

City of Cambridge

The Housing and Community Development Committee held a public meeting on April 11, 1996, beginning at 3:15 p.m. in the Sullivan Chambers, for the purpose of continuing to discuss affordable housing issues in Cambridge.

Present at the hearing were Councillor Francis H. Duehay, Chair of the Committee, Councillor Kathleen L. Born, Vice Mayor, Councillor Henrietta Davis, Councillor Anthony Galluccio, and Councillor Michael Sullivan. Also present were Robert W. Healy, City Manager, James Lindstrom, City Auditor, James Maloney, Assistant City Manager for Fiscal Affairs, Susan Schlesinger, Assistant City Manager for Community Development, and Donald Drisdell, Deputy City Solicitor. Due to the absence of the City Clerk and Deputy City Clerk, Roger Herzog, Housing Director, took the notes for the meeting.

Councillor Duehay convened the meeting and explained the purpose. The first item on the agenda was to complete the discussion for the proposed Petition to the Legislature on expiring use and other governmentally-involved housing. At the last meeting, the Committee voted to send the Petition to the full Council. At today's meeting, the Committee would finish its discussion of the matter, and to hear from the representative of the building owners regarding their proposal to mitigate the effects of potential federal deregulation of this housing.

Councillor Duehay requested that Donald Drisdell summarize a revision made to the most recent draft of the Petition dated April 3, 1996. The sponsor of the Petition, through their attorney, Susan Hegel of Cambridge and Somerville Legal Services, submitted a revised Petition to the Committee dated April 11, 1996. Mr. Drisdell explained that the revision was made in response to a request from the City's Law Department to revise the definition of governmentally-involved housing. The revised definition establishes the requirement that properties must also be rent regulated by a governmental entity, in addition to financial participation by a governmental entity, in order to be subject to the provisions of the Petition. (ATTACHMENT A).

Upon motion by Councillor Duehay the revised home rule petition was approved by the Committee and submitted to the full City Council with the recommendation that it be approved.

Councillor Duehay asked Mr. Ed Shanahan of Peabody, Massachusetts, managing Director of the Rental Housing Association, if he had any further comments on the Petition or the proposal by the property owners, at the request of Councillor Galluccio, regarding concerns expressed at the last meeting over the possibility that low income tenants may not receive rent subsidy vouchers in the event of a mortgage prepayment.

Mr. Shanahan said that the owners are prepared to provide an additional protection to elderly persons with incomes below 80% of median income if rent subsidy vouchers are not available. The additional protection would consist of a commitment by the owners to limit annual rent increases to ten percent, and phase-in the market rents over a minimum of three years. The definition of elderly tenant is any tenant of age 65 years or older.

Councillor Born asked Mr. Shanahan how the owners would determine market rents. Mr. Shanahan explained that the process of rent setting in rental property. Councillor Born confirmed that it is the owners who will determine market rents.

Councillor Davis asked whether it was possible that the owners could continue increasing rents by ten percent for a prolonged period. Councillor Davis noted that for many tenants, income would not keep up with increased rents. Mr. Shanahan agreed that it was a very difficult situation.

Susan Schlesinger asked Mr. Shanahan why the owners limited the extra protection to the elderly, and not for the families or disabled persons. Councillor Born asked whether Mr. Shanahan had demographic information on the tenant composition of the expiring use buildings. Mr. Shanahan replied that he did not have this information. Mr. Shanahan said that individual owners may come in and reach individual agreements with the City regarding other special protection for tenants, but that he could only offer provisions that have been agreed to by the owners as a group. Ms. Schlesinger asked Mr. Shanahan if he could help arrange individual meetings with owners, and noted that the Community Development Department had recently sent letters to owners but had not received any replies. Mr. Shanahan said that he could help set up these meetings.

Councillor Duehay asked whether any tenant representatives wanted to respond to the owners' proposal. Patricia Cassola of 364 Rindge Avenue offered a response. Ms. Cassola said that the owners' proposal is prejudicial in that it only provides protection to elderly tenants, and not disabled or family households.

Councillor Duehay entered into the record several documents, including the following: the response to the owners' proposal from the Cambridge Expiring Use Tenants Committee dated April 10, 1996; a transmittal of a fax from the National Housing Trust provided to Councillor Duehay by Denise Jillson; and a memorandum from the Community Development Department to the City Manger dated April 11, 1996 on current federal legislation on the expiring use buildings. (ATTACHMENTS B, C, & D).

