



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

SUSAN B. SCHLESINGER

Assistant City Manager for
Community Development

BETH RUBENSTEIN

Deputy Director for
Community Development

TO: Robert W. Healy, City Manager

FROM: ^{BR} Beth Rubenstein, Acting Assistant City Manager for
Community Development

DATE: January 6, 1999

RE: Council Order #056 dated 12/9/98 RE: Report on
Steps Taken to Oppose Unreasonable Rent Increases to
Tenants of Walden Square Apartments

Council Order #052 dated 12/7/98 RE: Review the
Possibility of Purchasing Walden Square Apartments

Walden Square Apartments is a HUD-assisted 240-unit rental development built in 1974 and located in Neighborhood Nine. All of the units in the development are assisted through the federal Section 236 program and are affordable to low and moderate income tenants. While this project is subject to prepayment of its federally insured and subsidized mortgage, federal use restrictions will remain on the property for the full 40-year term until June, 2014. The property is currently owned and managed by the Boston Financial Group.

The considerable current activity related to this development, with respect to both rent levels and the status of its ownership, is detailed as follows:

1. RENT INCREASE

The owner notified the residents and HUD on September 1, 1998 that it intended to apply for an annual rent increase of approximately 6.5%, pursuant to HUD program regulations. The stated purpose of the rent increase is to address both long- and short-term capital needs of the property and improve security.

On October 22, 1998, HUD approved the proposed rent increase and following the required 30-day notice period to tenants, this increase took effect on December 1, 1998.

The Community Development Department has contacted all of the parties involved in the process: the tenant association; the Massachusetts HUD

Tenant Alliance, which is working with the tenants; the property manager; and HUD officials.

We have committed to providing technical assistance to the tenant association to analyze financial and physical conditions information for the project. In late December, we received numerous documents related to the project's budget, physical conditions, and recent capital improvement program, and have commenced a review of these materials.

Our preliminary analysis of the rent increase is that it will have a varying impact on tenants depending on the income and subsidy of the tenant. Roughly one third of the tenants are assisted through the Section 8 program, and the increase will have no impact on the amount of rent paid by those tenants. Another third of the tenants are not assisted through Section 8, but will have rent burdens of no greater than 30% of household income. The final third of tenants have rent burdens of greater than 30%, including approximately 11 households with a rent burden of over 50% of income. It must be noted, however, that the Section 236 program does not cap rents at 30% of tenant income, so many of these tenants already had higher rent burdens. Nonetheless this most recent increase will exacerbate the financial burden of these tenants.

Tenants paying greater than 50% of income for rent may be able to access Section 8 assistance through either the project-based allocation or the CHA. We will ensure that those tenants receive the necessary information to pursue such assistance.

Finally, we note that HUD has already approved the rent increase and there is little likelihood that HUD would rescind such approval. Our efforts will be best devoted to helping tenants to ensure that needed capital improvements are completed and assisting those tenants facing the most serious rent burdens.

2. STATUS OF OWNERSHIP

The Community Development Department has just been informed on January 4, 1999 that the property is under agreement to be sold to a new owner. This new owner is committed to preserving the affordability of the project under the Section 236 program, and may seek state subsidies to undertake a more comprehensive capital improvement program.

Please let us know if you need further information regarding this matter.



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35.

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

January 11, 1999

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 29, regarding a report on steps taken to oppose unreasonable rent increases to tenants of Walden Square Apartments, received from Acting Assistant City Manager for Community Development Beth Rubenstein.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #35

S-17

Relative to AR 29 regarding a
report on steps taken to oppose
unreasonable rent increases to
tenants of Walden Square
Apartments.

In City Council January 11, 1999

PLACED ON FILE