

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
November 18, 2015

City Manager's Office, City Hall
795 Massachusetts Ave.

Trustees Present: Richard Rossi, Chair; Peter Daly, Michael Haran, Gwen Noyes, Cheryl-Ann Pizza-Zeoli, Susan Schlesinger; Bill Tibbs

Trustees Absent: Florrie Darwin, James Stockard

Staff Present: Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner;

The meeting was called to order at 4:04.

Upon a motion moved and seconded, it was

VOTED: To approve the minutes for the meeting of Thursday, October 22 as submitted.

PROJECT UPDATE –

Briston Arms – Renovation is ongoing.

463 Cambridge Street - The project was awarded state funds and is working to close with DHCD.

Jefferson Park State Public Housing – Demolition is complete. Construction closing is expected in mid-December.

131 Harvard Street/Port Landing – Construction is underway.

Bishop Allen Apartments (aka Norstin) – The project is complete.

Temple Place Apartments – Completion is expected in December. The CHA will schedule an event.

OLD BUSINESS - UPDATES

Inclusionary Zoning Study

A meeting was held to review the initial report recommendations. Comments are being integrated, and the final draft is expected in mid-December. The report looks at a variety of models to test the financial feasibility at different percentage requirements and moderate/middle income splits. The draft report will be discussed at the mid-December Trust meeting.

Proposed Zoning Changes

We have requested some visual examples of model sites with potential Affordable Housing Overlay zoning. These drawings will help us review the development standards for urban design issues. We expect to share these models with the Trust at the December or January Trust meeting.

Volpe Zoning

The zoning petition has been refiled. The affordable percentage for the site was increased to 15% of the total units for low/moderate income, with no density bonus, and 5% middle income. Staff are interested in gaining flexibility.

The Incentive Zoning Petition was moved to a second reading at the summer City Council meeting. There are a number of open questions, including whether the ordinance could be applied to substantial building rehabs in addition to new construction. In addition, the Council would like the automatic \$1 per year increase to continue beyond the proposed three years until a new study is completed. The Trust had also expressed a desire to limit the defined requirement for middle-income housing to preserve flexibility in the use of the funds received under the revised ordinance. This is due to uncertainty about demand for units in this income range. Trust members asked if the zoning could be written so that middle-income units could convert to low-mod units if the demand was not there or changed.

The issue of keeping the project feasible for the developer was brought up. Staff discussed the difference with Volpe in that the disposition is entirely up to the General Services Administration (GSA), with no City Council involvement in direct developer negotiations. The Federal building needs to be built to a certain specification, including a certain amount of open space, so the housing portion needs to work within the larger project.

There was concern that there would be a lack of consistency between the analysis of the project done by the Cambridge Redevelopment Authority (CRA) and the recommendations of the upcoming Inclusionary Zoning study. Staff stated that there could be a timing issue with the two processes, so we need to be cognizant of how we roll out the IZ study in relation to the CRA.

Trust members asked if there could be a Housing Committee meeting to put out the IZ study. Staff stated that a public version of the study would not be available until January, then would be transmitted to the Council. After the study is reviewed, any accepted recommendations will be put into zoning petition form. Rich Rossi suggested that when the study comes out, the Trust put together a subcommittee to work with staff to represent the Trust's point of view at meetings.

The Trust asked if the consultant would be the one to present the study. Staff stated that it is part of the consultant contract to present the study at least twice, but it is unclear if they will be at all meetings.

Trust members wanted to know the timing of the rest of the process. This depends on how the council process goes. The study process will carry over into the new council session. There were also questions about how the study would intersect with ongoing work on a city-wide affordable housing zoning proposal. Staff stated that there are pros and cons to the processes moving together, but the IZ study would likely move forward before the draft zoning. Overall, the timing is uncertain, because the completion of the study may bring up additional

issues, such as whether certain areas of the city could support a higher IZ percentage. In addition, the new council may be focused on other issues such as condo conversion regulations, home rule petitions around rent control and a transfer tax, and other housing proposals.

NEW BUSINESS

Middle Income Rental Application Update

Staff presented an update on the applications for the middle-income rental units at 270 Third Street. There are fifteen one- and two-bedroom units available to households earning between 80% and 120% AMI. The rents are set at two tiers, with eight units for 80%-100% and seven for 100%-120%.

The number of applications was less than expected, with the majority in the 80-100% income range. Forty-one applications were received by the lottery deadline of October 8th; applications are still being accepted and will be considered if all the units are not filled through the lottery process. To date, an additional four applications have been submitted after the deadline for a total of 45.

All applications have been reviewed for income eligibility to provide some data on the demand for middle-income rental units. Of the 45 applications, 28 were in the eligible income range. Of the 17 ineligible applications, 14 were under-income and seven were over-income. Of the eligible applicants, 19 are in the 80%-100% bracket and the remaining nine earn between 100% and 120%.

While demand was lower than anticipated, all applicants sent to the management company have been approved. At this time, the four one-bedroom units in the 80%-100% income range have been viewed and accepted by lottery applicants. This is a very high success rate. There are concerns with the higher income applicants, as four of the nine applicants are less than \$1,000 over the income limit, so rents set at 30% of 110% AMI may not be appealing.

As the tenant selection process proceeds, there will be additional information and insight gathered on this income group to better inform policy as middle-income households continue to be an area of focus for the community and the Council.

