



City of Cambridge

COUNCILLOR DUEHAY

27

IN CITY COUNCIL

June 29, 1987

*report at actual
have pls
include!*

- ORDERED: That the City Council go on record accepting the recommendations of the Linkage Study Committee and incorporated within the Committee report dated June, 1987 and identified as Recommendations 1, 2 and 3 which outline options available to the Council and which, if implementation is desired would require legislative action at the State level, as well as the creation of a comprehensive zoning ordinance; and be it further
- ORDERED: That this City Council go on record further accepting the second set of recommendations identified as Recommendations 1a, 1b, 2, 3 and 4 which would require additional ordinances being drafted establishing a Housing Fund; and be it further
- ORDERED: That the above referenced recommendations be accepted with the provision that any member of the City Council who wishes to state their opposition may do so by informing the City Clerk of said opposition.

In City Council June 29, 1987.
Adopted by the affirmative vote of 8 members.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:-
Joseph E. Connarton, City Clerk.

COUNCILLORS WILLIAM WALSH, SHEILA RUSSELL, MAYOR WALTER SULLIVAN & VICE-MAYOR ALFRED VELLUCCI NOTIFIED THE CITY CLERK OF THEIR OPPOSITION TO A PROPOSED TRANSFER TAX BEING UTILIZED AS A LINKAGE ALTERNATIVE.

COUNCILLORS ALICE WOLF AND DAVID SULLIVAN NOTIFIED THE CITY CLERK THAT THEY WOULD ONLY FAVOR INCENTIVE ZONING IN CONJUNCTION WITH DOWNZONING.

Councillor Dwyer

Ordered:

That this City Council go on record accepting the recommendations of the Language Study Committee as incorporated within the committee report dated June 1987 and ~~the~~ ^{the} as recommendations 1, 2 and 3 which outline options available to the Council and which, if implementation is desired would require legislative action at the state level as well as the creation of a comprehensive zoning ordinance and be it further

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That ~~the~~ the above referenced recommendations be accepted with the provision that any member of the City Council ^{may do so} wishes to state their opposition ^{may do so} by informing the City Clerk of ^{said} ~~the~~ opposition ~~to the~~ ~~said recommendation~~

A u / U

IP

Councillors William Walsh, Sheila Russell ~~and~~ Mayor Walter Sullivan ^{and via Mayor Alfred Villan} notified the City Clerk of their opposition to a proposed transfer tax being utilized as a bridge alternative.

IP

Councillors Alice Wolf and David Sullivan notified the City Clerk ~~that~~ that would only favor incentive zoning in conjunction with ~~down zoning~~



CAMBRIDGE CITY COUNCIL

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 498-9094

Report of the City Council Committee on Linkage

June, 1987

The Committee on Linkage of the Cambridge City Council was formed by Mayor Sullivan in 1986 at the beginning of the current city council term. The committee agreed that its mandate was to review various different options for generating funds for low and moderate income housing through its own regulatory and legislative power. Other reports document more fully the need for affordable housing and the fact that housing costs have risen faster and are higher in greater Boston than in any other region of the country.

An earlier council initiative in 1984 failed because it encountered substantial opposition. Accordingly, this committee's approach has been a careful and methodical assessment of options with special consideration being given to the economics of the market place.

In framing its options and conclusions the committee has had the benefit of two investigations which have now been completed and are available in written form. The first report by Leggat McCall Advisors of Boston was initiated by the Cambridge Community Development Department and funded through a special state planning grant. This report outlines the funding options available to the City and assesses the cost and benefits of each. The second report written by Karl Schlachter, a second year graduate student at the Kennedy School of Government (and now the Director of Housing for the City of Gardner, Massachusetts), deals with how the money raised should be spent. These reports, together with commentary on them by the Cambridge Housing Authority and by non-profit Cambridge housing officials, are appended to this report.

The Leggat McCall report evaluates four funding options:

(1) The real estate transfer tax levied on the seller. This option would raise the most money, approximately \$2 million per year, with the first \$300,000 of value exempt. The transfer tax would be a more stable source of funding and would also spread the cost more evenly across the community. Special state legislation, however, would be necessary before Cambridge or any community could adopt this approach.

(2) Linkage exaction. Economically the study found a fee of up to \$3 per square foot (or its equivalent in land or housing units) could be assessed on developments of more than 100,000 square feet. Developments of less than 100,000 square feet would be exempted. If there is no exemption, the report estimates the market would support a fee of \$1 per square foot for all development. This option could bring in about \$1 million per year under present conditions. This option is less desirable than others because it singles out one class of property owners to pay the fee and because, if the development cycle slows, then less money would be available. Thus it is not a reliable source of housing funds. Other difficulties with this option are that it would require special state enabling legislation and that the city would have to structure a complex impact fee system.