Councillor Duehay asked Roger Herzog to summarize information in the memorandum prepared for the City Manager regarding changes to the federal legislation governing the expiring use buildings. Mr. Herzog summarized the two pieces of legislation that deal with expiring use buildings. The FY 96 Appropriations bill, which has not been passed, provided a budget of \$624 million for Preservation of the expiring use buildings, and also authorized changes to the Preservation Program. These changes included restoring the right of owners to prepay the federally-insured and subsidized mortgages, and terminate the affordable use restrictions; establishing a priority for sales of these buildings to tenants and non-profit purchasers; and providing rent subsidy vouchers to unassisted low income tenants in buildings where the owner prepays the mortgage. Due to the failure of Congress to enact the Appropriations bill, Congress did pass the so-called "extender Bill" which authorized the program changes. Mr. Herzog also summarized the current spending under the Preservation program, and the outlook for the future of the program.

Councillor Galluccio asked Mr. Herzog whether there was any limit for owners to prepay, and whether any owners have notified the City that they intend to prepay. Mr. Herzog responded that there is no time limit, and that no owners have notified the City regarding their intentions to prepay.

Councillor Galluccio asked Mr. Shanahan whether the owners would consider extending the additional protection to disabled tenants. Mr. Shanahan responded that the owners would consider this request, but that they were concerned over the different definitions of disabled.

Councillor Duehay requested that additional materials be entered into the record and transmitted to the full Council along with the minutes of these two meeting for consideration at the Council meeting on April 22, 1996. The additional materials include: Petition to the Legislature dated April 11, 1996.

The second item on the agenda was the ten million dollar plan for affordable housing. Councilor Duehay asked for a summary of the plan. A representative of the sponsor, William Cavellini of 158 Brookline Street, provided a summary. Mr. Cavellini said that there is not much different from the presentation of the plan made at a public hearing before the Council on March 4, 1996. He reviewed a memo from Terry Canavan, Bill Cavellini, Nancy Hall et.al. to the Councilors dated April 10, 1996, and a chart showing the sources of revenue for the plan. Mr. Cavellini noted that the plan is really a \$5.8 million plan, plus the revenues generated from a proposed transfer tax, which requires the approval for the Legislature. Therefore the sources of revenue include the amount of the administrative costs of the Rent Control Board and the increases in property tax revenue attributable to the loss of rent control. (ATTACHMENTS E, F & G).

Mr. Cavellini also said that the sponsors support the flexible use of the affordable housing funds. The sponsor is not locked in to the use of funds for the CityHome program, and would consider the use of funds for rent subsidies during a transitional period. The sponsors are pleased with projects such as the Pleasant Street project, which the Community Development Department has developed under its Condo Buyer Initiative.

Mr. Cavellini also said that the Plan would provide funding for a public housing advisor to work with tenants, and legal assistance for low income tenants.

Councillor Duehay asked the City Manager and Assistance City Manager for Fiscal Affairs to discuss the fiscal situation facing the City. Robert Healy provided a summary of the City's fiscal condition, and also summarized the CityHome program. The City responded to the loss of rent control by agreeing to allocate \$2 million per year for a ten year period to support affordable housing efforts. In the first year, the City used \$1.3 million of free cash to fund this effort, which preceded any additional tax revenue coming to the City. In the FY97 budget, the City Manager has proposed a 12.5% increase to the \$2.25 million for the CityHome program. The source of funds is the \$1.5 million saved from the Rent Control Board budget and fifty percent of the anticipated tax revenue increase for the former rent control properties. Mr Healy noted that there is not \$5 million available this year to support

the ten million dollar plan. Mr. Healy said that this is a fair and equitable allocation, and that no other community in the Commonwealth provides this amount of financial support to affordable housing.

Councillor Duehay asked Mr. Healy to explain the Fund Balance account. Mr. Healy explained that this account accrues surplus revenue. The rule of thumb is to have ten percent of the operating budget in such a Reserve account. During this year, the City has used 42% of its free cash, so the account is down to about \$12 million.

Councillor Duehay asked about the tax revenue increase on non-rent control property. Mr. Healy said that the City expects to see a 2.2% increase. Mr. Maloney discussed the recent fiscal history of the City in the wake of Prop 2½, and discussed the major capital expenses planned by the City in the next few years.

Councillor Duehay asked how the City will pay for the Harvard properties. Mr. Healy said that the deal is under negotiation, but that the City hoped to make an initial downpayment and finance the balance of the acquisition cost with Harvard. The question is whether the City will be able to use its available housing funds for the downpayment.

