 Upland Road in Cambridge as eight (8) affordable apartments in Cambridge's desirable Avon Hill neighborhood near Porter Square.

The Proposed Re-Development: The proposed re-development of this historic and stately 1895 Victorian mansion will substantially upgrade the eight (8) apartments that were made affordable from 1970 to 1994 under the City's former Rent Control program.

The subject property is ideally located within two blocks of a wide variety of goods and services and public transportation, providing easy access for households without cars. In addition, public schools, churches and temples are also within walking distance of the site.

Renovations will not require any reconfiguration of the units, but will require extensive upgrading to all building systems, the exterior and all surface finishes. Once completed, the subject property will provide one (1) studio, five (5) one-bedrooms and two (2) two-bedrooms for rent to Section 8 eligible households enrolled on the Cambridge Housing Authority's long waiting list.

ASAP: The proposed Walnut / Upland development is sponsored under **CASCAP's Affordable Small Apartment Preservation (ASAP) Initiative**, a program financed by the City of Cambridge. The main goal of the ASAP Initiative is to preserve and create affordable small apartments in Cambridge in ample supply to



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meet the needs of single people of low and moderate incomes. This initiative directly responds to the current economics of the rental housing market in Cambridge. Since the end of rent control, there exists a high demand, but low supply of small, affordable apartments in Cambridge. Almost half of the people who received an extension of rent control protection until the beginning of this year were single, low income individuals who were neither disabled nor elderly. Now they cannot find affordable apartments in Cambridge, and have become homeless or have been forced to move to distant communities with little access to public transportation and decent jobs.

I have attached a summary of the ASAP Initiative, including its objectives, the market demand and supply to which we are responding, and the social benefits that the City and its residents will realize when it is successful. Economic diversity is a critical community benefit of the ASAP Initiative. The City realizes the advantages of economic diversity as well as growth and is funding the first year of operations of the new program.

The Need: Recent headlines confirm what you and those of us in the affordable housing community know very well, and that is that a booming economy is often very hard on people of modest means.

- "Squeezed Out: Affordable housing tenants brace for post rent control deregulation" (*The Cambridge Tab*, 7/15/1997)
- "Housing Investment Surges in Cambridge: End of rent control brings on upgrades and new construction" (*New York Times*, 12/14/97)
- "Rents Go Up, While Diversity Declines: Cambridge's loss of rent control studied" (*The Boston Globe*, 1/31/98)
- "Section 8 Crunch Reaches Crisis: Federal rent subsidy program is overwhelmed by families in need" (*The Boston Globe*, 2/1/98)

Finally as recently as this last Sunday, the Boston Globe magazine detailed the impact of rent control elimination on one block in Cambridge.

The City of Cambridge recently released a study by Atlantic Marketing Research, entitled "The Impacts of the Termination of Rent Control." This study, and the attached cover memorandum by the City's Community Development Department, noted the changing nature of Cambridge residents, with more highly educated, non-elderly, childless, higher income households moving in and lower income individuals, elderly people and families forced to move out.



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In its final comments about the implications of these findings on the City's housing policy, the City's Assistant City Manager for Community Development, Susan Schlesinger, highlighted the need to preserve and develop affordable housing for smaller households and specifically highlighted CASCAP's ASAP Initiative as a solution.

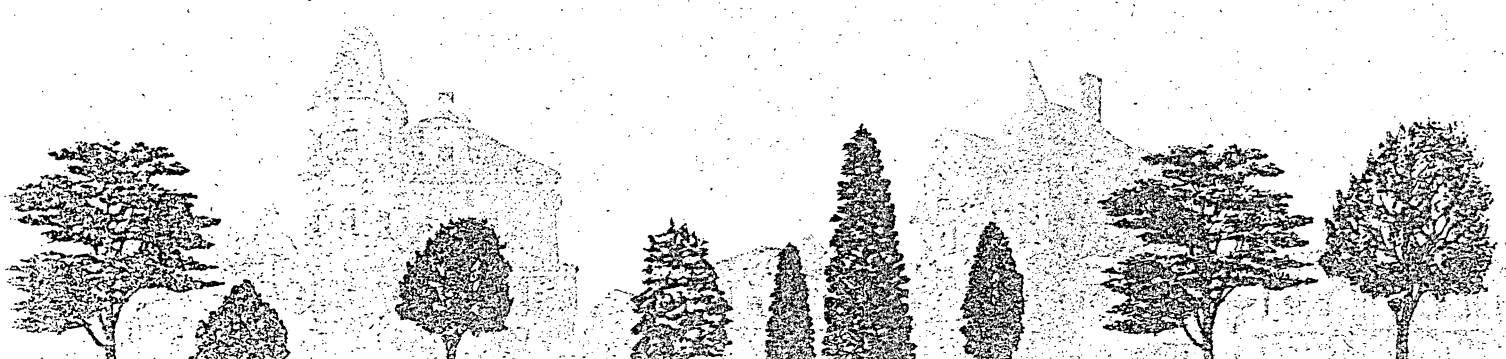
Retaining Economic Diversity: Due to the current market forces, it is a virtual certainty that, if not for CASCAP's proposal, these historically affordable rental apartments on Avon Hill in Cambridge would be converted for use by the high-end, luxury market. As rents and values rise, economic diversity is diminished. In a city besieged with the loss of economic diversity due to high rents and sales prices, CASCAP plans to maintain this property as permanently affordable housing in a Cambridge neighborhood that offers few, if any, subsidized units for households of modest means.

