C. C. 106

# City of Cambridge

MASSACHUSETTS

In City Council Oct. 7 1991

C. Myers - Roll Call on Reconsideration of Cal #1

| | YEA | NAY | ABSENT | PRESENT | |
|---|---|---|---|---|---|
| Mr. Ed Cyr | | ✓ | | | |
| Mr. Francis H. Duehay | | ✓ | | | |
| Mr. Jonathan S. Myers | ✓ | | | | |
| Mr. Kenneth E. Reeves | | ✓ | | | |
| Mrs. Sheila T. Russell | | ✓ | | | |
| Mr. Walter J. Sullivan | | ✓ | | | |
| Mr. Timothy J. Toomey, Jr. | ✓ | | | | |
| Mr. William H. Walsh | | ✓ | | | |
| Mayor Alice K. Wolf | | ✓ | | | |
| | 2 | 7 | | | |

Failed of Adoption

This is a summary of the response to the Council's other Housing and Rent Control Orders that are not addressed in the six initiatives.

1. Council Order # 8, May 6 - A comprehensive assessment of the capital needs of rent controlled buildings would cost between 1.5 and 2.5 million dollars. I would propose instead that the Housing Cabinet look at ways to gather information as the different city agencies come into contact with buildings. As to the count of rent controlled units, the Board has cleaned up its database to remove units that are no longer part of the rent controlled stock in larger buildings. The Rent Control Board has just completed a project to ascertain which of the 1, 2 and 3 unit buildings carried in the rent control database as controlled units are likely owner occupied. When the project is completed, it is expected that approximately 750 of these 2812 controlled rental units will fall in that category.

2. Council Order # 7, April 29 - The Multiservices Center works closely with the CHA and with some private landlords to find housing for low income individuals and families. In addition, the CDD works with the nonprofits and the CHA to provide low income individuals and families for the affordable housing projects. If the Council adopts the Affordable Housing Preservation Fee, the CDD would expand its housing access effort so that it could match property owners who get funds through the program with low income tenants. In any event, the Housing Cabinet will consider what effective incentives, if any, the City can or should provide to private owners to encourage them to rent units to low income tenants.

3. Council Order # 9, May 6 - In response to the Council's concern about the adequacy of the housing inspections of rent controlled units, I expect to work with Rent Control and Inspectional Services through the Cabinet process to establish appropriate coordinated efforts. In addition, I will work with the Commissioner of Inspectional Services to expand the additional management and training efforts that he has begun.

4. Council Order # 5, April 22 - In response to the Council's request for more mediation at the Rent Control Board, the Board has set up a pilot project for the mediation of eviction cases with the Cambridge Dispute Settlement Center. Additional mediation services may be provided in the future as well.

5. Council Order # 8, April 29 - The Rent Control Board has established a Compliance Officer position, as requested by the Council, and the Officer will be doing both outreach and enforcement.

6. Council Order # 13, April 29 - The Rent Control Board is conducting a survey of all owners of affiliate housing to gather the necessary information to define the specific nature of the

problem in defining "affiliate" pursuant to the Rent Control Act.

7. Council Order # 9, April 8 - The Rent Control Board is in the last stages of redesign of its information systems to make information about properties more accessible to staff and to the public. The Board has also started a subscription service to make available regularly to interested parties information about changes in the regulations and significant Court decisions. The Board will also advertise in the newspapers the topics for public policy sessions.

8. Council Order # 14, April 29 - The preliminary work that has been done looking at the 30% cap over two years on increases in rent control rents suggests that there are serious legal problems with the proposal. Those problems do not exist with the cap in the general adjustment because the property owner always has the option of obtaining a complete increase by filing for a rent increase instead of accepting the GA. The Board will continue to look at the legality and feasibility of phasing in or capping large rent increases.

9. Council Order # 9, June 10 - The Rent Control Board has been moving in the direction of making as much of the GA based on actual costs as possible, and the GA currently reflects actual costs for taxes, heat and water. The Board is now investigating the feasibility of incorporating actual insurance costs.

10. Council Order # 5, May 6 - The CDD has continued to monitor the progress of the National Affordable Housing Act passed by Congress in 1990. They have commented on the proposed regulations for the expiring use program and are actively monitoring the appropriation process under the Home program which will provide block grant monies to cities, replacing two of the funding sources that the City has used for affordable housing in the past.

11. Council Order # 10, May 6 - The Rent Control Board does not plan to establish a separate program for cases involving owner occupied 4 to 6 unit buildings. Because of the very small number of cases involved, only 6 which have been pending for more than 90 days, the Board can use existing resources to monitor the progress of cases involving small owner occupied properties.

# CITY OF CAMBRIDGE

## COMMUNITY DEVELOPMENT DEPARTMENT

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

498-9034


**M E M O R A N D U M**

**TO:** Robert W. Healy, City Manager

**FROM:** Susan Schlesinger, Housing Director

**SUBJECT:** Housing Trust Activity

**DATE:** September 26, 1991

The following information details the lending activity of the Trust to date and provides some detail on the types of projects funds. As you know, the Trust's review criteria includes long term affordability, targeting of units to low income households and an emphasis on supporting family sized units and housing with a social service component.

The Trust also acts as the Cambridge Housing Partnership and, in this role, reviews all projects applying for State funding.

The Trust has approximately $70,000 in unallocated funds.

<u>Summary</u>:

9 Projects
7 Rehab of existing properties
2 New Construction

These projects consists of:

54 units
114 rooms
10 beds

The unit/rooms/beds are benefitting the following income groups:

Low income - 140 (below 50%)
Moderate income - 34 (below 80%)
Market - 4

Total funds committed: $ 636,000
Total funds leveraged: $6,555,112

## AFFORDABLE HOUSING TRUST PROJECTS

| Address | Description | Loan Amount |
|---|---|---|
| 391-393 Portland St.<br>6-8 Marcella St.<br><br>STATUS - In Progress | 9 Units - all low income units<br>-Non profit ownership<br>-Rental housing<br>-Substantial rehab<br>-HUD disposition | $100,000 Const.<br>$ 25,000 Perm |
| 37 Howard St.<br><br>STATUS - Complete | 3 Units - all low income units<br>-Church owned vacant property<br>-Rental to sec. 8 eligible families<br>-Substantial rehab | $ 30,000 D.L. |
| 77 Magazine St.<br><br>STATUS - In Progress | 10 Beds - all low income beds<br>-Non profit ownership<br>-Housing for mentally ill adults<br>-Short term loan<br>-Mod Rehab | $131,000 - bridge<br>($ 5,131 grant) |
| 230 Pearl St.<br><br>STATUS - Complete | 3 Units - 2 low, 1 moderate income unit<br>-Non profit ownership of land<br>-Lease land, sell building to CDBG eligible homebuyer<br>-2 rental units for Sec. 8 households | $ 45,000 D.L. |
| 15 Roberts Rd.<br><br>STATUS - Complete | 1 Unit - low income unit<br>-Non profit ownership<br>-Lease to Sec. 8 household | $ 15,000 D.L. |
| YWCA<br><br>STATUS - Complete | Rehab of<br>-109 SRO's<br>- 78 rooms for low income individuals and families, 25 mod<br>-Non profit ownership | $ 60,000 D.L. |

| | | |
|---|---|---|
| 65-69 Columbia St.<br><br>STATUS - Complete | -6 Units - 6 moderate,<br>-Limited equity condos<br>-New construction on City land<br>-All six owners came from publically assisted housing | $ 70,000 D.L. |
| 30 Pearl St.<br><br>STATUS - Complete | 10 SRO's - 9 low, 1 moderate income units<br>-Rental to low income individuals<br>-8 Sec. 8 Mods<br>-Substantial rehab | $ 30,000 D.L. |
| St. Patrick's Project<br><br>STATUS - Loan Committed Not Closed | -32 rental units, 28 low income<br>-Family size units<br>-Reuse of church<br>-Substantial rehab of three existing buildings<br>-Non-profit ownership | $125,000 D.L. |

CITY OF CAMBRIDGE
831 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS 02139
TEL 499-6161

RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

| | |
|---|---|
| To: | Robert Healy<br>City Manager |
| From: | Terrence P. Morris TPM<br>Executive Director |
| Re: | Survey of Units    Calendar Item #8    (5-6-91) |
| Date: | September 27, 1991 |

## SURVEY OF UNITS

We have just completed a project involving owner-occupied 1, 2 and 3 family houses. When we began the project one month ago, our records showed there were 2,812 controlled units in these properties. By surveying available public records which included the Assessors, the Water Department, the Election Commission and the Telephone Company, we were able to determine that more than 25% of these units were likely owner-occupied. With the appropriate documentation in hand, we changed our records to reflect the fact that there are approximately 750 fewer controlled units in these properties than previously thought. This is all part of our on-going effort to maintain accurate and reliable data.

