

CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT
City Hall Annex - Inman & Broadway - Cambridge, Mass. 02139

498-9034

Highlights of the Mayor's Housing Initiative #2

The Mayor's Housing Initiative #2, May 1982, proposes the development of a two-part strategy to upgrade and preserve deteriorated rental housing:

- implementation of a systematic code inspection and enforcement program of multi-family housing;
- creation of a new program--Neighborhood Apartment Housing Services (NAHS)--to provide assistance in carrying out property rehabilitation to preserve affordable housing for lower-income residents.

Multi-Family Inspections: Under the supervision of the Building Commissioner, a multi-unit inspection team will conduct inspections on an area basis, consistent with provisions of the State Building Code. The inspections will focus on life-safety hazards and structural/mechanical deficiencies.

NAHS: A non-profit, Cambridge-based corporation consisting of a partnership of property owners, tenants, lenders and public officials committed to preserving affordable rental housing in Cambridge. NAHS was created during the past year with the help of the Neighborhood Reinvestment Corporation (NRC).

The program designed by NAHS aims to facilitate rehab by providing long-term, low-cost financing, technical support, and rental assistance for lower-income tenants.

NAHS will work closely with the City's non-profit housing groups and public agencies, including CHA, Rent Control, the Community Development Department and the Building and Health Departments. All have participated in formulating the new program.

Eligible Improvements: NAHS will assist in rehab that addresses life/safety hazards, structural and mechanical deterioration and energy efficiency. In short, the basic improvements necessary to preserve affordable housing. It is not a program to provide "luxury" amenities. It opposes displacement, whether by gentrification or progressive deterioration leading to abandonment.

Funding: Funds will be sought from a variety of sources, both public and private. These include Cambridge-based corporations and institutions, foundations, the State, City (CDBG-Multi-family rehab fund) and local banks. NRC is providing a \$50,000 start-up grant.

Why Rent Controls Don't Work

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Article*

Across the nation, rent-control ordinances are gaining acceptance. But—as one Democratic legislator has learned—they play a cruel hoax on the very people they're designed to help

BY SEN. THOMAS F. EAGLETON (D., MISSOURI)

RETIRED teacher Alicia Byrd (not her real name) lived for 38 years in the same impeccably maintained Washington, D.C., apartment development. When the city government adopted strict rent controls, Miss Byrd and her 174 fellow tenants liked the idea. After all, who wants to pay higher rents? Now, four years later, she says, "I see how ill-advised rent controls can be."

Earlier last year, in what came as a traumatic shock to many of the residents—especially the elderly—the apartments' owners announced that the buildings had been sold and soon would be razed for construction of an office building. "We had no

choice," say the owners. "With rents controlled and operating costs skyrocketing, the buildings were simply no longer profitable."

Alicia Byrd learned the hard way that rent controls provide a cure worse than the disease. Yet government control of rents has gained widespread acceptance in this country. In the last four years, some 200 cities and counties have adopted controls, and hundreds more are considering them.

Not long ago, rent controls were regarded as a wartime phenomenon, imposed along with wage and price controls to block profiteering in times of national emergency. But following expiration of the Nixon

Administration price controls, which covered housing, there were immediate pressures on localities to impose long-term ceilings on rents. Many quickly acceded. From a political standpoint, it was not surprising. There are far more renters than landlords. And when prices soar, immense pressure is exerted on government officials to stop the spiral. While restriction of commerce is usually beyond the legal reach of local officials, they can enact statutes limiting rents.

Had I been serving on a city council, I, too, could well have voted to impose controls. However, as chairman of the Senate District of Columbia Committee (which reviews the actions of Washington's elected city government), I conducted a wide-ranging investigation into rent control in the nation's capital. The facts that emerged have had a profound impact on my attitudes toward rent control. For the sad truth is that rent controls—enacted for the best of motives to protect middle- and low-income tenants—actually work against the very people they were designed to aid.

Washington's rent-control program has driven apartment owners, large and small, out of business. For example, more than 60 renters lost their apartments when their building was converted into a more profitable home for the aged. Recently, a modern 170-unit apartment structure—built less than ten years ago—went on the market with advertising publicly warning that as a residential

rental property it was not a good investment.

Studies estimate that Washington will need more than 1200 new rental units each year to keep up with demand. Since the implementation of rent controls, however, the city has experienced a net loss in available units. Worse still, the construction of private apartments has virtually ceased. Washington's leading mortgage lender has publicly stated that no loans will be considered for apartment development until there is an adequate return to the investor. Even city officials who once championed rent control now concede that the program should be phased out.

In a free-market economy, price and supply are regulated by demand. If prospective tenants outnumber available apartments, rents will increase, but so, too, will investments, prompting more apartment construction. Ideally, as the number of available apartments increases, prices will stabilize. Controls, however, interfere with the law of supply and demand. As George Sternlieb, a respected housing authority and head of Rutgers University's Center for Urban Policy Research, testified before my committee: "By cutting off the creation of new housing, you will have further housing squeezes, justifying the continuance of rent control, because clearly the housing shortage will get worse, not better."

The effect of rent control on apartment-building maintenance is

also insidious. Today, instead of replacing leaky roofs, owners frequently patch them. Painting has been postponed indefinitely in many projects. In one 35-year-old building, the pipes are sorely in need of replacement. Once, says the owner, he would have replaced them all. Now he is making only emergency repairs because he insists that he can't get the rent increases needed to make new plumbing worthwhile. Moreover, with no end to controls in sight, he questions whether he should invest any substantial sum to upgrade his property.

Unfortunately, it is the poor and lower-income residents of apartment buildings—the very people rent controls are supposed to help most—who are the primary victims of a system which provides an incentive for decay: (Affluent apartment dwellers typically live in newer structures valued more by owners and less dependent on timely maintenance.) The owners of one development in Washington, appealed to the rent commission for increases to finance essential roof repairs. Shortly after the appeal had been turned down, building inspectors demanded that a roof be repaired and threatened to lift the owners' apartment license if it was not. Result: a 17-unit building was closed; its windows were boarded up and its tenants left to find housing elsewhere. Declares Flaxie Pinkett, head of a property-management firm and one of the city's most progressive citizens: "No one in his right mind would consider

substantial rehabilitation of a property in the city as long as this law is on the books."

Along with contributing to urban blight, the city's rent-control procedures also create demoralizing and costly red tape—"an administrative nightmare," says the *Washington Post*. It took one apartment-building owner six months—and a good lawyer—to win a hardship rent increase despite the fact that not a single tenant opposed his application. Another modest apartment investor waited more than two years before winning an emergency increase on a building that clearly was losing money throughout the period: "I spend more time coping with rent control than I do running a good apartment building," he says.

