

**ROUNDTABLE/WORKING MEETING**

**WITH THE CAMBRIDGE HOUSING AUTHORITY**

**DATE** Monday, May 11, 2015

**TIME** 5:43 p.m.

**LOCATION** Sullivan Chamber

**PURPOSE** To discuss the Rental Assistant Demonstration (RAD) Program

**ATTENDEES** Mayor Maher, Vice Mayor Benzan, Councillor Carlone, Councillor Cheung, Councillor Kelley, Councillor Mazen, Councillor McGovern, Councillor Simmons, Councillor Toomey, Richard Rossi, City Manager, Lisa Peterson, Deputy City Manager, Lee Gianetti, Director of Communications and Community Relations, Iram Farooq, Acting Assistant City Manager for Community Development Department (CDD), Chris Cotter, Housing Director, CDD, Cassie Arnaud, Housing Project Planner, CDD, Sandra Albano, Executive Assistant to the City Council, Jefferson Smith, Chief of Staff for Mayor Maher, Jason Alves, Aide for Councillor Toomey, Paula Crane, Deputy City Clerk and Donna P. Lopez City Clerk

**OTHER ATTENDEES** Greg Russ, Executive Director, CHA, Michael Johnson, Deputy Executive Director, CHA, Terry Dumas, Director of Planning and Development, CHA, Naomi Steffin, CHA Victoria Berglund, CHA tenant representative, Gerry Clark, CHA board member, James Stockard, Affordable Housing Trust member, Michael Haran, CASCAP and Cheryl-Ann Pizza Zeoli, Alliance of Cambridge Tenants Trust.

**DISCUSSION SUMMARY**

Mayor Maher convened the meeting at 5:43 PM. He announced that the meeting is not being video recorded but may be privately audio recorded. This is no public comment and no votes will be taken. He stated that the Roundtable meeting was being held pursuant to Policy Order # 8 adopted January 5, 2015 (**ATTACHMENT A**).

Mayor Maher introduced Greg Russ who outline the RAD Program.

Mr. Russ stated that they have Board members, Victoria Berglund, Commissioner Gerry Clark, Chairperson present at the meeting. He introduced CHA staff. He acknowledged that many local

partners are present. He stated that RAD is an opportunity that is being provided by the Department of Housing and Urban Development through Congress. It is intended to convert on a nationwide basis 185,000 units of public housing. This is HUD's first attempt to create a platform that would facilitate the CHA's ability to create a capital investment opportunity. He stated that the CHA really has been looking for a capital vehicle for over 8 years. They have been seeking money to do substantial improvement to all the properties they own and manage. Looking at the market in Cambridge, preserving the units that they have control of for the past 15 years into the next 30 years. They started with development of a capital plan. They had physical needs assessment done. They spent a lot of time in the community and spoke about the capital needs and what vehicles there are to create this opportunity. He stated that the federal government is pulling away from the public housing program. He stated that Congress is appropriating the funding. The house voted on capital funds for all public housing units at the same level as they did in 1985. This is inadequate to do the type of work that it envisioned in Cambridge. He stated that they began to creating a working capital fund so that they could study properties, develop preliminary plans and identify sources of funding. He stated that there were 2 parts of the stimulus bill for public housing. They got four grants and are now able to tear down Lincoln Way and rebuild, completely reinvest in Jackson Gardens and completely modernize LBJ Apartments touching every aspect of that building. They were able to invest in Washington Elms bathrooms. This showed the CHA what could be done when adequate funds were put into properties. They developed a second round and sought a disposition. They wanted to dispose of the property to non-profit affiliate and thereby be entitled to tenant protection vouchers and making the properties into a structure that would make them eligible for tax credit. He stated that the tax credit works in a simple way but is complicated to administer. An investor wishes to shelter income, puts capital into low income housing and give capital in taking credit off tax they owe as an institution for a 10 year period following the investment. The IRS makes requirements on how the deal is to be structured. There are two masters: public housing and mission to retain public housing and to get capital into the property they must satisfy the demand of investors.

Mr. Russ stated that they had to create a budget that is sufficient and make deposits to replacement reserves. The budget has to support all of this. When the vouchers are project based, they are attached to a unit and it makes financing of that unit feasible and secures the strength of the budget for the investor. He stated that a strong cash flow is important to investors. He stated that they approached HUD with their idea and were rejected. They went to Chicago to argue their case and came out without any changes except HUD received approval for RAD. CHA could not do the first round. He stated that they were looking for another vehicle and HUD issued a second set of rules for RAD which were much more favorable. CHA began a discussion with central office of HUD and RAD staff and numbers began to drop in place. He stated that they showed HUD that they could make the investment with a couple of conditions, one being that CHA had to put in some of their own money. He stated that CHA would be moving toward project based assistance. By the third meeting they came up with a plan that allowed CHA to use RAD, use their own funds to top it off and make properties cash flow and make all properties work except for one which is Millers River. RAD staff helped CHA get disposition for Miller River and CHA agreed. The Millers River property is handled separately from the rest.

