

CAMBRIDGE AFFORDABLE HOUSING TRUST

MEETING MINUTES

March 18, 2015

1221 Cambridge Street
Cambridge, MA

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

Trustees Absent: Florrie Darwin, Gwen Noyes

Staff Present: Lisa Peterson, Deputy City Manager; Iram Farooq, Acting Assistant City Manager for Community Development; Ellen Semonoff, Assistant City Manager for Human Services; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner

Others Present: Elaine DeRosa; David Downs; Laurie Gould; Peter Graham; Michael Johnston; Gregory Russ; Deborah Ruhe; John Woods

The meeting was called to order at 12:30 pm.

The City Manager opened the meeting by welcoming and thanking participants for joining the Trust for this housing planning session to discuss new affordable housing production. He noted the good work affordable housing providers have done, especially in recent years in response to our shared goal of preserving buildings with expiring affordability restrictions and other at-risk buildings, and noted the City's interest in facilitating the creation of new affordable units. He then introduced Laurie Gould, of VIVA Consulting, who facilitated the rest of the discussion.

The session began with brief introductions and overview of day's exercise: to discuss ways to substantially increase production of new affordable housing in Cambridge, including identification of barriers to production and ways to overcome those barriers.

Housing Production Strategies

The first part of the session focused on production strategies and ways to generate pipelines of projects and create new opportunities to expand the stock of affordable housing. Participants began by listing some of the ways in which new affordable units could be created including: city-funded new production, Inclusionary zoning, increases to Inclusionary requirements, density increases for affordable housing, conversion of existing housing to affordable uses, institutional support, incentives for larger family units, buying additional affordable units in buildings with inclusionary units, city-funded homebuyer assistance, using city-owned land for to build affordable housing, and public/private partnerships which could include a mix of affordable and market-rate housing. Other ideas raised included negotiating for additional units, including middle-income units, at large private developments, building more on existing housing sites, pushing institutions and employers to create and support housing, and enhanced coordination with other agencies.

In addition, ideas for retaining and expanding resources needed to produce housing were raised, including the continued allocation of 80% of City CPA funds to the Affordable Housing Trust, , the recommended updates to the Incentive zoning ordinance, bonding CPA or other City bond proceeds, tax incentives and

tax increment financing, the new National Housing Trust, using Medicaid funds for housing, , and working to take advantage of state policies and funding programs that have worked in Cambridge and can help further Cambridge goals, acknowledging high costs in Cambridge, creating a different development vehicle and/or other resources aimed at middle income housing production.

Housing Production Goals

In addition to helping map out strategies for increased production, participants were asked to help evaluate a specific production goal. Participants were informed that the City Council had asked CDD to assess the feasibility of producing 1,000 new affordable units by the end of the decade. Broken down, creating 1,000 affordable units by the end of 2020 would mean creating an average of 200 units per year over the next five years.

To facilitate this part of the discussion, staff distributed a summary of overall affordable housing production and preservation activity over the last ten years. Since the beginning of Fiscal Year 2005, approximately 1,100 new affordable units have been created or are in the process of being built. This includes both city-funded affordable housing as well as units created through the inclusionary housing program. Inclusionary units have accounted for more than 60% of production, or 60 units/year during this time. It was noted that during this same time period, more than 1,120 units had been preserved through city assistance, and that there currently remain 670 units with affordability restrictions which will expire by 2021, and that preserving these units will be a priority goal in the next 5 years in addition to any new production goals.

In order to achieve the proposed 1,000 goal, production would need to double from 100 units per unit to 200 units per year. Staff said that there are approximately 250 Inclusionary units already in pipeline which are likely to come on-line in next five years. Assuming that to be the case, participants were asked to discuss how production could be increased to create another 750 units by the end of 2020.

The goal of having an LIHTC project in every DHCD funding round was suggested. However, participants noted that meeting that goal would be challenging as DHCD will only fund certain sized deals. For instance, very large developments (i.e. with 100+ units) do not get the full benefit of the subsidy, and, given the competition for this limited resource, smaller developments are particularly challenged to secure limited 9% LIHTC resources. The idea of working with DHCD to create a pilot program in Cambridge was raised.

Participants stated that there was sufficient agency staffing capacity to substantially ramp up production, but that the primary limiting factor was on securing developable sites. Finding sites has become much more challenging in recent years, due to both cost factors and to competition from market buyers. While maintaining and increasing resources is essential, increased resources alone will not result in production unless sites can be acquired and successfully developed at reasonable densities to allow for leveraging of other public resources. Housing developers have been outbid on many opportunities, and many sites are now sold without being put on the market.

Site acquisition strategies

Having identified site acquisition as one of the major challenges to new production, participants focused on ways to identify and secure sites, including ways to make sites feasible for affordable housing production. Participants discussed how zoning could be updated to help create more affordable housing in districts where affordable developers can't currently compete, such as affordable housing overlay districts or city-wide standards to incent affordable developments. Ideas ranged from parking reductions to density increases. Participants agreed that in addition to specific zoning changes, predictable permitting

would be needed to make sites feasible, ideally in the form of as-of-right zoning. It was noted that some of this work had already begun to be explored by city staff and local housing developers.

Participants also discussed what kinds of sites could accommodate more density. Ideas raised included looking for nonconforming existing buildings, under-utilized sites, and creating housing above schools or other structures. The idea of seeking a right of first refusal to purchase property, such as churches, was discussed. Looking at City-owned properties, including city-owned lots in Central Square, was also raised.