Often "hardship increases" do not approach the actual rise in owners' costs. In court actions, apartment owners have argued that they should be allowed to pass-through unavoidable increases in operating costs. But the city contends: "Unlimited pass-throughs would mean no control of rents at all."

Even the act of registering with the rent-control office is a major hassle. A government worker who owns four rental units told our committee how he went to the rent commission on his lunch hour, intending to register his modest properties quickly. Instead, he was given 15 pages of forms which were so complex he had to seek legal help to complete them.

Those who want to see where rent

controls ultimately lead need only examine the experience of New York City, where 30 years of rent controls have had a devastating effect on private-apartment housing. In recent years, apartments have been abandoned at a rate of more than 25,000 a year. Some areas where handsome apartment buildings once stood resemble bombed-out European cities in the aftermath of the war.

True, many economic and sociological factors have contributed to the shocking state of affairs in the city. But numerous studies make clear that rent-control laws have had a major role in the decay of the city's housing supply. Declares Roger Starr, former head of New York City's Housing and Development Administration: "Rent control dis-

courages investment in older housing, hastens the deterioration of existing buildings and keeps the supply permanently inadequate."

Rent controls also have contributed significantly to New York's fiscal crisis. The city has lost tens of millions of dollars in property taxes because of abandonments and reduced assessments on decaying rent-control properties. Yet administering controls costs taxpayers more than \$13 million annually.

Throughout my political career I have worked to promote decent housing for poor and elderly Americans. Opposition to rent controls is consistent with this record. The *Washington Star* put it best by comparing such controls to hard drugs: "Starting is euphoric. Trying to stop is painful. Continuing is disaster."

Signs of Life

ON BACK of a camper: "Love is six people in a car for 3000 miles."

—Helen Norris, quoted by Emmett Watson in *Seattle Post-Intelligencer*

IN THE RESEARCH ROOM of a factory: "No problem is too small to baffle our experts."

—Los Angeles Times Syndicate

AT THE ENTRANCE to a Palm Springs, Calif., retirement village: "Drive Carefully—Grandparents at Play."

—Contributed by Nancy Pedersen

ON A HIGHWAY fruit-and-vegetable stand: "Try our sweet corn. You'll smile from ear to ear."

—Contributed by A. C. Stone

POSTED over an ultra-powerful light in a San Francisco hospital: "Please turn off when not in use. Thanks a watt."

—Herb Caen in *San Francisco Chronicle*

AT A LIBRARY BOOK SALE: "Twice Sold Tales."

—Contributed by Kathleen M. Glaessner

OUTSIDE A MULTIMILLION-DOLLAR AMUSEMENT PARK: "All children must be accompanied by money and daddy."

—Los Angeles Times Syndicate

March 14, 1983

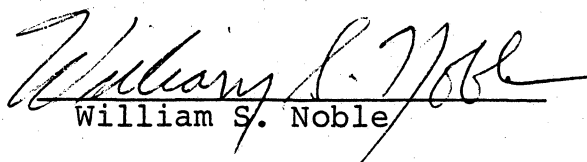
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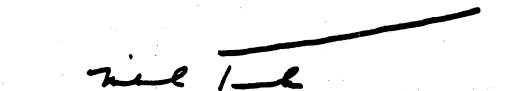
In the face of continued cuts in federal funding for social programs, it is appropriate to review the Cambridge Neighborhood Apartment Housing Services (CNAHS) program and to learn just how this program will be spending the state and Community Development Block Grant monies entrusted to it.

To assist in this review, a copy of a letter sent to one of the Neighborhood Reinvestment organizers of CNAHS is enclosed. The signers of the letter withdrew from the CNAHS program when it became clear that there were no guarantees that the interests of low-income tenants would not be sacrificed to the interests of bankers, owners, and city agencies.

To date, no response to the letter has been received.

Respectfully submitted,


William S. Noble


Michael Turk

enc: as

January 23, 1982

Mr. Charles McLean
Neighborhood Reinvestment
Suite 501
27 School Street
Boston, MA 02108

Re: Cambridge Neighborhood Apartment
& Housing Services

Dear Charles:

As participants in Neighborhood Reinvestment's effort to organize a multi-unit building rehabilitation program for Cambridge, we find it imperative to set forth the dilemma created for us by the vote taken January 13, 1983 in the nominating committee. That vote rejected a motion that tenants, owners and lenders each be allowed to approve, by majority vote, their own representatives to the board of directors prior to a vote by all program participants.

The nominating committee decision allows all participants to select every board member, whether or not a board member has the support of the sector he or she purports to represent. The practical effect of this decision is that owners and lenders along with city and agency participants can control the selection of tenant representatives. By denying tenants constructive control over our own representation on the board of directors, the vote exacerbated recent disillusionment with an initiative for which we initially entertained some hope.

In reviewing events leading up to the vote, we are struck by the way that some city participants and staff members from Neighborhood Reinvestment have worked toward a pre-conceived outcome. For our part, we entered the program thinking we had a fresh slate on which to try and write a new and better program for rehabilitating the city's multi-family housing. Now, the procedural and substantive barriers to full participation by tenants make us pessimistic about the direction of the program and particularly about its impact on low income tenants.

From the outset, Neighborhood Reinvestment and many agency participants emphasized the importance of forming and maintaining a "partnership". The meaning should be straightforward: an enterprise wherein the parties have specified rights and responsibilities and work toward a common goal. We subscribe to this endeavor and, as participants, worked hard to achieve it.

Obviously, the different partners in our effort represent divergent interests. To be successful, such a partnership requires both a willingness to compromise, as shown by many individual participants, and an assurance that safeguards will be provided to protect essential concerns. For tenants such concerns include the threat of displacement, the lack of decent, affordable housing, and rent increases beyond our means.

Over the past months as we watched our position in the partnership erode, we became increasingly concerned. The present situation, in which tenants are no longer full and equal partners, made us realize that to compensate for our lack of access to the board of directors, we would need to enact substantive safeguards.

We identified four provisions which, if passed, would offer the minimum required safeguards to tenants in affected buildings:

- (1) Approval of tenant board members by a majority of tenant participants to ensure knowledgeable representation and broad-based community support.
- (2) Incorporating final recommendations of the organizing committees in the By-laws, after joint review and approval by the committees, with a 2/3 vote of the board required to amend. (This would link explicitly the work of the committees to the program and establish the recommendations as policy for the new board.)
- (3) Approval of any proposal for building rehabilitation by a majority of resident tenants to make them full partners in improving their homes.
- (4) A "cap" on increases in total housing cost after rehabilitation to keep rents within the means of low income tenants. (Only "no-frills" improvements and repairs).