Councillor Duehay asked about the City's regular sources of housing funds. Ms. Schlesinger described the two regular federal sources: CDBG and HOME. The City receives about \$4.2 million in CDBG, and allocates about 50% to housing. The City also receives about \$770,000 in HOME funds. Ms. Schlesinger cautioned that the federal government is considering significant cuts in these programs in the coming years.

Councillor Born presented the options to increase housing funds that the Council should consider. These options include the following: 1) Increase taxes by up to \$6 million; 2) use free cash reserves; 3) make cuts in other programs and use these savings from housing; and 4) identify new sources of revenue, such as the transfer tax. A discussion on new ways to generate revenue, including linkage fees, followed.

Councillor Davis asked whether the City was charging the maximum amount of linkage fees. Ms. Schlesinger responded the current fee schedule was based on a study commissioned by the City. The city could conduct a new study, but the City would need state approval to revise the fee schedule.

Councillor Duehay requested that the Committee look at possibilities for increased revenues, including increasing linkage fees.

Councillor Duehay asked the City Auditor to comment on the report provided by the City Manager on the City's fiscal condition. James Lindstrom responded that the report was accurate, and that the City has managed its finances very well relative to other cities.

Councillor Duehay asked whether protected tenants were being prioritized for placement in new housing using under development. Ms. Schlesinger said that special efforts were being made to address the housing needs of protected tenants. The City, the CHA, and

the non-profits were coordinating their efforts. Councillor Duehay asked that the Committee be kept informed on the results of these efforts.

Councillor Duehay said that he can not support an additional \$3.5 million for affordable housing at this time. He would like, however, to forward the proposal to the full Council to allow it to vote on it. Councillor Duehay wants to look at other potential sources of housing funds, and work with the Legislature on these potential sources.

Councillor Davis concurred with Councillor Duehay regarding reporting back to the full Council on the proposal. Councillor Davis requested that the City Manager report back to the Committee on the top priority housing projects under development, including 808 Memorial Drive and Harvard Housing, and how these projects can move forward.

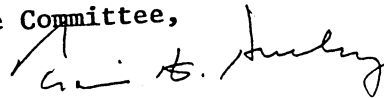
Councillor Duehay said that Mr. Healy and Ms. Schlesinger have met with Harvard officials, and reiterated that the Committee wants to also meet with Harvard officials to discuss the Harvard Housing package.

On a motion by Councillor Davis, the committee voted unanimously to report the ten million dollar plan back to the full Council without a recommendation.

Councillor Born asked the Chair to schedule a meeting to discuss the transfer tax. Councillor Duehay set the date for the next meeting for May 2, 1996 at 3:00 p.m.

The meeting was adjourned at 5:15 p.m.

For the Committee,



Councillor Francis H. Duehay,
Chair

ATTACHMENT A

April 11, 1996

CITY OF CAMBRIDGE
IN CITY COUNCIL

ORDERED: That a petition to the General Court, accompanied by a bill for a special law relating to the City of Cambridge to be filed with an attested copy of this order be, and hereby is, approved under Clause (1) of Section eight of Article two, as amended, of the Amendments to the Constitution of the Commonwealth of Massachusetts, to the end that legislation be adopted precisely as follows, except for clerical or editorial changes of form only:

SECTION 1. Whereas, a serious public emergency exists with respect to the housing of citizens of Cambridge residing in governmentally-involved housing, inasmuch as there is a threat that many low-income individuals and families residing in such housing, particularly those elderly and disabled, may be threatened with displacement as a result of prepayment of mortgage financing, loss of use or rent restrictions, expiring subsidy contracts, and expected increases in rent, and there is a threat that affordable housing stock will be lost due to expiration of use or rent restrictions and such pre-payment, further exacerbating an extreme housing shortage within the city for low-income families and individuals, and whereas, in adopting Chapter 40 O of the General Laws, the voters did not exempt such housing from protection or regulation, and whereas it is the city's policy to encourage owners of this governmentally-involved housing to accept incentives to keep such housing affordable and avert displacement, that such emergency should be met by the commonwealth immediately with due regard for the rights and responsibilities of the city; therefore, this act is declared to be in the public interest.

SECTION 2.

(A) Notwithstanding the provisions of any general or special law to the contrary, including, without limitation, the provisions of chapter 282 of the Acts of nineteen hundred and ninety-four, for so long as the city council of Cambridge shall determine that the circumstances described in section one hereof continue to exist, the city of Cambridge may by ordinance regulate the rent for use or occupancy of governmentally-involved or formerly governmentally-involved housing to the extent such regulation is not pre-empted by federal law or by section six of chapter 708 of the Acts of nineteen hundred and sixty-six, as amended, once the basis for federal or Massachusetts Housing Finance Agency rent preemption no longer exists.

