CAMBRIDGE CITY COUNCIL
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Report of the City Council on Linkage

June, 1987

The Committee on Linkage of the Cambridge City Council was formed by Mayor Sullivan in 1987 at the beginning of the current city council term. The committee agreed that its mandate was to review various different options for generating funds for low and moderate income housing through its own regulatory and legislative power. Other reports document more fully the need for affordable housing and the fact that housing costs have risen faster and are higher in greater Boston than in any other region of the country.

An earlier council initiative in 1984 failed because it encountered substantial opposition. Accordingly, this committee's approach has been a careful and methodical assessment of options with special consideration being given to the economics of the market place.

In framing its options and conclusions the committee has had the benefit of two investigations which have now been completed and are available in written form. The first report by Leggat McCall Advisors of Boston was initiated by the Cambridge Community Development Department and funded through a special state planning grant. This report outlines the funding options available to the City and assesses the cost and benefits of each. The second report written by Karl Schlachter, a second year graduate student at the Kennedy School of Government (and now the Director of Housing for the City of Gardner, Massachusetts), deals with how the money raised should be spent. These reports, together with commentary on them by the Cambridge Housing Authority and by non-profit Cambridge housing officials, are appended to this report.

The Leggat McCall report evaluates four funding options:

(1) The real estate transfer tax levied on the seller. This option would raise the most money, approximately $2 million per year, with the first $300,000 of value exempt. The transfer tax would be a more stable source of funding and would also spread the cost more evenly across the community. Special state legislation, however, would be necessary before Cambridge or any community could adopt this approach.

(2) Linkage exaction. Economically the study found a fee of up to $3 per square foot (or its equivalent in land or housing units) could be assessed on developments of more than 100,000 square feet. Developments of less than 100,000 square feet would be exempted. If there is no exemption, the report estimates the market would support a fee of $1 per square foot for all development. This option could bring in about $1 million per year under present conditions. This option is less desirable than others because it singles out one class of property owners to pay the fee and because, if the development cycle slows, then less money would be available. Thus it is not a reliable source of housing funds. Other difficulties with this option are that it would require special state enabling legislation and that the city would have to structure a complex impact fee system.

(3) Incentive Zoning. Incentive zoning is a system for allowing developers to contribute affordable housing in exchange for zoning concessions, such as increased density, height, or set back. Other than the voluntary option mentioned below, this is the only option the council could adopt without state legislation. Economically the study found that up to a $3 per square foot contribution (or its equivalent in units or land) could be borne by the market. The major problem with this option is that there has been a city wide movement in Cambridge toward down-zoning in residential neighborhoods in recent years.

(4) Voluntary. This option involves a voluntary contribution by a developer to support affordable housing programs in return for neighborhood support, city assistance in gaining grants or accelerating the permit process. This option is an unreliable and unpredictable source of income. There would be some advantage in having a uniform voluntary option in the event other options are not approved.

Recommendations to the City Council:

1. This committee accepts the recommendation of the Leggat McCall report that its preferred option be the real estate transfer tax with the first $300,000 exempted and with an exemption for first time house buyers.

2. Since the Council's first choice involves state action, it is desirable to have a second alternative. Consequently, the Council requests the City Manager to direct the Community Development Department to draft a comprehensive incentive zoning ordinance for city council consideration as soon as possible.*

3. In the event that neither option is approved or that they are approved with major changes or exemptions, it may be desirable to have a uniform voluntary policy. Money raised in such a voluntary way could also be applied toward education in accordance with an earlier council vote. Accordingly, the Council hereby requests the City Manager to direct the Community Development Department to draft a comprehensive voluntary policy for city council consideration in the event that neither recommendation 1 or 2 above is adopted.

The Schlachter report deals with how to organize the city government and the various agencies dealing with housing to spend the money generated by linkage most effectively (see Chart 1).

This committee accepts the recommendations of that report. Its key recommendations are that linkage money support a broad range of housing programs, in addition to the creation of new affordable units, and that a Housing Fund be established with a Board of which the City Manager shall be Chair.