He stated that if you look on first sheet of **(ATTACHMENT B)** is a category of sites covered. They divided portfolio into two phases. He stated that Manning will not be converted until September or October of this year. If looking at capital in some of properties, it is quite substantial. Jefferson Park demolition is also a property that is on a different track than the other properties.

Mr. Russ stated that the goal with RAD is to encourage private capital investment. He stated that they had to secure a lender (Citibank) and an investor. He stated that Wells Fargo will own the tax credits

and then put capital into properties and will hold the credits themselves. RAD does require that property change ownership to satisfy IRS structure. He stated that there is a structured design to hold the assets. They are using Essex Street Management but there are others available as well. The properties in red have been converted. He stated that a number of concerns were raised by RAD. He stated that the land and buildings are leased by the CHA through a ground lease. He gave an overview of the ownership structure. He stated that CHA has made conscious effort to migrate a substantial number of residential protections from public housing into management structure for RAD. In addition, they have established protections that are embedded in the deal structure. They have taken precautions that they retain as much control as the deal structure would allow, taken steps to ensure that families in properties will see almost the same program that they have with public housing. He stated that in addition, as part of tax credit transactions, they are doing internal financing. The other area that is important to mention is relocation. They have worked collaboratively with human service programs.

Mr. Russ stated that the CHA wanted the units to be vital and set a different social environment for the families that live there. That is important because they want the units to be for the community for the next 30 years. They intend to have a role in managing these properties far into the future. He stated that this has been an intensive year. He stated that the discussion of the documents is particularly important and CHA demands that protections be built into the document was very important. Mr. Russ stated that this is an enormous opportunity to invest in the real estate for the long-term. He stated that in order to do relocation, they had to close the waiting list. Terry Dumas added that they have had meetings all around the city for eight years. Various resident councils have been involved. Mr. Russ added that all of the information presented is on the CHA website.

Mike Johnson stated that in the beginning of the year they attended a Housing Committee meeting where they heard concern that there would be an impact on the community. They went back to the table and came up with a reasonable mitigation plan to assist people on the waiting lists. They looked at waiting list where there is 9500 applicants. Those are broken up in local preference (living/working in Cambridge or veteran) and non-preference. He stated that local preference for the elderly disabled is 1007 and for families with preference there is 1584. He then looked at numbers for the last three years of 2012, 2013, 2014 and placement history. They then approached the board and stated that they would like to issue 250 Section 8 vouchers to these households that had been waiting to go into public housing. They wanted to lease up 250 vouchers which means they could issue 400-500 vouchers. They tried to proportion vouchers in the same way they would be taking people off the list. They would have 4 months to find a unit and they would not be taken off the list if they did not find a unit that meets their needs. They would not be penalized. If they do find a unit with a voucher they would be removed from the list.

Mr. Russ stated that the CHA is where they are in large part due to the collaborative partnerships that are reflected at the meeting. He stated that the CHA has a very strong working relationship with the non-profits in Cambridge. He stated that resident counsels, PAC, CEOC and others have been a part of a very strong working relationship. He stated that the relocation plans are very significant. He stated that plans such as the ones in place do not exist. He stated that he has worked in two other major metropolitan areas with many resources but nothing like the atmosphere in Cambridge.

Mr. Russ distributed the CHA 2016 Fiscal Year Annual Plan (**ATTACHMENT C**).

Mayor Maher acknowledged that Councillor Simmons has been a very active part of this conversation via the Housing Committee.

Councillor Simmons stated that it is imperative to stay connected and informed. She stated that there are a number of people who are housing stakeholders. Regarding the waiting list, Councillor Simmons asked if vouchers include people who do not have local preference. Mr. Johnson stated that he does not expect that they will get that far down the list.

Councillor Simmons spoke about the work regarding the linkage committee and recommendations that will be forthcoming to the City Council. She stated that some people are not going to be able to move on the list. How can we support housing people while the CHA is undergoing the RAD program? Mr. Johnson stated that in a normal year they place 190. He stated that they would revisit this number once they get the 250 out and leased. They are putting more resources to cover the people who would be held up because of RAD. He stated that once you have a voucher and if you cannot find a unit in Cambridge you will not be taken off the list. They would not be looked at with local preference when placed back on the list unless they are living/working in Cambridge or have veteran status. She gave overview of some of her questions **(ATTACHMENT D)**.