For purposes of this act, "governmentally-involved housing" is defined as housing accommodations which the United States, the commonwealth, or any authority created under the laws thereof (i) owns, operates, finances, subsidizes, or insures the mortgage

thereon and (ii) regulates the individual rents thereof, including without limitation housing accommodations constructed or rehabilitated pursuant to Section 202, 221(d), or 236 of the National Housing Act or pursuant to project-based programs under Section 8 of the United States Housing Act of 1937, but not including the following:

- 1) housing accommodations owned or acquired by the City of Cambridge through tax foreclosure;
- 2) housing units in a one to four family building or structure which is not part of a larger housing development, whether on one or more sites;
- 3) structures containing housing accommodation units subsidized with mobile tenant-based rental assistance which would not otherwise come within the definition of governmentally-involved housing, except those subsidized units shall be considered governmentally-involved housing accommodations for the purposes of section 2(B) hereof, only;
- 4) structures containing housing accommodation units which were subject to St. 1976, c. 36 but which would not otherwise come within the definition of governmentally-involved housing;
- 5) public housing owned or operated by a local housing authority under chapter 121B of the General Laws, the United States Housing Act of 1937, or any successor act or public housing programs formerly assisted under the United States Housing Act of 1937;
- 6) housing units which first became governmentally-involved on or after January 1, 1975; and
- 7) housing units that the city of Cambridge or its designee may exempt from the first paragraph of Section 2(A) for just cause, provided that in no event shall more than twenty percent of the total rental units in Cambridge which are or could be governed under this act be exempted under this section.

"Formerly governmentally-involved housing" is defined as housing which was governmentally-involved as of July 1, 1994 but which may no longer be owned, operated, financed, subsidized, mortgage-insured, or rent-regulated by the United States, the commonwealth, or any authority created under the laws thereof.

"Low-income" is defined as an annual income which is eighty percent or less of the median income for the Boston Metropolitan Statistical Area as determined by the United States Department of

Housing and Urban Development, with adjustments for smaller and larger families.

Said city may by ordinance establish as the maximum rent for governmentally-involved and formerly governmentally-involved housing accommodations the rent in effect therefor on July 1, 1994 or six months before the basis for federal or MHFA rent preemption lapsed, whichever is later, adjusted to insure such rent provides a fair net operating income as of the date of the loss of rent preemption, but without consideration of any refinancing or change in the carrying charges resulting therefrom, provided, however, said ordinance shall authorize the City or its designee to make individual adjustments in such maximum rents as may be necessary to remove hardships or correct other inequities, provided further, however, in the event of any reduction in or forgiveness of mortgage debt for governmentally-involved housing or formerly governmentally-involved housing, the rent shall be reduced to reflect the corresponding reduction in operating expenses and/or debt service. In making individual adjustments to remove hardships or to correct other inequities, the City or its designee shall observe the principle of maintaining maximum rents for such housing accommodations at levels which will yield to owners a fair net operating income from such housing accommodations. In determining whether the maximum rent for such housing accommodations yields a fair net operating income, due consideration shall be given to, among other relevant factors: (1) increases in property taxes; (2) unavoidable increases in operating and maintenance expenses; (3) major capital improvement of the housing accommodations, distinguished from ordinary repair, replacement, and maintenance; (4) increases or decreases in living space, services, furniture, furnishings, or equipment; (5) substantial deterioration of the housing accommodations, other than ordinary wear and tear, or failure to perform ordinary repair, replacement, or maintenance; and (6) any reduction in, or forgiveness of, mortgage debt, but without consideration of any refinancing or change in the carrying charges resulting therefrom.

(B) Such ordinance may provide that no person shall bring an action to recover possession of a governmentally-involved or formerly governmentally-involved housing accommodation to the extent that such regulation is not otherwise preempted by federal law or section six of chapter 708 of the Acts of 1966, unless:

(1) the tenant has failed to pay the rent to which the owner is entitled;

(2) the tenant has violated an obligation or covenant of tenancy not inconsistent with chapter 93A of the General Laws or this act other than the obligation to surrender possession upon proper notice, and has failed to cure the violation after having received written notice thereof;

(3) the tenant is causing, committing, or permitting, a nuisance in, or substantial damage to, the housing accommodation, or is creating substantial interference with the comfort, safety, or enjoyment of the owner or other occupants of the same or any adjacent accommodation;