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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

# MEMORANDUM

To: Robert Healy
City Manager

From: Terrence P. Morris
Executive Director

Re: Mediation Program Calendar Item #5 (4-22-91)

Date: September 26, 1991

## MEDIATIONS

This office has been conducting ongoing negotiations with various organizations to establish a procedure for mediating cases outside of the Rent Control Board. A pilot project is set to be initiated on eviction cases. Parties will have the option of mediating their evictions through the Cambridge Dispute Resolution Center as an alternative to pursuing an eviction through the Rent Control Board. In addition , the Rent Control Board will continue to offer in-house mediations prior to the regular Tuesday and Thursday morning eviction proceedings. There is the possibility that the Harvard Mediation Project will conduct these in-house sessions, thus freeing the regular staff to process cases. It is expected that mediation will be expanded to include other types of cases, most notably, tenant complaints arising out of the General Adjustment.

RECEIVED
91 SEP 26 AM 11: 10
OFFICE OF THE CITY MANAGER

CITY OF CAMBRIDGE
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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

To: Robert Healy
City Manager

From: Terrence P. Morris tpm
Executive Director

Re: Compliance Officer Calendar Item #8 (4-29-91)

Date: September 26, 1991

COMPLIANCE OFFICER

The establishment of a Compliance Officer position had already been initiated by the Rent Control Board prior to the Council Order. The position was created through the reallocation of a hearing examiner position with no increase in funds. The position was filled on November 20, 1990 through promotion. As can be seen by the attached job description, the Compliance Officer duties are broader than simply enforcement. The duties of the position also include an outreach activity that is meant to address the problems of lower rent units. Unfortunately, these objectives have been slow to realize because our present incumbent is on maternity leave.

POSTING DATE: NOVEMBER 2, 1990 CLOSING DATE: NOVEMBER 16, 1990

SALARY: 13.7976 - 15.5102
($26,996.27 - $30,346.63)

JOB DESCRIPTION

COMPLIANCE OFFICER

Responsibilities:

1. Enforcement of the Rent Control Act and the Removal Permit Ordinance including:

- investigation of possible violations of the Act and Ordinance;
- preparation of cases for rent control or court hearings;
- presentation of cases at rent control hearings;
- other compliance alternatives like mediations between parties and coordinanting joint solutions with city and outside agencies;
- supervision of staff or students working on compliance cases.

2. Landlord and tenant outreach and education.

3. Should staffing shortages or case loads so require the enforcement officer, from time to time, may assume any and all duties of a hearing examiner.

Qualifications:

Excellent writing and interpersonal skills; ability to work creatively and independently; ability to investigate violations of the Rent Control Act and the Removal Permit Ordinance through review of documents, including research at the Registry of Deeds, interviews with parties and witnesses, and inspections of buildings; ability to understand and utilize a complex regulatory scheme; ability to supervise students and coworkers and coordinate interagency projects; ability to organize evidence, including testimony and documentary evidence, for presentation at rent control or court hearings or trials. Knowledge of the Cambridge community would be helpful.

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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

To: Robert Healy
City Manager

From: Terrence P. Morris
Executive Director

Re: Affiliate Housing Calendar Item #13 (4-21-91)

Date: September 26, 1991

AFFILIATE HOUSING

The Rent Board is in the process of defining the word "affiliate" as it relates to housing owned by institutions. As a preliminary step, the Board is sending a survey questionnaire to all owners of affiliate housing in an effort to gather the necessary data which would help define the nature of the problem.

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91 SEP 26 PM 4:25
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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

To: Robert Healy
City Manager

From: Terrence P. Morris TPM
Executive Director

Re: Public Awareness Calendar Item #9 (4-29-91)

Date: September 26, 1991

PUBLIC AWARENESS

We are presently near completion of a complete redesign of our information systems. In simple terms this means that the large volume of information that we have in our database on Rent Control property will be available in a "user friendly" format. Eventually, it is our desire to install a computer in our lobby which will be available to the public, much in the same way information is accessible at the Registry of Deeds. In providing greater access to the data by persons with greater knowledge, we expect to receive feedback which will enable us in maintaining a higher degree of accuracy and reliability. At present we are continuing the practice of including informational circulars with the Notice of General Adjustment. We have also initiated a trial subscription service to anyone interested in receiving regular updates on changes to our laws, regulations and significant Court decisions. In addition, public policy sessions and topics are being advertised in the local newspapers.

RECEIVED
91 SEP 26 AM 11: 10
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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

To: Robert Healy
City Manager

From: Terrence P. Morris TPM
Executive Director

Re: 30% Rent Cap Calendar Item #14 (4-29-91)

Date: September 27, 1991

## 30% RENT CAP

There has been little activity on implementing this order. There are serious reservations from most people knowledgeable about rent control that this cap would be unconstitutional. While it is true that the Board has established a cap or a cutoff on increases under the General Adjustment, owners are not entirely precluded from recovering their actual expenses. They always have the option of filing a Regulation 72 petition in which the rents may be adjusted without limitation. To the best of my knowledge, the City Solicitor's office is equally pessimistic about this cap passing constitutional muster. Nonetheless, we are seriously considering how to implement the concept of phasing-in large rent increases.

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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

To: Robert Healy
City Manager

From: Terrence P. Morris
Executive Director
TPM

Re: Changes in the General Adjustment Calendar Item #9 (6-10-91)

Date: September 26, 1991

CHANGES IN THE GENERAL ADJUSTMENT

The thrust of this order is to make the General Adjustment as nearly as possible based upon actual costs. In some respects this is a contradiction in terms, since a G.A. by definition is general and not specific. Nonetheless, the Rent Control Board has been moving in that direction over the last few years. Indeed, the General Adjustment reflects a landlord's actual costs for taxes, and heat. In the most recent 1991 General Adjustment, actual costs for water were incorporated. The Board is presently surveying owners in an attempt to determine the feasibility of incorporating actual insurance costs.

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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

RECEIVED
91 SEP 18 PM 2:52
OFFICE OF THE CITY MANAGER

***MEMORANDUM***

To: Robert Healy
City Manager

From: Terrence P. Morris TPM
Executive Director

Date: September 18, 1991

Re: Council Order #19 (8/7/91)
Council Order #10 (5/6/91)

This memo is in response to that segment of Council Order #19 regarding "the number of outstanding cases which involve owner-occupants of 4-6 unit buildings where the time wait exceeds 90 days". Please be advised that there are only 6 such cases. Of that number, four are rent adjustments and two are special cases. The oldest of the rent adjustments, which is eight months old, is scheduled to be heard by the Rent Control Board in three weeks. Of the two special cases, one is a so-called Ordinance 1093 case which was previously processed under an earlier docket number and is presently on appeal in Superior court. The other special case involves a failure to register. To place this figure in perspective, I would point out that there are only 190 properties containing 4-6 units which are owner-occupied. Therefore, these six cases represent only 3% of the small property owner-occupants who are perceived to be "negatively impacted by delays" (to quote from Council Order #10, 5/6/91).

This memo will also respond to that related prior Order which calls for the creation of a Small Owner Program for the same class of property owners. Given the relatively few cases, I do not believe that it is necessary to formally establish a "program" to deal with them. Rather, it should be possible to monitor their progress using existing resources.

