

City of Cambridge

The Housing and Community Development Committee held a public meeting on January 12, 1995, beginning at 5:10 p.m. in the Sullivan Chamber for the purposes of:

- 1) discussing the reason why there was no closing on the Brookline Street housing project despite assurances from the parties that the deal would be finalized on January 9, 1995; and,**
- 2) discussing the availability and the potential for development of home buyer assistance programs and other opportunities for affordable housing.**

Present at the hearing were Councillor Francis H. Duehay, Chair of the Committee, Vice Mayor Sheila T. Russell, Councillors Kathleen L. Born, Jonathan S. Myers, Timothy J. Toomey, Jr., and Anthony D. Galluccio, City Manager Robert W. Healy, Assistant City Manager for Community Development Susan Schlesinger and City Clerk D. Margaret Drury.

Councillor Duehay convened the hearing and explained the purpose. He explained that the meeting was initially called to begin to discuss opportunities for affordable housing in light of the recent change to rent control. In the middle of the week, he heard there were continuing problems with the Brookline Street housing project closing and put that issue back on the agenda.

Councillor Duehay noted that news from Washington of impending major changes to HUD would require the attention of this Committee.

Councillor Duehay requested that the meeting begin with a summary of the present situation at the Brookline Street project.

Susan Schlesinger, Assistant City Manager for Community Development stated that all of the loans had been closed. The contractor is on the site, and the site has been fenced. Ms. Schlesinger stated that there is a remaining language issue relating to the Phase One of the Brookline Street housing. She further stated that Forest Cities feels strongly that before Phase One goes forward, they want an agreement regarding Phase Two.

Councillor Duehay asked why it cannot be signed. Ms. Schlesinger said that there are language difficulties relating to how the agreement can be modified in the future. Homeowner's Rehab, Inc., (H.R.I.) the developer of the affordable housing, wants language that would allow negotiations if Phase Two cannot be built in the future or if modifications are needed.

Peter Daly, Executive Director, H.R.I. said that since the whole financing environment for the affordable housing is changing, some flexibility is needed in the

Housing & Community Development Meeting
January 12, 1995
Page 2

language to enable H.R.I. to utilize different funding mechanisms, etc. Otherwise, H.R.I. could get stuck with an agreement that it cannot fulfill due to changes beyond their control.

Councillor Myers stated that this seems very unfortunate and asked whether an agreement was expected.

Councillor Duehay said that the federal government is cutting housing funding drastically and there clearly needs to be some flexibility.

Ms. Geneva Malenfant of Henry Street asked whether the proposed agreement regarding Phase Two is very specific regarding sizes of units, income levels, etc.

Mr. Daly said it was a six or seven page document , in some areas specific and in some areas general. H.R.I. is only asking for an agreement to revisit the issues if necessary.

Councillor Duehay asked why this document is necessary now.

Mr. Daly said that H.R.I. does not believe it is absolutely essential, but Forest Cities does.

Councillor Myers asked when Phase Two would be built.

Mr. Daly stated that is would not be started until after Phase One is built.

Councillor Born asked what the amount of exposure is for Forest Cities if they do not have this agreement. Ms. Schlesinger said that there are some thresholds in the zoning which require additional units of housing to be built before the square feet of commercial development can exceed the threshold, but they are nowhere near those thresholds.

Mr. Cavellini of Brookline Street said that Forest Cities has hundreds of thousands of square feet to go before it hits those thresholds.

Councillor Born asked in that case, what is the issue that troubles Forest Cities.

Ms. Schlesinger said that Phase Two is very far in the future at this time.

Councillor Duehay stated that Forest Cities should not be holding Phase One hostage to Phase Two.

Housing & Community Development Meeting

January 12, 1995

Page 3

Mr. Cavellini said that he believes that the zoning is loose enough so that Forest Cities could get out of its commitment to build that last 100 units if funding for affordable housing is not available.

Councillor Myers noted that seven years after the City Council agreement, they are still waiting for the first unit of housing on the site. Perhaps the City Council should rethink the entire agreement.

Councillor Duehay stated that the City Manager is still in his office awaiting another telephone call regarding further developments. He will leave the issue open for now.

Councillor Born asked what are the possibilities to get action from Forest Cities.

Councillor Duehay said that ultimately the City Council could rezone the entire site. There are myriad possibilities.

Councillor Duehay then moved the meeting to the principle item scheduled. Ms. Schlesinger distributed a memorandum regarding affordable housing programs (Attachment A).

Councillor Duehay stated that he would propose that the Committee first review the present affordable housing programs. He noted a major housing emergency on the horizon in that the major sources of federal funding for affordable housing are now threatened. Councillor Duehay stated that the Committee must first understand the environment in which affordable housing programs are working. He noted he had received material from the National League of Cities which he would request that the City Clerk distribute to all City Councillors. Councillor Duehay suggested that the Committee then look at what more the City can be doing.