(4) the tenant has used or permitted use of a housing accommodation for illegal purposes;

(5) the tenant, who had a written lease or rental agreement which has terminated, has refused, after written requests or demand by the owner, to execute a written extension or renewal thereof for a further term of like duration on terms not inconsistent with or violative of any provision of this act;

(6) the tenant has refused the owner reasonable access to the housing accommodation for the purpose of making necessary repairs or improvements required by law, or for the purpose of inspection as permitted or required by the lease or by law, or for the purpose of showing the housing accommodations to any prospective purchaser or mortgagee;

(7) the tenant holding at the end of a lease term is a subtenant not approved by the owner;

(8) for tenant-based rental assistance programs only, the owner seeks to recover possession in good faith of a unit for the owner's own use and occupancy or for use and occupancy by the owner's spouse, children, grandchildren, great grandchildren, parents, grandparents, brother, sister, father-in-law, mother-in-law, son-in-law, or daughter-in-law; or

(9) the owner seeks to recover possession for any other just cause not in conflict with the provisions and purposes of this act or chapter 93A of the General Laws.

The provisions of this section shall be construed as additional restrictions on the right to recover possession of such housing accommodations.

(C) Such ordinance may also provide that no person shall remove any governmentally-involved or formerly governmentally-involved housing accommodation from low-income rental housing use (including but not limited to sale, lease or other disposition of the property which may have such an effect), or convert such housing to a condominium or cooperative, without first obtaining a permit for that purpose from the City or its designee, to the extent that such provision is not preempted by federal law or section six of chapter 708 of the Acts of 1966. Such permit may be subject to terms and conditions not inconsistent with the

purposes and provisions of this act, including, without limitation, (a) incentives to continue in effect the low-income use restrictions previously in place for the property, (b) where sale, lease, or disposition of the property may result in the loss of all or a portion of the property for low-income rental housing use, the right of an incorporated tenant association in such housing, the city of Cambridge, the Cambridge Housing Authority, or non-profit community development corporations to negotiate for, acquire and operate such property on substantially equivalent terms and conditions as offered or available to a bona fide third party purchaser.

(D) To the extent not preempted by federal law or section six of chapter 708 of the Acts of 1966, the City or its designee may require an owner of governmentally-involved housing or formerly governmentally-involved housing, to affirmatively seek out and accept any prospective government housing resources, whether tenant-based or project-based, which maximize affordability of the housing accommodations consistent with the income character of the property and the owner's right to obtain a fair net operating income for the housing accommodations.

(E) To the extent not preempted by federal law or section six of chapter 708 of the Acts of 1966, and, so long as such regulation is consistent with the owner's right to obtain a fair net operating income and the city's housing policy, the City or its designee may establish local preferences, priorities, and income limits for admission to governmentally-involved housing or formerly governmentally-involved housing upon unit turnover. No regulation shall require an owner to create a tenancy involving any person with a history of conduct which would, if repeated, be grounds for eviction from such housing.

(F) The City or its designee may promulgate such rules, regulations, and orders as it may deem necessary to effectuate the purposes hereof and may grant exemptions and exceptions thereto when such action would tend to maintain or increase the supply of affordable housing in Cambridge, including, without limitation, to promote the sale of the property to a bona fide tenant organization or non-profit community development corporation under terms and conditions which would tend to maintain the income character of the property.

(G) Any hearings regarding matters related to regulation of rents or removal permits for governmentally-involved housing or formerly governmentally-involved housing or regarding compliance with other provisions of this ordinance shall be conducted by the City or its designee in accordance with the provisions of section eleven of chapter 30A of the General Laws except that requirements (7) and (8) of such section eleven shall not apply to such hearings.

(H) All decisions of the City or its designee may be appealed to the Cambridge District Court or to the Middlesex Superior Court by any person aggrieved thereby, whether or not previously a party in the matter, within thirty calendar days after notice of such decision. The district and superior courts shall have jurisdiction to enforce the provisions hereof and any ordinance, rule or regulation adopted hereunder and on application of the City or its designee or any aggrieved person may restrain or enjoin violations of any such ordinance, rule, or regulation. In the interests of justice, the court may allow any necessary parties to be joined in or to intervene in any action brought hereunder and may in its discretion allow or require an action to proceed as a class action.