Unfortunately, on January 13th, the nominating committee voted down Item (1) and failed to take action on Item (2). The

same day Item (3) was passed in modified form by the operations committee, while discussion of Item (4) had been postponed for several weeks. Without Item (2), passage of Items (3) and (4) may do nothing to protect tenants, since the new board is not presently bound to follow policies established by the organizing committees.

Our participation in the Neighborhood Reinvestment program was predicated on our hope that it would serve to maintain decent housing for individuals and families with low and moderate incomes and would protect tenants against the risk of losing their homes. Now, we see a program more concerned with buildings than people. As presently constituted, we fear that the program may:

- (1) rehabilitate a few dwellings in the city at the expense of, rather than for the benefit of, current residents, while drawing resources from other effective housing programs currently supported by Community Development Block Grant funds;
- (2) reduce pressure on banks to stop "redlining" rent controlled properties by offering them an easy way to comply with the Community Reinvestment Act;
- (3) weaken rent control by acting as a catalyst causing the Rent Control Board to enact exemptions or special provisions;
- (4) not guarantee that program benefits will go to low income people over the long term;
- (5) depend too heavily on Section 8 subsidies at a time when the long-term availability of such subsidies is uncertain; and
- (6) produce burdensome rent increases and thereby "gentrify" the rehabilitated buildings.

Facing this prospect, we find ourselves placed in a "trust us" relationship vis à vis the other "partners". Had the partnership envisioned at Gloucester developed more fully, this might be acceptable. At this time, however, tenants are not full partners in the program, and it is not prudent for us to rely simply on trust and case by case arrangements.

Mr. Charles McLean
Neighborhood Reinvestment

January 23, 1983
Page 4

In view of the concerns outlined above, we feel that we cannot continue to participate, as representatives of the tenant community, in the current Neighborhood Reinvestment program. Please remove our names from your list of participants.

Sincerely,

Christine Baker
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Bill Cavellini
William Cavellini

Elena James
Elena James

Joel Johnson
Joel Johnson

Victoria Judson
Victoria Judson

William Noble
William Noble

Sue Reinert
Sue Reinert

Michael Turk
Michael Turk

cc: Joan Straussman-Matos
Michael Rosenberg
Kurt Roulston
Barbara Shaw

March 14, 1983

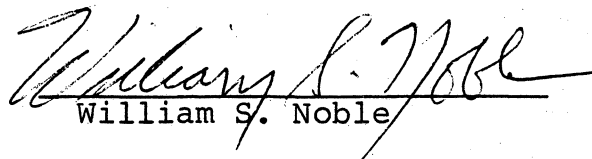
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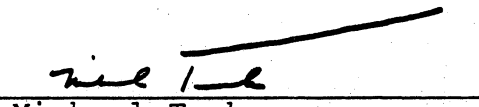
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cc: Joan Straussman-Matos
Michael Rosenberg
Kurt Roulston
Barbara Shaw



CITY OF CAMBRIDGE
INTEROFFICE CORRESPONDENCE

To Michael Rosenberg, Director,
Housing Section, Community Development Dept.

Date March 3, 1983

From Paul E. Healy, City Clerk

Reference

Subject Public hearing to discuss the Mayor's
Housing Initiative # 2

Please be advised that the City Council at its meeting of February 28, 1983 has scheduled a public hearing with regard to the Mayor's Housing Initiative #2. Said hearing has been scheduled for Monday, March 14, 1983 at 6:00 p.m. in the City Council Chamber, City Hall. Mayor Vellucci has requested your presence at this time and also the presence of members of the Housing Section of the Community Development Department.

Your kind cooperation in this matter will be greatly appreciated both by this office and the City Council. If you have any further questions, please contact this office.

PEH/mh

REPORT TO THE CITY COUNCIL
ON THE MAYOR'S HOUSING INITIATIVE #2
AND THE CREATION OF
NEIGHBORHOOD APARTMENT HOUSING SERVICES, INC. (NAHS)

Cambridge Community Development Department

Kathy A. Spiegelman
Assistant City Manager for Community Development

Michael H. Rosenberg
Housing Director

INTRODUCTION: THE MAYOR'S INITIATIVE #2

The Mayor's Housing Initiative #2 (May 3, 1982) addresses the critical problem of substandard rental housing in Cambridge. In the strongest terms, Mayor Vellucci deploras conditions of deterioration and neglect which are "the recipe for fire." "We must remedy that poor housing and develop a system to keep borderline housing out of trouble," he states in his report.

The Mayor's Initiative #2 goes on to outline a two-part plan of action to reverse the deteriorated conditions prevalent in Cambridge's older rental stock. He proposes:

- I. A systematic building inspection program of multi-family housing by the Building Department as mandated by the State Building Code, focussing on the identification and correction of conditions that are life/safety hazards. The initiative describes in some detail how such an inspection program would work; and
- II. Creation of a new program to provide technical and financial assistance to rental property owners and tenants in formulating and implementing building improvement programs. The Mayor emphasizes that this new program should direct its attention to improving housing conditions for the City's lower-income residents. He recognizes that for such a program to be effective, public officials, property owners, community residents, and bankers must work together for the common good.

HOUSING CONDITIONS IN CAMBRIDGE

Cambridge's housing is very old by American standards. Most residential structures in Cambridge--75% according to the Historical Commission--were constructed before 1900. The Community Development Department's 1977 exterior building condition survey identified nearly 700 structures that showed signs of major deterioration and hundreds more showing signs of minor deterioration.

Older housing requires periodic replacement of parts of the exterior shell, such as roofs or porches, and of worn out, obsolete, or inadequate mechanical systems, including plumbing, heating, and wiring. Failure to make these investments results in the eventual abandonment of housing units and, as the Mayor's report notes, sometimes in a tragic loss of life.

Through the Community Development Block Grant Program, the City has supported housing rehabilitation programs that have upgraded owner-occupied 1-4 unit structures in target neighborhoods. These programs have preserved older housing for the benefit of lower-income residents and have helped to control rising costs through concentrated energy conservation and weatherization treatment. To date, there have been no comparable, publicly-assisted efforts aimed at improving the condition of multi-family rental housing in the City.

DISINVESTMENT IN RENTAL HOUSING

The Community Development Department has found that the lack of availability of private capital to finance improvements in rent-controlled properties has led to serious deterioration. Typically, rent-controlled properties cannot meet the underwriting criteria of banks for making loans--criteria that are designed to protect the savings of depositors. Some banks are quite candid about not making loans to rent-controlled properties.

While banks are prohibited from 'redlining' neighborhoods, the law does not require bankers to make loans that are considered imprudent, based on accepted standards of sound lending. The limitation placed on net operating income for rent-controlled properties means there is simply less available for debt service coverage. Further, the experience that operating expenses rise faster than lagging rent adjustments tends to put rent-controlled properties in a class of higher risk loans from the lender's viewpoint, thus at a competitive disadvantage compared with other types of real estate.

