

CAMPAIGN TO SAVE 2000 CAMBRIDGE HOMES

Campaña para Salvar 2000 Hogares

Kanpay pou Sove 2000 Kay

11 Inman St., Cambridge MA (617) 868-2900

January 24, 1997

RECEIVED BY
OFFICE OF CITY CLERK
97 JAN 27 1997

Dear Mayor Russell, Vice Mayor Born and Cambridge City Councilors,

We continue to feel that it is urgent that the Manager implement the Council's request to hire a public housing organizer. We understand that in a Council/Manager form of government, the Council can't compel the City Manager to do something; nevertheless, it is still unusual when the Council votes 9-0 for something that is low budget, like the public housing organizer, and it is not done.

In this letter, we hope to address some questions raised about the request for a public housing organizer. During discussion at the Housing Committee meeting on Jan. 21, there were three questions raised about this position. 1) Is public housing really at risk? 2) What exactly would be the responsibilities of this position? 3) Why doesn't the CHA fund it? We will attempt to address these questions in this letter.

Public housing is at risk

Public housing is indeed at risk. One need only look at the recent report by the McCormack Institute which received a lot of publicity. It cites drastic reductions in the HUD budget for affordable housing. This includes reductions for public housing. Enclosed is a section of another report prepared by the Center for Community Change and sent to us by the Mass. Union of Public Housing Tenants. It further details the risks to public housing.

What are some of the main risks facing public housing?

- Overall budget cutbacks. The reduction in operating subsidies will require that public housing be increasingly given to higher income people to increase overall gross rents to cover the loss of subsidies. Other cuts to benefits for the poor could also hurt gross rents and increase this pressure further.
- Voucherization. Proposals have been made to voucherize project based Sec. 8's and public housing. This has not happened yet but it has broad support. It was originally put forward by the Clinton Administration and naturally found support in the Republican leadership. Such proposals would end the commitment to physical buildings. They would give a subsidy to the individual rather than to the unit. The subsidy given to the individual would be less than that given to the unit, since this *plan is part of* reducing the HUD budget. Also, the subsidy given to the individual would be much easier to cut over time once it is divorced from the real operating costs of a physical unit. Furthermore, *in Cambridge*, individuals possessing vouchers would likely be forced to move out of the City in order to use them, given the market rents being charged; this is the current experience of those possessing Sec. 8's.

- Deregulation. Deregulation could allow LHA's (local housing authorities) to sell developments that were publicly owned to private interests. Despite the good reputation of the Cambridge Housing Authority and its opposition to these schemes, budgetary pressures could force such sales.

Public housing is a crucial national resource. It is housing that has never been in the private market. Therefore, it is not subject to the speculative increases in rent we are seeing all around us now with the end of rent control. The rents need only pay expenses, not profit or interest on loans to finance increased value. It is nevertheless being severely criticized. One of the major party candidates even described public housing as the last bastion of socialism.

In Cambridge, public housing is a critical component of our remaining affordable housing. We are often depending on it as an alternative for families and individuals displaced by the loss of other kinds of housing. Our public housing supply must remain stable or expand.

The threats to public housing are not completely implemented. It is very important that public housing tenants be as organized as possible to help fight them. This is in line with the City Home report from early 1995 which committed the City to doing everything possible to preserve its affordable housing against proposed cuts.

What would the public housing organizer do?

The \$10 Million Plan originally laid out the idea of a public housing organizer. This Plan was designed to speak to the needs of low and moderate income tenants in all 3 types of rental housing - a) privately owned, formerly rent controlled, b) privately owned, federally regulated (including expiring use), and c) publicly owned. All were threatened.

The public housing organizer spoke especially to the needs of the Cambridge Tenant Senate, which represents the City's public housing tenants. The order introduced May 10, 1996, specifically says that a public housing organizer "work with the Cambridge Tenant Senate, helping it to build Tenant Councils and organize public housing tenants to preserve their homes against cuts and deregulation..." A copy of the order is attached.

This order further says that tenants are "working with the Housing Authority and not against it..." to fight proposed cuts. The public housing organizer is not hostile to the CHA. That is why the CHA has expressed no opposition to it.

Exact duties of a public housing organizer would have to be worked out in consultation between the City and whatever non-profit it is contracted to; but these duties might be generally as follows:

- Assist the Tenant Senate in organizing new Tenant Councils in developments where they don't exist.
- Assist the Senate in leadership training and development so that these Tenant Councils can be as strong as possible.
- Assist the Senate in disseminating information about rapid changes in rules affecting public housing, so residents are prepared to deal with whatever happens.

- Assist the Senate in organizing residents to oppose further cuts and harmful deregulation. For instance, major efforts to influence national legislation are planned in March and May by a national coalition supporting public housing. It would benefit the City of Cambridge to have its residents very involved in these efforts.
- Assist Tenant Councils in accessing all possible social service resources which could aid residents in maintaining their incomes and supporting rent structures.
- Assist Tenant Councils in enhancing a sense of community in each development and participating in existing local community structures.
- Take advantage of whatever new possibilities exist for decentralized resident management or partnership management with the CHA. Organization is necessary for this kind of effort to succeed.

Appropriating \$35,000 for this position is an exceedingly cost effective investment of city resources. Why wait until the crisis reaches the stage where millions of dollars are required? Why not try to act now to try to prevent this crisis.

The need for the public housing organizer in no way dismisses the ongoing fine efforts of the Tenant Senate Board or the leaders of the Tenant Councils where they exist. All these people do a fine job on their own time as volunteers. But volunteers can't be asked to build organization and disseminate information among thousands of apartments with no staff assistance whatsoever. The position of public housing organizer will enhance existing volunteer efforts in public housing, not diminish it.

CHA funding

The CHA is now experiencing the same significant cutbacks as all other local housing authorities around the country. It is not appropriate to expect the CHA to fund this position. Further, the position should work directly with the tenants themselves through its organization, the Tenant Senate. That is best accomplished through the small City funding requested, contracted out to a non-profit, as the order passed by the Council requests.

Sincerely,

Carol Savage, President, Cambridge Tenant Senate

Bill Cavellini, Eviction Free Zone

Louise Dunlap, Elizabeth Koundakjian, Campaign to Save 2000 Homes



City of Cambridge

41.

IN CITY COUNCIL

May 20, 1996

COUNCILLOR TRIANTAFILLOU

WHEREAS: The City of Cambridge committed itself in the City Home report a year ago to do everything possible to preserve the affordability of public housing; and

WHEREAS: Recent events such as the repeal of the Brooke amendment combined with the cutbacks in the federal budget for housing and the desire to do away with public housing as we know it all suggest there is urgency to public housing tenants' concerns; and

WHEREAS: A public housing organizer to assist the Tenant Senate would be an effective means to preserve public housing; and

WHEREAS: The Cambridge Housing Authority shares this commitment to fighting to preserve public housing, so the tenants are working with the Housing Authority and not against it; now therefore be it

RESOLVED: That the City Council of Cambridge request that the City Manager allocate \$35,000 of the \$2.25 million budgeted for City Home to fund a public housing organizer position, similar to the At-risk Housing Organizer for expiring use tenants; and be it further

RESOLVED: That this position be contracted to an outside non-profit, and that this organizer work with the Cambridge Tenant Senate, helping it to build Tenant Councils and organize public housing tenants to preserve their homes against cuts and deregulation, and that the Cambridge Tenant Senate have representation on the hiring committee for this position.

HOUSING

Department of Housing and Urban Development (HUD)

Funding: HUD's appropriations have been cut drastically in the last few years. A rescissions bill in 1995 cut HUD funding from \$26 billion to \$19.3 billion. In Fiscal Year (FY) 1996, HUD funding declined to \$19.1 billion and in FY 1997 it increased slightly to \$19.5 billion. Housing bore the brunt of cuts to discretionary programs over the last two years. HUD was cut by 25%, compared to an overall 9% cut to domestic discretionary programs. The most significant funding issue was the elimination of incremental or new tenant-based assistance: for the first time since 1974, the federal government is providing no new vouchers and certificates for the millions of families that are eligible, but currently do not receive any federal housing subsidy.

Public housing funds were cut from \$8.4 billion to \$6.5 billion. The housing programs for the elderly (section 202) and disabled (section 811) were hard hit each was cut in half over the two years. Homeless funding was cut from an all-time high of \$1.12 billion down to \$823 million. HOME and CDBG were level-funded at \$1.4 billion and \$4.6 billion, respectively; the programs both contain more set-asides, which carve out funds for unrelated programs. [See HUD funding chart for details.]

Legislative Changes: In addition to cutting HUD's budget dramatically, Congress attached numerous riders to the HUD spending bills in FY 1996 and FY 1997. Programmatic changes to public housing were intended to raise rents, create more mixed-income developments, and encourage a reduction in the overall number of units. [See Public Housing section for details.] Changes to the section 8 certificate and voucher programs (tenant-based assistance) were included with similar goals. [See Section 8 Rental Assistance Program for details.]