(3) Incentive Zoning. Incentive zoning is a system for allowing developers to contribute affordable housing in exchange for zoning concessions, such as increased density, height, or set back. Other than the voluntary option mentioned below, this is the only option the council could adopt without state legislation. Economically the study found that up to a \$3 per square foot contribution (or its equivalent in units or land) could be borne by the market. The major problem with this option is that there has been a city wide movement in Cambridge toward down-zoning in residential neighborhoods in recent years.

(4) Voluntary. This option involves a voluntary contribution by a developer to support affordable housing programs in return for neighborhood support, city assistance in gaining grants or accelerating the permit process. This option is an unreliable and unpredictable source of income. There would be some advantage in having a uniform voluntary option in the event other options are not approved.

Recommendations to the City Council:

1. This committee accepts the recommendation of the Leggat McCall report that its preferred option be the real estate transfer tax with the first \$300,000 exempted and with an exemption for first time house buyers.

2. Since the Council's first choice involves state action, it is desirable to have a second alternative. Consequently, the Council requests the City Manager to direct the Community Development Department to draft a comprehensive incentive zoning ordinance for city council consideration as soon as possible.*

3. In the event that neither option is approved or that they are approved with major changes or exemptions, it may be desirable to have a uniform voluntary policy. Money raised in such a voluntary way could also be applied toward education in accordance with an earlier council vote. Accordingly, the Council hereby requests the City Manager to direct the Community Development Department to draft a comprehensive voluntary policy for city council consideration in the event that neither recommendation 1 or 2 above is adopted.

The Schlachter report deals with how to organize the city government and the various agencies dealing with housing to spend the money generated by linkage most effectively (see Chart 1).

This committee accepts the recommendations of that report. Its key recommendations are that linkage money support a broad range of housing programs, in addition to the creation of new affordable units, and that a Housing Fund be established with a Board of which the City Manager shall be Chair.

Recommendations to the City Council:

1. The Committee recommends that the City Council request the City Manager to cause an ordinance to be drafted which would:

- a. Establish a Housing Fund into which funds from the linkage program would be deposited; and
- b. Establish a Board of Directors of the Housing Fund of seven members to be chaired and appointed by the City Manager and to consist of individuals concerned with housing policy in the city. Such members could be members of relevant city and non-profit boards, housing advocates, developers, or bankers. The intent of this section is to make the chief executive of the city completely accountable to the city council for the effectiveness of this program. The function of this Board is to develop and recommend housing goals, to administer the Housing Fund, to develop and carry out projects, and to report to the City Council on an annual basis for policy approval.

2. The Committee recommends that the City Council emphasize the use of this Fund for affordable new units but that the Fund also be used for a wide variety of other housing programs designed to maximize the impact of the

money, including but not limited to multi-family/rental rehab programs and limited equity cooperative conversion programs.

3. The Committee recommends that the City Council request the Board of Directors of the Housing Fund to establish a Land Bank to purchase infill sites and distressed buildings, to help accelerate new affordable housing production, limited equity cooperative conversions, and multifamily rental rehab efforts. One option might be to designate the Cambridge Housing Authority to carry out that function since it already has the legal power to do so. However, the new Board should determine exactly how the Land Bank should be organized and seek additional city council legislative authority, if required. It is envisioned here that the roles of existing municipal agencies dealing with affordable housing, i.e. the Housing Authority, the non-profit Community Development Corporations, and the City's Community Development Department be preserved, and that the ties among them be strengthened, through the creation and operation of the Board of the Housing Fund.

4. The Committee recommends to the City Council that it ask the Board of the Housing Fund to develop a home mortgage pool program with local lenders so that middle income families who otherwise would not qualify for financing can afford to buy a two or three family home. In return for this subsidy, the new owner would agree to accept Section 8 or Chapter 707 tenants.