C I T Y  O F  C A M B R I D G E
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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

*MEMORANDUM*

To: Robert Healy
City Manager

From: Terrence P. Morris TPM
Executive Director

Re: Preapproval Calendar Item #4E (4-22-91)

Date: September 26, 1991

## PREAPPROVAL OF RENT ADJUSTMENTS

I have drafted the proposed amendment to the Rent Control Board Regulations and a companion document entitled Guidelines for Rehabilitation, both of which are attached. The second of these documents, which is not being codified in regulation form, is nonetheless an important part of the proposal. Previous attempts by the Board to amend the regulations to provide for a so-called prudent landlord standard were widely criticized by both landlords and tenants as ambiguous and too discretionary. The several constituencies were more interested in seeing concrete examples of what work may or may not be permitted. The guidelines document is intended to address that concern. It will also provide guidance to both landlords in preparing to do work and hearing examiners in reviewing such work. This matter is scheduled to be heard during the Board's public policy session on September 25, 1991.

# CITY OF CAMBRIDGE

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RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR


## PROPOSED NEW REGULATION SERIES 74

REGULATION SERIES NO. 74 - Pre-approval of Rent Adjustment for Proposed Capital Improvements to Vacant Units

The purposes of this regulation series are to define the scope of work and the reasonableness of its cost before the improvement is actually made. In this manner, it is expected to reduce the adversarial and uncertain nature of the present process for both the landlord and tenant and encourage owners to maintain and improve their property. To implement this regulation series the Board shall apply the standards set forth in the Board publication, Guidelines for Rehabilitation, which may be updated periodically.

74-01

Rent Adjustments for capital improvements for vacant units under this regulation may be granted upon application to the Board and approval by the Executive Director or a designee, except where a Board hearing is requested or required under 74-06.

74-02 Filing Requirement

The owner or its agent shall complete an application on a form provided by the Board. This application shall contain a detailed description of the proposed work including both quantitative and dimensional specifications where applicable. It shall also include an itemized breakdown of the proposed costs. There shall be a statement regarding the causation and duration of the current vacancy.

74-03 Inspection

After the filing of the application, an inspection of the subject property shall be made by a Board inspector to determine:

(1) the existing condition of the unit;
(2) whether the proposed scope of work is prudent given the existing condition; and

(3) whether the existing condition resulted from a failure to perform ordinary repair, replacement and maintenance.

74-04 Review and Analysis

Where the existing condition is substantially as described in the Board publication, Guidelines for Rehabilitation, the remedial measures suggested therein are presumed to be prudent.

The examiner shall review the inspection report and the application to determine whether the proposed costs are reasonable based upon industry standards for comparable work. Should the cost of any item or aspect of the work appear unreasonable, the examiner shall analyze the item using standard industry publications as a reference.

The examiner shall also review current Board files to determine whether the proposed work duplicates or replaces improvements previously included in the rent.

74-05 New Rent Established

The examiner shall write a report which either affirms or amends the proposed scope of work and the projected costs. Where the report amends the application, the basis for such amendment shall be stated. The report shall also recommend new legal maximum rents based upon the approved costs which shall be submitted to the Executive Director (or a designee) for approval. The Executive Director shall notify the applicant of the new legal maximum rent. If the rent increases more than $125/month per unit, the increase must be approved upon hearing by the Board.

74-06 Right to an Evidentiary Hearing

The landlord shall have the right to a hearing before the examiner to present evidence relevant to any matter in which the examiner has made a preliminary finding and/or recommendation. The examiner may order a hearing if he/she finds substantial issues.

74-07 Certification of Completed Improvements

The new legal maximum rent shall be effective for collection upon certification by the Board that the proposed improvement(s) have been completed in a workmanlike manner and in accord with the previously approved plan and the approved amount has been paid. Certification of the work may be accomplished by inspection. Certification of the expenditures shall be accomplished by submission and review of all relevant contracts, bills, cancelled checks and other documentation.

74-08 Appeal to the Board

The applicant may appeal the approved adjustment to the Rent Control Board within twenty days of receiving notice from the Executive Director that the rents are effective for collection. In case of an appeal, the recommended rents shall be interim rents during the pendency of the Board decision.

PRE-APPROVAL OF CAPITAL IMPROVEMENTS
GUIDELINES FOR REHABILITATION

In general, where the surfaces (walls, windows, ceilings and floors), systems (electrical, plumbing, heating) or fixtures (including cabinetry, sinks, toilets and tubs) are: (1) original, (2) installed more than 40 years ago and (3) show signs of deterioration due to ordinary wear and tear, there is a presumption that their useful life has expired or that they have become obsolete. Where these threshold conditions are found to exist, it may be prudent to either repair or replace one or more of the aforementioned items. Whether any particular item should be repaired or replaced, will depend upon a consideration of the indicators described below. As a practical matter, where an item requires repair so frequently that the annualized cost of repair would exceed the annual amortized cost of replacement, it would be prudent to replace the item. These guidelines have evolved from standards articulated in many Board approved rent adjustment cases over time.

## I. SURFACES

Walls, Ceilings: In most cases these surfaces will be composed of plaster on wood lath. On occasion, some older ceilings may be covered with tin. Broken keys will cause the plaster to separate from the lath and cause the surface to feel spongy. This is evidence that the integrity of the surface has been compromised, and most likely should be replaced. The existence of water damage, extensive (as contrasted with hairline) cracks, and missing sections support a similar result. Where these conditions are found on more than 50% of the surface area, it will be prudent to replace the entire surface in a given room. Experience also suggests that the presence of wood panelling and "dropped" ceilings may indicate a cosmetic attempt to disguise an underlying plaster problem.

The surface areas in bathrooms present special conditions and resultant problems. These conditions are normally related to the damaging effects of water around the bathtub/shower and on the floor. Units where showers have been improperly installed as an adjunct to the tub, frequently experience water damage. It is prudent to take measures to remedy a situation where surfaces are not adequately water resistant. Such remedies may include the installation of new tub surrounds either of fiberglass or ceramic tile. The later installation of a shower not infrequently exposes bathroom windows to water damage where the window is located over the bathtub. It is not only prudent, but may also be necessary, to relocate or downsize the window.

Floors: The most obvious sign of deterioration is warping or buckling due to water damage which would warrant replacement. Where the flooring is merely old and worn, the question of replacement depends upon variable and subjective factors. The replacement of tile flooring may be subject to the same analysis as wall surfaces, i.e. what percentage of the tiles are problematic and the condition of the underlayment. Hardwood flooring which may be refinished is usually a desirable amenity. Softwood and wideboard planking such as pineboard, are less so. In the final analysis, it may depend upon the extent of replacement of the other surfaces in the room. If the walls and ceilings are all new, it may be prudent, as well as cost-effective, to install new flooring simultaneously.

Windows: Since virtually all window systems installed prior to 1950 are inferior to present, energy efficient design, the Board does not take issue with the replacement of older windows. The Board encourages such replacement as a means of reducing energy consumption and maintenance costs.

Wood Trim: Where the unit may be occupied by children under six years old, the existence of lead paint on baseboards, door frames and window casings is a factor in renovation. It may be cost effective and therefore prudent to replace these surfaces entirely.

## II. SYSTEMS

Electrical: Given the obvious life safety implications, electrical work is not something the Board wants to discourage. Accordingly, a landlord need only meet certain baseline conditions to establish the prudence of the work. While brittle and frayed wiring is one such condition, the mere existence of old style knob and tube wiring is something which ought to be replaced. The installation of ground fault interceptors in kitchens and baths is code-required where service to these rooms is upgraded. The sufficiency of the service as measured by the amperage and number of outlets per room is another factor.

Heating: Most heating systems are fueled by oil-fired boilers. The condition of the boiler will largely dictate the extent of any renovations to the heating system. Apart from any obvious signs of physical deterioration due to age, the most critical indicator is reduced fuel-efficiency. The need to replace the boiler will determine the prudence of other changes to the system. These changes may include conversion to gas-fired or forced hot air/water systems which are superior to gravity-fed water or steam heat systems.