The HUD spending bills for FY 1996 and FY 1997 also contained riders that deal with privately-owned multifamily rental housing that has been federally subsidized [see Preservation Program and Project-based Section 8 sec-

tions for details] These changes constitute short-term reforms to head off impending crises due to the expiration of affordability restrictions, in the case of Preservation, and the cost of renewing federal subsidies to landlords, in the case of Section 8.

Implications for CBOs: The overall reduction in HUD funding puts a strain on all affordable housing providers, who must now compete for fewer dollars. As public housing and section 8 funds are cut, there will be more pressure on CDBG and HOME to serve as alternative funding sources for those programs. There will be little or no expansion in the number of affordable units without funds for public housing development and without new tenant based assistance. The overall stock of affordable housing will likely shrink as public housing units are demolished and private owners get out of the business of subsidized housing. Key questions in many communities will be how to preserve the existing federally-subsidized low-income housing stock and avoid displacement.

Outlook for 105th Congress: Both President Clinton and Congress have committed to balancing the federal budget over the next six years. If they adhere to their promise, discretionary programs will have to be cut by as much as 25% by 2002. HUD is likely to face deeper cuts, as the President prioritizes other programs (education, environment, etc.). In addition, HUD faces a budget crisis in the next several years as 15 and 20-year section 8 contracts come up for renewal. Just to continue funding the existing HUD programs, HUD will require \$32.4 billion in budget authority in FY 1998. Because of welfare reform, more public housing operating support and section 8 subsidy will be needed to make up for declining tenant incomes. There will also be pressure to use HUD funding for job training, supportive services, and more economic development activities. This approach may siphon funds away from core housing programs.

Resources: Center for Community Change; National Low Income Housing Coalition

HUD Budget: FY 1995 - 1997 Compared
(In Millions of Dollars)

PROGRAM	FY 1995 (PRE-RECLASSION)	FY 1996 (POST-RECLASSION)	FINAL FY 1996 BUDGET	FINAL FY 1997 BUDGET
CDBG	\$4,600	\$4,600	\$4,600	4,600
HOMF	1,400	1,400	1,400	1,400
Homeless Grants	1,120	1,120	823	823
HOPWA	186	171	171	196*
Public Housing Drug Elimination	290	290	290	290
Tenant Opportunity Program	50	25	(15)*	(5)*
Incremental Certificates	2,786	800	0	0
HOPE VII (Severely Distressed)	500	500	480	550
PRESERVING EXISTING HOUSING INVESTMENT				
Public Housing Modernization	3,700	2,885	2,500	2,500
Public Housing Operating Subsidies	2,900	2,900	2,800	2,900
Preservation	175	175	624	350
DEVELOPMENT OF ADDITIONAL NEW SUBSIDIZED HOUSING				
Native American Housing	282	202	160	200
Sec 202 Elderly/Sec 811 Disabled	1,666	1,176	1,088	839
PREVENTION OF RESIDENT DISPLACEMENT				
Section 8 Contract Renewals	3,336	2,159	4,009	3,600
Section 8 Amendments	735	710	611	850
Replacement Vouchers			400	190
Lead Based Paint Abatement	100	15	65	(60)*
FHA Multifamily Credit Subsidy	188	188	85	85
Housing Counseling	50	12	(12)	(15)**
Research and Technology	42	42	34	34
Fair Housing Activities	33	33	30	30
Salaries and Expenses, HUD & OIG	954	954	963	977
TOTAL HUD BUDGET	\$25,675	\$19,334	\$19,127	\$19,500

1997 CDBG Set Asides: Lead Paint \$60M, Youthbuild \$30M, Economic Development Initiative \$0, Crime Prevention \$20M, Self Efficiency \$60M (Tenant Opportunity Program (\$5M), Jobs Plus Demonstration (\$5M)), Grants for Indian Tribes \$67M.

DBG Set aside

IOMF set aside

\$Milion Section 8 recaptures

Public Housing

Funding: Overall funding for public housing programs declined by about 20% during the 104th Congress. In Fiscal Year (FY) 1995, before a rescissions bill was enacted, Congress was slated to spend nearly \$8 billion for a variety of public housing programs. This was reduced to \$6.1 billion in FY 1996 and \$6.25 billion in FY 1997. By far the deepest cuts were to public housing modernization funds, which were cut from \$3.7 billion in FY 1995 to \$2.5 billion in FY 1996 and 1997. Funding for public housing operating subsidies, the stream of funds which helps PHAs make up the difference between what residents pay in rent and what is needed to operate the buildings, remained flat. However, Congress continued to underfund operating subsidies by \$300 or \$400 million per year, based on HUD's estimates of the true operating costs of public housing.

A program designed to build the capacity of resident organizations, the Tenant Opportunity Program (TOP), was cut from \$25 million in FY 1995 to \$5 million in FY 1997.

Legislative Changes: Sweeping legislation to overhaul the nation's public housing system passed both Houses of Congress in 1996, but died in the waning hours of the 104th Congress. However, a wide variety of policy changes were incorporated in the Fiscal Year 1996 and Fiscal Year 1997 Appropriations Bills that significantly devolve authority to local Public Housing Authorities (PHAs). A separate bill to reform the Indian public housing programs did pass in the last few days of the 104th Congress and became law. The recently passed welfare bill also contains provisions that may affect the operations of the public housing system.

The House and Senate public housing reform bills that died in the 104th Congress (HR 2406 and S 1260, respectively) differed principally in the extent to which they would have devolved decision making authority to local housing authorities. There were some common elements to both bills, including repeal of federal admission preferences, repeal of the 'one for one replacement' rule, and creation of rent structures to encourage work. House/Senate staff discussions broke down after agreement could not be reached on a variety of issues, including: retention of the Brooke Amendment, which regulates residents' rental payments; federal targeting requirements; and whether or not to repeal the U.S. Housing Act of 1937.

Enacted changes to public housing programs in the 104th Congress included:

▶ **Minimum Rents.** The FY 1996 Appropriations bill imposed a minimum rent for all public and assisted housing of between \$25 and \$50 per month. Approximately 170,000 families in public and assisted housing were affected by this change because their incomes were so low that the 30% of income standard resulted in rents less than \$25 per month. The FY 1996 minimum rent provision was later modified to provide for a hardship

exemption allowing PHAs to waive the requirement in certain cases. The FY 1997 appropriations bill modified the minimum rent requirement by providing for a minimum rental payment of between \$0 and \$50 per month, at PHA discretion. There is no longer a hardship exemption in place.

◆ **Preferences.** The FY 1996 Appropriations bill suspended federal admission preferences for homeless and other very poor families. Prior to the suspension of federal preferences, virtually all new admissions to public housing were extremely low-income people. The FY 1997 bill extends the suspension for another year. Local PHAs now may establish their own preferences, and are bound only by federal targeting rules which require that between 75% and 85% of new admissions be families earning less than 50% of Area Median Income.

◆ **One-for-One Replacement.** The FY 1996 Appropriations bill continued the policy in place since the FY 1994 Appropriations Act by suspending the requirement that PHAs replace every unit they demolish with another 'hard' unit. The FY 1997 bill extends this provision for another year. PHAs may relocate public housing residents who are displaced as a result of demolitions to other public housing, or may provide them with vouchers. Vacant units that are demolished need not be replaced.

◆ **'Moving-to-Work' Demonstration.** The FY 1996 Appropriations bill created a demonstration program under which 30 PHAs would be *totally deregulated*. These 'high performing' PHAs could combine tenant-based Section 8 and public housing funds and use them in any manner they chose—for example, by 'vouchering out' all the public housing. In addition, virtually no federal protections—such as the Brooke Amendment, targeting requirements, or lease and grievance protections—would apply in these 30 sites. HUD has recently requested applications from PHAs desiring to be selected as demonstration sites.

◆ **Conversion of Severely Distressed Public Housing.** The FY 1996 Appropriations bill requires PHAs to convert public housing units meeting certain criteria to vouchers. In particular, public housing that is dense (more than 350 contiguous units), substantially (more than 10%) vacant, and more expensive to operate than vouchers would be required to be converted to vouchers. HUD issued a draft regulation in early October to implement the law which goes into effect immediately, but is subject to changes after public comments are received.

◆ **Access to Public Housing for Immigrants.** All illegal or 'unqualified' immigrants are barred from all federal public benefits, including public and assisted housing. The new welfare reform bill is ambiguous on the question of whether legal or 'qualified' immigrants will be denied admission to public housing and access to other housing assistance. Existing legal immigrants will not be evicted from public housing. The Justice Department is expected to rule on the applicability of the

immigrant exclusion for new admissions to public housing by the end of the year.

♦ **Welfare Reform and Public Housing:** Families that lose benefits because of time limits will see a corresponding decline in their rent under the Brooke formula. However, this means increased costs for PIAs that must make up the loss in rental income. One estimate is that Congress might eventually need to find an additional \$300 - \$400 million in operating subsidies to compensate for the welfare cutbacks.