Clearly, rental property in Cambridge cannot be preserved without the financial commitment of local lenders. The process of creating a successful multi-family program must deal, therefore, with the complex issue of reconciling sound lending practices with the City's rent control policy.

DEVELOPMENT OF THE CAMBRIDGE NEIGHBORHOOD HOUSING SERVICES PROGRAM (NAHS)

The Community Development Department recognized that broad participation from lenders, residents, community groups, Rent Control, Health and Building Departments, Assessor's Office and the Cambridge Housing Authority, was needed to develop a multi-family Housing Rehab Program. The Department turned to the Neighborhood Reinvestment Corporation (NRC), a nonprofit organization created by Congress in 1978 as the successor to the Urban Reinvestment Task Force.

NRC has helped to establish housing rehab programs in nearly 200 communities. These programs are administered by grass roots organizations that have encouraged banks to reinvest in the inner city.

With the help of NRC, a partnership of Cambridge tenants, property owners, bankers and City agency staff has developed a program to upgrade deteriorated rental housing. On January 27, 1983, a new nonprofit corporation, Neighborhood Apartment Housing Services (NAHS) was incorporated to carry out the program.

The Developmental Process

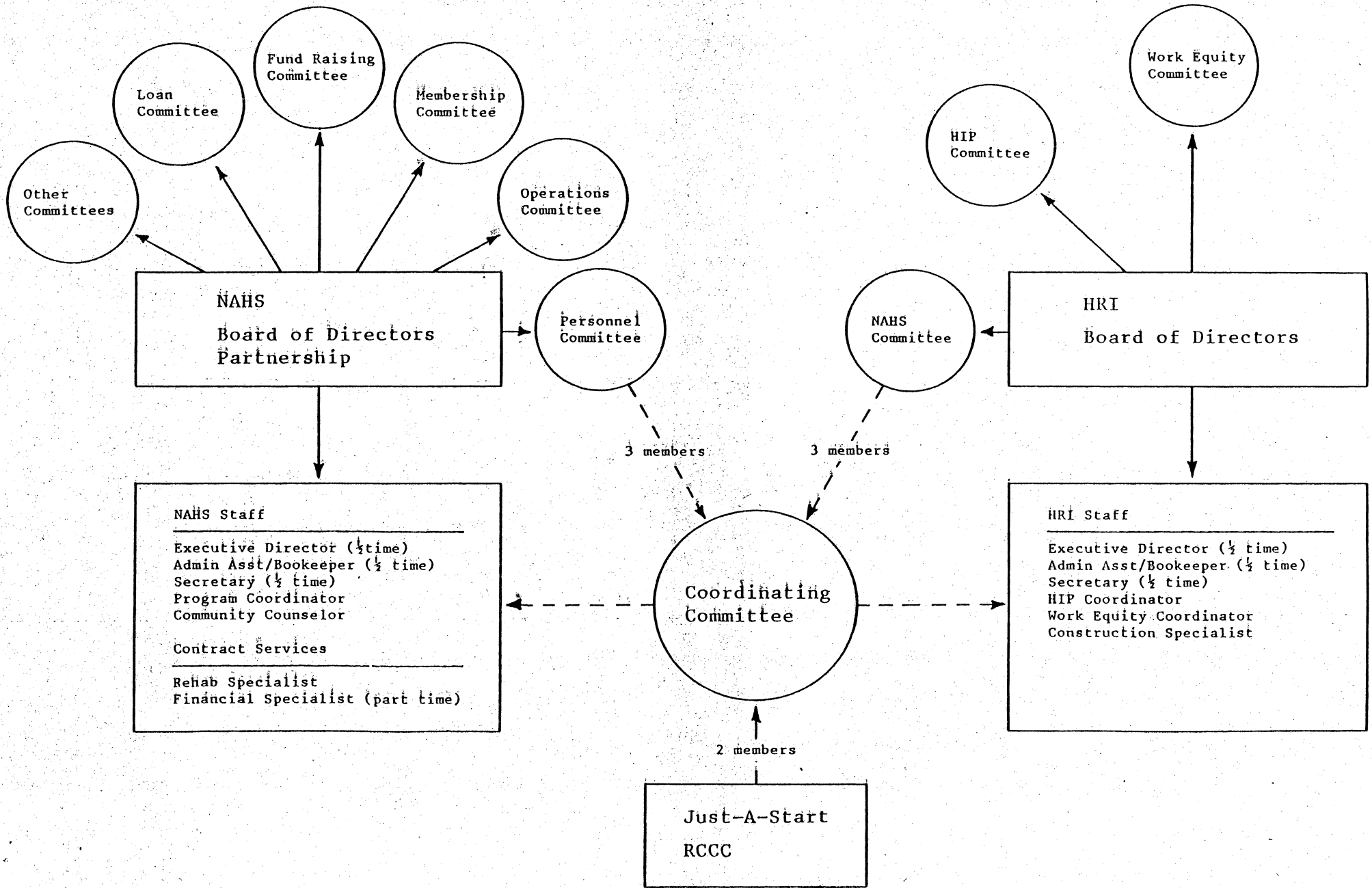
For almost a year the 'Partnership' has worked through two committees to develop the new multi-family rehab program--a committee on Organizational Structure and one on Program Operations. Each of these committees has formed ad hoc sub-committees when necessary to gather information and to solve specific problems. Each committee has consisted of tenant, owner, City, lender and community organization representatives and has received administrative assistance from Neighborhood Reinvestment field staff.

Structure of the NAHS

The final recommendations of the Structure Committee are reflected in the NAHS Articles of Incorporation and the By-laws. Building on the capabilities of the City's existing non-profit rehab agencies and the Community Development Department, NAHS will be contractually affiliated with Homeowner's Rehab Inc. and will work closely at the staff level with Just-A-Start, RCCC and the Community Development Department Rehab Office.

The Board of Directors of the new corporation consists of four tenants, four property owners, three lenders, two City representatives and one CEOC Board member who is also a tenant. A majority of the 14-member board must be Cambridge residents. In addition, the Board will appoint committees to undertake the various tasks of the corporation. These include: Fund Raising, Membership, Loan Review, Operations, Personnel and an HRI/NAHS Coordinating Committee. (See Organizational Chart) The first Board of Directors was elected on January 25, 1983 (see Attachment 4) and installed on January 27 at the Incorporation ceremony at the Sheraton Commander Hotel in Cambridge.

Cambridge Neighborhood Apartment Housing Services Structure
Affiliation with Homeowner's Rehab, Inc.