Plumbing: Signs of extensive repair and replacement which though minor may, if considered cumulatively, constitute justification for replacement. Other physical evidence would include cracked waste pipes, non-copper feed pipes and signs of rust and corrosion or "mushrooming" occurring at the coupling.

III. FIXTURES

Cabinetry, Countertops: Metal cabinetry is presumed to be obsolete. The presence of rust or dents are obvious signs of deterioration which justify replacement. Multi-layered paint applications on wood cabinets may preclude stripping and refinishing. Conversely, the lack of, or inadequate, cabinet and counterspace would warrant the installation of new wall/base units consistent with the needs of a typical kitchen or bath.

Sinks, Toilets, Tubs: The installation of a shower where none exists may require the replacement of the bathtub, regardless of its condition, since many older tubs are not readily adaptible to shower use. This is particularly valid where the tub is free-standing. Water-saver toilets are encouraged as a conservation measure. The lack of storage/utility space may warrant the replacement of a free-standing sink with a base cabinet and drop-in sink. In general, the extent of other necessary renovations may be the key factor in deciding whether optional improvements are prudent. As with other conditions, the physical signs of deterioration will be most compelling evidence of necessity.

RECEIVED
91 SEP 26 AM 11:09
OFFICE OF THE CITY MANAGER

MOTION FOR RECONSIDERATION SUBMITTED BY COUNCILLOR Myers

'89 OCT -2 AM 11:04

CAMBRIDGE MA.

Date

Councillor Myers has notified the City Clerk of his intention to move reconsideration of the motion to refer the City Manager's Housing and Rent Control Report to the Committees on Housing and Community Development and Rent Control.

Jonathan S. Myers

Signature

Councillor Myer's intention to move reconsideration of the motion taken on September 30, 1991 referring the City Manager's Housing and Rent Control Report to the Committees on Housing and Community Development and Rent Control.

In City Council,

October 7, 1991

C. C. 106

# City of Cambridge

MASSACHUSETTS

CONSENT AGENDA ITEM 1B ~~000~~
Appropriation of $1,000 from Free Cash to the Affordable Housing Trust Fund.

In City Council September 30, 1991.

| | YEA | NAY | ABSENT | PRESENT | |
|---|---|---|---|---|---|
| Mr. Ed Cyr | ✓ | | | | |
| Mr. Francis H. Duehay | ✓ | | | | |
| Mr. Jonathan S. Myers | ✓ | | | | |
| Mr. Kenneth E. Reeves | ✓ | | | | |
| Mrs. Sheila T. Russell | ✓ | | | | |
| Mr. Walter J. Sullivan | ✓ | | | | |
| Mr. Timothy J. Toomey, Jr. | | ✓ | | | |
| Mr. William H. Walsh | ✓ | | | | |
| Mayor Alice K. Wolf | ✓ | | | | |
| | 8 | 1 | | | |

CCyr
MS
[illegible]

CCM-101

# City of Cambridge

AGENDA ITEM 1B
IN CITY COUNCIL
September 30, 1991

ORDERED: That the City Council go on record accepting the City Manager's recommendation to appropriate $1,000,000 from Free Cash to the Affordable Housing Trust Fund.

In City Council September 30, 1991.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy; Joseph E. Connarton

ATTEST:-

Joseph E. Connarton,
City Clerk

C. C. 106

# City of Cambridge

MASSACHUSETTS

C. Myers

In City Council 9/30/91 199

Agenda # 13-2 Amendment $500,000 to Affordable Housing Fund to Housing & 500,000 Be Referred Community Dev. + Rent Control Committees

| | YEA | NAY | ABSENT | PRESENT | |
|---|---|---|---|---|---|
| | | | | | |
| Mr. Ed Cyr | | | | ✓ | |
| Mr. Francis H. Duehay | | ✓ | | | |
| Mr. Jonathan S. Myers | ✓ | | | | |
| Mr. Kenneth E. Reeves | | ✓ | | | |
| Mrs. Sheila T. Russell | | ✓ | | | |
| Mr. Walter J. Sullivan | | ✓ | | | |
| Mr. Timothy J. Toomey, Jr. | ✓ | | | | |
| Mr. William H. Walsh | | ✓ | | | |
| Mayor Alice K. Wolf | ✓ | | | | |
| | 3 | 5 | | 1 | |

C. C. 106

# City of Cambridge

MASSACHUSETTS

In City Council 9/30/91 199

C. Toomey Agenda #1B-1- $250,000 - to Affordable Housing Trust Fund. 750,000 - be referred to Housing & Community Dev & Rent Control Committees

| | YEA | NAY | ABSENT | PRESENT | |
|---|---|---|---|---|---|
| | | | | | |
| Mr. Ed Cyr | | ✓ | | | |
| Mr. Francis H. Duehay | | ✓ | | | |
| Mr. Jonathan S. Myers | | ✓ | | | |
| Mr. Kenneth E. Reeves | | ✓ | | | |
| Mrs. Sheila T. Russell | | ✓ | | | |
| Mr. Walter J. Sullivan | | ✓ | | | |
| Mr. Timothy J. Toomey, Jr. | ✓ | | | | |
| Mr. William H. Walsh | | ✓ | | | |
| Mayor Alice K. Wolf | | ✓ | | | |
| | 1 | 8 | | | |

C. C. 106

# City of Cambridge

MASSACHUSETTS

CONSENT AGENDA ITEM 1C
Appropriation of $35,000 from Property Taxes to the Community Development Department to provide funding for an ~~expiring use organizer.~~

In City Council September 30, 1991.

| | YEA | NAY | ABSENT | PRESENT | |
|---|---|---|---|---|---|
| Mr. Ed Cyr | ✓ | | | | |
| Mr. Francis H. Duehay | ✓ | | | | |
| Mr. Jonathan S. Myers | ✓ | | | | |
| Mr. Kenneth E. Reeves | ✓ | | | | |
| Mrs. Sheila T. Russell | ✓ | | | | |
| Mr. Walter J. Sullivan | ✓ | X | | | |
| Mr. Timothy J. Toomey, Jr. | ✓ | | | | |
| Mr. William H. Walsh | | ✓ | | | |
| Mayor Alice K. Wolf | ✓ | | | | |
| | 7 8 | 2 1 | | | |

C. Cyr
ms

AGENDA ITEM 1C
CITY COUNCIL
CITY OF CAMBRIDGE

September 30, 1991

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1991

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1991-92 the following sum is hereby appropriated in the General Fund of the City of Cambridge:

| FUNCTION | DEPARTMENT OR PROGRAM | SALARY $ WAGES | OTHER ORDINARY MAINTENANCE | TRAVEL & TRAINING | EXTRAORDINARY EXPENDITURES | APPROPRIATIONS |
|---|---|---|---|---|---|---|
| Community Development & Maintenance | Community Development | | $35,000.00 | | | $35,000.00 |

BE IT FURTHER ORDERED: That the above appropriation in the General Fund to be financed by estimated revenues drawn from the following sources:

| FINANCING PLAN | REVENUE |
|---|---|
| Property Taxes | $35,000.00 |

In City Council September 30, 1991.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton, City Clerk.

AGENDA ITEM 1C
CITY COUNCIL
CITY OF CAMBRIDGE

September 30, 1991

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|---|---|
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In City Council September 30, 1991.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton, City Clerk.

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 349-4300
FAX. 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

September 27, 1991

# CITY MANAGER'S HOUSING AND RENT CONTROL REPORT

The City Council's Housing Plan reflects both pride in what the City has accomplished in providing affordable housing for its people and concern for how affordable housing can be created and preserved in Cambridge in the face of shrinking state and federal resources and an aging housing stock. The plan and the series of Rent Control and Housing Orders reflect the Council's recognition of the challenges facing Cambridge: how to encourage preservation of our existing housing stock; how to generate resources for the rehabilitation of the multifamily housing stock; how to ensure that rehabilitation does not result in displacement of tenants; and how to make the rent control system more responsive to the needs of tenants and landlords.