♦ **Changes In Tenant Screening Policies:** A new provision of law prohibits admission to and requires eviction from public housing of persons engaged in criminal or drug related activity. Better known as the 'one strike and you're out' policy, the new law requires that in the case of an individual engaged in criminal or drug-related activity that the entire household be evicted.

Implications for CBOs:

- ♦ The drastic cuts in funding will, over time, result in deterioration of the stock of public housing, greater vacancies, and unmet modernization needs.
- ♦ Devolution of decision-making regarding demolitions, rent setting, and income mixing will underline the importance of resident organizations and their allies' ability to influence the local political scene.
- ♦ Declining resources for resident organizations will adversely hinder the capacity of these groups to participate in the local debate about the future of public housing precisely at the time at which their participation is most crucial.
- ♦ Repeal of federal preferences and accelerated demolitions mean that very poor and homeless families will have even less chance of securing decent, affordable housing. This will put more strain on service providers and non-profit housing developers.

Outlook for the 105th Congress: Although significant reforms to the public housing system have already been enacted, it is highly likely that Congress will revisit the question of systemic public housing reform.

Two sets of pressures make this reform necessary from policy makers' point of view. First, reduced resources available for public housing require new sources of revenue. Many of the policy changes now under discussion, including increasing rents, accelerating demolitions, and mixing incomes would result in greater revenue or lower costs for PIAs over time. Second, the general perception that public housing has 'failed' due to the concentration of very poor families has led policy makers to pursue incentives or requirements that residents work, encourage admission of higher-income families, and promote demolition or vouchering out of large projects.

While the general direction of public housing reform appears set, fundamental questions about how far to go are yet to be decided. Finally, it is not clear how the different implementation strategies of states for welfare reform will impact the public housing system.

Resources: Center for Community Change, National Housing Law Project, ACORN, National Low-Income Housing Coalition

Project Based Section 8

Funding: There are roughly three million units of private rental housing that receive federal subsidies under section 8 of the U.S. Housing Act. The federal government entered into contracts to cover the balance between a subsidized household's monthly rent payment, set at 30% of their income, and the rent charged by the private landlord. About half of the program is project based, which means that tenants have to live in specific apartments, the other half is tenant based, which means that the tenant can take their subsidy and move.

Up until now, Congress has appropriated sufficient funds to renew all section 8 contracts that have reached their expiration date, but only for one-year terms. In FY 1996 renewals were funded at \$4 billion; in FY 1997 they are funded at \$3.6 billion. Starting in FY 1998, there will be several spikes in the cost of renewing section 8 contracts. HUD estimates that \$13.5 billion in budget authority is needed to renew all contracts in FY 1998; by the year 2000 the cost will surpass \$16 billion. If Congress does not appropriate additional funds for the renewals, they will crowd out the rest of HUD's budget.

Legislative Changes: In addition to the looming contract renewal crisis, there are other problems with FIA insured project-based section 8, including some bad management, some deteriorating stock, and some over-subsidization of stock. In order to address these concerns, both HUD and Congress have proposed different ways to reform the program. Some small-scale reforms have been implemented by Congress through the appropriations process.

HUD proposed a radical plan, dubbed Mark to Market, that would have terminated project-based subsidies; terminated FIA insurance; required the restructuring of all mortgages; and issued some tenants portable vouchers. Most advocates and owners opposed the plan, which would have thrown projects into financial turmoil and potentially displaced thousands of tenants.

Congress has taken a more moderate approach, now called Portfolio Reengineering. In FY 1996 a small demonstration project was approved in the HUD spending bill. It allowed up to 15,000 units with expiring contracts to be voluntarily restructured, and appropriated \$30 million to implement the plan. In FY 1997, the HUD appropriations bill contained a larger demonstration project, which, unlike the earlier demo, includes more specific eligibility criteria; more detailed tools and options, and continuation of project-based subsidies after restructuring. The new demonstration supersedes the FY 1996 one, and adds \$10 million to the \$30 million already appropriated.

13

CAMPAIGN TO SAVE 2000 CAMBRIDGE HOMES

Campaña para Salvar 2000 Hogares

Kanpay pou Sove 2000 Kay

11 Inman St., Cambridge MA (617) 868-2900

January 23, 1997

Dear Mayor Russell, Vice Mayor Born and Cambridge City Councilors,

There has been important discussion in the City Council Housing Committee in the last 3 weeks. We thank the chair, Frank Duehay, for calling these meetings (and the one coming up next week), and we thank councilors for their level of participation. This participation gives expression to the Council position that Affordable Housing is its number one priority.

As part of the last debate, we were asked to provide further documentation/argument around why public housing is at risk. As of today, Thursday, we do not have that ready and so it can't be placed in councilors' packets. We will have this material ready tomorrow (Friday). It will be available in councilors' boxes.

We also plan to have written testimony available on Monday regarding some of the different debates taking place in Housing Committee. This will cover issues such as:

- the relationship of different pieces of the affordable housing plans
- the need to purchase as many formerly rent control buildings as possible quickly
- the need for further emergency measures for tenants at risk
- the importance of the Council continuing to exert public pressure against large rent increases and evictions
- our view of rent subsidies
- why we believe there is \$6.3 million available each year for housing
- our view of the condo law

Again, thank you for your participation in these important discussions. As you know, prompt action is needed to protect people's homes.

Sincerely,

Louise Dunlap
for the Campaign to Save 2000 Homes

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97 JAN 23 PM 3:47
CAMBRIDGE MA.

Consent Communication #13

Communication was received from Campaign to Save 2000 Cambridge Homes, transmitting that further documentation regarding why public housing is at risk will be ready on Friday.

In City Council January 27, 1997

*Referred to
Housing and
Community
Development
Committee*



City of Cambridge

23-

Calander Item #7

IN CITY COUNCIL

~~February 12, 1996~~

March 18, 1996

COUNCILLOR TRIANTAFILLOU
COUNCILLOR BORN
COUNCILLOR REEVES

- WHEREAS: The City of Cambridge has a responsibility to protect all its people from dramatic escalations in cost to keep a roof over their heads; and
- WHEREAS: The City of Cambridge may have the ability to do much more than it is currently doing, or planning to do; and
- WHEREAS: There is now a window of opportunity to preserve affordable housing for working class Cambridge families; and
- WHEREAS: Because of the end of rent control, the City will receive more tax revenue and will save \$1.3 million from the Rent Control budget; and
- WHEREAS: Fairness and justice dictates that the money accrued to the City as a direct result of the end of rent control should be used to preserve and protect working class households; and
- WHEREAS: A new real estate transfer tax on luxury homes is under discussion as an additional revenue source; and
- WHEREAS: None of these aforementioned revenue sources take money away from other existing City programs; and
- WHEREAS: The City of Cambridge has already budgeted \$2 million this fiscal year for the City Home program which has the purpose of softening the transition from controlled rents to market rents, which programs are basically good but only preserve about 50-60 units of housing each year; and
- WHEREAS: The sheer size of the transition problem is overwhelming; now therefore be it

RESOLVED: The City Council endorses a plan that would direct all of the revenue from the sources described above (Rent Control Department budget, increased tax revenues from formerly rent controlled buildings, and the transfer tax) for a 10-year period to programs that directly address the housing crisis in the City of Cambridge; and further be it

RESOLVED: That, since the crisis is now, and the revenue sources may not achieve their full potential immediately, that the City will investigate the possibility of using other sources of City money (including free cash) to be used as a bridge until sources of revenue identified above are fully realized at the level of \$10 million; and further be it

RESOLVED: That a minimum of 75% of this additional revenue be expended to preserve and protect working class households as permanently affordable through limited equity condominium/cooperative purchases and non-profit purchases of multi-family buildings; and further be it

RESOLVED: That the goal of these purchases is to make 275 units of permanently affordable housing each year; and further be it

RESOLVED: That any rental assistance to tenants be limited to the transition period to condo/coop ownership or non-profit ownership and management and to subsidies for very low income tenants incapable of being part of these new formations without financial help; and further be it

RESOLVED: That \$35,000 of this revenue be designated for a Public Housing Tenant Liaison/Coordinator to address federal and state cutbacks to this vital part of our housing stock; and further be it

RESOLVED: That the following list of criteria be used to determine priority among the demands on the 75% of the revenue described above:

1. Need of tenants;
2. Buildings where tenants have already begun to discuss the future of their homes;
3. Other city priorities, such as purchase of Harvard University properties, and high risk properties;
4. Low unit cost in purchase price;
5. The need to preserve housing for long term Cambridge residents so they can stay in the City; and further be it

RESOLVED: That, as part of the selection process and its aftermath, all implementing parties and agencies/departments would genuinely explore the most basic level of rehabilitation required and the use of sweat equity options, where appropriate.