Furthermore, this multifamily rental property, located on Avon Hill, presents a rare and unique opportunity to preserve affordable rental apartments in this neighborhood. The preservation of these rental units, in this location, will respond to the often heard concern that non-profit, affordable housing is only concentrated in "lower income" or "working class" neighborhoods

The preservation of the Walnut / Upland apartments as high-quality, well-managed affordable, rental housing by CASCAP, an experienced non-profit owner and manager, will demonstrate that well-conceived affordable housing can be an asset in even the most exclusive neighborhoods of Cambridge and the Commonwealth.

Current Status: In January, CASCAP executed a Purchase and Sale agreement to buy the property. We have completed a thorough investigation of the property with our architect and construction cost estimator, prepared a comprehensive rehab plan and development budgets based on our study. We have had favorable initial responses to our financing requests from the City of Cambridge, the Cambridge Housing Authority, and Cambridge Savings Bank. We are advised that variances will not be required since our proposal is simply the continuation of the long-standing, historical use of this site. We are confident that an award of the amount requested from the Commonwealth will allow us to acquire the property in late spring and begin rehabilitation soon thereafter.

The Cost: City officials and development professionals alike in Cambridge will attest to the fact that the real estate market is booming. This immutable market fact reflects and reinforces the lack of affordable housing. Acquisition prices are high, even for properties which require substantial renovations. Many of the soft costs for affordable housing development are fixed and thus higher per unit for small projects. Cambridge offers almost no land and mostly smaller buildings as development prospects. CASCAP has typically developed smaller properties that reduce the stigmatization of lower income people and blend unobtrusively into the neighborhood fabric. Other expenses that often increase the TDC of small projects like Walnut / Upland are ADA requirements, historic restoration, life-safety systems and the length of the affordable housing development process.



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This particular property had not been well maintained or upgraded for many years and now requires extensive catch-up. All of the above factors combined with tax credit syndication expenses, historic restoration and the attractive location of the property contribute to the overall cost.

However, CASCAP believes strongly that there is a significant public interest in assuring that households of modest means are not excluded from attractive neighborhoods solely on the basis of their economic status.

The Conclusion: In short, we believe Walnut / Upland, once renovated, will address a critical housing need and return to the neighborhood an historical asset of which we will all be proud.

We at CASCAP value the relationship that we have forged with the Commonwealth, DHCD and its leaders over the years in our mutual efforts to create and maintain stable, high-quality, affordable homes. We expect that DHCD recognizes the current crisis of housing affordability for smaller households and assist us in preserving economic diversity in Cambridge. CASCAP greatly appreciates DHCD's recent HIF award for the Western Avenue project (the first ASAP development), and hopes that you will contribute similarly to the Walnut - Upland development.

On a personal note, you were recently good enough to come and visit a CASCAP property on Broadway in Somerville. You have seen the kind of care that we take in developing affordable housing, and that attention will be given to the proposed Walnut / Upland development. It is only through your continuing interest in and support that we can assure quality housing and equal access in all neighborhoods of the Commonwealth. If you have questions or require additional information, please don't hesitate to contact me or Bradley Day, CASCAP's Director of Property Development. Thank you for your commitment to affordable housing and for your consideration of this request for financial support.

