

DRAFT
CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
April 28, 2016

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

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

Trustees Absent: James Stockard

Staff Present: Lisa Peterson, Deputy City Manager; Iram Farooq, Assistant City Manager for Community Development; Chris Cotter, Housing Director; Cassie Arnaud, Housing Planner; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner; Donna Claudio, Asset Manager

Other Attendees: Elaine DeRosa; Peter Graham

The meeting was called to order at 4:11.

Upon a motion moved and seconded, it was

VOTED: To approve the minutes for the meeting of Thursday, March 24, 2016 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 – Relocation and demolition are complete. Construction is underway.

131 Harvard Street/Port Landing – Construction is underway. Marketing has begun with a lottery to be held in June. Expected completion fall 2016.

Temple Place Apartments – Complete. Opening event held March 30, 2016.

NEW BUSINESS - UPDATES

Inclusionary Rental Program

Staff presented an update on the status of the Inclusionary Rental program, including the Rental Applicant Pool (RAP). This update is provided as the Inclusionary Study recommendations move forward, and stakeholders also begin to focus on how the program is implemented.

Data was presented on the unit mix of the 585 completed inclusionary rental units. An additional 150 units are permitted or under construction. Of the completed units, 60% are studio or one-bedroom; 37% are two-bedroom, and only 4% are three-bedroom units. This correlates to the data on household size. Single-person households make up 57% of the portfolio, followed by two person households at 22%. Three-person households occupy 15% of the units, while households of four or more persons are in the remaining 6%.

Staff also looked at the length of tenure in these units. The portfolio is evenly divided between tenants who have been in their units for less than one year; between one and five years; and more than five years.

The update also included information on the age of head of household. Persons over age 55 head up 29% of households, with 37% between 30 and 45 years of age. 21% are between 45 and 55, and the remaining 12% are under 30 years of age.

Data on voucher status and income level shows that more than half of current tenants hold rental vouchers, with 83% of those vouchers issued by the Cambridge Housing Authority. The current ratio of 53% voucher holders reflects an increase from recent years. From July 2010 through August 2014, the percentage of units leased to voucher holders averaged 45%.

The number of units leased to voucher holders in recent months is even higher, due to the recent issuance of a large number of vouchers by the CHA. In the most recent six-month period, 57% of new lease-ups were to households with a mobile rental voucher.

Of households without rental subsidy, close to 80% earn between 50% and 80% of AMI. 15% are under 50% AMI, and the remaining households earn more than 80% AMI.

Current program preferences are for Cambridge residents and families with young children. This is reflected in Inclusionary Rental program data, with Cambridge residents making up 97% of recent lease-ups. Since July 2015, with the exception of two accessible units, no family-sized units have been leased to any households not in the top two preference groups. While lower-preference groups fare better in the smaller units, it is still difficult for them to get served.

Tenants are coming equally from market housing, at 46%, and other forms of affordable housing, at 45%. The remaining 9% come from transitional housing facilities such as shelters or the YMCA or YWCA.

Rich Rossi stated that the Council is interested in looking at program policies, such as the preferences. Trust members asked what the likely concerns from the council are. Mr. Rossi stated that the issue of mobile rental voucher holders having to leave Cambridge to find housing was one issue. Some renters need to pay a higher portion of their income for rent in order to live in units where rents are higher than the allowable CHA contract rents. Access to Inclusionary units ensures that rents are lower.

Trust members noted that it seemed that there was also an issue of tenants leaving other affordable housing programs to move into Inclusionary units, which should free up those units.

Staff also mentioned that the “emergency need” preference should be looked at in order to ensure that those preferences are helping serve those who need housing the most.

The current preference system gives priority to families with children under the age of six and it has therefore been very difficult for families with children six and over to access rental units. One of the likely areas of discussion will be whether that age limit should be adjusted to open up the higher preference pools to more families.

Staff mentioned the issue of applicants in the highest preference groups who are sometimes turning down multiple units and delaying filling units. Staff are looking at adjusting the program to divide the city into two zones to help address this and differentiate between applicants who do not want to be in one part of the city and those who may be declining in the hopes of holding out for a better or larger unit. Under this concept, applicants could choose which zone(s) they are interested in living in, and would only be offered units in their selected zone(s).