REFERRED TO MARCH 4, 1996 HEARING ON THE MOTION OF COUNCILLOR DAVIS

3/4/96 MOTION TO TABLE BY COUNCILLOR TRIANTAFILLOU ON A VOICE VOTE OF EIGHT MEMBERS WITH COUNCILLOR SULLIVAN VOTING IN THE NEGATIVE.

REFERRED TO HOUSING AND COMMUNITY DEVELOPMENT AT REGULAR CITY COUNCIL MEETING OF MARCH 18, 1996.

Committee Report #1 Cal 5 ~~00007~~

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.

Portion only

12-16-96 ^{tabled} No Action taken
11-25-96 No Action taken
11-18-96 No Action taken
11-4-96 No Action taken
10-28-96 No Action taken
10-21-96 No Action taken
10-7-96 No Action taken
9/30/96 No Action taken
9-16-96 No action taken
1-6-97 No Action taken
1-13-97 No Action taken
1-27-97 Referred to
Committee Report #3
4/24 No Action Taken
4/10/96 No Action Taken.

In City Council April 22, 1996

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

Councillor Duehay

City of Cambridge

The Housing and Community Development Committee held a public meeting on January 21, 1997, beginning at 4:20 p.m. in the Sullivan Chamber for the purpose of continuing discussion on the various options for preserving affordable housing. 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, Mayor Sheila Doyle Russell, Councillor Michael A. Sullivan, Councillor Katherine Triantafillou, and City Clerk D. Margaret Drury. Also present were Robert W. Healy, City Manager; Susan Schlesinger, Assistant City Manager for Community Development; James Maloney, Assistant City Manager for Finance; Donald Drisdell, Deputy City Solicitor; Roger Herzog, Housing Director, Community Development Department; Vali Buland, Legal Counsel; and Elizabeth Sternberg, Community Development Department.

Councillor Duehay explained the purpose of the public meeting. He noted that it is one in a series of several meetings which are being held to consider issues of affordable housing in connection with the final expiration of tenant protections associated with the end of rent control. Councillor Duehay stated that the City Manager presented a detailed memorandum of options and recommendations for affordable housing. That document and some additional recommendations from the Campaign to Save 2000 Homes and other members of the public have formed the basis for committee discussions. Councillor Duehay summarized some earlier presentations by the City Manager. He noted the City Manager's position that he would prefer the use of case management services with a supplementary emergency fund to the creation of subsidies with the resultant continuing expenditures which would substantially impact City finances and would ultimately raise expectations that could not be fulfilled. Councillor Duehay also noted that it was not clear from Mr. Healy's remarks that he would not reconsider his position if the entire City Council were to vote for subsidies. Councillor Duehay emphasized Mr. Healy's remarks regarding the relationship of housing funding to the entire City budget. He noted that Mr. Healy had indicated that he would be prepared to recommend a \$20 million bond issue if there were a defined revenue source to finance debt service. Without a dedicated funding source, he expressed concern that the bonding companies would react negatively; they would not see this as a traditional municipal funding matter.

Councillor Duehay noted that the City Council cannot levy a real estate transfer tax. It requires action by the State Legislature, and due to the controversial nature of new taxes, it is not likely to succeed without a complete or near-complete majority of the City Council voting in favor of such a tax.

Councillor Duehay asked Mr. Healy if he had further remarks. Mr. Healy stated that the bonding for affordable housing would also require legislative approval because it is not a traditional municipal purpose. Mr. Healy stated that in any event, bonds for the entire \$20 million would not go to market at the same time. He added that using \$250,000 sales as threshold and 1% as the percentage of the tax, the projection for revenue generation from a real estate transfer tax is \$1.3 million per year. This would cover 50% of the annual cost of the bonds.

Mr. Healy distributed three memoranda and invited Ms. Susan Schlesinger to summarize them. Ms. Schlesinger stated that Attachment One is a final recommendation on the proposed terms of a transfer tax with a draft home rule petition. Attachment Two is a response to questions about the municipal bond proposal which were raised at the last meeting. Attachment Three is a memorandum containing condominium conversion data for 1990-1996.

Councillor Duehay invited discussion on the bond issue and the real estate tax.

Councillor Anthony Galluccio stated that his concern about the transfer tax is the impact on affordability of housing and especially condominiums for moderate income people. Last week they discussed an exemption of the first \$250,000 to \$300,000 of the sale price. Shouldn't that amount be factored into the cost as a unit by unit threshold?

Ms. Schlesinger said that the Community Development Department developed the cut off recommendation based on what moderate income families could afford to buy, and this is where the \$250,000 recommendation comes from. The bulk of condominium sales are for prices of under \$250,000.

Councillor Michael Sullivan gave the example of a woman who works for the City for low pay, is in her mid-60's, is raising her grandchildren, and has lived for thirty years in a building owned by Harvard. Harvard did sell her the three-unit house. The \$2500 transfer tax would have been a dealbreaker; she simply did not have the extra money. Mr. Roger Herzog, Housing Director, Community Development Department, noted that the Community Development Department had provided counseling assistance to this person to help the sale be finalized.

Councillor Kenneth Reeves asked why there is not a transfer tax that applies to all sales but at a lower percentage. Could the City not achieve a similar income stream? Ms. Schlesinger said that if the tax were 1/2% for all sales, it would net about \$1.3 million. It was not recommended because of the concern expressed about potential negative impacts on lower income purchasers.

Councillor Reeves said that the Block Island tax for conservation is 6% paid by everyone.

Councillor Triantafillou stated that there is a certain appeal to an across-the-board tax that is the same for everyone. Councillor Triantafillou asked why the tax is placed on the purchaser.

Ms. Vali Buland, Legal Counsel, stated that it was so drafted for the sake of clarity. Ms. Schlesinger said that it is done both ways in various states, but the Community Development Department felt that enforcement is somewhat more clear when the tax is the buyer's responsibility.

Councillor Duehay asked why the tax does not apply to commercial property. Ms. Schlesinger said that commercial developers are covered by incentive zoning provisions; and for these commercial developers there is a more legally rational nexus between incentive zoning provisions and affordable housing.

Councillor Galluccio said that it is a struggle to keep families in Cambridge. He does not want to see anything that will tip the balance to Randolph or Waltham. Councillor Galluccio said that if he were to favor a transfer tax, which he does not know that he does, he would favor a graduated tax. Councillor Galluccio then asked about spending of the additional revenue from the end of rent control. He asked if it all went to housing, how much more income would there be for housing.

Mr. Healy said that the estimate was \$4.5 million in additional taxes. Councillor Galluccio asked how much money does the City no longer spend on the Cambridge Rent Control Board budget. Mr. Healy said that in FY96 there was a \$700,000 savings. In FY97, there was no operating budget for the Rent Control Board. This money went to the CityHome Program and there was no increased revenue from property tax that year. In an operating budget, the decrease is really a one time increase in available funds.

Mr. Healy said the estimate of increased tax yield is still \$4.5 million over three years. After three years, there will be no further increase attributable to rent control.

Mayor Sheila Russell asked whether assessed values need to be increased as quickly as they are being increased. Mr. Healy answered in the affirmative, that the law requires full and fair valuation. Mayor Russell noted that the increased assessments are forcing rent increases.

Councillor Henrietta Davis expressed her interest in what happens to the buyer. According to her calculations, to pay a \$2500 tax for 3 units by raising rent over three years would mean increasing the rents about \$25 per month.

Ms. Schlesinger said that the Community Development Department had looked into whether lenders would allow the expense of the transfer tax to be rolled into a 30 year mortgage, and she will look again at that data and report to the Committee.

Councillor Davis asked about the income tax consequences. Ms. Schlesinger said that she did not know, but would look into the matter and inform the committee.

Vice Mayor Born asked about the Rent Control Board Operating Budget. Mr. Healy said that the Rent Control Budget would be \$1.3 million if it were still in place. Vice Mayor Born asked about the expected increase in tax revenues over the three years. Mr. Healy said that the estimate was \$1.5 million for three years. The reality of the first year was \$2 million. He said that calendar year 1998 was the first year that the CityHome Program was adopted to appropriate \$2 million annually to the Affordable Housing Trust. That year there were no increased tax revenues. Year 2 of CityHome, the appropriation was increased to over \$2.2 million with \$600,000 from rent control and \$1.6 estimated as coming from rent control value increases.

Vice Mayor Born said that at some point it is probably not reasonable to keep looking at the former Rent Control budget as a savings, but to only consider its absence a savings for one or two years seems a little narrow.

Mr. Healy said that he believed that the message he received from the City Council as to what to do with the operations savings was to split it between affordable housing and a general benefit for all of the City, to affect the tax levy.

Vice Mayor Born said that the same citizens who argued against putting the entire operations savings and revenue into affordable housing are now arguing that since this money could go to affordable housing, this is the reason not to vote for a transfer tax.

Councillor Duehay noted that even if there were a 1/2% transfer tax, if there were a \$20 million dollar bond issue, that would only pay half the bond debt service, and \$2.25 million would still have to come from property tax revenues.