As the Council has recognized, the biggest challenge is how to address these issues when the state and federal monies that have supported rehabilitation and creation of housing are much reduced and when other cutbacks in state funds increase the demands on City dollars. We need to identify new sources of revenue for affordable housing, we need to use those revenues in programs that can leverage the most public and private resources, we need to prevent further deterioration in the City's multifamily rent control housing stock, and we need to make the most efficient use of the financial and human resources that we are devoting to the preservation of affordable housing.

To respond to the major thrust of the Council's Rent Control and Housing Orders, I am proposing a number of initiatives. Based on the direction set by the Council, my guiding principle in developing the initiatives has been to use City dollars to leverage the greatest amount of public and private funds to rehabilitate affordable housing and to use City dollars to maximize the provision of affordable housing to low income individuals.

The initiatives are a combination of programs that focus on the existing housing stock and on ways to attract capital to preserve it. The programs are in some sense a continuum: the larger the investment of City resources, the greater is our insistence that these monies leverage other funds and that the housing be made available over the long term to lower income individuals. As the Council has recognized, the City alone cannot fund the rehabilitation of the multifamily housing stock. Therefore, we must operate on two different fronts. We need to continue to expand the programs that create affordable housing and rehabilitate deteriorated buildings for low income individuals, and we need to encourage rent control owners to make prudent investments in their properties to prevent further deterioration of the City's multifamily housing stock.

I am proposing six different initiatives. For seriously deteriorated properties and for new housing development, I am proposing recapitalizing the Affordable Housing Trust Fund, established by the Council, to allow it to continue its work in providing housing opportunities for low income individuals and families. Second, I am again proposing that the Council adopt the Affordable Housing Preservation Fee to provide necessary capital to allow the affordable rehabilitation of deteriorated rent controlled buildings. Third, I am proposing an expansion of the Small Property Owner's Loan Program to assist small property owners in assessing the rehabilitation needs of their buildings, in getting access to commercial financing to fund moderate rehabilitation and in obtaining appropriate rental increases from the Rent Control Board. Fourth, I am supporting the Rent Control Board's adoption of a preapproval process for rent increases for rehabilitation to encourage owners who have access to capital to make prudent investments in their properties to prevent the properties from becoming seriously deteriorated. Fifth, I am, as the Council has requested, proposing that the Council authorize the City to contract for an Expiring Use Organizer to help ensure that the City retain as affordable housing as many of the units in expiring use buildings as is feasible.

Finally, in addition to these initiatives, I am proposing to establish the City Manager's Housing Cabinet made up of the heads of the City agencies that regulate housing matters or provide rehabilitation and financing expertise to property owners. I expect to chair regular meetings of the Cabinet and use the Cabinet to resolve conflicts between the various agencies, to solve problems relating to specific buildings and projects, and to shape the City's overall housing efforts.

Each of these proposals is detailed below.

## AFFORDABLE HOUSING TRUST FUND

First, I am asking the Council to appropriate 1 million dollars from the unreserved fund balance to recapitalize the Affordable Housing Trust Fund established by the Council. The Trust Fund's track record in leveraging funds and in providing for significant affordability demonstrates the wisdom of the

Council in establishing the Fund. I believe that the Trust Fund can use that million dollars to do more truly affordable housing than could be done by putting the million dollars into a revolving load fund.

Every dollar the Trust Fund has committed to a project has brought in 10 more dollars. The Trust Fund has thus far committed 636,000 dollars and the total funds leveraged are over 6 and 1/2 million dollars. The nine projects, seven of which were rehabilitations of existing properties and two of which were new construction, provided 54 units, 114 single room occupancy units and 10 beds for housing for mentally ill adults. Very significantly, of the units, rooms and beds supported by the Trust Fund, over 75% provide housing to individuals or families whose incomes are below 50% of median income with over 97% providing housing to those whose incomes are below 80% of median income. Finally, the projects funded by the Trust Fund also provide long term affordability guarantees because of nonprofit ownership and deed restrictions. A description of the projects is provided as an attachment to this report.

The Trust Fund currently has only about 70,000 dollars that it can commit to projects. There are a number of projects that will be coming to the Fund for financing help. Unless the Trust Fund is recapitalized, there will be no more projects funded, and the City will lose out on the opportunity to leverage other funds and to provide more housing for persons with low income.

An alternative use of the million dollars would be to set up a revolving loan fund to help private owners rehabilitate multifamily housing as suggested by the Council. I recommend against this use of the funds for several reasons.

First, it is almost impossible to make a loan fund revolve if it will be used for rehabilitation of seriously deteriorated housing for low income tenants. Even if the money were loaned to the deteriorated properties at 3% interest for 15 years, the resulting increases in rent would be unaffordable to the low income tenants. For example, if this low interest loan were for 30,000 dollars, the rent increase to the tenant would be in excess of 200 dollars per month not including normal increases in the annual costs of operating the property. For seriously deteriorated properties, grants or deferred loans are likely to be the only mechanisms that will leave the properties affordable to low income tenants.

Second, the legal requirements are very stringent where the City is using tax dollars to fund the rehabilitation of privately owned housing. By and large, the funds could only be used where the benefits accrue to low income individuals so that only buildings that house low income tenants or where the owner commits to renting only to low income tenants would be eligible.

The owners would also probably have to agree to restrictions which might affect the marketability of their properties. These restrictions pose lesser problems to the nonprofit owners, but are a much greater deterrent to private owners who do not gain any significant increase in rents as a result of undertaking a large debt burden.

Third, there are already some revolving loan funds financed by the State and Federal Government or otherwise that are utilized by the housing nonprofits and by the City. Those funds have been an important source of monies to support affordable housing. These loans have been combined with deferred loans and/or grants in order to make the projects affordable. Although the legal requirements and restrictions are not as onerous for the funds from the State and Federal government as they are for the City, many private landlords have declined to participate because of the resulting restrictions on their property rights. An additional loan fund with very significant legal restrictions may not be utilized.

Therefore, a revolving loan fund is not the best mechanism for the City to use to finance rehabilitation of seriously deteriorated buildings. The legal restrictions on the use of the funds require that the benefits go to low income persons, but the payback of the loans would make the resulting rent increases unaffordable to low income tenants.

Recognizing that the million dollars will largely not revolve if used for rehabilitation of housing for low income tenants, whether through the Trust Fund or through a proposed City fund, I believe the City's monies are better spent through the Trust Fund the Council established. The Trust Fund has a clear track record of providing housing for very low income individuals and families, of providing long term affordability, and of highly leveraging each dollar committed by the Fund.

But even given the ability of the Trust Fund to leverage large amounts of money, the million dollars will only go a small way towards addressing the capital needs of the multifamily housing stock in Cambridge. It is particularly useful as a resource where ownership of the property is not private. We need other ways to obtain the capital necessary for rehabilitation of privately owned rent controlled housing.

**AFFORDABLE HOUSING PRESERVATION FEE**

The Council has received numerous reports of the problems facing many of the City's rent controlled buildings. The experiences of the CDD as well as the nonprofits in assessing the capital needs of buildings and the Rent Control Field study demonstrate the existence of large unmet needs for affordable capital in rent controlled buildings. For a variety of reasons, many owners of rent controlled buildings have found it very difficult to access conventional financing for the rehabilitation of their properties. Even where conventional financing is available, for those buildings that are seriously deteriorated, the cost of the rehab that would be passed on to the tenants would make the units unaffordable to even moderate income tenants. In some instances, the cost of the necessary rehabilitation would result in a debt burden that exceeds the value of the building making owners understandably reluctant to take on debt that would make the building virtually unmarketable.

Where units are in need of very substantial renovations, the only way to accomplish the rehabilitation without rendering the units unaffordable to low and moderate income tenants is to provide grants or deferred loans. Where there are large rehab needs, even loans at a greatly reduced interest rate will render properties unaffordable to low and moderate income tenants. Therefore, the City needs a fund that will be replenished each year so that the future years' projects are not dependent on loan repayments. It needs a fund that can be used flexibly to finance the rehab without making the units unaffordable.