SECTION 3. It shall be unlawful for any person to do or omit to do any action in violation of this act or any order, ordinance, rule or regulation adopted or promulgated hereunder. Whoever willfully violates any provision of this act or any order, ordinance, rule or regulation adopted or promulgated hereunder or whoever makes a false statement in any testimony before the City or its designee, or whoever knowingly supplies the City or its designee with false information, in connection with a proceeding under this Act, shall be punished by a fine of not more than five hundred dollars or by imprisonment for not more than ninety days, or both; provided, however, that in the case of a second or subsequent offense, or where the violation continues after notice thereof, such person shall be punished by a fine of three thousand dollars, or imprisonment for not more than one year, or both.

SECTION 4. The provisions of this act are severable, and if any of its provisions shall be held unconstitutional or otherwise invalid by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.

SECTION 5. This act shall take effect upon passage.

Councillor Duehay noted that the Committee has before it the following material: a new proposed home rule petition with a letter from Legal Services Attorney Susan Hegal, a one page summary of the home rule legislation prepared by Roger Herzog, and a proposal from owners of expiring use buildings for an agreement regarding expiring use buildings in lieu of legislation.

Councillor Duehay noted that the legislation schedule limits the time for action.

Vice Mayor Born asked why the discussion was focusing on the home rule petition rather than the enabling legislation.

Councillor Duehay said that if a petition is going to be passed by the legislature it must happen quickly. He read a letter from Representative Alvin Thompson requesting that a petition be submitted by April 22, in order to ensure consideration by the state legislature. This is not a matter that should stay should in committee.

Councillor Duehay then invited public comment.

Sarah Boyer, 21 Walden Square Road, stated that she has lived in Walden Square for ten years. She could not afford to pay market rent. She is very concerned about all of the families who would have to leave. Walden Square is a very strong and diverse community, and that will be lost if the landlords are allowed to raise the rent. The survival of the community and the City is at stake. None of the small property owners have anything to do with these buildings. These tenants will become homeless. The owners' proposals are informal; written protection is needed.

Patricia Cassola, 362 Rindge Avenue, stated that there are 500 units in her building. Low income, elderly, disabled and moderate income residents will all be affected. Over 2,000 units will be affected; at least 2500 people will be homeless. Walden Park is a good example of what will happen to all the buildings if they are deregulated.

Councillor Duehay asked what her position is regarding the proposal. Ms. Cassola said that she has not seen the proposal. She would be happy to work on a committee to consider it.

Ed Shanahan, Managing Director of the Rental Housing Association, representing the owners of expiring use buildings, residential address Walden Hill Drive, Peabody, stated that his group has been meeting with some of the expiring use tenants. They are trying to craft an agreement that will make legislation unnecessary.

He noted that President Clinton has signed the extender bill, and it is law. His understanding is that in any building where the owner prepays, the tenants will get rent vouchers. The dispute is over whether to protect tenants or units. For all tenants with incomes under 80% of median income, the owners would sign written agreements to accept subsidies, in whatever form, from the present tenants.

Mr. Shanahan stated that the second component of the proposal is the moderate income tenants. Rent increases would be phased in over a three-year period. The owners have met again, and do want to come to an agreement. The owners are not interested in protecting units if they are not occupied; their goal is protection of current tenants.

Councillor Duehay asked if the bill signed by the President includes appropriations. Mr. Shanahan said that it does not.

Councillor Duehay asked what the owners would propose to do if there are no subsidies; would the owners fund tenant subsidies? Mr. Shanahan said that the owners will not make up the difference and will not fund tenant subsidies. The expectation is that Washington will not completely abandon the present tenants.

Councillor Galluccio asked whether the proposal contemplates staying with the federally determined rent. Mr. Shanahan said that the federal extended bill provides for the local housing authority to establish a fair market rent. He understands that the guidelines set thresholds, such as 30% of the tenants income.

Councillor Galluccio stated that all must recognize what a tremendous loss these units will be to the City. He believes his obligation is to protect existing tenants. He wants to ensure that subsidized tenants are not in a worse position for as far into the future as possible. Mr. Shanahan said that one of the recent modifications of the owners' proposal related to item three. In lieu of the three year rent phase-in, if the total rent increase is greater than 30% the increase must be phased in over not less than three years but if that would amount to more than 10%, not more than 10% each year.

Councillor Galluccio asked whether Mr. Shanahan anticipated rent increases greater than 30%. Mr. Shanahan said that it would depend on location.

Councillor Galluccio noted that all are dependent upon working together to persuade Washington not to abandon its support for the low income tenants.

Mr. Shanahan said that owners want to keep their existing tenants. Vacant units and turnover mean lost profit. The new law does not require owners to accept the vouchers that existing to will receive. This proposal would require this.