Recommendations to the City Council:

1. The Committee recommends that the City Council request the City Manager to cause an ordinance to be drafted which would:

   a. Establish a Housing Fund into which funds from the linkage program would be deposited; and

   b. Establish a Board of Directors of the Housing Fund of seven members to be chaired and appointed by the City Manager and to consist of individuals concerned with housing policy in the city. Such members could be members of relevant city and non-profit boards, housing advocates, developers, or bankers. The intent of this section is to make the chief executive of the city completely accountable to the city council for the effectiveness of this program. The function of this Board is to develop and recommend housing goals, to administer the Housing Fund, to develop and carry out projects, and to report to the City Council on an annual basis for policy approval.

2. The Committee recommends that the City Council emphasize the use of this Fund for affordable new units but that the Fund also be used for a wide variety of other housing programs designed to maximize the impact of the

money, including but not limited to multi-family/rental rehab programs and limited equity cooperative conversion programs.

3. The Committee recommends that the City Council request the Board of Directors of the Housing Fund to establish a Land Bank to purchase infill sites and distressed buildings, to help accelerate new affordable housing production, limited equity cooperative conversions, and multifamily rental rehab efforts. One option might be to designate the Cambridge Housing Authority to carry out that function since it already has the legal power to do so. However, the new Board should determine exactly how the Land Bank should be organized and seek additional city council legislative authority, if required. It is envisioned here that the roles of existing municipal agencies dealing with affordable housing, i.e. the Housing Authority, the non-profit Community Development Corporations, and the City's Community Development Department be preserved, and that the ties among them be strengthened, through the creation and operation of the Board of the Housing Fund.

4. The Committee recommends to the City Council that it ask the Board of the Housing Fund to develop a home mortgage pool program with local lenders so that middle income families who otherwise would not qualify for financing can afford to buy a two or three family home. In return for this subsidy, the new owner would agree to accept Section 8 or Chapter 707 tenants.

Respectfully submitted,

Councillor Francis H. Duehay, Chairman*
Councillor Saundra Graham
Councillor Sheila Russell
Councillor Alfred E. Vellucci
Councillor William H. Walsh**

The Committee on Linkage

*Councillor Duehay would like to add the following sentence to recommenda-tion 2 on page 2, but has not consulted the committee:

> Given the development density already in effect throughout the City, insofar as possilbe this should be a down-zoning or an adjustment of existing PUD's.

**Councillor Walsh has asked that his written dissent from some aspects of the report be included with the committee report. (attached)

Proactive Funding Model

Linkage fees

City Council

Housing Fund (Board of Directors)

Land Bank

- acquire land
- acquire deteriorating structures
- manage property
- stabilize deteriorating properties
- issue RFP's for properties
- pay for staff salaries
- could be existing housing agency like CHA or an existing non-profit

Funding for CHA Activities

- gap funding to enable:
  1) scattered site Public Housing
  2) Section 8 and Chap 707 Mod Rehab Programs where cost of land would otherwise make projects not feasible
- mortgage insurance or interest write down for new buyers of 1-4 unit homes

Add'l Multifamily Rental Rehab

- add'l funds for NAHS: staff + rehab
- additional CDD staff for 312 and Rental Rehab
- add'l funds for Gap financing where there is a short fall

Add'l Citywide Homeowner Rehab

- larger loans per case
- open up to other Nghds
- add'l leverage of bank funds

Housing Development Fund

- discretionary funds under control of CDD for:
  1) leveraging add'l low income units in large residential projects (rental)
  2) city "match" to tie into other State + federal programs (UDAG, HoDAG, SHARP, TELLER etc)
  3) supplementary funding of other activities

Steps

- Council decides yearly on broad guidelines and defines a range of activities for the Housing Trust Fund
- Housing Fund Board decides upon goals and allocates funds to the various programs (Quarterly, Semiannually or Annually Reviews activity results and need for additional funds)

Results

1. Planned Affordable Housing Activity
   - programs are scrutinized together, rather than separately
   - Flexibility and adjustment is easy
   - provides forum for public debate
   - a step removed from electoral politic
2. Reduces wasteful time spent competing for land and city resources
   - activity concentrated into 2 or 4 periods per year
3. Encourages cooperation among housing organizations

17. S-398

Comm. from Councillor Francis H. Duehay, Chairman & C.'s Graham, Russell, Vellucci & Walsh, members of the Committee on Linkage transmitting the report of said Committee Re: various linkage alternatives for the City & requesting a publis hearing be scheduled for June 29, 1987.

In City Council,

June 15, 1987

Referred to Hearing Scheduled for 6/29/87 @ 7 P.M.

6/29/87

Hearing Held - Report and Recommendations accepted Order adopted