The most sensible source of funds to rehabilitate seriously deteriorated rent controlled buildings is a fee assessed as part of the rent control rent. The fee will enable the City to provide access to decent, safe and sanitary housing at a rent that is affordable to low and moderate income residents. By pooling the funds collected from each rent controlled building, the City initially can target the funds to be used on buildings with substantial physical needs that are housing lower income tenants. This will allow the needed rehabilitation of seriously deteriorated rent controlled buildings without forcing displacement of tenants because of major increases in the rent. In return for receipt of the funds for rehabilitation of their buildings, landlords will agree to continue to rent the units to low income tenants.

The properties at 189-191 Hampshire Street, about which the Council has heard before, are an example of what can happen where the necessary capital is not invested in buildings. Whatever might be the solutions for these buildings, and the City and the property owner are still in litigation, the once fully tenanted buildings with 22 units now are seriously deteriorated and have at most 3 tenants. The City cannot afford to have more buildings go the way of Hampshire Street if the City is to have sufficient affordable housing for its residents.

I am, therefore, as one of the housing initiatives, proposing that the Council adopt a Home Rule Petition to enact the Affordable Housing Preservation Fee. I recommend that the fee be set at 5% of the rent, be charged to all tenants living in rent controlled properties, and be collected as part of the rent each month. In order to protect affordability, all tenants whose incomes are 80% or less than median income will be exempted from the paying the fee. (Eighty percent of median income adjusted for family size is the standard definition of low and moderate income households used in both federal and state housing programs.) The fees would generate more than one million dollars per year net of expenses that would be used initially to rehabilitate seriously deteriorated housing for lower income tenants.

**SMALL PROPERTY OWNERS' LOAN PROGRAM**

In addition to addressing the needs of seriously deteriorated properties, the City must continue to focus attention on buildings that have moderate rehabilitation needs. If those needs are ignored, the buildings in several years could become seriously deteriorated. Recognizing that many small property owners have difficulty getting access to capital, difficulty determining the capital needs of their buildings, difficulty managing the rehabilitation process and difficulty negotiating their way through the rent control process, CDD, Cambridge Neighborhood Apartment Housing Services (CNAHS), and the Rent Control Board set up the Small Property Owners' Loan Program with four local banks, BayBank Harvard Trust, Cambridge Savings Bank, Cambridgeport Savings Bank and East Cambridge Savings Bank.

CNAHS helps small property owners assess the rehabilitation needs of their properties, establishes the rehabilitation plan, assists them in filing loan applications, assists them in obtaining preapproval of the work from the Rent Control Board, and provides construction management services to assure the timeliness and quality of the renovations. The Banks have put up one million dollars in 12 year second mortgage money, and the loans are structured to phase in the cost to tenants, with the owner paying back interest only in the first year and then interest and principal in subsequent years.

Using City money only to administer the program, not to fund the rehab, we are able to help small property owners preserve rent controlled housing. CNAHS provides assistance to the owners at every step of the process enabling owners to preserve their buildings without incurring unaffordable rent increases to the tenants. The program has been limited to buildings with moderate rehab needs, where the immediate rehab needs are not more than 8000 dollars per unit and the total needs are not more than 15,000 dollars per unit. The resulting rent increases have been approximately 75 dollars per unit in the first year, going up to a little more than 100 per unit in the subsequent years. To date, no tenants have objected to the increases.

I am proposing that the City expand the program and aggressively market it to small property owners. We are in the process of renegotiating the interest rates with the Banks and we hope to be able to lower them. If we can lower the interest rates, then CNAHS will propose to the Rent Control Board that the program limits be expanded to permit buildings to participate where the immediate rehab needs are somewhat in excess of 8000 dollars in the range of 10,000 dollars per unit and the total needs are 20,000 dollars per unit. With the renegotiated rates, the rent increases would not be significantly more, but more property owners might be able to participate. We need to encourage owners to invest in their properties and we need to make it less burdensome for them to do so.

Many owners are intimidated by the banks, uncertain how to negotiate with contractors and unwilling to apply for increases at the Rent Control Board. By promising them help at each step along the way, we hope to help them keep their buildings from becoming so deteriorated that private financing is no longer feasible. The program does not work for all small owners, particularly those who have recently purchased their buildings and carry high levels of debt. But for long term owners without large debt burdens, this program can allow them to undertake necessary moderate rehabilitation.

The program serves a different purpose than the program the City would run with the funds from the Affordable Housing Preservation Fee. Whereas that program provides direct grants or deferred loans to owners for rehab of seriously deteriorated properties in return for their agreement to rent to low income tenants, the Small Property Owners' Loan Program helps owners get access to bank financing for moderate rehab with no restrictions on rental of the units. The City needs both kinds of program. By assisting owners to make investments in their buildings pursuant to a rehab plan developed with the City's help, we help ensure the continued existence of decent housing. By encouraging the investment to be made when the rehab needs are moderate and where the increases are not unaffordable to existing tenants, we prevent the buildings from becoming so deteriorated that only massive infusions of monies can keep them in service as decent housing.

## PREAPPROVAL OF CAPITAL IMPROVEMENTS

The Rent Control Board is in the process of considering a new program that will give property owners preapproval of rent increases for the work done on vacant units. As recently mandated by the Massachusetts Appeals Court, property owners have the right to do the work in their buildings that reasonably prudent owners would do. By preapproving the rent increase, the Rent Control Board can establish with the owner before the work is done what work a prudent property owner would do and can let the owner know what the rent increase will be. This will also ensure that a tenant renting the unit at the conclusion of the repairs knows what rent he or she will have to pay as a result of the repairs.

Unlike the projects funded by the Affordable Housing Trust Fund and by the program established with the Affordable Housing Preservation Fee, there are no guarantees of affordability of the units. While the program does not result in displacement of any tenants since it will currently apply only to vacant units, the program does not provide housing for low income tenants and the resulting rent may be very high. On the other hand, no public funds are going to support the rehabilitation, but the Board will make it easier for landlords to do rehabilitation that the owner has the legal right to do.

The Council has never suggested that the City could or even ought to fund the rehabilitation of all the buildings in the City that now or in the future will need significant work. Therefore, it is critical for the City that property owners with access to capital continue to invest in their rent controlled buildings. While the City must have programs that will rehabilitate properties to provide housing for lower income persons, we also need to keep owners investing in their properties so that there will continue to be a supply of decent rental housing for all Cambridge residents. The Rent Control Board's proposed preapproval process is a small but important piece of the City's overall housing program, and it aims to encourage property owners to continue to make prudent repairs and improvements to their buildings.

**EXPIRING USE ORGANIZER**

As the Council is well aware, there are over 2300 rental units in Cambridge that were developed in the 1970's and that were subject to significant use restrictions. Approximately 1500 of these expiring use units are at risk of being lost in the 1990's as affordable housing because of the owners' mortgage prepayment rights. Although the federal Low Income Housing Preservation and Resident Ownership Act gives tenants and owners the opportunities to work out mutually beneficial arrangements for the disposition of the buildings, it could also result in the loss of the units as affordable housing. Staff of the Community Development Department have been working with the City Expiring Use Task Force while we wait for the final Federal Regulations governing the program which are expected in November.

Once the regulations are finalized, several owners may act quickly to sell or refinance under the Act. Therefore, as the Council has requested, it is now appropriate for the City to fund a full time organizer to begin working to preserve as many units as possible as affordable housing. The organizer will work with tenants in the buildings to build their capacity to participate in the buyout process where owners file Notices of Intent to Sell the buildings. Where owners opt to refinance rather than sell, the organizer would work with tenants in negotiating renovation and rent increase issues.

I am, therefore, asking that the Council appropriate money for a one year contract for an Expiring Use Organizer. I would hope that the contracting process would be completed so that the organizer would be in place at the beginning of the year.

