



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Acting Assistant City
Manager for Community
Development

MEMORANDUM

TO: Robert W. Healy, City Manager

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

DATE: January 20, 1999

RE: 929 House Expiring Use Project

We are writing to inform you that the new owner of 929 House, Grove Property Trust, has rejected the City's offer to provide financial incentives in return for extending affordability restrictions on the 57 former HUD-assisted units. Grove is offering to provide 6 additional affordable units which, combined with the 24 zoning-restricted units, will provide 30 long-term affordable units at the property. This represents a loss to the City of 27 affordable units.

Grove has proceeded to prepay its HUD-insured mortgage thereby terminating federal use restrictions. All of the existing income-eligible tenants will receive Preservation Vouchers (so-called "sticky vouchers") from HUD that will allow them to remain in the building at the new market rents.

We initially were informed by the previous owner, McNeil Real Estate Group, in May, 1998 that it intended to prepay its HUD-insured mortgage and convert the property to market-rate. At that time, we expressed a strong interest in purchasing the property to achieve the City's affordable housing preservation goal. McNeil responded that it would not consider a sale due to capital gains tax implications. However, McNeil informed the City in June that it had entered into an agreement to sell its entire Massachusetts housing portfolio (approximately 30 properties), including 929 House, to Grove.

The City then entered into negotiations with Grove and its consultants with a goal of preserving all 57 HUD-assisted units. We negotiated in good faith and reached a tentative agreement in October, 1998 on a plan to provide Grove with a \$2.3 million loan from the Affordable Housing

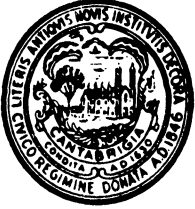
Trust in return for the owner's agreeing to cap rents at Section 8 levels in perpetuity. This plan was approved by the Trust at its October 28th meeting.

Grove, however, failed to execute the contract that was delivered in November. We then were informed in December that Grove had decided it could not accept the City financing based on perceived conflicts with its organizational documents as a Real Estate Investment Trust.

Despite a series of meetings that have included the Community Development Department, the Cambridge Housing Authority, Grove and yourself, Grove insists that it is not able to proceed with the affordability plan.

We are highly disappointed that, after six months of what we assumed were negotiations in good faith, Grove has rejected an innovative financing model to preserve affordability while holding the owner harmless from financial loss. While we will continue our efforts to try and resolve this matter with Grove, it is our judgment that such efforts are not likely to result in meeting the City's preservation goal.

Please let us know if you need any additional information on this matter.



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

January 25, 1999

To The Honorable, The City Council:

Please find attached for your information a communication from Acting Assistant City Manager for Community Development Beth Rubenstein, concerning the 929 House Expiring Use Project.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #14 S-568

Relative to information on the
929 House Expiring Use Project.

In City Council January 25, 1999

PLACED ON FILE