Vice Mayor Born suggested looking at just how much affordable housing is needed, and then looking at a way to pay for it.

Councillor Davis agreed. She said that she is often asked by citizens what the money would be used for.

Councillor Katherine Triantafillou asked if the increased revenue from increased value on formerly rent-controlled properties is \$4.5 million per year. Mr. Healy said the increase is expected to be \$1.5 million per year for 3 years, for a total of \$4.5 million. Mr. Healy explained that after three years, it would not be characterized as new construction. Mr. James Maloney, Assistant City Manager for Finance, explained that under state law, that is the only amount allowed to be so calculated. Mr. Healy said that the annual expenses for the bond would average \$2.8 million over 10 years, and for the first few years, the expense would be \$3.2 million per year.

Councillor Triantafillou asked if the City Council set a goal of 25% affordable housing, would the plan be different? Ms. Schlesinger said that the City is at 14% affordable housing now and is going to have to fight to hold on to that percentage. It would require 4,000 additional units, assuming that we don't lose any units, which is an unrealistic assumption, to reach a goal of 25%, and would cost more than double the \$20 million proposed bond. Councillor Triantafillou asked what the \$20 million bond would buy. Ms. Schlesinger said that this is difficult to estimate precisely because it also depends on what other funds are available to be leveraged. Without leverage, these funds would buy 150 to 200 units. If leverage could be used as it has in the past, then that number could be doubled.

Ms. Schlesinger said that the City is fighting to stay at the current level. There are continuing federal cuts. President Clinton is proposing a large cut in the HUD budget this year.

Councillor Reeves asked in regard to the issue of how much affordable housing is needed, whether statistics are available regarding what has happened to tenants since the end of rent control. He would like to know how many people have actually moved, and to where they have moved.

Mr. Healy said that one would want the legislation authorizing the city to bond for this purpose to be as flexible as possible, and one would not borrow the entire \$20 million immediately unless there was a \$20 million dollar project.

Councillor Reeves said land in Cambridge is not going to get less expensive, so he would use a lot of money to secure sites. He would also want to know what has happened to tenants who have moved and where they have gone. He also suggested the possibility that private developers may be able to produce housing for less money. Ms. Schlesinger said that private developers are encouraged to contact the Affordable Housing Trust, which is interested in working with private developers.

Councillor Reeves said that it appears to him that he is being requested to authorize \$20 million dollars on the statement that the City will do its best to spend it well, but with no concrete information about how many units will be built and when they will be built.

Councillor Duehay asked about condominium assistance. Ms. Schlesinger said that the City does have a program for assistance in purchasing condominiums. She noted that this is a very labor-intensive process, and it is not fast. The best way to produce affordable housing quickly is in larger buildings.

Councillor Galluccio said that it might be better to finance these people to buy condos new and not wait for units to be built. Ms. Schlesinger emphasized that this program currently exists.

Councillor Davis asked whether there were potential side effects of increasing prices for the rest of the market. Mr. Healy said the number of affordable units proposed is not large enough to influence the market in such a way. Ms. Schlesinger added that there are 600 market units currently in production in Cambridge.

Vice Mayor Born said that she does not favor buying large dilapidated buildings. It is important to have affordable housing throughout the City. Without some kind of a vision to consider, it is hard for her to support spending \$20 million dollars. Vice Mayor Born requested a one-page description of guidelines for how the \$20 million bond funds would be spent, including a timetable, general locations, cost, the percentage of existing subsidized affordable housing, how this may vary over the next five years depending on state and federal budget, and a suggestion for a readily reachable goal. Councillor Duehay requested that this information be passed out to the Committee well before next Wednesday's meeting.

Councillor Duehay repeated Councillor Galluccio's request for a list of options.

Councillor Duehay said that there has been a lot of discussion on the bonding and the transfer tax. He suggested scheduling January 29, 1997 at 4:00 p.m. as a decision making meeting for both of these issues and its was so agreed without objection.

Councillor Reeves said that he does not know what he thinks is the exact amount of money that should be spent. He wants to see the highest quality housing possible, with big rooms, closets, trees and landscaping, and he does not want to see the people who need this program leave town in the meantime. Perhaps there should be more focus on what is long-range and what is short-range. He encouraged the City to think about how private developers could be used more effectively.

Councillor Duehay then moved to a discussion of the goals of the Campaign to Save 2000 homes. With regard to the first goal listed (focus on the protected tenants) he noted that there has been a great deal of discussion. With regard to the second item, a "sweetener" for landlords who agree to dedicate units as affordable, the Committee has heard that, in general, landlords are not interested in dedicating affordable units.

Councillor Duehay then moved to the issue of funds for legal services and a public housing organizer. He asked Mr. Healy why he is not recommending funding for these matters. Mr. Healy said that the function of a public housing organizer is in the domain of the Cambridge Housing Authority. He sees city funds for staff as more effectively spent on case management functions for formerly protected tenants.

Regarding the legal services funds, Mr. Healy said that Councillor Triantafillou has provided a Cambridge and Somerville Legal Services legal memorandum which reaches a conclusion different from that of the Department of Revenue. He is having the two opinions analyzed and a report prepared.

Councillor Reeves said that the City already supports organizations like Cambridgeport Problem Center, which provides legal services. Mr. Healy said that he expects that is through CDBG funds. Mr. Drisdell, Deputy City Solicitor, said that he believes this is under a contract for services.

Councillor Triantafillou asked why this approach could not be used with Cambridge and Somerville Legal Services.

Councillor Duehay requested that the City Clerk request further information from the Committee to Save 2000 Homes as to what the public housing organizer would do.

Councillor Duehay turned the discussion to the proposal that the City Council seek legislative authority continue the protected status of formerly rent controlled tenants. He recommended that this proposal not be forwarded to the full City Council. Protected status has now ended, and there has been no indication from any source that the legislature, now or at an earlier time, would entertain any such legislation; indeed all indications have been to the contrary. The Committee so agreed without objection.

Councillor Duehay then moved to the items listed as "Ten Million Dollar Plan for Affordable Housing." He noted that the Committee has discussed all items listed. Criteria discussions are ongoing.

Councillor Duehay then moved to the items listed under "Additional Suggestions." He noted that the first two items had been discussed, and suggested that the third item, more investment in other community stabilization efforts, was beyond the scope of the present inquiry of the Committee.

He moved quickly through the next three items, noting that there has been discussion, and requested a report on the status of the transfer of Harvard housing to HRI. Mr. Healy said that it is now down to legal language in the purchase and sale agreement. Ms. Schlesinger said that the closing will take place thirty days after the purchase and sale agreement is signed, and she estimates that it will be another two weeks before the purchase and sale agreement is signed.

Councillor Reeves asked how many vacancies there are in these buildings. Ms. Schlesinger said that there are ten.

Councillor Duehay moved to the next item, the suggestion that the hotel tax be applied to units being rented on a short-term basis to executives. Mr. Healy stated that this would require a change in the state enabling legislation.

Councillor Reeves inquired as to whether the vacancy in the expiring use tenant organizer position would be filled. Ms. Schlesinger stated that the position is not a City position; it is a CEOC position, and CEOC is currently engaged in a hiring process for a new organizer.

Councillor Duehay thanked all those present for their attendance. He asked that all material requested by the Committee be supplied to the Committee well in advance of the next meeting which will take place on Wednesday, January 29, 1997 at 4:00 p.m.

The Committee was adjourned at 6:45 p.m.

For the Committee,

Francis H. Duehay P M D

Councillor Francis H. Duehay
Chair

City of Cambridge

HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE MEETING

DECEMBER 2, 1996

Community Development Department - Options Presented

Housing case management for protected tenants.

Property tax incentives for property owners - tax exemption requires legislative approval

Outreach to large property owners.

Priority for protected tenants in tenant selection for publicly assisted housing.

Proposed real estate fees and regulations

- Real estate transfer fee.

- Condominium conversion fee.

- Condominium conversion ordinance.

- Inclusionary zoning.

Bond issue of \$20 million to support increased affordable housing stock.

Campaign to Save 2000 Homes

Focus on the 1500 means-tested households that received protected status and the 550 Sec. 8 tenants in formerly rent controlled buildings. Goal: All 2000 households should be able to stay in their homes if they wish.

Limited rental subsidies to provide a "sweetener" for landlords who agree to do what Harvard did. E.g., \$50 per month subsidy on top of capped 5% rent increases, with perhaps somewhat larger subsidy to smaller owners. Projected cost: \$1 million.

Transfer tax (use to finance subsidies).

Condominium ordinance.

Implement funding for Legal Services and a public housing organizer.

Seek home rule authority to continue protected status.

Ten Million Dollar Plan for Affordable Housing

This plan would direct all of the revenue from the Rent Control Board budget, increased tax revenues from formerly rent controlled buildings and a transfer tax for 10 years to programs that directly address the housing crisis. Until these revenues are fully realized at the amount of Malawian per year, the possibility of using other sources of City money (including free cash) should be explored.