It was noted that the CHA has proposed moving to a system of project-based waiting lists, where applicants would choose which developments they wanted to live in.

Trust members asked if voucher holders lose their Cambridge residency preference if they have to leave the city to find an affordable apartment. Under current policy, they do lose the preference if they do not reside in Cambridge, similar to non-voucher households who are priced out of the city.

There are currently new vouchers being made available for households on the CHA waiting list and those being relocated by the RAD renovation project. This may account for the increase in new lease-ups to voucher holders. Chris Cotter stated that the program is serving more voucher holders than ever with more than half of rental units now occupied by voucher holders.

Chris Cotter stated that CDD has spoken with the Mayor about having a Housing Committee meeting on preference policy issues sometime after the completion of the Inclusionary meetings. While some of these issues may arise during that process and are connected to the Inclusionary program, it is important to emphasize that these are also broader issues that require their own thoughtful process.

Trust members noted that the authority to change the inclusionary preference policies lies with the Trust. Staff will bring issues and ideas to the Trust for discussion. Members suggested having a subcommittee of the Trust work on this and noted that it would be good to have data to inform any recommended changes.

It was suggested that the sub-committee consist of Peter Daly, Cheryl-Ann Pizza-Zeoli, and Susan Schlesinger.

Inclusionary Zoning Study Recommendations

Staff introduced a list of recommendations from the recently-completed Inclusionary Housing Study for discussion by the Trust. These recommendations are based on the consultant’s review of the Cambridge program; socioeconomic diversity analysis of the community; economic feasibility modeling; review of other programs; and national best practices.

Rich Rossi stated that he has received feedback that the study is great, and people feel that they can understand it although it's complex. He stated that the Mayor has a plan to move the recommendations forward. One of the issues that some developer's representatives have raised is how the City will deal with buildings already in process when the requirements change. Part of the process should involve meeting with developers and CDD will be reaching out to gather developer feedback.

Staff presented a summary of recommendations for Trust discussion:

1. Set-Aside Percentage and Target Income Levels: The recommendations are to increase the percentage of affordable to net 20% of units; look at either maintaining rental eligibility at 80% AMI for all units or a split of 15% at 80%/5% at 100%; and to consider increasing the maximum income for Inclusionary homeownership units to 100% AMI.

Trust members were supportive of the recommended increase to 20% net affordable units. Susan Schlesinger and Peter Daly stated that they would not want to include any middle-income units given the need for housing among households under 80% AMI. Trust members asked if the interest in middle-income housing was declining. Staff stated that it remains an issue, but the demand for the pilot units at 270 3rd Street has not been overwhelming, and the last two one-bedroom units are not yet leased. Trust members all supported the recommendation to raise the maximum income for Inclusionary homeownership units to 100% AMI.

2. Use of Density Bonuses: The recommendations are to maintain the existing density bonus of 30% FAR, and to consider zoning ordinance changes to allow a higher percentage of affordable units for certain projects, where warranted.

Staff noted that many developers would rather have some dimensional relief along with the density bonus, rather than an increased bonus, as they have a difficult time using the full bonus as it is. Trust members asked how that would work? Chris Cotter stated that under the current bonus, you would be able to build an additional 30 units on a site which base zoning would allow 100-unit project. However, you would still be limited by height, parking and setback requirements, so you may not be able to build the total of 130 units allowed by the base zoning plus the density bonus.

Trust members felt that this becomes a political issue – the bonus is given, but it's too difficult to use so it has little impact. Iram Farooq stated that CDD repeatedly hears that the density bonus is important to developers. Trust members asked what sort of dimensional relief would be the most likely? Gwen Noyes stated that height was the easiest, and could frequently be increased without added impact from shadow. Setback requirements were also mentioned.

Trust members also expressed concern that with an increased affordability requirement, developers would be interested in accessing the full 30% density bonus and thought that it should be a usable bonus. Members stated that some of the community does not want any increase in density for any reason. Staff stated that all the prototypes for the study were run based on a model which assumed current zoning remained in place.