Mr. Johnson stated that at the City Council's request, the first letter that went out to applicants that informed them that the list was closed and because of RAD they will not be getting to you anytime soon. Of the 9500 letters, they have received 1976 back as returned/addressee unknown/unable to forward. The next letter will go out to the top of the waiting lists. (All combined into one waiting list). They have a family list that is broken up by bedrooms. The one master list. Second letter is targeted to hit proportion of people at the top of the list who will need to respond within 10 business days. Councillor Simmons asked how long the process will take. Mr. Johnson stated that screening will take 4-6 weeks per person. The CHA needs required documentation. These people have to be screened for the Section 8 process.

Councillor Simmons stated that the City Council asked for the initial letter to be sent out by the CHA because applicants needed to be informed. Mr. Johnson stated that they are looking at people by date and time of application. They are working from top down. Mr. Russ stated that they are taking public housing list and offering another type of assistance with the Section 8 vouchers.

Councillor Simmons asked Mr. Cotter how what is happening with CHA is affecting the City. How many people have applied for inclusionary zoning and do we have mechanism to address these people. Mr. Cotter stated that within the inclusionary program, they have 1050 in the rental pool. Of the 1050 approximately 70 are resident applicants. Councillor Simmons asked Mr. Cotter for estimated units that might be available that this pool of applicants may be able to access as it relates to inclusionary units. Mr. Cotter stated that they expect 150 new rental units coming into the pipeline. He stated that they are making good progress in the one-bedroom applicant pool. He stated that they are making good progress with 2 bedroom units. He stated that the bulk of units coming in the short-term is studio, 1 and 2 bedrooms.

Mr. Cotter stated that CDD has had a series of discussions with the Affordable Housing Trust and will continue discussion regarding potential changes to the preference system. This is in place to carry out the broad goals of the City Council. Councillor Simmons stated that this is a good time for this conversation to take place.

Vice Mayor Benzan thanked the CHA for the hard work that they do. He stated that as the City Council looks to renovations to CHA properties and developing more housing in the city, the challenge becomes

greater. He stated that if we have 9500 on wait list and we are doing our best to take people off the list (250 vouchers) it does not make sense to open list for Section 8 vouchers. The inclusionary zoning program has a huge burden. He stated that one of his major concerns is elderly and disabled. He would like the AMI lowered to aid this demographic. He stated that this may be one solution.

Mr. Cotter stated that it is a complicated issue and reflected that there is a great need for whom inclusionary is not an option. The minimum requirement in the inclusionary is in the ordinance itself. The ordinance is designed to serve a moderate income applicant. CDD has asked a consultant to see if there is a way to consider something such as this. Regarding the preference issue, it has been a big issue because they are dealing with applicants who have been waiting for a unit for many years. It is a limited resource. The decisions they make is determining who jumps to the front of the line. He acknowledged that if we are pushing people to the front we are also pushing other people back.

Vice Mayor Benzan stated that what the City Council is wrestling with is the building of more affordable housing. He stated that given all circumstances described, how important is it for the City to build more housing at this juncture. Peter Daly stated that it is incredibly important to build more housing. He stated that parking lots are something that the city should be looking at. Councillor Toomey asked that state-owned land be included in the conversation. Mr. Rossi stated that the acquisition of property is very expensive. He stated that the city should consider building units on any city-owned lots. He stated that this could be a way to impact the market.

Mr. Cotter stated that the partnerships with the non-profit developers is an incredible way to serve applicants. He stated that these partnerships address in a substantive way this issue.

Vice Mayor Benzan stated that parking lots are something that the city should be looking at. Vice Mayor Benzan stated that grew up in Columbia Terrace. The sense of community became disrupted because of the way tenants were being placed. It appears to be a huge problem right now. That neighborhood has not been able to cultivate a sense of community. What thought is given to how we place families which is part of the consideration that he believes should be given when relocating families. Mr. Russ stated that they are hoping that families that have to move temporarily will come back to the property in which they were located. He stated that the community asks the CHA for a standard in screening for households. He stated that the screening determines qualifications for use requirements. Mr. Johnson added that there is a difference between public housing screening and Section 8 screening. He stated that 40%-50% of people on the Section 8 waiting list would not qualify for public housing. Mr. Johnson said with Section 8 is up to the landlord to do the screening. They are proposing that residents can target where they want to go. He stated that the CHA felt it was important to get to the public housing applicants first. The idea is for the ability for an applicant to pick and target where they want to live. There will be opportunity to select certain areas of the city.