## CITY MANAGER'S HOUSING CABINET

I am proposing to establish a Housing Cabinet, chaired by the City Manager, made up of the directors of the City's housing and regulatory agencies with appropriate participation by the Cambridge based nonprofit housing agencies that work directly with the City. While I think these agencies working together informally have made significant accomplishments, I think that we can more sharply focus our collective attention on problems with specific buildings and projects as well on issues that affect the City's ability to move forward in a timely and sensible fashion on housing rehabilitation and development matters.

I would like to review briefly some of the existing coordinated activities of the City and nonprofit agencies that have produced impressive results for the residents of Cambridge.

HOME IMPROVEMENT PROGRAM -- The Community Development Department (CDD) contracts with two Cambridge nonprofit agencies Just A Start (JAS) and Homeowner's Rehab. Inc.(HRI) to administer the Home Improvement Program which gives low and moderate income owner occupants of 1-4 unit buildings below market loans to do moderate rehabilitation of their homes. The typical client is low income and elderly and in need of assistance in assessing the work required, in hiring a contractor and in monitoring the work. The program helps keep long term low income owners in their homes and preserves affordable rental units in these owner occupied homes. Last year, 135 units in 66 buildings were rehabbed using this program.

HOMEOWNERSHIP AND NONPROFIT OWNERSHIP AND DEVELOPMENT -- CDD manages several development programs which increase homeownership opportunities for low and moderate income Cambridge residents. Through operating support, technical assistance and project-based loans to nonprofit agencies and tenant owned cooperatives, the City sponsors the development of limited equity cooperatives and condominiums in both the existing stock and on vacant land. Controls on the resale of the units ensure that the units will remain affordable to lower income Cambridge residents. One recent project is the construction of six limited equity condominiums on a City site on Columbia Street where all six new homeowners were previously living in subsidized housing, which will now be available to other low income families. CDD also supports the acquisition, rehabilitation and management by nonprofits of rental buildings as well as their creation of new affordable rental units like the St. Patrick's project which creates and preserves 32 units of rental housing in Area 3.

REHABILITATION OF RENTAL PROPERTIES -- CDD, in cooperation with JAS and CNAHS, administers additional multifamily rehab programs for rental housing for lower income tenants. These programs use federal and state funds to rehabilitate rent controlled housing. Working together with the Rent Control Board to obtain preapprovals of the rent adjustments and with the Cambridge Housing Authority (CHA) to obtain rent certificates for eligible tenants, these agencies have ensured that the rehabbed units remain affordable to low income tenants and have been able to attract private financing. In the past year, $167,000 in loan funds were committed through these programs, which with additional funding from other sources allowed the rehab of 55 units and 14 rooms. Much of the federal and state funding that supports these programs will be eliminated in FY 1992.

CAMBRIDGE BANKS HOUSING ASSOCIATES -- The Cambridge Nonprofit Housing Corpcrations have had strong relationships with local lenders. Several of the banks in the Small Property Owners' Loan Program, Cambridge Savings Bank, Cambridgeport Savings Bank, and East Cambridge Savings Bank, along with Cambridge Trust set up the Cambridge Banks Housing Associates (CBHA) to make access to more flexible funding available to the nonprofits in the face of greater financing gaps in state and federal programs. The banks have each contributed one million dollars to be loaned to projects involving the existing Cambridge nonprofits. CBHA seeks out projects to expand housing opportunities for low and moderate income individuals and families in Cambridge. The advisory board of CBHA includes representative of CDD, the nonprofits and the CHA.

CAMBRIDGE HOUSING SERVICES PROGRAM -- A partnership between JAS, Cambridge Economic Opportunities Committee (CEOC)and the Cambridge Dispute Settlement Center funded by the City and the State, has been providing services to landlords and tenants to prevent homelessness through mediation of disputes and provision of information about rent control, housing rights and subsidy programs. The program has served over 2000 tenants and landlords in the past two years and prevented homelessness in over 350 cases. As described below, the program will be working in partnership with the Rent Control Board this year to provide more mediation opportunities in eviction cases.

CAMBRIDGE EXPIRING USE TASK FORCE-- Staffed by CDD, the Task Force, made up of representatives from the CHA, Affordable Housing Trust Fund, JAS, HRI-CNAHS, CASCAP, and CEOC, has been doing important preliminary work with respect to the more than 1500 units that could be lost as affordable housing during the 1990's. The Task Force has provided comments on the proposed Federal Regulations that will govern the disposition of the buildings and has applied for and received a small grant from the Massachusetts Housing Partnership (MHP) to hire a MHP consultant to assist in developing the analysis of the expiring use buildings. The new Expiring Use Organizer will work with the Task Force as well.

The City has chosen a decentralized model for housing rehabilitation and affordable housing development. Rather than having the City directly implement most housing rehab programs the City has contracted with the nonprofits and worked closely with them. As a consequence, the nonprofits have been able to leverage funds from sources that the City could not have accessed directly. The nonprofits have built significant neighborhood and grassroots support. They have avoided being linked in the minds of property owners with the City's regulatory agencies, which has made property owners somewhat more willing to work with them. And, they have avoided some of the inevitable impediments to success which come from being part of a large bureaucracy.

The virtues of the decentralized model were expressed by many at the City Council Committee on Housing and Development's hearing on Administrative Reorganization. Most of the speakers opposed the proposed Housing Department on the ground that the merger of the City's rehabilitation and development efforts, through CDD and the nonprofits with the City's regulatory agencies, specifically Inspectional Services and Rent Control, would have an extremely negative impact on the housing development and rehabilitation efforts. The adequacy of resources for affordable housing and not the lack of coordination in the City was the problem identified as most acute by the speakers.

The City Council, through its adoption of a Housing Plan for the City and through the efforts of the Rent Control Subcommittee, has identified many of the important issues with which the City has been struggling as it tries to address the needs of the residents of Cambridge for decent and affordable housing. Before the City were to take on the significant dislocation that a major reconfiguration of the City's housing and regulatory agencies would cause, it makes sense for the City to work first to clarify the issues necessary to implement a comprehensive housing policy.

What the Council has made clear through its Rent Control and Housing Orders and the adoption of the Cambridge Housing Plan is that the issue of affordable housing in Cambridge is one its top priorities. Responding to that priority, I would expect to chair biweekly meetings of the Housing Cabinet to ensure more focussed attention by the City on affordable housing issues. By bringing together the heads of the agencies whose policies and practices help to shape the City's overall housing policy, I can make sure that the agencies are working in unison to achieve the City's goals rather than working at cross purposes.

There are a number of areas where I would expect the Housing Cabinet to direct its attention. Some examples are:

Are there impediments to one agency's fulfillment of its mission that are caused by or contributed to by other City agencies? If so, what steps can or should be taken to remove those impediments?

Is there information that is or could be gathered by one agency in the course of its ordinary activities that would be useful to the efforts of the other agencies?

Is there expertise in one agency that could be useful to another agency, and are there ways to share staff or expertise to maximize our staff resources?

Growing out of the different agencies' experiences working with federal and state agencies, with property owners, with tenants, with banks, and with contractors, are there new policies or modifications of existing policies that would further the Council's aims to ensure the rehabilitation of existing affordable housing and prevent the further deterioration and possible loss of units in the multifamily rental housing stock?

Are there particular buildings or projects that are stuck, where the concentrated attention of the Cabinet or of some of the agencies would be useful in working out a resolution?

Are there other financing mechanisms for the rehabilitation or development of affordable housing, such as bond funding, that the City should be exploring ?

What additional cooperative relationships can the City establish with Cambridge based institutions, to further the Council's affordable housing policies?

While the existing decentralized structure has produced significant coordinated activities as previously described, I think there is a need for more coordination. The Housing Cabinet, appropriately staffed, can adequately address that need. Rather than merge all the affected City agencies with the possibly serious consequences such merger could have on development and rehabilitation activity, the City should instead focus its attention on bringing the key people together to work to address the issues.

The Housing Cabinet will also play a helpful role in ensuring appropriate coordination between the Rent Control Board and the Inspectional Services Department in the inspections of rent controlled units. The Council has expressed concern about the adequacy of the inspections and the lack of coordination. I would expect the Cabinet to provide a forum for the exploration of new working relationships between the two agencies as well as a forum for the exploration of training initiatives for the agencies' staffs.