At least 75% of this additional revenue should be expended for permanently affordable housing for working class households through limited equity condo/coop purchases and nonprofit purchases of multi-family buildings. Goal: Making 275 units of permanently affordable housing per year.

Limit any rental assistance to the transition period to condo/coop ownership or nonprofit ownership and to subsidies for very low income tenants incapable of being part of these new formations without financial help.

Designate \$35,000 of this revenue for a Public Housing Tenant Liaison/Coordinator to address federal and state cutbacks.

Listed criteria to determine priority for use of the 75% of the revenue: need, building where tenants have already started discussing future plans for their building, other city priorities such as purchase of Harvard properties and high risk buildings, cost of unit purchase, need to preserve housing for long-term residents.

Explore most basic level of rehab required and use of sweat equity.

Additional Suggestions Offered During Public Comment 12/2/96

Short-term subsidy program under a case management approach. Skip Schloming

Increase amount of funds approved for Legal Services and disburse them.

More investment in other community stabilization efforts, including health care, job training and education.

City Council support for housing at the neighborhood level even where there is some political opposition.

Favorable publicity for landlords who voluntarily limit rent increases for protected tenants (if they want it).

City should contact landlords for all protected tenants, not just the elderly.

Speed up the Harvard transfer and do the rehab as quickly as possible, fund overtime work if necessary.

Apply hotel tax to units being rented on a short-term basis to executives.

Offer increased community support to the tenants in need.



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

SUSAN B. SCHLESINGER
Assistant City Manager for
Community Development



MEMORANDUM

ELIZABETH EPSTEIN

Deputy Director for
Community Development

To: Robert W. Healy
City Manager

From: Susan Schlesinger
Assistant City Manager for
Community Development

Date: January 21, 1997

Re: Real Estate Transfer Fee

As you know, the City Council's Committee on Housing and Community Development is considering a proposal to enact a local real estate transfer fee on the sale of residential property. The purpose of the fee is to generate new revenues to support affordable housing programs.

We are submitting our final recommendation on the proposed terms of such a transfer fee. We recommend that the transfer fee be set at 1% (one percent) of the purchase price on all sales of residential property priced at or above \$250,000 (two hundred and fifty thousand dollars). Based on our initial analysis of 1996 sales in Cambridge through December 15, 1996, this proposal would affect 344 sales (out of a total of 1,026 sales) and would generate approximately \$1.6 million per annum. These figures are very similar to the projected revenues generated from 1995 sales.

We recommend this fee structure based on the fact that transfer fees would be charged on the high-priced market sales and not on moderately priced housing. The Community Development Department is strongly committed to enhancing homeownership opportunities for low and moderate income Cambridge residents, and this proposal will not impact negatively on these efforts.

We have attached a revised draft Home Rule Petition that incorporates the recommended fee structure. Please let me know if you have any questions regarding the matter.

Attachment

DRAFT

**...AN ACT AUTHORIZING THE IMPOSITION OF A FEE ON THE TRANSFER
OR CONVEYANCE OF REAL PROPERTY INTERESTS IN THE CITY OF CAMBRIDGE.**

Section 1. For purposes of this act, the words and phrases set forth in this section shall have the following meanings:

"Affordable Housing Trust Fund" or "Trust", shall refer to the "Cambridge Affordable Housing Trust Fund", as enacted, c. 482 of the Acts of 1991.

"Board", shall refer to the Board of Trustees of the Affordable Housing Trust Fund as established by §2 of c. 482 of the Acts of 1991.

"Purchaser", the transferee, grantee or recipient of any real property interests.

"Purchase Price", all consideration paid or transferred by or on behalf of a purchaser to a seller or his nominee, or for his benefit, for the transfer of any real property interest, and shall include, but not be limited to, all cash or its equivalent so paid or transferred; all cash or other property paid or transferred by or on behalf of the purchaser to discharge or reduce any obligation of the seller; the principal amount of all notes or their equivalent, or other deferred payments, given or promised to be given by or on behalf of the purchaser to the seller or his nominee; the outstanding balance of all obligations of the seller which are assumed by the purchaser or to which the real property interest transferred remains subject after the transfer, determined at the time of the transfer, but excluding real estate taxes and other municipal liens or assessments which are not overdue at the time of the transfer; the fair market value, at the time of the transfer, of any other consideration or thing of value paid or transferred by or on behalf of the purchaser, including but

not limited to, any property, goods or services paid, transferred or rendered in exchange for such real property interest.

"Real Property Interest", any present or future legal or equitable interest in or to real property, and any beneficial interest therein, including the interest of any beneficiary in a trust which holds any legal or equitable interests in real property; but shall not include any interest which is limited to any or all of the following: the dominant estate in any easement or right of way; the right to enforce any restriction; any estate at will or at sufferance, and any estate of years having a term of less than thirty years; any reversionary right, condition, or right of entry for condition broken; the interest of a mortgage or other secured property in any mortgage or security agreement; and the interest of a stockholder in a corporation, or a partner in a partnership.

"Seller", the transferor, grantor, or immediate former owner of any real property interests.

"Time of transfer", of any real property interests shall mean, the time at which such transfer is legally effective as between the parties thereto, and, in any event, with respect to a transfer evidenced by an instrument recorded with the appropriate registry of deeds or filed with the assistant recorder of the appropriate registry district, not later than the time of such recording or filing.

Section 2. There is hereby imposed a fee on the transfer or conveyance of any real property interests in real property in the City of Cambridge used in whole or in part for residential purposes. Said fee shall be in the amount of one percent (1%) of the purchase price, on all transfers or conveyances at or above \$250,000.00. Notwithstanding any general or special law to the contrary, no adjustment shall be made pursuant to section four of chapter sixty-two F of the General Laws on account of revenues received from any excise established by this section. Said

fee shall be the liability of the purchaser of such real property interest, and any agreement between the purchaser and the seller or any other person with reference to the allocation of the responsibility for bearing said fee shall not affect such liability of the purchaser. The fee shall be paid to the City of Cambridge ("City") and allocated to the Cambridge Affordable Housing Trust Fund and shall be accompanied by a copy of the deed or other instrument evidencing such transfer, if any, and an affidavit signed under oath or under the pains and penalties of perjury by the purchaser or his legal representative, attesting to the true and complete purchase price and the basis, if any, upon which the transfer is claimed to be exempt in whole or in part from the fee imposed hereby. The City shall promptly thereafter execute and issue a certificate indicating that the appropriate fee has been paid or that the transfer is exempt, in whole or in part, from the fee, stating the basis for the exemption. The Register of Deeds for Middlesex County, shall not record or register, or receive or accept for recording or registration, any deed, except a mortgage deed, to which has not been affixed such a certificate executed by the Trust. Failure to comply with this requirement shall not affect the validity of any instrument. All money collected pursuant to this Act shall be used in a manner that is consistent with the purposes of the Trust as set forth in the Declaration of Trust and in accordance with the powers granted to the Trust by c. 482 of the Acts of 1991. The Treasurer of the City of Cambridge shall prudently invest the sums collected and all income thereon shall accrue to the Trust. The fee imposed hereunder shall be due simultaneously with the time of transfer of the transfer upon which it is imposed. Notwithstanding the foregoing, whenever there is a conveyance of real property interests and a conveyance of personalty related thereto at or about the same time, the allocations of payments between real estate and personalty agreed to by the purchaser and seller shall not determine the amount of the fee due pursuant to

this section; instead the Trust may require payment of the fee referred to in real property interests so conveyed as determined by the Board.

Section 3. Unless exempted pursuant to section five infra, but notwithstanding the exemptions referred to in section 5, paragraphs (g) and (h), the following fees shall be imposed:

(a) A fee equal to one percent (1%) of the purchase price, on all transfers or conveyances at or above \$250,000.00 of real property interests in real property used in whole or in part for residential purposes held in the name of or otherwise owned by a corporation, shall be paid upon the transfer of the controlling stockholders of their interests of the stock of such corporation, and upon the transfer of a minority stockholder's shares if said transfer gives the transferee the right to occupy a residential unit in cooperatively held housing accommodations. This fee is due on or before the time of transfer of the stock.

(b) A fee equal to one percent (1%) of the purchase price, on all transfers or conveyances at or above \$250,000.00 of real property interests in real property used in whole or in part for residential purposes held in the name of a partnership or otherwise owned by a partnership, upon the change in composition of such partnership either in one transaction or a series of related transactions which change in composition results in a transfer of capital interests in excess of fifty per cent of the total capital interests within such partnership or results in a transfer of the ownership rights to profit interests within such partnerships.

Section 4. At any time within fourteen days following the issuance of the certificate of payment of the fee imposed by section two, the purchaser or his legal representative may return said certificate to the Trust for cancellation, together with an affidavit signed under oath or under the pains and penalties of perjury that the transfer, with respect to which such certificate was

issued, has not been consummated, and thereupon the fee paid with respect to such transfer shall be forthwith returned to the purchaser or his legal representative.