Councillor Carlone stated that the RAD program offers tremendous opportunities. Mr. Russ stated that RAD wanted them to move quickly. That is how the phasing structure came to be. He stated that the demand to get in the demonstration nationally is very high. Mr. Russ stated that CHA was one of the earlier applicants. CHA barely made the cutoff. He stated that they are funding CHA because they were quick. There will be a funding number that yields extra money. That is advantageous. The new RAD does not have that law.

Councillor Carlone asked about the design and management of construction. Mr. Russ stated that they are self-developing and will retain management. Councillor Carlone asked if the CHA has to go through public bid in this format. Mr. Russ responded that he has to follow federal procurement or state

procurement. Councillor Carlone asked about the transfer period. Mr. Russ stated that it comes back to the CHA in approximately 10-15 years when investors choose to step back from the project. It depends on their own position. Councillor Carlone stated that the City Council talks about maximizing access to cable. Mr. Russ stated that each site will have the capacity for hard wire or wireless. They continue to look for other options, both technologically from fiber to wireless options, that would reduce cost and they are looking at other options for families and if it makes sense for them to get into the possible subsidizing of that feature. Mr. Russ stated that one requirements is that these properties have replacement reserves. He stated that once the investor steps back and is able to gain control, they are capable of refinancing. In some ways, a lasting product of RAD is to finance the value of the property.

Councillor McGovern stated that no one is happy with the list being frozen. He stated that regarding the second letter that will be going out, he stated his hope that within the letter it is explained that if they take a mobile voucher and move out of Cambridge they will lose preference. He stated that he worries about the ten-day turnaround because he does not always open his mail the same day he receives it and because there is a lot of documentation that is required, do we make special provision because of the circumstances and give a little more time to gather documentation.

Councillor McGovern stated that the City needs to be more aggressive in the pursuit of land acquiring. He stated that when we think about how much Cambridge has changed, if we did not have the inclusionary zoning that we have, how much worse would it be and how much different would the city look. He asked Mr. Rossi if there needed to be a housing study or is it already taking place. Mr. Cotter stated that they expect to be looking at housing demand and projecting forward. From that we would get a good handle on housing issues.

Ms. Dumas stated that a private investor is owning the real estate. Their only motivation is the tax credit. They are concerned with two things: that the people that live in the units are eligible and the financial health of the development. They want to see financials every month to ensure that you are covering all of the bills of the development. Their money is tax credits, not the income from the property.

Councillor McGovern stated that the very first thing that people talk about is free Wi-Fi. Mr. Russ stated that they are conducting research. He stated that they hope to have estimates shortly. Mr. Russ stated that they would look to, at minimum, having free Wi-Fi on each floor.

Councillor Cheung asked if Cambridge is leading the way. Mr. Russ stated San Francisco, Baltimore, El Paso, Fresno and a number of mid-to large deals in the 60,000 unit range. Mr. Russ stated that he feels that people are looking to the CHA for information. He stated that they got calls in-state and out-of-state inquiring as to the RAD process. Councillor Cheung stated that there have been issues when trying to incentivize middle income, can we do something where we modify the income eligibility to try to get the middle income.

Mayor Maher stated that the City Council enacted a pilot project which was a basement overlay district. He asked if in the CHA portfolio, is there any opportunity to add units in the basement or lower levels. Ms. Dumas stated that they have had basement units and had constant problems. For the CHA, basement units have not worked well. Mayor Maher stated that when thinking about the portfolio of the CHA, is there opportunity for this? Mr. Russ stated that it may be a possibility at Millers River. CHA sense is that they might approach that property completely differently. There is potential on the front part of the parcel. At other locations they have chosen to invest in the property as is. Ten more units were added at Lincoln Way but existing ability at some sites is confined to what they thought they could

build. Mayor Maher stated that he does not remember CHA coming before the City Council and asking for zoning relief. There may be instances where it could be the right thing to do.

Councillor Toomey stated that at Jefferson Park there was a request for zoning relief which was denied. Mr. Russ stated that the setbacks were not approved. They lost units and bedroom size and open space available for the residents.

Cheryl-Anne Pizza-Zeoli stated that inclusionary zoning is a way for families to stay in Cambridge. She stated that we should go back to the question of preferences. There are tradeoffs in policy changes.

Peter Daly stated that he was on Blue Ribbon Committee many years ago and it was very depressing. He stated that the CHA has done a tremendous job in being opportunistic and it is an amazing accomplishment.

Mayor Maher stated that the CHA has done an extraordinary job in readapting to the changing needs.

Mr. Russ stated that the CHA appreciates the support from the many entities involved in the process.

On motion of Mayor Maher the meeting adjourned at 7:56 p.m.

A TRUE COPY:

ATTEST:-

Donna P. Lopez, City Clerk