PROGRAM OPERATIONS

NAHS is a program to preserve decent, affordable rental housing in Cambridge for the benefit of the City's residents. It is, at once, a multi-family rehab and an anti-displacement strategy designed to prevent the loss of the City's stock of older, rental units. It is not a vehicle for condo conversion, gentrification or decontrol. Rather, it serves to augment the City's rent control policy by providing the services and assistance required, particularly by smaller owners and lower-income tenants, to help ensure that rent controlled housing does not become 'slum' housing--or worse.

The work of the NAHS will be to facilitate the improvement of deteriorated multi-family buildings by offering technical assistance in rehab construction, management and financing. NAHS will also provide financial aid in the form of below market interest rate loans and loan guarantees in cooperation with local lenders in order to make rehab projects feasible and affordable for all parties involved.

The members of the Program Operations Committee worked diligently for a period of eight months developing specific guidelines for program implementation, covering a broad range of complex issues. The recommendations of the Committee are now being codified for transmittal to the Board of Directors. By a unanimous vote the Operations Committee has recommended that the Board adopt these guidelines without changes for a period of one year. It is recognized that after the program has been underway for a period of time, the Board may wish to evaluate and improve upon the Committee's recommendations, and that the Board must have the latitude to modify the procedures to meet changing circumstances.

The following are highlights of guidelines the Operations Committee has adopted:

Neighborhood Selection

It is the purpose of the NAHS program to improve the condition of multi-family rental housing throughout Cambridge. However, recognizing that the resources available with which to achieve this goal are limited, it is the policy of the NAHS to serve neighborhoods having the greatest concentration of lower-income households. Currently, these areas include East Cambridge (Area 1), Wellington-Harrington (Area 3), Area 4, Cambridgeport-Riverside (Areas 5 & 7), and North Cambridge (Area 11). Properties located in other neighborhoods may be assisted by NAHS as well, provided that a majority of the occupants qualify as lower income.

Ownership of Property

The priority of the NAHS shall be to serve investor-owned, owner-occupied, and non-profit-owned rental properties containing more than four dwelling units. Priority for servicing shall be assigned based on specific project benefits--e.g. type of work needed, occupancy characteristics, participation in rental assistance programs--rather

than by type of ownership. However, the demonstrated capacity and willingness to provide proper maintenance and responsible property management are criteria by which owners will be prioritized.

Scope of Work

The NAHS is a program promoting 'moderate' rehab to ensure continued liveability, not a program to provide the amenities of 'luxury' housing.

The scope of work proposed for any project shall generally be limited to items which:

1. correct code violations,
2. preserve or restore the soundness of the building's structure or plumbing, heating or electrical systems, and
3. promote energy conservation.

Any proposed work items which exceed these criteria must either be proposed by the tenants or have their consent prior to final approval by the program.

Tenant Participation in NAHS-Assisted Buildings

- I. NAHS staff will provide tenants with information and seek to determine their concerns early in the process, i.e. at Step 2-3 (see flow chart, Attachment 5).
- II. The staff will try to resolve any problems or potential problems at Step 6. (See flow chart, Attachment 5)
- III. Tenants will vote on a specific program at Step 8.
- IV. A. Votes will be counted according to the following formula:

Project approval = a yes vote by
51% or more of all occupied units.
- B. Under this formula vacant units are not counted; owner-occupants have a vote.
- C. Voting process:
 - (1) Individuals within a unit decide amongst themselves how to vote;
 - (2) Those who vote "no" will specify their objections to the plan.
 - (3) If a unit does not vote, a staff member will interview the tenants and ask for a vote, or a signature on a form indicating that failure to vote will be counted as a vote in favor of the project.

V. If a majority of the tenants approve the project it will move forward to Step 9. If the plan is not approved, the project will return to Step 6-8 for staff review and modification at least once.

VI. Extraordinary Approval Procedure:

A. After a second vote of denial the staff may recommend to the appropriate committee that the project be terminated or recommend that the Board consider "extraordinary approval."

B. A project may be approved over landlord/tenant objections only by a unanimous vote of the Board of Directors.

Housing Costs

NAHS is committed to preventing 'economic' displacement due to rent increases resulting from rehabilitation. The program will structure the scope of work and terms of financing on a case-by-case basis to mitigate rent increases and to prevent increases which are unaffordable for tenants in residence. Affordability will be defined, in accordance with HUD, Section 8 standards, as housing costs not exceeding 30% of income.

The NAHS will assist eligible tenants in obtaining rent subsidies from the Cambridge Housing Authority and assist the Housing Authority in locating improved units for families on the Authority's waiting list. Adjustments in the terms of NAHS financing will include below-market interest rates and staggered rent increases over a three-year period. These techniques will be applied for the benefit of those tenants who need assistance.

The program will have a clear emphasis on reducing, or at least controlling, fuel costs through cost-effective energy conservation/weatherization treatment. There will be coordination between NAHS and the City's weatherization programs to ensure that low-income tenants obtain the assistance for which they are eligible. Free weatherization assistance is of no benefit to tenants living in buildings with leaky roofs and rotted windows.

NAHS will provide competitive costing of rehab work and close construction supervision to ensure that all improvements are durable and performed at a reasonable price.

Rent increases to pay for the rehab work will not go into effect until all work is completed, inspected, and rent adjustments have been approved by the Rent Control Board.

Temporary Displacement and Permanent Relocation

1. The program will seek to avoid any temporary displacement or permanent relocation of tenants.

2. Temporary displacement will be allowed only where the physical condition of the building requires extensive repair and/or long-term disruption of essential systems such as plumbing, heating or electricity. This determination will be made by NAHS.
3. Permanent relocation will only be permitted where relocation improves the living conditions of the relocated family (e.g. overcrowded families) or in service of some other public purpose (e.g. relocating overhoused families to make more efficient use of existing housing stock). Displacement of current tenants in order to permit occupancy by a member of the owner's family will not be allowed. Relocating for occupancy by the owner will be permitted where owner bears the cost of relocation.
4. Whenever temporary displacement or permanent relocation are planned, tenants will be compensated out of project funds according to guidelines to be developed by NAHS.

Building Inspection

The Mayor's Housing Initiative #2 outlines a systematic housing inspection program for multi-family properties. In accordance with provisions of the Massachusetts State Building Code (Table 108), the Building Commissioner is in the process of establishing a multi-unit inspection team to implement the systematic inspection/enforcement program. He is also taking steps to organize a data management system to handle the information that will be generated by the inspections.

The Building Commissioner has indicated his willingness to coordinate the multi-family inspection program with the NAHS by:

- referring substandard properties to the NAHS for assistance. NAHS will, in fact, give priority to buildings referred by code enforcement agencies;
- scheduling inspections in geographical areas targetted by NAHS for intensive outreach;
- allowing property owners sufficient time to work through the NAHS process before taking legal action for code violations;
- modifying building inspection fee schedules to reduce costs to tenants/owners;
- providing technical assistance to NAHS in interpreting Building Code requirements and how best to comply with them.