It was suggested that a survey of under-utilized properties, such as single-story retail storefronts, may turn up opportunities in addition to developable land. In addition, it was recommended looking at sites by land use, instead of just vacant land, and looking at the ownership of sites to suggest where there might be opportunities. A survey of all the parcels could be done, with the goal of determining which sites meet a certain set of criteria that make them feasible for development. Once identified, stakeholders could approach owners and work with them to create opportunities. Staff noted that some of this work had already begun, but that there was a risk that by identifying these areas they could become targets for market-rate developers or for downzoning.

Institutional property, such as that owned by Harvard and MIT, was mentioned as an opportunity to obtain sites not available to market developers. Staff stated that these opportunities generally arise when the institutions are working with the City on another project where they need zoning relief or other accommodation, and the acquisition of property can be negotiated as a benefit. It was suggested that there could be other institutional opportunities worth looking into. Identifying feasible public sites for development was also mentioned, and the need for the City Council to support the use of these sites for affordable housing projects. Using eminent domain, where appropriate, was also discussed.

It was agreed that sometimes the City needs to take the lead, while other times the developers should initiate. One participant noted that there had been cases where when a potential development property was made available for sale, downzoning became an issue.

It was stated that all stakeholders should do immediate outreach to realtors, developers, attorneys and others in the real estate community to let them know that the City is interested in funding and facilitating new affordable housing and housing developers are in the market, can act quickly, and will pay market prices. It was noted that “available” doesn’t necessarily mean listed for sale in the open market, and sites can be strategically targeted to work with owners prior to the property being for sale. Acting quickly was essential to acquiring sites in this market.

Acquiring existing buildings for conversion has been one of the most effective options for affordable housing production, but has become almost impossible to achieve in recent years given overwhelming completion among market-rate purchasers given the financial benefits of bringing this often informally affordable housing to market-rates.

While it was accepted that some properties were priced beyond what would ever be considered reasonable for affordable housing development, several Trust members noted that it was time to acknowledge this structural change in the real estate market and that the Trust would need to discuss adjusting their assumptions and expectations of acceptable costs to allow for substantially higher TDCs that historically have been seen. It was noted that having clear standards from the Trust on what their priorities are for funding would assist in supporting developers moving quickly.

Balancing Housing Priorities

The second portion of the session touched on balancing many housing priorities that come up in discussions, including producing new housing for a broad range of incomes including very low, low, moderate and middle income households), as well as tenures (rental and homeownership), and household types (eg families, individuals, seniors, homeless, and special needs). There was also discussion of how to address the competing priorities of who housing serves, including whether new units should be geared to serve existing needs in Cambridge or whether it should be designed to meet anticipated demand from residents, or whether it should be used to help bring back the types of households who have been pushed out of Cambridge due to housing costs and used to move the city toward a stated community goal for socio-economic diversity.

As the city and its partners seek to increase production, questions around prioritization of housing types need to be addressed. While the general goal would likely continue to call for the production of a range of housing types to serve a range of household types, some prioritization is necessary as opportunities emerge. Trust members noted that they have traditionally prioritized production of family-sized units for low and moderate income households. However, it was acknowledged that there is a growing need among middle-income households for below-market housing. In addition, CHA staff noted that the greatest need of applicants on their waiting lists was for one and two-bedroom apartments with low and very-low incomes.

Participants discussed the role which schools play in this discussion.

Participants discussed the benefit of having a clearly defined message, with a clear vision, regarding what kind of community Cambridge wants to be. The upcoming citywide planning process will help identify that vision and shape this goal. However, it was noted that, in advance of those discussions, it would be helpful to educate the whole community around housing market and development issues. One idea raised was to hold a housing forum with a panel of experts who could help address a number of recurring questions around housing, including whether new market-rate housing leads to increased prices in the existing stock or helps to moderate price increases through adding to the housing supply.

Participants discussed how understanding changing demographics could help set priorities.

Messaging

The last part of the session focused on how to improve messaging around affordable housing topics, as well as ways to enhance public understanding and awareness of affordable housing in general, as well as Cambridge's affordable housing programs in particular. Participants listed a number of misconceptions that get raised in the community with regard to affordable housing, or housing in general. It was decided that in addition to setting up a panel discussion on housing issue, a working group would be formed to continue the discussion on messaging around affordable housing in Cambridge and the collective work done by Cambridge affordable housing providers.

Conclusion and Next Steps

The meeting concluded with a summary of possible next steps, with the primary goal being to substantially increase production of new affordable housing. At the Trust level, next steps will include clarifying standards for support of property acquisition for affordable housing development, reconfirming or updating its housing production priorities, and helping establish a specific production goal. At the agency level, next steps include redoubling efforts to find and secure developable sites or other opportunities to expand the city's affordable housing stock, continuing work with staff on ways to make new sites more feasible, and reaching out to the real estate community. Finally, on the city level, staff will continue to work on all of the ideas raised, with a particular focus on ways in which zoning could be

updated to better encourage affordable housing– including advancing recommendations from the incentive zoning nexus study, completing the inclusionary rationale study underway, and continuing work to develop ideas and recommendations for zoning changes which could better facilitate new affordable development for review and discussion . Finally, all participants will continue to look for ways to create new opportunities for production, and consider further how a broad range of housing priorities would be advanced through new or expanded housing programs, resources and new development.

At 4:20 p.m., the meeting adjourned. The next meeting is scheduled for Thursday, April 23, 2015 at 4 p.m.

OTHER MATERIALS

- Handout: “Affordable Housing Creation & Preservation Activity in Cambridge: FY05 to Present”