Section 5. The following transfers of real property interest shall be exempt from the fee established by section two. Except as otherwise provided, the purchaser shall have the burden of proof that any transfer is exempt hereunder.

(a) Transfers to the government of the United States, the Commonwealth, and any of their instrumentalities, agencies or subdivisions.

(b) Transfers which, without additional consideration, confirm, correct, modify or supplement a transfer previously made.

(c) Transfers made as gifts without consideration.

(d) Transfers by operation of law without actual consideration, including but not limited to transfers occurring by virtue of the death or bankruptcy of the owner of a real property interest.

(e) Transfers made in partition of land and improvements thereto, under chapter two hundred and forty-one of the General Laws.

(f) Transfers to a mortgagee in foreclosure of the mortgage held by such mortgagee, and transfers of property subject to a mortgage to the mortgagee in consideration of the forbearance of the mortgagee from foreclosing said mortgage.

(g) Transfers made to a corporation or partnership at the time of its formation, pursuant to which transfer no gain or loss is recognized under the provisions of section three hundred and fifty-one or seven hundred and twenty-one of the Internal Revenue Code of 1986, as amended; provided, however, that such transfer shall be exempt only in the event that (i) with respect to a

corporation the transferor retains a controlling interest in such corporation after such formation or (ii), with respect to a partnership, the transferor retains after such formation rights to capital interests in excess of fifty per cent of the capital interests within such partnership or retains rights to profit interests within such partnership in excess of fifty per cent of the total profit interests within such partnership.

(h) Transfers made to a stockholder of a corporation in liquidation of the corporation, and transfers made to a partner of a partnership in dissolution of the partnership; provided, however, that such transfer shall be exempt only in the event that (i) with respect to a corporation, the transferee had prior to the transfer a controlling interest in such corporation or (ii) with respect to a partnership, the transferee had prior to the transfer rights to capital interests in excess of fifty per cent of the total capital interests within such partnership or had rights to profit interests within such partnership in excess of fifty per cent of the total profit interests within such partnership.

(i) Transfers consisting of the division of marital assets under the provisions of section thirty-four of chapter two hundred and eight of the General Laws or other provisions of law.

(j) Transfers of property consisting in part of real property interests situated in the City of Cambridge and in part of other property interests, to the extent that the property transferred consists of property other than real property situated in the City of Cambridge; provided that the purchaser shall furnish the Trust with such information as it shall require or request in support of the claim of exemption and manner of allocation of the consideration for such transfers.

(k) All transfers under \$250,000.00.

(l) All transfers of "affordable housing", as that term is defined in regulations promulgated by the Trust.

(m) Transfers consisting of property taken by eminent domain.

Section 6. A purchaser who fails to pay all or any portion of the fee established by section three on or before the time when the same is due shall be liable for the following additional payments in addition to said fee:

(a) Interest: Interest on the unpaid amount of the fee to be calculated from the time of the transfer at a rate equal to fourteen percent per annum.

(b) Penalties: Any person who, without fraud or willful intent to defeat or evade the fee established by section three, fails to pay all or a portion of the fee within thirty days of the time of transfer, shall pay a penalty equal to five percent of the outstanding fee as determined by the Board for each month or portion thereof thereafter that the fee is not paid in full; provided, however, that in no event shall the amount of any penalty imposed hereunder exceed twenty-five percent of the unpaid fee due at the time of transfer. Whenever the Board determines that all or a portion of a fee due under this act was not paid due to fraud or with intent to defeat or evade the fee imposed by this act, a penalty equal to the amount of said fee shall be paid by the purchaser in addition to said fee.

Section 7. (a) The Board shall notify a purchaser by registered or certified mail of any failure to discharge in full the amount of the fee due under this act and any penalty or interest assessed. The Board shall grant a hearing on the matter of the imposition of said fee or any penalty or interest assessed, if a petition requesting such hearing is received by the Board within thirty days after the mailing of said notice. The Board shall notify the purchaser in writing by registered or certified mail of its determination concerning the deficiency, penalty or interest within fifteen days after said hearing. Any party aggrieved by a determination of the Board,

concerning a deficiency, penalty or interest may, after payment of said deficiency, appeal to the district or superior court within thirty days after the mailing of notification of the determination by the Board. Upon the failure to timely petition for a hearing, or appeal to said courts within the time limits hereby established, the purchaser shall be bound by the terms of the notification, assessment or determination, as the case may be, and shall be barred from contesting the fee, and any interest and penalty, as determined by the Board. All decisions of said courts shall be appealable to the Massachusetts Appeals Court in the same manner as civil actions. Every notice to be given under this section by the Board shall be effective if mailed by certified or registered mail to the purchaser at the address stated in a recorded or registered instrument by virtue of which the purchaser holds any interest in land, the transfer of which gives rise to the fee which is the subject of such notice; and if no such address is stated or if such transfer is not evidenced by an instrument recorded or registered in the public records in Middlesex County, such notice shall be effective when mailed to the purchaser in care of any person appearing of record to have a fee interest in such land, at the address of such person, as set forth in an instrument recorded or registered in Middlesex County.

(b) All fees, penalties and interest required to be paid pursuant to this chapter shall constitute a personal debt of the purchaser and may be recovered in an action of contract or in any other appropriate action, suit or proceeding brought by the Board; said action, suit or proceeding shall be subject to the provisions of chapter two hundred and sixty.

(c) If any purchaser liable to pay the fee established by this act neglects or refuses to pay the same, the amount, including any interest or penalty thereon, shall be a lien in favor of the Board upon all property and rights to property, whether real or personal, belonging to such

purchaser. Said lien shall arise at the time of the transfer and shall continue until the liability for such amount is satisfied. Said lien shall not be valid as against any mortgagee, pledgee, purchaser or judgment creditor unless notice thereof has been filed by the Board: a) with respect to real property or fixtures, in the registry of deeds for Middlesex County, or b) with respect to personal property, in the office in which a security or financing statement or notice with respect to the property would be filed in order to perfect a nonpossessory security interest belonging to the person named in the relevant notice, subject to the same limitations as set forth in section fifty of chapter sixty-two C of the General Laws.

In any case where there has been a refusal or neglect to pay any fee, interest or penalties imposed by this act, whether or not levy has been made, the Board, in addition to other modes of relief, may direct a civil action to be filed in a district or superior court of the Commonwealth to enforce the liens of the Board under this section with respect to such liability or to subject any property of whatever nature, of the delinquent, or in which he has any right, title or interest, to the payment of such liability.

The Board may issue a waiver or release of any lien imposed by this section, pursuant to standards set forth in regulations promulgated by the Board. Such waiver or release shall be conclusive evidence that the lien upon which the property covered by the waiver or release is extinguished.

Section 8. The Affordable Housing Trust Fund is hereby empowered to promulgate rules and regulations governing the application of the transfer fee to the transfer of any real property interest within the City of Cambridge in furtherance of the provisions of this Act.

Section 9. Upon termination or dissolution of the Affordable Housing Trust Fund, the title to all funds and other properties owned by it or owed to it which remain after payment or the making of provision for payment of all bonds, notes and other obligations of the Trust shall vest in the City of Cambridge.

Section 10. This act, being necessary for the welfare of the City of Cambridge and its inhabitants, shall be liberally construed to effect the purposes hereof.

Section 11. The provisions of this act are severable, and if any provision hereof, including without limitation any exemption from the fee imposed hereby, shall be held invalid in any circumstances such invalidity shall not affect any other provision or circumstances. This act shall be construed in all respects so as to meet all constitutional requirements. In carrying out the purposes and provisions of this act, all steps shall be taken which are necessary to meet constitutional requirements whether or not such steps are required by statute.

Section 12. The provisions of this Act shall take effect on _____, 19__.



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

2

SUSAN B. SCHLESINGER
Assistant City Manager for
Community Development

ELIZABETH EPSTEIN
Deputy Director for
Community Development

MEMORANDUM

TO: Robert W. Healy, City Manager
FROM: Susan Schlesinger, Assistant City Manager for Community Development
SUBJECT: Response to Questions Related to Municipal Bond Proposal for Housing
DATE: January 21, 1997

At the Council's Housing and Community Development Committee meeting of January 14, 1997, Council members raised several questions related to the proposal to issue municipal bonds for affordable housing. These questions include the following:

1. How will the bond proceeds be used?
2. How will the City ensure that the City's investment in affordable housing projects remains secure?
3. How will the City decide on the selection of projects to be funded?

Our responses to these questions are as follows:

1. Use of Municipal Bond Proceeds for Affordable Housing

We propose to use municipal bond proceeds to increase the supply of long-term affordable housing for low-and moderate-income residents in the City. These bond proceeds would be used to meet the financing needs for land acquisition and new construction of affordable housing and the acquisition and rehabilitation of existing housing. The City will continue to produce a mix of both affordable homeownership and rental housing.