The NAHS will work with the Inspection Division of the Cambridge Department of Health and Hospitals to assure compliance with Article II of the State Sanitary Code and De-leading requirements, and with the Fire Chief to assure that proper smoke detection and fire prevention apparatus are installed in all properties assisted by the program.

The NAHS will also assist owners of properties that have not been cited by code enforcement agencies for violations, but who have come to NAHS on their own initiative. To encourage voluntary participation, NAHS staff will perform building condition surveys and advise owners of needed repairs and improvements without reporting their findings to a code enforcement agency.

Financial Support

Neighborhood Reinvestment Corporation will contribute \$50,000 as a start-up grant to initiate the NAHS. FY'84 Cambridge Block Grant funds allocated for multi-family rehab projects have been designated for the NAHS--\$50,000 for administration and \$200,000 for a revolving loan/loan guarantee fund to be used in tandem with conventional mortgage loans. Though additional support is anticipated from the State (approximately \$175,000), a major fundraising effort will be launched to raise the private sector monies necessary to carryout the program for a 3-year period.

The NAHS will also charge fees for services, where feasible, to recover a portion of operating costs and to assure ownership commitment. Fees will reflect and be responsive to the financial circumstances of owners, tenants and project.

CONCLUSION

NAHS represents a cooperative approach to solving the problem of deteriorated housing in Cambridge; it was developed by an intensive, participatory process guided by the Neighborhood Reinvestment Corporation, Cambridge lenders, tenants, property owners, representatives of community organizations and public officials who created NAHS believe that it can offer all parties the best available means for preserving rental housing in the city.

The membership of NAHS has committed itself to the 'partnership' approach. This means that an atmosphere of trust and accommodation should predominate among the diverse parties, each of whom has a different point of view, though sharing a common interest in the preservation of decent, affordable housing. The membership appreciates that NAHS cannot be successful if the partnership approach gives way to tiresome debates and power plays between adversarial interest groups.

From the City's standpoint NAHS is both the least costly multi-family rehabilitation strategy currently available and is entirely compatible with current rent control policy. It combines and builds upon existing housing programs, resources and expertise to achieve the objectives set forth by the Mayor's Housing Initiative #2, and is therefore worthy of broad public support.

ATTACHMENTS

1. Table of Existing Problems
2. Benefits/Contributions
3. Letter to the Editor
4. Board of Directors
5. Flow Chart

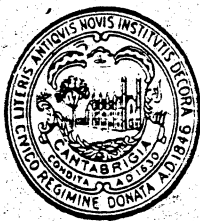
Attachment 1

EXISTING PROBLEMS

TENANTS	OWNER	CITY	BANK
1. Substandard living conditions, including numerous health and safety hazards;	Substandard living conditions;	Substandard housing and code violations;	Impact of deteriorated properties on surrounding properties, resulting on declining real estate values;
2. Excessive fuel costs;	Code violations - subject to enforcement, fines, penalties;	Eventual loss of rental units;	High risk of loans to properties under Rent Control jurisdiction;
3. Eventual loss of rental units through continued deterioration;	Excessive fuel costs;	Adverse impact of deteriorated structure on neighborhood;	Inability to meet a major credit need of community.
4. Increased pressure to remove building from Rent Control.	Eventual loss of home and investment;	Inability to provide subsidized housing for all low-income residents in need of assistance.	
5.	Inability to obtain financing for capital improvements;		
6.	Confusion in dealing with Rent Control procedures and regulations.		

Attachment 2

	<u>BENEFITS</u>	<u>CONTRIBUTION</u>
<u>OWNER</u>	<p>Owners will have access to capital to put buildings in good operating condition.</p> <p>Technical assistance provided for dealing with Rent Control, Banks, and Contractors.</p> <p>Financial obligations of the owner will be manageable within the rent structure.</p>	<p>The Owner will have to assume the risks of large new debt.</p> <p>Owner agrees to participate in Section 8 Program.</p>
<u>TENANTS</u>	<p>Maintain Rent Control protection.</p> <p>Make building shell energy efficient.</p> <p>Control fuel costs.</p> <p>Modernize systems for safety and efficiency.</p> <p>Control rent increases by passing through to tenants lowest first mortgage rates available.</p> <p>Provide Section 8 and relocation assistance.</p>	<p>Present tenants are helping to house themselves and those who follow by paying for durable improvements to the housing stock.</p>
<u>CITY</u>	<p>The housing stock will be preserved and improved.</p> <p>The city will move from merely citing violations to becoming an active partner in improving housing.</p> <p>The stabilizing effects of Rent Control will be maintained.</p>	<p>Contributes money and staff toward program operation.</p> <p>Cooperation of City Departments.</p> <p>Allocation of Section 8 Set-Asides.</p> <p>Contributes to Revolving Loan Fund</p>
<u>BANK</u>	<p>Program allows prudent compliance with Community Reinvestment Act.</p> <p>Program provides opportunity to work out problem loans.</p> <p>Investment protected by professional staff and cooperation of city.</p>	<p>Will play lead role in raising private funds for loan pool and operations.</p>



CITY OF CAMBRIDGE

COMMUNITY DEVELOPMENT DEPARTMENT

City Hall Annex - Inman & Broadway - Cambridge, Mass. 02139

498-9034

January 31, 1983

Editor
Cambridge Chronicle
678 Massachusetts Avenue
Cambridge, Massachusetts 02139

Dear Editor:

Thursday, January 27, 1983 marked a major turning point in this city's efforts to improve its rental housing: Cambridge Neighborhood Apartment Housing Services was incorporated. This letter outlines the problems of the City's rental housing stock that led to the creation of Cambridge Neighborhood Apartment Housing Services.

The City has had several housing rehab programs which have dealt with one to four family owner occupied structures, but heretofore, little has been attempted with the approximately seventeen thousand rent controlled units in multi-family structures. The Mayor's Housing Initiative #2 of May 1982, recognizes the necessity for a program to improve multi-family structures, and outlines how such a program should operate.

The Historical Commission has estimated that 75% of residential structures in the City were built before 1900. This proportion is probably accurate for the multi-family structures. They are old, and the City, by Council action, has decided to keep them in service indefinitely. This is a major departure from the traditional American practice of building, wear out, demolish, replace with something new.

Buildings are not like granite curbstones: roofs wear out and leak; windows which were adequate when fuel was cheap are outrageously wasteful when oil costs over a dollar per gallon; electric systems installed to supply lighting will not safely operate air conditioning or toasters or dryers; heating systems traditionally balanced by opening windows to relieve overheating must be modernized or replaced.

