

**CITY COUNCIL QUESTIONS RE: CRDD Affordable Housing Requirements – 8/6/2012**

**CDD has received the following questions from City Councilors regarding the CRDD affordable housing requirements, and has prepared the following responses.**

**Were we going to get an analysis of the financial benefit of the affordable housing?**

There is value in Forest City committing to keep the 18 existing affordable units in excess of the 1988 zoning requirement. There is no zoning-based requirement that these units remain affordable beyond the term of existing financing requirements. These requirements run through approximately 2021, so we do not consider these units at-risk at this time, and given Forest City's commitment to making units more deeply affordable than required by the zoning, would expect to work with Forest City at the appropriate time to maintain the affordability of these units.

If Forest City were to convert these units to market after 2021 (after existing affordability requirements are satisfied), there would be a need for subsidy funds to create replacement units. Producing 18 affordable units to replace these if they were lost today would require roughly between \$4,000,000 and \$5,000,000, which would be the simplest way to quantify the value of what Forest City has offered.

It is harder to quantify the financial benefit of Forest City agreeing to maintain the 150 affordable units required by the 1988 zoning. The zoning requires that these units remain affordable subject to Forest City receiving subsidies to continue to do so. We believe Forest City should be able to obtain these subsidies or other assistance to keep its original commitment.

We have, however, had discussions with Forest City about bringing the administration of the existing affordable units more in-line with inclusionary zoning units developed under Section 11.200. Specifically, we have discussed Forest City working with CDD so that low and moderate income applicants could access these units through CDD's Rental Applicant Pool for inclusionary units. This would assist tenants by simplify the application process for tenants, and assist the City in ensuring that its preference polices (preference for residents, families with children, etc.) are being utilized for all of the 168 affordable units Forest City operates. We believe there is significant value in this, both for applicants and for the City, however, it is hard to quantify this value.

**The Housing Plan commits Forest City to make 50 units of moderate income housing available regardless of government funding. The current status per the FAQ appears to be 22 units all in Auburn Court housing. What is the plan for the remaining 28 units?**

The 28 units of moderate-income housing not provided at Auburn Court is and has been provided by Forest City as additional low-income units. Forest City has been providing more deeply affordable units than required by the 1988 commitment; low-income units meet the requirements of moderate-income units under the 1988 Forest City commitment.

**The Housing Plan speaks of avoiding economic stratification and states that "each component of the housing program contain a mix of both market rate units and low and moderate income units". It appears from FAQ table that only the Kennedy Biscuit Lofts, 100 Landsdowne and Auburn Court contain low income units; while the 22 moderate income units are located in Auburn Court only. How will the Housing Plan be**

**accomplished with this sort of distribution? Is there another document that allows for a deviation from the Plan?**

Forest City satisfied their affordable housing commitments of 150 units up front with their first two projects, KBL and Auburn Court, in part because the City at the time had requested getting the affordable units on-line as soon as possible. Some affordable units were moved from KBL to 100 Landsdowne when Forest City utilized financing that required affordable units at that building. This requirement resulted in Forest City providing 18 affordable units in excess of the 150 required by zoning.

**The FAQ describes the number of vouchers used in this district. It appears that all of the low-income units in Auburn Court are voucher based and 59 out of the 77 at other locations in district are through use of vouchers as well. Are the vouchers used in this district project-based or are they based on the individual? Is this how the affordability was expected to be created in 1988?**

At Auburn Court vouchers are project-based and were committed when each phase of Auburn Court was built. Project-based vouchers assisted HRI in obtaining the public and private funds necessary to develop Auburn Court.

Vouchers at Forest City's KBL and 100 Landsdowne are tenant-based vouchers. These buildings are currently subject to affordability requirements that are deeper than that required by zoning. Financing based agreements require units to be affordable to households earning less than 50% of AMI, households who would be eligible for housing vouchers. The Housing Plan indicates that KBL was intended to be financed in this manner.

We have had discussions with Forest City about bringing the administration of the existing affordable units more in-line with inclusionary zoning units developed under Section 11.200. Specifically, we have discussed Forest City working with CDD over time so that low and moderate income applicants could access these units through CDD's Rental Applicant Pool for inclusionary units. This would assist tenants by requiring applicants to fill out one fewer application for housing and assist the City in ensuring that its preference policies (preference for residents, families with children, etc.) are being utilized for affordable units Forest City operates.

**Table on final page of the FAQ has a total of 668 units (Forest City 531 & Auburn Court/HRI 137) but the number of units has previously been listed as 674.**

We do not know where the total was listed as 674.