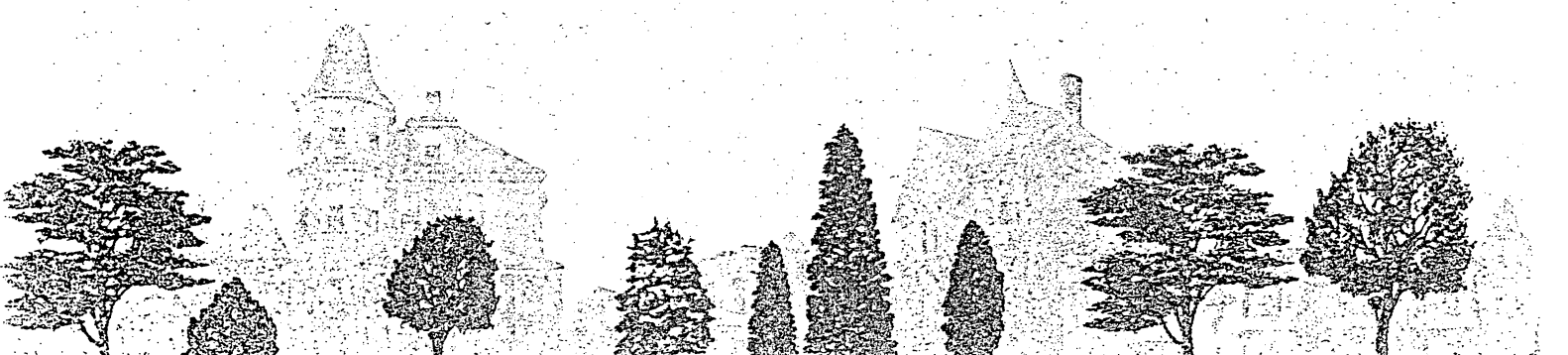
Sincerely,



Michael Haran

Executive Director

cc: Robert Healy, City Manager, City of Cambridge
~~✓ Frank Duchay, Mayor, City of Cambridge~~
Catherine Racer, Associate Director of Private Housing, DHCD
Bert Rodiger, Director of the Tax Credit Program
Joanne McGuirk, HOME/HSF Director
Thomas Sadtler, President, Board of Directors, CASCAP
Daniel J. Wuenschel, Executive Director, Cambridge Housing Authority



AFFORDABLE SMALL APARTMENT PRESERVATION BY CASCAP, INC.

GOAL: To preserve/recreate affordable small apartments in Cambridge in ample supply to meet the needs of single people of low and moderate incomes (under 80% of the area median income).

OBJECTIVES

- To provide affordable housing for single person households with low to moderate incomes.
- To acquire, rehabilitate and manage distressed, abandoned and/or neglected properties.
- To achieve efficiencies by developing several similar properties within geographic proximity.
- To research/apply innovative selective rehabilitation techniques to reduce development cost.
- To set aside at least ten percent (10%) of the units for disabled and/or elderly residents.
- To develop financial model for development/management of affordable small apartments.

MARKET DEMAND

In January 1995, 92.5% of the 20,000 Cambridge households protected by rent control lost that protection. Fifteen hundred (1,500) households were protected by rent control for an additional two years because they were elderly, disabled and/or low income. But, at the beginning of 1997, the protection for these households ended. CASCAP's Housing Resource Team, which serves the Cambridge and Somerville communities by providing supportive services and finding affordable housing for people in need, was flooded by calls and had few options to offer. As the economy thrives, rents are rising and low income people can no longer find affordable housing in Cambridge. Lodging houses, which once offered affordable rooms, are being converted into luxury apartments. Residents are forced to move outside of Cambridge, live in substandard housing or become homeless. This trend threatens the economic diversity of Cambridge.

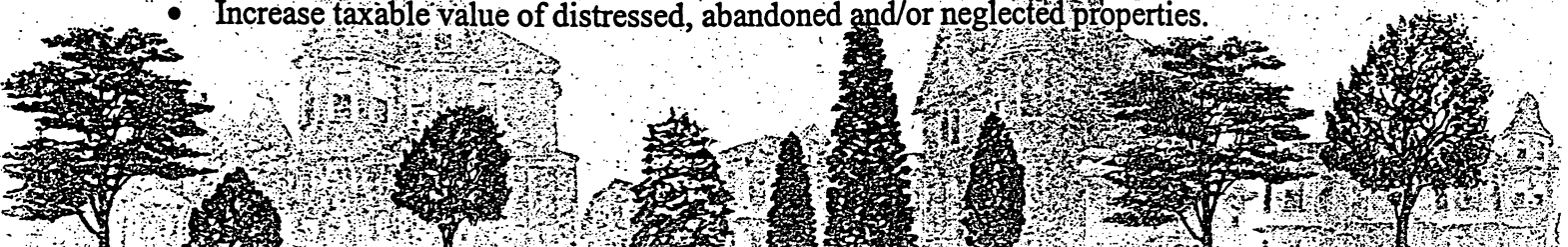
Almost half (47%) of the households that received the two-year extension of rent control protection were single, low income people who were neither elderly nor disabled. Two fifths (42%) of all 39,400 households in Cambridge are single person households (per 1990 Census). From a market standpoint, a focus on housing for individuals of modest means is opportune.

MARKET SUPPLY

The loss of rent control in Cambridge and the upturn in the regional economy, and the housing market in particular, has increased the turnover of properties. Many of the properties on the market contain smaller units which house very low to moderate income individuals. CASCAP plans to acquire such properties before they are purchased by for-profit developers and converted into high-priced housing. If these homes are to be preserved for single people of modest means, non-profit agencies like CASCAP with access to government support must play a critical role.

SOCIAL BENEFITS

- Provide quality affordable housing and maintain economic diversity of city.
- Turn blighted buildings from neighborhood liabilities into significant assets.
- Increase taxable value of distressed, abandoned and/or neglected properties.



Consent Communication #10

S-155

Communication was received from Michael Haran, Executive Director of CASPAR, regarding an application for tax credits and HOME funds for eight (8) Affordable Rental Apartments at 11 Walnut Avenue and 80 Upland Road, Cambridge.

In City Council March 16, 1998

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