Councillor Davis asked about whether vouchers are certain. Susan Schlesinger said that there is funding for the first year. There is \$625 million for program assistance and for one year of rental subsidies for the entire country. Roger Herzog provided details regarding the difference between the extender bill and the appropriation bill.

Councillor Reeves observed that the owners' talking points seem to suggest that tenants will be able to stay for three years. He noted that he was told by clerk at Home Depot that Walden Park has ordered all new kitchens and bathrooms and 100 units have turned over. He asked if the expectation is that the expiring use buildings will experience a similar upscaling of their tenants.

Mr. Shanahan said that Walden Park is a somewhat different situation. It is already exempt from federal regulation. The Walden Park owners however have committed themselves to working with the other expiring use owners. Anyone with a voucher will be welcome to stay.

Councillor Reeves said that many people have had to leave Cambridge because of rent control, and now the expiring use tenants are similarly threatened. Councillor Reeves asked whether there would be interest in keeping their tenants for five years.

Mr. Shanahan said that the problem is operating costs. Subsidies will go up with the cost of living. The owners' proposal is to cap increases to moderate income tenants at 10 % per year. They are looking at ramping up the rents over some period of years between three and seven years.

Councillor Reeves stated his appreciation for the owners and tenants working together. He then noted the problems with vouchers. It is very difficult for people with vouchers to find rental units in Cambridge, so it is positive that the owners are willing to commit to accepting vouchers. He added that for him, the question is for how long.

Mr. Shanahan urged continued cooperation.

Councillor Reeves asked whether the implicit understanding is that the owner will continue to take the voucher for as long as the tenant receives it. Mr. Shanahan said that it was.

Councillor Galluccio noted the comparison to vacancy decontrol.

Vice Mayor Born asked how many expiring use owners Mr. Shanahan represents. He stated that his organization includes owners of 100,000 units across the commonwealth. In Cambridge they represent owners of nine expiring use buildings. Vice Mayor Born asked how many owners are the original developers of the buildings. Mr. Shanahan said that he did not know. He then noted the importance of increasing the amount of housing, and the necessity of getting the developers to the table to work together on this issue.

Vice Mayor Born stated that the high cost of real estate in Cambridge is the major barrier to increasing the supply, and said the City Council is attempting to talk about how to raise money to jumpstart some small affordable units. Short of that, one of the few tools the City Council has is legislation.

Councillor Duehay stated that there are different approaches before the Committee. One is home rule and one is statewide enabling legislation. He emphasized the need to move quickly so as not to lose the opportunity. Councillor Duehay noted the ambiguity in Washington as well.

Councillor Galluccio stated that the owners have made it clear that if they are going to Beacon Hill to fight proposed legislation, they will not be willing to continue to negotiate. There is a risk that this home rule petition will not pass, and then there will be no protection.

Councillor Galluccio asked Mr. Shanahan what the owner's position was. Mr. Shanahan said that he will bring back the issue of extending the ramp as Councillor Reeves suggested. The group is making headway but if the home rule petition goes to at Beacon Hill, all time will go to fighting legislation.

Councillor Duehay asked if it is all or nothing. Mr. Shanahan said that if a homerule petition is filed all effort will go to fighting the petition. He said that he did not say that the owners would go to market rates all at once.

Councillor Duehay asked if anything would preclude further discussion if home rule legislation were defeated at the legislature. Mr. Shanahan said that it would not be precluded, so long as the same is true if home rule legislation passed.

Vice Mayor Born asked if there was any chance of agreeing to set aside units for some period, such as fifteen or twenty years. Mr. Shanahan said that at this time, the owners are not interested in that type of set aside.

Councillor Reeves said that he would like to see something that protects the current tenants as long as possible. He asked Ms. Schlesinger to comment on the issue of longterm affordability.

Ms. Schlesinger said that longterm preservation of the units comes down to money. The hope was that the federal government would provide the funds. That is still that hope for 808 Memorial Drive. Ms. Schlesinger stated that she is not aware of significant federal funds to use to buy affordability.

Ms. Schlesinger also noted that zoning variances were granted as to some of the buildings and may give the City some ability to protect some units. She said that it is very important to protect current tenants, but also important to strive for longterm affordability somewhere in the City.

Councillor Reeves noted the presence of members of the Clergy for Affordable Housing and urged them to have their national religious organizations talk to Washington.

Councillor Duehay pointed out that the owners' proposal is completely dependant on Washington appropriating funds. On the other hand, there is a home rule petition that might or might not pass but if it did pass, would provide protection. Councillor Duehay observed that it would be possible to put the petitions back on the table of the City Council, with the understanding that the committee will continue to consider the issue. Thereupon the chair requested additional public comment on this issue.