Councillor Duehay then asked Ms. Schlesinger to summarize the memorandum. Ms. Schlesinger started by saying that the City has always had an affordable housing policy and with or without rent control, it will continue to have an affordable housing policy. Over the last ten years there have been extensive efforts in several areas.

Ms. Schlesinger then proceeded to summarize the memorandum. She noted the strong housing infrastructure that exists in Cambridge, with its strong housing non profit agencies. Cambridge has invested significant resources in affordable housing. Major federal funds come from two programs, the Block Grant funds and HOME funds. The Cambridge Housing Authority, which is not a City entity, is one of the strongest in the country.

Housing and Community Development Meeting

January 12, 1995

Page 4

Ms. Schlesinger then went on to summarize the home ownership initiatives which provide opportunities to low and moderate income residents. In the last ten years, Cambridge has expended \$1.28 million in loans and grants to support non-profit development of 63 units for sale to first time low and moderate income buyer. The units are limited equity units, a scheme which works well in Cambridge.

Cambridge has negotiated with area banks for a \$7.5 million pool of reduced rate mortgage financing to implement a "soft second" loan program. In addition, the Community Development Department also sponsors first time home buyer classes, including classes for potential buyers of multi-family residences.

Ms. Schlesinger went on to describe the Home Improvement Program (HIP), a long standing low-interest rehab loan and technical assistance program to low and moderate homeowners.

With regard to the soft second program, Councillor Duehay asked about income eligibility. Ms. Schlesinger stated that eligibility is 110% of median income.

Carole Marks of Community Development described the marketing and public notification of the program.

Vice Mayor Russell asked if the programs which get federal and state funding can be restricted to Cambridge residents. Ms. Schlesinger stated that Cambridge residents can be given priority, although nonresidents cannot be absolutely banned.

Mr. Gordon Gottsche of Just-A-Start said that in 99% of the cases, units go not only to Cambridge residents, but also to people from the neighborhood where the housing is located.

Vice Mayor Russell asked whether Cambridge residency is a priority for rental programs as well. Ms. Schlesinger said that it is, and that this is also true for C.H.A. housing.

Vice Mayor Russell said that in the Bigelow Street housing, the Welfare Department sends them nonresidents. Ms. Schlesinger said that Bigelow Street is a shelter, and the shelter system is somewhat different. Community Development Department housing programs are permanent housing programs.

Councillor Galluccio asked what the Pine Street housing was. Ms. Schlesinger stated that it was owned by St. Paul AME.

Councillor Born stated that she wants to know whether limited equity programs can provide opportunities to assist in the present crisis.

Councillor Duehay said that he would like to see a comprehensive and detailed description of every affordable housing development in the City for the next meeting with site addresses included. He then suggested that this meeting continue to focus on homeownership.

Vice Mayor Russell stated that she is wondering whether the concentration now should be on housing for families rather than housing for special needs. Ms. Schlesinger said that 85% of Community Development housing money has gone for family housing.

Councillor Galluccio said that there are now thousands of formerly rent controlled tenants who no longer feel secure. He also stated that he knows of many young families who moved to places like Everett who did not think they qualified for affordable housing assistance but who probably did. He encouraged increasing the marketing efforts.

Councillor Galluccio also stated that under Chapter 282, the eligibility requirements will mean that the City will have additional records of those who will qualify for and need housing assistance.

Councillor Born said that there will be some real estate market changes that may present some opportunities.

Ms. Schlesinger said that there may be opportunities for non-profits to buy some buildings and some opportunities for homeownership. However, there are many barriers. There are numerous and significant underwriting issues. Many tenants either cannot buy or do not want to buy.

Mr. Gottsche added that the limited equity coops take an enormous amount of back up supports. He added that Just-A-Start owns 150 units which are predominantly family units occupied by working people. Non-profit rental and equity controlled ownership are the strongest programs.

Councillor Duehay asked if the City were to bond for affordable housing, how would Mr. Gottsche want to see the money spent.

Housing and Community Development Meeting

January 12, 1995

Page 6

Mr. Gottsche said that the greatest need is for front-end capital to buy units that come on the market.

Councillor Galluccio said that he has seen ads in the Chronicle for condos for \$50,000 through \$80,000. He asked how the city can take advantage of this.

Councillor Duehay said that there are people living in rent controlled units who would like to buy them but don't have the down payment or quite enough money.

Councillor Born asked Mr. Gottsche what the City could do to be helpful. Mr. Gottsche reiterated the need for front end acquisition money, to be able to buy the building for cash and then tie down the financing.