The additional public capital raised through a municipal bond issue will increase significantly the production of affordable housing in the City. Current development efforts are constrained by the scarcity of existing housing resources, which include federal CDBG and HOME funds, state housing funds available on a competitive basis, and local CITYHOME funds.

We would continue to target resources to both public and nonprofit housing organizations, which provide the strongest commitments for long-term affordability.

With a major increase in housing resources, the City can look at larger scale development projects, such as the second phase of the University Park housing, large multifamily properties including additional expiring use buildings or other Harvard-type agreements, and other potential development opportunities.

2. Security of City's Investment in Affordable Housing

Through the combination of rigorous project underwriting and well-structured legal documentation, we have devised an affordable housing system with strong protections against a loss of City investments.

The process begins with the use of professional staff to underwrite proposed housing developments. The City's housing staff have significant experience in affordable housing lending and development. The purpose of this underwriting is to ensure that project budgets are sufficient to cover the proposed construction or rehab costs, and the scope of the construction or rehab is adequate to provide decent and safe housing for long-term use. In addition, project underwriting will determine whether the ongoing operating budgets are consistent with the need to maintain the housing in good condition throughout its useful life.

Once projects have completed the staff review, the Affordable Housing Trust reviews and approves project proposals. First, the Trust's Project Review Committee will review the proposed project and determine whether the project is ready to proceed. Once the Committee approves the project, it is taken to the full Trust for approval. Through this rigorous process, the City ensures that projects are well conceived and include realistic financial packages. Projects which fail to gain Trust approval will not go forward.

Finally, before City funds begin flowing, extensive legal documentation is executed which provides the City and/or Trust with security for its investment. The City's funding is typically structured as a deferred loan, secured by a mortgage on the property. A deed restriction with affordability restrictions is also recorded to ensure long-term public benefit. The project owner is required to provide annual reports to the City on the financial status of the property. This reporting requirement provides an early warning of potential problems.

In the event of a default by the project owner, the City has the ability to step in and cure such default prior to any action by a senior mortgagee. The City and/or Trust also have the ability to temporarily revise affordability requirements to address unforeseen financial problems.

This system has been developed to ensure that the City's investment will continue to provide public benefit for the long term. The best test of the soundness of this system is to look at the track record of the City. The City's track record on the security of its investments is excellent. There have been no projects which have failed or been taken by senior lenders, resulting in the loss of the property for affordable housing.

3. Project Selection

In general, the project selection process will be as described above. Project sponsors will submit applications to the Affordable Housing Trust. The Affordable Housing Trust will make the final decisions on funding approval. A copy of the Trust's eligibility criteria is attached.

I hope that this information responds to the questions of the Council. I will, of course, be available to provide any additional information as may be requested.

I. Procedures and Eligibility Criteria for Distribution of Funds

1. Procedures for Application for Funds

The Trust will accept applications for use of funds at any time. Decisions on acceptance or rejection of proposals will be made on a quarterly basis unless special circumstances exist which require a more timely decision. Applications will be available at the Cambridge Community Development Department, 57 Inman Street, Cambridge, MA 02139 and should be submitted to the Affordable Housing Trust Fund Board via the Community Development Department.

In addition, the Trust may, from time to time, issue a Request For Proposal (RFP). The request may be for a particular type of project or for general housing development/preservation proposals. The RFP's will be advertised in, at least, one local newspaper and will be mailed to any group or individual who has expressed an interest in being included on a RFP mailing list. The RFPs will be available for review at the Community Development Department.

2. Procedures for Cambridge Housing Partnership (CHP) Endorsement

The Trust will consider requests for endorsement by the Cambridge Housing Partnership on a quarterly basis unless special circumstances exist which require a more timely decision. The intent of the Trust is to endorse those projects which best meet the eligibility and review criteria detailed herein.

3. Eligible Applicants

Private, public, non-profit and profit development entities or private individuals can be considered eligible for receipt of Trust funds.

4. Eligible Projects

Trust funds may be made available for projects containing affordable ownership or rental units whether they are developed through new construction, rehabilitation, or conversions of existing rental units to ownership units. The projects shall be primarily residential but may include commercial uses.

The following are eligibility criteria which must be met to receive Trust Funds:

1. Trust funds are critical to the development of the project.
2. The project's applicant has site control or can demonstrate the ability to gain site control.
3. Housing units created or preserved shall meet the requirements of the State Sanitary and Building Codes.
4. Housing units created or preserved shall be made available in accordance with the application of Fair Housing and Equal Opportunity requirements as provided by law.
5. Such additional criteria as the Trust may establish in a request for proposal or other application procedures.

II. Procedures and Criteria for Review of Applications

1. Review Procedures

The Trustees shall review all applications which are appropriately submitted to the Trust. After initial review, the Trustees may request further materials to explain or modify any proposal and may upon request allow proponents an opportunity to amend their applications.

The Trust evaluation process includes financial underwriting of proposed projects. The Trust will review both income and cost (operating and development) assumptions to ensure that project feasibility exists and to determine the minimum City amount of monies necessary to support a project. After the initial application, Trust staff will meet with sponsor to review application and provide technical assistance if necessary. Sponsors should be prepared to submit to the Trust documentation related to operating and development costs as well projected income. In addition, a sponsor should be prepared to furnish the following information during the initial application and review process:

1. Site plan, building schematics, scope of proposed work
2. Organizational information, evidence of non-profit status (if applicable) Board membership (if applicable)
3. Management Plan (description of scope of management, whether property will be privately managed)

4. Description of Supported Services to be provided and potential funding sources
5. Plan for selecting tenants or owners
6. Other information which the Trust upon review of the application, deems necessary for adequate evaluation

The Trust, in general, requires sponsors to ensure long term affordability of a project in a variety of ways including restrictions, first options to purchase, and/or long term lease, as well as financing terms. A project sponsor should expect monitoring of the project for adequate construction quality standards, tenant/owner selection and affordability.

After funding has been approved by the Trust and prior to closing, sponsor will be expected to submit additional documentation in fulfillment of any and all requirements set forth in the Trust's funding commitment letter.

2. Review Criteria

The Trustees shall review the extent to which eligible proposals meet the following review criteria in order to determine which, if any, best meet the purposes of the Trust and the needs of the City.

- a. The number of affordable units to be developed through new construction, rehabilitation, conversion or acquisition.
- b. The amount of Trust funds requested per affordable unit to be developed, preserved, or acquired.
- c. The developer's capacity, determined through consideration of the developer's past history in completing projects of similar scale and nature, and for developers proposing rental housing, the property management history of the developer and management agent.
- d. The timeliness with which units shall be developed.
- e. The number of years that the project shall maintain units at affordable rental or sales prices, and the strength of the enforcement mechanisms offered to ensure this long-term affordability.
- f. The number of the affordable units that shall be made available to low income households.

- g. The extent to which projects provide housing for families.
- h. The degree to which Trust funds monies are used to leverage additional funds and/or the funds return, through repayment, to the Trust to enhance its available resources.
- i. The extent to which the developer has addressed or intends to address community concerns related to the project.
- j. The extent to which the developer's proposal minimizes negative impacts on existing tenants, particularly displacement.
- k. Such other criteria as the Trustees may establish in request for proposals or alternative application process.



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

3

SUSAN B. SCHLESINGER
*Assistant City Manager for
 Community Development*

ELIZABETH EPSTEIN
*Deputy Director for
 Community Development*

MEMORANDUM

TO: Susan Schlesinger, Assistant City Manager for Community Development
FROM: Roger Herzog, Housing Director
DATE: January 21, 1997
RE: Condominium Conversion Data

In response to a request from members of the Council's Housing and Community Development Committee, the Assessors have provided data related to recent condominium conversion activity in the City. A summary of this data is as follows:

Condominium Conversions 1990-1996				
Year	# of Condo Conversions	# of Total Units	# 2 & 3 Family Properties	# of 4+ Unit Properties
1990	52	261	31	21
1991	21	76	15	6
1992	29	82	26	3
1993	15	37	15	0
1994	22	72	17	5
1995	56	438	31	25
1996	34	123	24	10

Notes:

1. There was an unusually high number of conversions in 1990 due to a court decision invalidating a portion of the removal permit ordinance. In June, 1990, Cambridge received special legislative authority to reenact this provision.
2. For assessing purposes, the Assessors definition of condominium conversions is limited to properties where there is active sales activity. The figures for years 1990-94 reflect only converted properties with active sales activity. The 1995-96 figures include all master deed filings. For 1995, 11 properties had Master Deeds filed but no sales activity as of 9/96 (155 units). The Assessors have not completed their analysis of 1996 Master Deed filings to determine the properties that are actively being sold.
3. The figures for 1996 are for activity through September, 1996.

Committee Report #3

5-49

A Report was received for a meeting held on
January 21, 1997 for the purpose of continuing
discussion on the various options for preserving
affordable housing in the City.

In City Council January 27, 1997

Report accepted
Placed on file
Order adopted