CCM-101

City of Cambridge

5.

IN CITY COUNCIL

Councillor William H. Walsh
Councillor Saundra Graham
Councillor Sheila Russell

October 17, 1988

WHEREAS: The attached Memorandum, directed by the Assistant City Manager for Community Development to the Chairperson of the City Council's Committee on Rent Control, makes it clear that the renovation and upgrading of multi-family rent controlled properties demands much more than painting and papering. The health and safety of the residents is in the balance; and

WHEREAS: This Council has responsibility to insure that maximal security, health and safety are provided to the residents of Cambridge, and the present deteriorating and distressed condition of numerous multi-family rent controlled properties not only threaten that presence, but are inviting tragedy; now therefore be it

ORDERED: That the City Manager direct the Assistant City Manager for Community Development to arrange a date for a tour of all of the distressed properties listed in his Memorandum, within the next two weeks, for the members of this Council and the media in order that we and those whom we represent will have an on-site knowledge of the unacceptable living conditions which exist and thereby be better able to assess proposals which have been and will be made to remedy the often potentially life-threatening situations which are part and parcel of living in deteriorating properties. Further, that the City Manager report back to this Council on October 24, 1988 and propose a specific date and time for the tour for confirmation by the Council members.

(ATTACHMENT)

CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT
City Hall Annex - Inman & Broadway - Cambridge, Mass. 02139

498-9034

MEMORANDUM

TO: Chairperson David Sullivan
Committee on Rent Control

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

SUBJECT: Capital Needs in Rent Controlled Properties

DATE: September 27, 1988

Issue:

1. Deterioration of multi-family rent controlled property presents a serious threat to the continued use of these buildings as affordable housing.

2. The challenge is to meet the extensive capital needs of these wood-framed, older buildings and keep rents affordable.

Background:

1. Community Development Department report, a survey of buildings evaluated by the City's and non-profits' rehab specialists, gives an indication of the capital needs of a sample of buildings. The average cost to rehab a unit is $41,259. The cost of rehabbing all the structures surveyed is $9,242,045.

2. The older (circa 1900), wood frame buildings need major rehabilitation in order to continue use over the next thirty years. Systems need to be replaced, structural problems corrected, surfaces replaced and energy-related improvements made. This is <u>not</u>, strictly speaking, bringing the building up to code - that is repairing only glaring health and safety violations - but is ensuring the continued life of the building. In many cases, dealing solely with corrections of health and safety violations is not cost efficient, does not deal with the real causes of the violations and rarely serves the purpose of the overall upgrading of the property.

3. City's rehab programs (Rental Rehab, 312, NAHS) and the CHA's Mod Rehab Program are geared for a moderate level of rehab. The higher capital needs of the buildings require extensive layering of resources, but do produce upgraded affordable housing. Over $2,300,000 of public funds have been allocated to multi family projects in the past four years. This represents

the rehab of 197 units. Additionally the City allocates approximately $240,000 annually to support the administration necessary to implement the multi family rehab programs. (See list of Distressed Properties preserved through City/non profit intervention.)

4. Owners are reluctant to participate in rehab programs primarily because of the lack of financial incentive. Although Neighborhood Apartment Housing Services and the City's Rental Rehab program have been successful at assemblying financing packages from a variety of sources, both private and public, owners are hesitant to assume the high debt level needed for capital improvements. In fact, the amount of debt incurred in the process of rehab may be in excess of the value of property under rent control and make the property unmarketable except at a low price.

5. The Reg. 77 process which allows the Rent Control Board to make a determination of operating and capital adjustments for properties participating in a non profit rehab program on a prospective basis, has worked as a way to involve conventional lenders in rehab projects.

6. We are seeing buildings for which there are no easy resolutions. Reg. 47 may not work to preserve as many units as previously possible due to the soft condo market. These "stuck" buildings tend to have high acquisition prices as well as high rehab costs.

<u>Solutions</u>:

1. Increase capacity of non-profit agencies to acquire and rehab distressed multi-family properties. These properties could be held by the non-profit agencies as rental properties or converted, at some point, to limited equity coops. Responsible non-profit ownership will help keep units affordable over the long run, maintain a high quality of housing and allow tenants more input to decisions related to their housing. Additionally, the use of large amounts of public subsidy may be more justified in projects with non-profit ownership ensuring the affordability over the long run.