The Rent Control Board has adopted various regulations designed to encourage needed capital improvements, but the Board cannot offer financing and the bankers have been quite candid in indicating that the operating incomes of buildings under rent control are usually not adequate to support additional credit for needed improvements. Most banks will not consider loans on rent controlled property, while a minority will consider the loans, but on a very conservative basis. Banks are limited, by law, to investing the savings of their depositors prudently.

Cambridge contracted with Neighborhood Reinvestment about a year ago to help the City solve this problem. Neighborhood Reinvestment Corporation was created by Congress to bring banks back to investing in older inner city properties without expecting the banks to give up their standards for making loans.

Neighborhood Reinvestment is the agency established by the U. S. Congress to carry out the purposes of the Community Reinvestment Act, legislation designed to induce banks to invest in the communities where they obtain deposits.

The key to the Neighborhood Reinvestment approach is a partnership between owners, tenants, the City and the banks. Neighborhood Reinvestment has developed programs in close to 200 neighborhoods throughout the country. The Commonwealth of Massachusetts and the Department of Housing and Urban Development have special funding for programs developed by Neighborhood Reinvestment.

The Cambridge Neighborhood Apartment Housing Services will work in cooperation with existing City rehab agencies and the Community Development Department. A building may be referred to this process by City inspectors, the owners or tenants or some other source. The agency will identify what needs to be done after inspecting the building and consulting with owners and tenants. A package of building improvements focusing on the correction of code violations and energy conservation improvements, is matched to a financing package. Owners, tenants, lenders, the Building Department, and Rent Control Board provide the approvals needed before any work can be done.

The program requires and includes a variety of subsidies for those low and moderate income tenants whose after rehab housing costs would otherwise absorb too great a proportion of their income.

The work itself is contracted for on a bid basis, and the agency will supervise the work. This process assures that proper work is obtained for a reasonable price.

All parties are reassured, by this process, that the new work is durable and that all the problems in the structure have been attended to. They also know that the Rent Control Board has approved a new rent schedule based on a rent adjustment, including the new work. All this makes it possible for the banks to make loans on structures which they have been turning down.

This entire mechanism was developed by a group of owners, tenants, lenders, and City agency representatives who attended two, two day conferences and countless meetings of two committees; one set up to define the process as described above--the other to design a structure to carry it out.

The Structure Committee has recommended a Board of Directors of four owners, four tenants, three lenders, two City of Cambridge appointees, and an additional tenant representative appointed by the Cambridge Economic Opportunity Commission. The Program Operations Committee has established program guidelines and has unanimously agreed that the Board follow them for a year. It was recognized that after the program was underway, the Board might see improvements in the process, and the Board must have the latitude to fashion its program to meet the situations it finds.

Throughout the development of this program representatives of all sectors have worried about tenant participation and possible displacement. The process as adopted requires the approval of a majority of the tenants in a structure before work is done. It is also required that needy tenants be protected from the rent increases which are brought about by the improvements.

Those of us who have been involved in developing the Cambridge Neighborhood Apartment Housing Services, are amazed at the progress that has been made, and are looking forward to getting started.

We welcome participation of all members of the Cambridge community. Please help us to build a successful Neighborhood Apartment Housing Services program and a better Cambridge.

Sincerely,

Michael H. Rosenberg
Housing Director

MHR:jp

BIOGRAPHICAL INFORMATION

Cambridge Neighborhood Apartment Housing Services Inc.

Board of Directors

Elected January 25, 1983 and installed January 27, 1983

TENANTS

Eileen Burke - Norris Street, North Cambridge - Revaluation Project Assistant - Life long Cambridge resident and worked for the City of Cambridge two years - Multi-family tenant in North Cambridge, working on low income fuel and weatherization program in Cambridge, Member North Cambridge Planning Team - I have become aware of the developments and changes that affect the lives of North Cambridge residents and I work with the North Cambridge Planning Team to help stabilize the area. Now I realize that there are city-wide problems and that only in working with a program that involves the entire City can I help to insure that Cambridge remains affordable for everyone. Although I often support development in the City, I want the residents who've invested their time and energy into this City to harvest the long term benefits and not just the cost of living in a very desirable and progressive City. Through the NAHS I will work to see these goals are realized.

Bob Goldstein - Linnean Street - Run Energy program for low income residents - tenant in Cambridge seven years - Carpentry background, volunteer work with low income client teaching carpentry, VISTA volunteer working as advocate for housing bills that dealt with low income clients, monitored CDBG compliance with low income impact regulations, organized three buildings in Ellery Street area against condo conversion - Have a long term concern for low income housing issues in Cambridge. I see Cambridge as a place that is being dominated more and more by upper class residents and I have a concern that it not be that way. I have worked through the development of this program and have a stake in its implementation.

Catherine Queen - Douglas Street - hairdresser - lifetime resident - Tenant in Cambridge for seventeen years, knowledgeable about the City and its people through volunteer efforts in the church, school, YMCA, City programs and prison work. - To represent the viewpoint of Cambridge tenants clearly. I wish to develop solutions to problems that meet the needs for all sides.

Nancy Rockett - Kirkland Street - Director, Equity Transfer Assistance Program - Cambridge tenant for four years - Worked with a Cambridge tenant organization, and with residents on Ownership alternatives, performed tenant/landlord counselling at a housing clinic, currently work developing alternative ownership opportunities for low and moderate income households. - Through NAHS participation I wish to insure that current tenants in rent controlled and non-rent controlled housing occupy well maintained, affordable housing and that the housing stock is preserved for future residents.

OWNERS

Dick Brescia - Gore Street, E. Cambridge - Cambridge Assessors Office - Born, raised, lived entire life in E. Cambridge - Former tenant and Rent Control advocate. Now rental property owner. Community participation includes: President of Board of CEOC, East Cambridge Planning Team and Kendall Square Task Force; Just-A-Start HIP Loan Committee; Greater Boston Real Estate Board, Mass. Assessors Association, East End Neighborhood House, First CDBG Advisory Committee - In view of the above experiences I feel qualified to earn the honor to help resolve the issues of multi-family housing rehab. I will look for solutions that provide affordable housing with dignity and fairness for all.

Alfred B. Cohn - Raymond Street - Builder - Born in Cambridge and always lived and worked in Cambridge - Eleven years on Rent Board combined with experience managing buildings which I built and own makes me aware of vital need to invest in housing to make it energy efficient and habitable. - NAHS is the best route to induce the banks to provide credit for the work which must be done; without it, the housing stock will deteriorate and eventually be demolished or gentrified. I want to help keep the housing in service.

John F. Miller - Dunstable Road - Architect - Twenty years lived and worked in Cambridge - As Principal of the Cambridge Architectural firm, Hill, Miller, Friedlander, Hollander, Inc. and as an owner of buildings in Cambridgeport. I have considerable experience in the renovation of older buildings in Cambridge - I feel there is a critical need for improving many of the housing units in Cambridge and believe my experience as an architect, builder and owner would be helpful to the Board.