Respectfully submitted,

Councillor Francis H. Duehay, Chairman*
Councillor Saundra Graham
Councillor Sheila Russell
Councillor Alfred E. Vellucci
Councillor William H. Walsh**

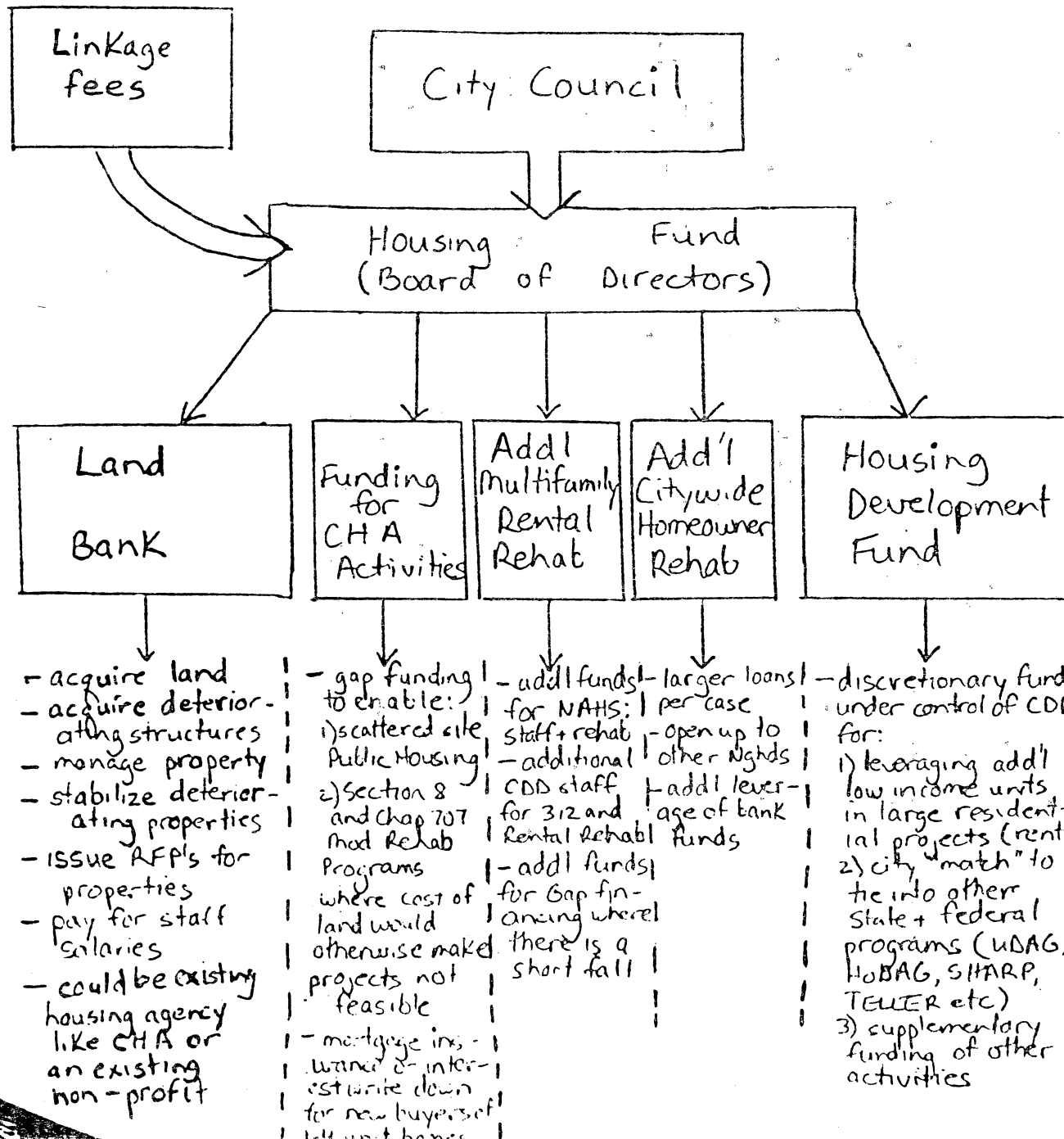
The Committee on Linkage

*Councillor Duehay would like to add the following sentence to recommendation 2 on page 2, but has not consulted the committee:

Given the development density already in effect throughout the City, insofar as possible this should be a down-zoning or an adjustment of existing PUD's.

**Councillor Walsh has asked that his written dissent from some aspects of the report be included with the committee report. (attached)

Proactive Funding Model



Steps

- Council decides yearly on broad guidelines and defines a range of activities for the Housing Trust Fund
- Housing Fund Board decides upon goals and allocates funds to the various programs (Quarterly, Semiannually or Annually. Reviews activity results and need for additional funds)

Results

1. Planned Affordable Housing Activity
 - programs are scrutinized together, rather than separately
 - Flexibility and adjustment is easy
 - provides forum for public debate
 - a step removed from electoral politics
2. Reduces wasteful time spent competing for land and city resources
 - activity concentrated into 2 or 4 periods per year
3. Encourages cooperation among housing organizations



CAMBRIDGE CITY COUNCIL

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 498-0094

William H. Walsh
City Councillor

June 10, 1987

Frank Duehay
Cambridge City Councillor
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, Massachusetts

Dear Frank:

I have read a copy of the report on Linkage as drafted by you. I must at this time request the right to dissent from the recommendations.