Trust members asked if there could be a middle-income study to better inform the Council.

Trust members also received an update on the Rental Applicant Pool. Demand from low- and moderate-income households remains strong, with nearly 1,400 applicants in the pool. Of the active applications, 35% are Cambridge residents. In FY2015, CDD housed more than 120 households through the Rental Applicant Pool, and staff are currently working to fill more than 80 new and upcoming units.

Trust members asked if many of the applicants hold mobile rental vouchers from the Cambridge Housing Authority (CHA). Staff stated that there are many applicants with vouchers, and they are seeing an increase. There has been a release of VASH vouchers for households coming out of homelessness. Trust members also inquired on how many non-Cambridge residents have connections to Cambridge. Staff stated that this is not known, but that approximately 50 non-Cambridge residents in the RAP hold CHA vouchers.

Chris Cotter stated that he has requested that the low- and moderate-income demand information be shared with the Planning Board as they look at the affordability mix for the Volpe site zoning proposal. Trust members asked when it would be possible to draw a conclusion about the success of the middle-income program as compared to the low-mod program. Staff stated that the middle-income rental units would all be filled, but it was a question of how long it took.

Changes to the Financial Assistance Program

Staff presented a request for changes to the Financial Assistance Program (FAP). FAP was originally designed to assist middle-income buyers in purchasing ownership units on the open market. The program is open to Cambridge households earning up to 100% AMI. Buyers enter into a permanent deed restriction, and the funding remains in the unit, keeping it in the affordable housing stock.

In 2011, the Trust voted to adopt changes to shift the program from a capped amount of assistance to a model where the City provides 30%, 35% or 40% of the purchase price for a one-, two- or three-bedroom unit, respectively. Since the changes were made, seven households have purchased using the program. While this number is small, the program has produced as many homeownership units in this period as the Inclusionary Zoning Ordinance. In addition, the program has been very successful at bringing two- and three-bedroom units into the stock.

Buyers must buy units within a maximum price limit based on bedroom size. These price maximums are based on the median sales price for units of a certain size. At this time, the market increase has led to high maximum prices. If these new price limits were adopted, the required contribution from the buyer would not be affordable to most income-eligible households. If the new price limits are not adopted, the current limits are too low to produce any units that meet the program's standards.

Staff proposed several changes to the program. The first is to increase the percentage contribution to the purchase price by 10% for all unit sizes. The new FAP contribution would be: 40% for a one-bedroom; 45% for a two-bedroom, and 50% for a three-bedroom unit. While this will increase the potential subsidy per unit, the FAP contribution at the maximum price is in line with per-unit subsidy for development projects.

In addition, staff requested that the program eligibility be expanded to include households where at least one member works full-time in Cambridge, and "second-time buyer" applicants who currently reside in City affordable ownership units. Because each buyer finds their unit on the open market, increasing the eligibility does not reduce opportunities for Cambridge residents waiting for housing; rather, any successful FAP buyer increases the total number of affordable ownership units in Cambridge. Staff also stated that opening the program to current owners of affordable units would not only create new units, but open up existing units when those owners move.

Staff also requested that the program receive an additional \$2MM commitment if the new changes are adopted. There is currently a program fund balance of approximately \$940,000. If the price limits and FAP contribution are raised, additional funds will allow the program to serve more households and create more permanently affordable units.

Upon a motion moved and seconded, it was

VOTED: To approve the changes to the Financial Assistance Program as proposed, and commit an additional \$2,000,000 to fund the program.

Homeownership Management Software

Staff presented a request for \$6,200 for annual licenses for the homeownership management software. The use of the HomeKeeper program not only allows internal data management, it also grants the City access to data on other programs nationwide.

The requested funds cover both the annual HomeKeeper fee and two Salesforce licenses required to run the program.

Upon a motion moved and seconded, it was

VOTED: To commit \$6,200 to fund the annual licenses for the homeownership program management software as requested.

Independent Accountants' Report and Request for Funds

In August 2014, the Trust approved \$32,000 to engage an independent auditor to review the Trust's financial activity. The firm of Gray, Gray and Gray was retained. Their final report was recently received. The report did not find any issues with the Trust's financial processes.

The firm found the effort related to reconciling all the various types of accounts to be more involved than anticipated. They submitted and the City approved a change of scope for a cost of \$2,280. The total cost of the audit is now \$34,280.

In the coming weeks staff will debrief with the Finance and Auditing departments to thoroughly review the report and the work performed to produce it, as well as to discuss next steps, including the advisability of conducting a similar review for FY2015.

Upon a motion moved and seconded, it was

VOTED: To commit an additional \$2,280 to fund increased scope of the independent auditor's review.

OTHER BUSINESS

Trust members asked about scheduling a meeting with the Community Preservation Act (CPA) committee. Chris Cotter stated that he would try to arrange for the members of the CPA committee to attend the December or January Trust meetings. Rick Rossi stated that it should be clear that the discussion with the CPA committee will not take the entirety of the scheduled Trust meeting, but a portion of it.

The meeting adjourned at 5:00 p.m. The next meeting is scheduled for December 16, 2015 at 4:00 p.m.

- Meeting Minutes from the Trust's October 22, 2015 meeting.
- Project Update