Steve Meacham, 10 Laurel Street, stated that the City's position has been to protect longterm affordability. It would be a real change to switch to just protecting the present tenants. The home rule petition is the position. The presumption in the federal legislation is that the vouchers will only be there for a year. Regarding the owners' three year formula, the difference between present and market rents is substantially more than 30%, so the increases will be more than 10% per year. The tenants support the home rule petition. The goals are longterm tenant security and affordable units.

Elizabeth Morrison, 10 Center Street, said that it is very frightening that the housing stock for seniors is decreasing. There will still be seniors and disabled people in twenty years. She urged support of the home rule petition.

Councillor Duehay asked whether this position is representative of other expiring use tenants in her building. Ms. Morrison said that it is.

At 4:50 p.m. the City Council announced a brief recess.

At 5:00 p.m. Councillor Duehay reconvened the meeting. He moved that the revised petition and the other petition be reported back to the City Council. The motion passed without objection.

Councillor Galluccio said that every voucher is a year-to-year budget item because of the system of federal appropriations.

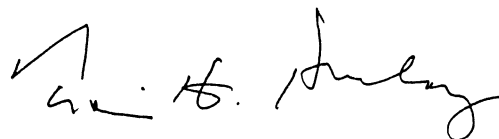
Councillor Duehay said that the failure to adopt the federal budget reflects Washington's willingness to cut funds, especially funds to cities.

Councillor Reeves noted that expiring use vouchers may be different, there may be a more temporary intent.

It was agreed that the next meeting will be on Thursday, April 11, 1996, with staffing provided by the Community Development Department.

The meeting was adjourned at 5:15 p.m.

For the Committee,

A handwritten signature in black ink, appearing to read "Francis H. Duehay". The signature is written in a cursive style with a large initial "F" and "D".

Councillor Francis H. Duehay, Chair

City of Cambridge

The Housing and Community Development Committee held a public meeting on April 4, 1996, beginning at 3:15 p.m. in the Sullivan Chamber for the purpose of discussing several items referred to Housing and Community Development Committee, including proposed legislation to protect expiring use tenants, a proposed transfer tax, the status of Harvard's formerly rent controlled housing, a proposal to expend \$10 million on affordable housing, and the City's Growth Policy.

Present at the hearing were Councillor Francis H. Duehay, Chair of the Committee, Vice Mayor Kathleen L. Born, Councillor Henrietta Davis, Councillor Anthony D. Galluccio, Councillor Kenneth E. Reeves, Councillor Michael A. Sullivan, and City Clerk D. Margaret Drury. Also present were Robert W. Healy, City Manager; Richard Rossi, Deputy City Manager; Susan Schlesinger, Assistant City Manager for Community Development; James Maloney, Assistant City Manager for Finance; Roger Herzog, Community Development Department; Carol Marks, Community Development Department; James Lindstrom, City Auditor.

Councillor Duehay convened the hearing and explained the purpose. He introduced the committee members and City staff. He then reviewed the items which are before the committee.

Councillor Duehay stated that he would like to have an update on the Harvard rental property and then move to the issue of the expiring use buildings.

Mr. Healy stated that there have been frequent communications with Harvard University regarding a plan in which the City would acquire a number of units at a discounted price. The City is striving to achieve a mix of unit sizes. The City has an interesting proposal from Harvard and is still working on the details.

Councillor Duehay requested that Mr. Healy schedule a meeting of the committee with Harvard University at an appropriate time.

Mr. Healy said that Harvard will be looking for Council acceptance of utilization of the remaining units as affiliate housing, which would remain on the tax roles.

Councillor Reeves asked about specifics of the Harvard offer. Mr. Healy said that at one time the offer was for 114 units, but it included several single room occupancy units. Now the number is closer to 100, but it includes more of the larger units, In addition Harvard would maintain affordability in its 78 units now occupied by low-income protected status tenants.

Councillor Duehay then turned to the issue of expiring use buildings.

Committee Report #1

S-224

Received from Councillor Duehay,
Chair, transmitting a report of
public meeting held on 4/4/96 for
the purpose of discussing several
items referred to the Committee of
Housing and Community Development
including expiring use tenants,
proposed transfer tax, Harvard's
formerly rent controlled housing,
\$10 million on affordable housing
and the City's Growth Policy.

In City Council April 22, 1996

*Report accepted. Placed on file.
Proposal for \$10 million affordable
housing plan was tabled on motion of*

Councillor Duehay