Paul Watkins - Weston - President, Harlow-Matthews - Grew up in Cambridge and managed apartment properties in Cambridge for twenty-five years. - Member of Rent Control Board, for past ten years Director and Treasurer of Cambridge Property Owners Association - It has been my experience that small property owners have had difficulty in maintaining their property under rent control. I feel that the NAHS is their real opportunity for maintaining and improving their units.

LENDERS

Lewis Clark - Brookline - President of Cambridge Trust Company - Having grown up and lived most of my life in Cambridge, I am familiar with Cambridge issues - Expertise in financial affairs gained through 37 years of banking - To contribute what I am able.

Tom Cochrane - So. Walpole - Vice President Cambridgeport Savings Bank - 19 years lending experience in Cambridge - My interest in participating in the organization and implementation of an operational Neighborhood Apartment and Housing Services in the City of Cambridge stems from my observation during the initial workshop in Gloucester last April. that individuals, with diverse and seemingly opposing interests, can work together to deal with common concerns if given the catalyst of effective communication. - The "partnership" concept of Neighborhood Reinvestment, in my opinion, provides that catalyst.

Wayne Sharpe - Vice President, Cambridge Savings Bank - 14 years Real Estate and lending experience in Cambridge - Wish to institute a program to better housing stock in Cambridge.

CITY

Kathy Spiegelman - Cottage Street - Assistant City Manager for Community Development - lived and worked in Cambridge five years - As Director of the Community Development Department which administers planning and development programs for the City of Cambridge, including all CDBG housing programs I have the responsibility for the allocation of City resources to help implement the NAHS. I have ^{been} asked to serve by the City Manager pursuant to the NAHS By-Laws because the City of Cambridge is a vital partner in this effort.

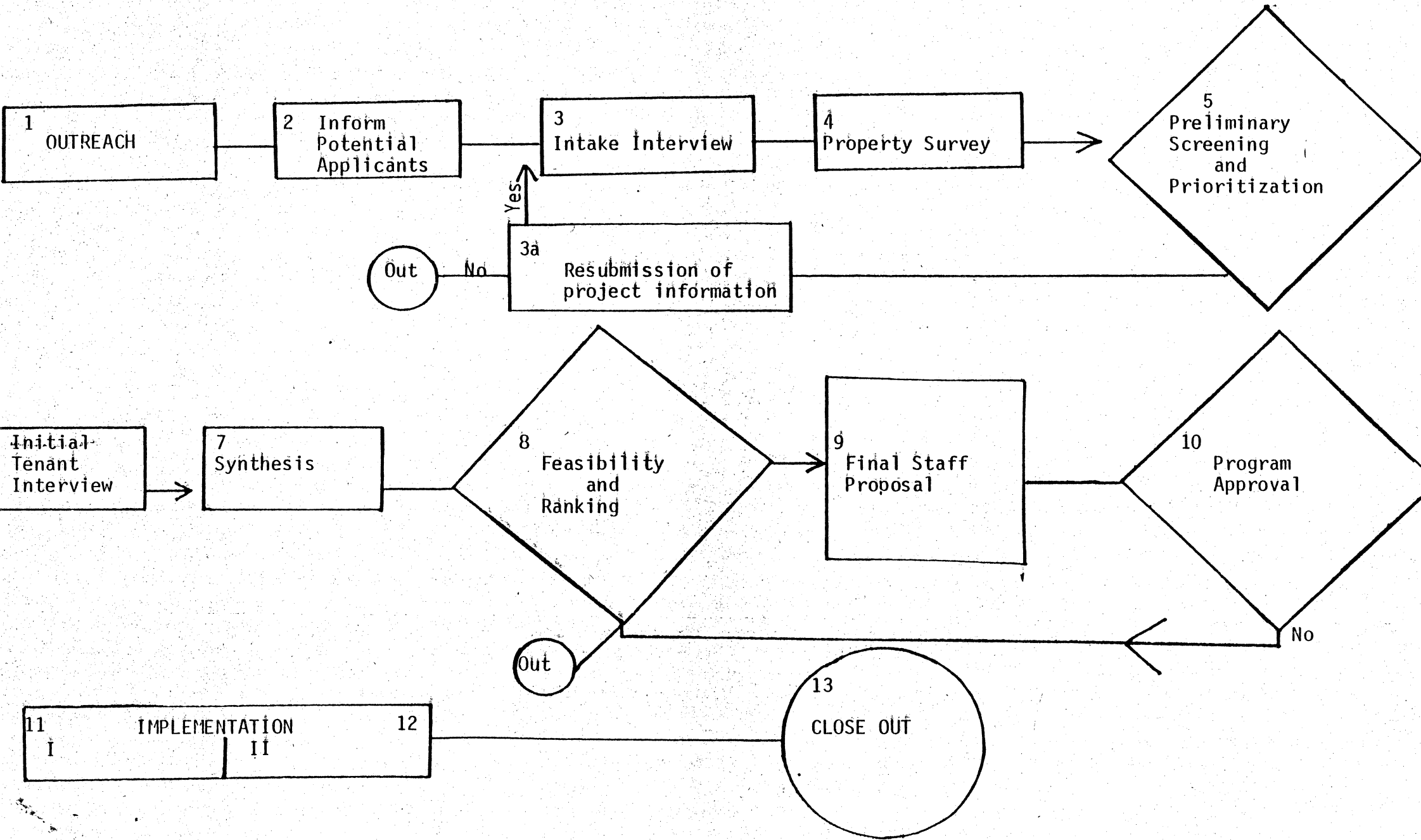
CAMBRIDGE HOUSING AUTHORITY

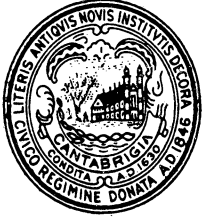
Nominee will be Dan Wuenschel, Executive Director of Cambridge Housing Authority or an appointed Director.

CAMBRIDGE ECONOMIC OPPORTUNITY COMMISSION

Nominee will be a tenant Representative of the neighborhood sector from the CEOC Board of Members.

Program Flow Chart





CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

February 28, 1983

To the Honorable, the City Council:

Enclosed please find copy of a report from the Community Development Department relative to the Mayor's Housing Initiative #2 and the creation of Neighborhood Apartment Housing Services, Inc. (NAHS).

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Re: report on the Mayor's Housing Initiative
No. 2 and the creation of Neighborhood Apart-
ment Housing Services, Inc. (NAHS).

In City Council,

February 28, 1983

2/28/83

Placed on File

Michael Rosenberg, Dir. Housing
Section, Community Development
his staff invited to hearing
3/3/83 ml