Councillor Galluccio asked whether the City could give tax breaks and still get the same amount of revenue through other tax revenues. Ms. Schlesinger said that she did not know but would provide information at a later meeting.

Ms. Schlesinger noted the problems with City guarantee of loans.

Councillor Duehay said that the City should be prepared to go to the State for assistance and legislative changes if necessary.

Ms. Schlesinger noted there are some discretionary grant funds in the Housing Bond Bill that Cambridge is looking at.

Vice Mayor Russell suggested looking at the Affordable Housing Trust fund to see whether changes are necessary. Ms. Schlesinger said that the major issue is resources. The Trust has about \$500,000, and need more funding.

Councillor Duehay noted that the major barrier is flexible money. He then asked what would a \$5 million bond issue get the City in terms of housing.

Mr. Alex Steinbergh of Clinton Street, Resource Capital Group, said that there are many people in the 60-80% of median income category with a stable income and no savings. He does not believe there will be a problem finding lenders to write loans. Lenders usually want to see 70% owner occupants. Mr. Steinbergh also said that there has been a surge in demand in the market since the end of the year. Rent controlled units were available at \$20,000; now there won't be units for less than \$40,000.

Housing and Community Development Meeting

January 12, 1995

Page 7

Councillor Duehay asked whether a bond issue should focus on assisting individual owners to buy condo units or non-profits to buy buildings.

Mr. Steinbergh urged that the City do both.

Ms. Schlesinger noted the possibility of approaching MHFA to request a set-aside for low interest funds to assist first time homebuyers.

Councillor Duehay pointed out that there are advantages in using MHFA funds instead of the City doing the bond issue.

Ms. Schelsinger noted additional problems with City bonding for this kind of program. Typically the City bonds for 10 year periods, which do not match up with the financing period of housing. There would also be issues with bonding for a program to loan to many different individuals rather than one project.

Councillor Galluccio asked Alex Steinbergh what changes he foresees in the housing market. Mr. Steinbergh reported that there would be shifts in sectors. Wholesale prices will go up. What were previously market rents will come down. The condo market will change fast; the opportunities are now and won't last.

Councillor Duehay introduced City Manager Robert W. Healy for a report on Brookline Street. Mr. Healy said that the lawyers have made some progress and are continuing to work towards resolution.

Councillor Duehay noted the Committee's interest in additional detail on how the City could help tenants to buy their units and help non-profits buy buildings. He then asked Ms. Schlesinger to summarize recent federal funding developments. Ms. Schlesinger distributed material from Citizens Housing and Planning Associates (CHAPA) on what HUD Secretary Henry Cisneros is suggesting to Congress (Attachment B). She then summarized the proposed consolidations, including a switch from operating funds for public housing to vouchers that tenants can use at the public housing project or can take elsewhere.

Mr. Healy said that as draconian as this proposal appears, the Republican Congress will probably demand additional cuts.

Ms. Schlesinger noted that these proposals are in flux. The current proposal is to consolidate all HUD programs into three block grant programs: housing certificates and vouchers, the affordable housing fund and the community opportunity fund.

Housing and Community Development Meeting

January 12, 1995

Page 8

Councillor Duehay asked how elimination of HOME and CDBG would affect Cambridge housing. Ms. Schlesinger said that it would wipe out the affordable housing program in Cambridge.

Mr. Gottsche and Mr. Daly said that 75% of Just-A-Start and Homeowners Rehab, Inc., is funded by CDBG.

Ms. Schlesinger noted that the new proposal would end the preservation of expiring use buildings and allow prepayment, which would affect 1600 units in Cambridge.

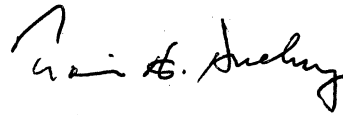
Councillor Galluccio noted that there is not a great incentive for owners to market their units right now, with all of the rent control buildings that will be on the market.

Ms. Schlesinger pointed out that 808 Memorial Drive and 929 Massachusetts Avenue are marketable.

Councillor Duehay asked Ms. Schlesinger to develop a memorandum for use with the Congressional delegation that discusses what the effect of major cuts would be. He noted the importance of telling the public what is going on.

The meeting was adjourned at 7:15 p.m.

For the Committee,

A handwritten signature in dark ink, appearing to read "Francis H. Duehay". The signature is written in a cursive, flowing style.

Francis H. Duehay
Chair

5-30-

Committee Report #3

A comm. was received from D, Margaret Drury transmitting a report from Councillor Duehay Chair of the Housing and Community Development Committee for a public meeting held January 23, 1995 for the purpose of discussing opportunities for affordable housing affordable housing inlight of the recent change in rent control.

In City Council January 23, 1995

*Report accepted
Placed on file*