**The state's Community Economic Development Assistance Corp database of expiring uses updated July 2012 has 46 units listed as subsidy units at Auburn Court, but your table shows 46 as market units.**

**<http://cwc.cedac.org/Uploads/Files/CEDAC%20at%20risk%20report%20July%202012.pdf>**

There are a total of 46 market units between the 2 phases of Auburn Court. The 46 units referenced in the CEDAC list includes both low (39) and moderate-income (7) units in Auburn Court 1 only.

**In the affordable units used by households with vouchers, does Forest City or HRI receive market rent amounts even though the occupants only pay 30% of their household income?**

No, Forest City does not receive market rents. Advertised market rents at KBL range from \$2,436 for a 1-br to \$4,644 for a 3-br. Advertised market rents at 100 Landsdowne range from \$2,473 to \$3,498 for a 1-br. At KBL, Forest City has contract rents ranging up to CHA maximum contract rents (\$1,362 for a 1-br, \$1,685 for a 2-br, and \$2,000 for 3-brs). At 100 Landsdowne the highest CHA rent for a 1-br unit is \$1,368. While CHA rents vary depending on the type of voucher and when the unit was leased, most rents are in the range of these maximums, but well below market rents. Tenants with vouchers pay no more than 30% of their income, with CHA making up the difference up to the CHA contract rent.

Similarly, HRI receives rents in the same range for project-based voucher units at Auburn Court, and not market rents. This is consistent with the initial underwriting of Auburn Court when it was financed with City funds and other public funding. Tenants with vouchers pay no more than 30% of their income.

**I did find a 6/19/2008 document from city officials which lists Affordable Housing Distribution by Neighborhood. In Cambridgeport there are 165 units listed as Privately built Housing and 573 units listed as non-profit built units. Can you confirm that CDD has been tracking the entire 168 affordable units from the beginning.**

Yes, the 168 units are included in the referenced unit count and CDD has been aware of the variety of affordability restrictions on these units. Units are included in both the privately-owned and non-profit owned unit counts.

**What were the 1988 commitments from MIT/Forest City to Cambridge Council and how have they been fulfilled to-date? Table format, please.**

The 1988 zoning requires that Forest City provide 150 affordable units in the CRDD. Please refer to the 8/3/12 FAQ for more info on how affordability requirements have been met.

**Confirm that CDD/Affordable Housing Trust was already monitoring these expiring use units and their terms.**

CDD is and has been aware of the affordability requirements for units in the CRDD. The 150 affordable units required by the CRDD zoning are not "expiring use" units as that term is applied to affordable units where affordability is subject contracts, regulatory agreements or deed restrictions that expire in the short term where owners have the ability to covert affordable units to market rate. The CRDD zoning requires that 150 units be affordable for up to the full 75-year term of the Forest City land lease from MIT. There are an additional 18 affordable units in excess of those units required by zoning.

Preservation of expiring use housing has been and remains the highest priority for CDD and the Affordable Housing Trust. In the past 2 years, CPA funds appropriated from the City Council have allowed the City and Affordable Housing Trust to preserve 274 expiring use units at-risk of losing their affordability. These units include:

- 25 affordable units at Chapman Arms in Harvard Square which were put on the market in 2011 and acquired when the seller accepted a bid Homeowner's Rehab, Inc. put together with the City and Harvard;
- 32 units in the Norstin Apartments which were recently acquired as affordability restrictions were expiring;
- 116 units at Inman Square Apartments at risk of expiration;
- 9 units at CAST 2;
- 92 affordable units at 411 Franklin Street.

Further, the City and Trust have reinvested in 346 units that were at-risk due to needed recapitalization and rehab, including 115 functionally obsolete (though not expiring) public housing units at Lincoln Way and Jackson Gardens.

Preservation of existing affordable housing will remain a top priority for CDD and the Trust. There are currently 820 affordable units subject to financing-based affordability restrictions subject to expire before 2020, including:

- 56 units at Harwell Homes (with whom we are now working);
- 94 units at 2 Mount Auburn Street (there is a zoning-based affordability requirement);
- 61 units at the Close Building;
- 105 units at Briston Arms;
- 504 units at Fresh Pond Apartments.

Recognizing the significant staff and outside resources required, the high cost of preserving units, and the time horizon for dealing with owners as affordability requirements approach their term CDD and the Affordable Housing Trust prioritize preservation needs. We are conscious about not wanting to pay twice for affordability (i.e. we will look at extending affordability at the appropriate time in advance of the end of an affordability restriction, or when properties may be available for purchase by a non-profit housing provider).

The 18 affordable units above the 150 units required by the zoning are subject to financing-based requirements which run through approximately 2021. Given the remaining term of these requirements, we do not consider these units to be at-risk in the same way as the above-listed units. We have expected that Forest City would address the continued affordability of these units when making provisions for the continued affordability of the 150 zoning-required units and, if necessary, will be ready to act as the end of the affordability term approaches.