Trust members asked if developer feedback was anticipated during the recommendation process? Iram Farooq stated that CDD is setting up meetings with developers in advance. Many developers might not want to publicly oppose changes but will likely have comments. Members asked if other programs offer similar bonuses. Chris Cotter stated that approximately half of surveyed programs do. Members discussed how inclusionary requirements often lower land values, so even without a density bonus developers can offset costs to create affordable units in the form of lower acquisition costs. Members recommended that the Trust should support a “safe harbor” for projects already in process.

3. Family-Sized Units: The recommendations are to consider specifying that a percentage of the affordable units must be three-bedroom units, and/or consider applying the percentage on a per-bedroom or per-square foot basis; also to consider either disallowing studio units or requiring that studios are offered at a lower cost than one-bedroom units.

Staff stated that they had discussed this recommendation with a developer, and it went well, although creating fewer, larger units results in less rent to the developer. Trust members wanted to see a prototype for a project where larger units were created, to look at the parameters and thresholds where these requirements would and would not be feasible. Trust members also wanted to know if the larger units would be structured as an option or a requirement? Members noted that it would be best to be an option in the ordinance and not a requirement. It was suggested that the larger-unit option be kept as a policy instead of written into the ordinance so that it can be changed as needed over time.

Trust members asked about how an option could be structured. Would it be the choice of the developer or the Trust? Would it need to be mutual? It would also need to be structured so that determining the unit mix would not add too much additional time to the project.

On the issue of disallowing studios, staff stated that Tenants generally accept studio units to get into an inclusionary building or into Cambridge, then look transfer after one year to a one-bedroom unit for which the rents is the same.

The study recommends not taking any additional studio units. While the units have been used for a pilot sponsor-based homelessness program, overall it is preferable to have one-bedrooms over studios. Studios are especially challenging because based on the rent calculation system, a tenant pays the same rent for a studio or a one-bedroom, so they are reluctant to take studios if they have another option. Members supported an approach where studios could be priced lower than one-bedrooms.

The Trust stated that they prefer some flexibility in unit types, and would need to look further at the logistics, such as how you combine smaller units to make larger ones and how that fulfills the requirements.

4. Threshold Project Size and Fees for Partial Units: The recommendations are to consider lowering the unit or square foot size threshold that triggers inclusionary; and to consider requiring an in-lieu contribution for partial units for projects where the calculation would yield at least one unit and a fractional unit.

Trust members asked why square footage would be used instead of just the unit count, and were told it was because of a small number of projects with extremely large units. Members asked if the current threshold is causing issues, and was told they are not and noted that there would be very few units produced from smaller buildings, but many properties which could be impacted. The Trust recommended no change to the threshold.

5. Location of Affordable Units/ Buildings with View Premiums: The recommendation is to consider allowing the option of selecting less premium units for inclusionary in exchange for more total units, with implementation by a quantifiable standard or mutual agreement.

Trust members raised concerns about having another point of negotiation for every Inclusionary project, creating a situation where every deal is negotiated. However, there was a desire to have some flexibility while still retaining control. Trust members concluded that they would need to see how the language around this provision would be structured before deciding whether or not to recommend. Staff stated that language could be drafted while the discussion process is ongoing if there was broad interest in this.

6. Residential vs. Commercial Development: The recommendation is to consider the impacts of any changes on the competitiveness of residential versus commercial development and land uses. The Trust concurred that this should be a consideration to ensure that any increased inclusionary requirement does not push development economics too far towards commercial uses.
7. Grandfathering Provisions: The recommendation is to apply changes only to new developments. Rich Rossi stated that the issue of applying inclusionary requirements to substantial rehab projects has also been raised, but that scenario was not included in the study parameters. Potentially requiring affordable units when there are additional units added or a change of use could be considered.

The meeting adjourned at 5:34 p.m. The next meeting is scheduled for May 26, 2016 at 4:00 p.m.

- Meeting Minutes from the Trust's March 24, 2016 meeting.
- Project Update