First of all, I strongly believe that a transfer tax would be very detrimental to the City. The cost of owning homes in Cambridge is already extremely expensive. I think you have seen in the recent revaluation that the average Cambridge single family is \$288,000 and that two and three family homes are in excess of \$300,000. This kind of tax would just add to that cost. In addition, as you realize, at least 25% of this tax would have to be used for open spaces, not housing. At least this is my understanding. If I am wrong, please advise.

The only transfer tax that I could even possibly consider supporting would have to be on non-residential property. If this is feasible I would consider this alternative.

Secondly, as to Linkage Exaction, I again fear this would have a reverse economic reaction which could cause a slow down of new construction which as both you and I know was a saving factor in this year's revaluation.

As to Incentive Zoning, I would be willing to support this. Despite the city-wide downzoning, we could target certain areas of the City which are now commercial such as Northpoint and support a housing market in these areas through Incentive Zoning.

Voluntary. The problem with Voluntary Linkage remains it is not predictable and, therefore, can cause more chaos than good.

I feel that there are other alternatives which should be and must be looked into in addition to Incentive Zoning.

Frank Duehay
June 10, 1987
PAGE TWO

A. You have failed to mention in your report the deteriorating housing stock which is one of the main reasons that we need Linkage. One immediate cure to this problem is vacancy decontrolling of 4-8 unit buildings provided they are owner-occupied and provided the owners agree to have the City's Building Department inspect these properties and as a condition of decontrol they be brought up to code and that a certain percentage of the vacant units be leased back to the Cambridge Housing Authority with a special emphasis on two bedroom units. I especially emphasize two bedroom units since there is a severe shortage at the moment and as a result it is my understanding that there are 200 Section Eight Certificates unused. This type of program of linking vacancy decontrol with renovation of property and fulfilling the needs of the Housing Authority is constructive and positive and will not increase the cost of home ownership in Cambridge.

B. I strongly believe that the Linkage Committee should meet with all the banks of Cambridge and work out a below market acquisition and renovation loan program in order to help rehab the deteriorating housing and at the same time to allow families of low and moderate income to be able to purchase their homes. As you realize, Mr. Chairman, we have a declining population in this City of approximately 1000 people per year. We have fewer people living in a larger amount of space than we did in the 1950's, 1960's and 1970's. Our school enrollment has been declining and at best is now stabilizing. We must use Linkage as a tool to allow families to remain in Cambridge now and not at some time in the future.

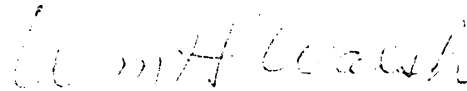
Therefore, Mr. Chairman, would you please record me accordingly. In addition, as to the recommendations contained in Page 3, I do not object to a housing fund being established. I do object to the money being limited to housing. I do feel that a portion of it should go to the School Department and additional funds should be used to create congregate elderly housing. I also feel that some of the funds should be used to acquire housing for low and moderate income families on the following plan:

A. A qualifying family be allowed to purchase a home in Cambridge with Linkage money being used to assist in the deposit and/or to subsidize the mortgage and that the City participate in the equity of a resale; to wit, if the house was sold in the first year, 90% of the profit would go to the City; 80% the second year; 70% the third year, etc. until ten years have elapsed at which point the City would no longer be involved in equity participation. This will allow a low and moderate income family to obtain equity for their future life and at the same time if they chose to sell before ten years, they would be replenishing the housing fund to allow someone else to have the same opportunity. This I feel is better than limited equity.

Frank Duehay
June 10, 1987
PAGE THREE

Mr. Chairman, I hope you will file this report with yours and I want to congratulate you for doing an excellent job as Chairman of your committee. My descending opinion is based on my own personal belief on how linkage can really work in Cambridge.

Sincerely,

A handwritten signature in cursive script, appearing to read "William H. Walsh".

William H. Walsh,
Cambridge City Councillor



City of Cambridge

27.

COUNCILLOR DUEHAY

IN CITY COUNCIL

June 29, 1987

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C. Duehay order re: City Council go on record accepting the report attached herewith, including the recommendations of the Linkage Study Committee & incorporated in the Committee report dated June, 1987, identified as Recommendations 1,2 & 3 & also accepting the second set of recommendations identified as Recommendations 1a, 1b, 2,3 & 4 & that same be accepted with the provision that any member of the Council who states their opposition may do so by informing the City Clerk.

In City Council,

June 29, 1987

Report accepted
See Notations
Enclosed