2. Identify significant resources for low interest revolving loan fund. Different sources discussed have been a fee on certain rent controlled units, condo conversion fee, linkage funds (clearly not substantial enough) and City revenue.

3. Adequate financial incentives that will encourage the participation of owners in multi family rehab programs must be identified. The incentives might include expansion of the Reg. 77 process, allowing adjustments for capital costs to remain in rents for life of the rehab loan or a longer time period and additional return on capital improvements.

MHR:SS:nbm

CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT
City Hall Annex - Inman & Broadway - Cambridge, Mass. 02139

498-9034

COMMUNITY DEVELOPMENT DEPARTMENT REPORT ON DISTRESSED BUILDINGS

The following list of distressed properties was assembled from doing a review of properties that the Community Development Department and housing non-profits have evaluated over the last two years. This is not meant to be an exhaustive list, but only to indicate that a significant number of properties are in need of major rehabilitation.

Part II represents a number of buildings that have gone through extensive and expensive rehabilitations. The units remained affordable due to participation in City or non-profit programs and the subsidy and technical assistance attached to those programs.

Part III is a fairly sketchy list of buildings in the last phase of distressed properties - that is, either vacant, boarded, scheduled to be demolished or actually demolished.

Part IV lists buildings that were distressed and were exempted, in part, from rent control through a variety of routes.

I. Distressed Properties Address	# of Units	Cost Per Unit
Second Street	4	$ 75,000
Portland Street	8	77,000
Elm Street	6	35,000
Cambridge Street	5	35,000
Andrew Street	4	50,000
7th Street	6	35,000
Charles Street	5	30,000
Charles Street	5	40,000
Mullins Street	16	32,000
Hurley Street	4	30,000
Hurley Street	6	50,000
Cambridge Street	27	25,000
Richdale Avenue	7	71,000
River Street	6	60,000
Prospect Street	6	50,000
Franklin Street	12	45,000
Auburn Street	18	46,000
Schwartz Properties	59	36,255
Pleasant Street	6	35,000
Putnam Avenue	14	25,000
Western Avenue	14	25,000
Totals	224	$882,955
Total Costs to rehab all strucutures		$9,242,045
Average Cost per unit		$ 41,259

II. Distressed Buildings
(Affordability preserved through non-profit/City participation)

Spring St.	6	28,500
Western Ave.	6	58,000
Norfolk St.	6	43,000
Laurel St.	6	40,000
Cambridge St.	9	27,700
Berkshire St.	8 (11)	62,500
Brookline St.	6	50,000
Marcella St.	12	35,000
Totals	59	$344,700
Total Costs to rehab all structures		$2,486,300
Average Cost per unit		$ 42,141

III. <u>Miscellaneous Distressed Buildings</u>
(Empty, boarded, Board of Survey demolish order pending or implemented)

Plymouth St.		
Elm St.		
Cambridge St.	12	
River St.	6	Demolished
Putnam Ave.	6	Demolished
Cherry St.	5	
Cedar St.	4	
Hampshire St.	20+	
Cogswell Ave.	18	(Pending Board of Survey report)
Gerry St.	7	
Roberts Rd.	4	

IV. Distressed Buildings (New construction status granted or other approvals)

Windsor St.	6	
Cambridge St.	4	
Craigie Arms	60	rent control units converted to 50 units
Trowbridge St.	15	rent control units converted to 8 units/2 units sold to CHA
Pearl St.	15	rent control rooms converted to 4 units
Totals	100	

CCM-101

City of Cambridge

COUNCILLOR WALSH
COUNCILLOR GRAHAM
COUNCILLOR RUSSELL

5.

IN CITY COUNCIL

October 17, 1988

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WHEREAS: This Council has responsibility to insure that maximal security, health and safety are provided to the residents of Cambridge, and the present deteriorating and distressed condition of numerous multi-family rent controlled properties not only threatens that presence, but are inviting tragedy; now therefore be it

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(ATTACHMENT)

In City Council October 17, 1988.
Adopted by the affirmative vote of 9 members.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton, City Clerk.

Order #5 F-460

C.'s Walsh, Graham & Russell order re: that the City Manager direct the Asst. City Manager for Community Development to arrange a date for a tour of all distressed properties listed in his memorandum to the Council's Committee on Rent Control, within the next 2 weeks for Council members & the media to view the living conditions at these locations.

In City Council,

October 17, 1988

10-17-88

C.'s Walsh, Graham & Russell

Order Adopted

9-0-0-0.