While I have addressed specifically most of the issues in the Council's Rent Control and Housing Orders, except those directly involving changes in particular Rent Control Board policies and procedures which are addressed below, there are three other Orders that I would like to address separately.

First, the Council has asked that the City undertake a comprehensive two year survey of the condition and maintenance of all the City's rent controlled housing stock. Based on informal conversations with the Massachusetts Housing Finance Agency (MHFA) which regularly contracts to have capital needs assessments done of the properties it finances and on conversations with individuals who perform capital needs assessments for the MHFA properties or other properties, it appears that an assessment of the rehabilitation needs of all of the City's rent controlled properties in buildings of 4 or more units could cost between 1.5 and 2.5 million dollars or more. The exact cost would depend on a number of issues including how detailed the information was that the City wanted about the conditions of the property, how much information the City wanted about the cost of doing the rehabilitations, how cooperative landlords and tenants were with the process, and how many units in each rent controlled building the City wanted inspected.

Given the information we currently have that demonstrates the need for rehabilitation capital well in excess of the dollars available over the next several years even if the Council adopts the Affordable Housing Preservation Fee and appropriates the million dollars to the Affordable Housing Trust Fund, I would think that a comprehensive survey of the condition of the rent controlled housing stock would not be a sensible use of the City's monies. I do think that there may be ways to more systematically gather information about buildings when the City has dealings with the buildings' owners, and I would propose that the Housing Cabinet explore ways to have the City do so.

The Council has also requested that the City set up a Housing Access Office with the goal of placing low income people into rent controlled units. Right now, the City's Multiservices Center, with City and State funds, provides housing search services for low income families and individuals. The Multiservices Center works closely with the CHA and with some private landlords. In addition, the CDD works with the nonprofits and the CHA to provide low income individuals and families for the affordable housing projects. The CDD has recently updated its lists of individual seeking affordable housing opportunities. If the Council adopts the Affordable Housing Preservation Fee, the CDD would expand its housing access effort so that it could match property owners who get funds through the program with low income tenants. I would also expect to ask the Housing Cabinet to consider what effective incentives, if any, the City can or should provide to private owners to encourage them to rent units to low income tenants.

Third, as the Council has requested, the Community Development Department has continued to monitor the National Affordable Housing Act passed by Congress in 1990. The Act included a number of programs that affect the City. In addition to the portion relating to the Expiring Use Buildings, the most important to Cambridge are the Home Investment Partnerships which provide flexible block grant monies to support housing activities and the Supportive Housing Programs which restructure and expand existing programs to develop housing for people with special needs. CDD is actively monitoring the appropriation process for the Home program which should be completed in the late Fall. CDD is also in the process of drafting the Comprehensive Affordability Strategy (CHAS) which is the planning document required by HUD. The CHAS will be submitted to HUD by January 1, 1992.

The specific responses by the Rent Control Board to the Orders requesting changes in the Rent Control Board regulations or practices are attached to this Report. I have summarized those responses below.

1. Inventory of Rent Controlled Units -- Over the last year, the Rent Control Board has purged its database of units that are no longer part of the rent controlled stock because they have been demolished or otherwise removed from rent controls. In addition, the Board has just completed a project to ascertain which of the 1, 2 and 3 unit buildings carried in the rent control database as controlled units are likely owner occupied. When the project is completed, it is expected that approximately 750 of these 2812 controlled rental units will fall in that category.

2. Mediation -- In response to the Council's request for more mediation at the Rent Control Board, the Board has set up a pilot project for the mediation of eviction cases with the

Cambridge Dispute Settlement Center. Additional mediation services may be provided in the future as well.

3. Compliance Officer -- The Rent Control Board has established a Compliance Officer position, as requested by the Council, and the Officer will be doing both outreach and enforcement.

4. Affiliate Housing Exemption -- The Rent Control Board is conducting a survey of all owners of affiliate housing to gather the necessary information to define the specific nature of the problem in defining "affiliate" pursuant to the Rent Control Act.

5. Public Awareness -- The Rent Control Board is in the last stages of redesign of its information systems to make information about properties more accessible to staff and to the public. The Board has also started a subscription service to make available regularly to interested parties information about changes in the regulations and about significant Court decisions. The Board will also advertise in the newspapers the topics for public policy sessions.

6. 30% Rent Cap -- The preliminary work that has been done looking at the 30% cap over two years on increases in rent control rents suggests that there may be serious legal problems with the proposal. Those problems do not exist with the cap in the general adjustment because the property owner always has the option of obtaining a complete increase by filing for a rent increase instead of accepting the GA. The Board is continuing to look at the feasibility and legality of a cap or a phase in of large rent increases.

7. General Adjustment Changes -- The Rent Control Board has been moving in the direction of making as much of the GA based on actual costs as possible, and the GA currently reflects actual costs for taxes, heat and water. The Board is now investigating the feasibility of incorporating actual insurance costs.

8. Small Landlord Program -- The Rent Control Board does not plan to establish a separate program for cases involving owner occupied 4 to 6 unit buildings. Because of the very small number of cases involved, only 6 of which have been pending for more than 90 days, the Board can use existing resources to monitor the progress of cases involving small owner occupied properties.

## CONCLUSION

The Council has made the preservation of our existing affordable housing stock and the creation of new affordable housing one its priorities. The Council's efforts to expand the resources for affordable housing are also bearing fruit in another arena. On September 24, the State Legislature's Committee on Local Affairs reported out favorably the Housing Mitigation Legislation that had been passed by a unanimous Council. The Legislation grants the City home rule authority to extend linkage payments to as of right commercial developments. The next step in the enactment of the legislation is for the full House and Senate to act which could occur this fall. The actions of the Council in contacting the City's State delegation were critical to the Committee's favorable recommendation of the Housing Mitigation Fee.

In the face of scarce public resources, the Council has indicated its desire to find ways to continue the City's investment in affordable housing. The initiatives described in this report are part of the beginning steps of the City's efforts to create more affordable housing opportunities for lower income residents and to preserve the City's multifamily housing stock. These initiatives, many of which have been endorsed by the Council in previous Orders, will help further the Council's aims and will provide the basis for the continued development of the City's affordable housing policy.

CITY OF CAMBRIDGE
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

September 30, 1991

To The Honorable, The City Council:

I am hereby forwarding a report in response to Awaiting Report Item Nos. 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21 & 41, as well as Calendar Item Nos. 4E & 5 dated April 22, 1991, No. 8 dated April 29, 1991, No. 7 dated May 6, 1991 and No. 9 dated June 10, 1991, relative to Rent Control and Housing issues.

Also attached are two orders recommending the appropriation of $1,000,000 from Free Cash to the Affordable Housing Trust Fund and the appropriation of $35,000 from Property Taxes to the Community Development Department to provide funding for an expiring use organizer.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachments

CONSENT AGENDA $547

1A. Transmitting communication from Robert W. Healy, City Manager, relative to Awaiting Report Item Nos. 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21 & 41, as well as Calendar Item Nos. 4E & 5 dated April 22, 1991; No. 8, dated April 29, 1991; No. 7 dated May 6, 1991 and No. 9 dated June 10, 1991 regarding Rent Control and Housing issues.

1B. Appropriation of $1,000 from Free Cash to the Affordable Housing Trust Fund.

1C. Appropriation of $35,000 from Property Taxes to the Community Development Department to provide funding for an expiring use organizer.

In City Council,

September 30, 1991

1A- Referred to the Housing & Community Development & Rent Control Committees
1B - Order adopted 8-1-0
1C - Order adopted 8-1-0.
Copies NOT sent to Housing & Community Development & Rent Control Committees
~~10/1/91 (ab)~~
10/2/91 Reconsideration filed by C. Myers on 1A (Referral)
10/7/91 Reconsideration failed 2-7-0
action referring taken on 9/30/91 stands
Ref to Housing & Community Dev & Rent Control Committees
Copies sent to Rent Control & Hous & Com. Dev 10/9/91 (ab)