



Cambridge Housing Authority

MTW Deregulation Demonstration Program

Annual Report

Fiscal Year 2001

August 2001



Report

Cambridge Housing Authority
 MTW Fiscal Year 2001 Annual Report

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 ***Executive Summary***

The Cambridge Housing Authority (CHA) began its second year of participation in the Department of Housing and Urban Development's (HUD) Moving To Work Demonstration Deregulation program (MTW) on April 1, 2000. This is the CHA's Annual Report for that year, which ended March 31, 2001. It is intended to report on the material included in the Fiscal Year 2001 MTW Annual Plan, which was submitted to HUD in April, 2000, including progress made on major initiatives, demographic and operational information, analyses of specific program components and an overview of the CHA's MTW program during the year and, in a more limited fashion, to date in the demonstration.

Major Initiatives

The Fiscal Year 2001 Annual Plan outlined major areas of initiative for the year. These areas saw substantial progress this fiscal year. Below, the major efforts are listed, followed by an italicized excerpt of the explanation of each as included in last year's plan, and a brief summary of the progress made over the last year. More complete explanations are included in the Major Initiatives Section, and in some cases in the Appendices.

- **Preservation of Current Public Housing Stock**

A particular emphasis on modernization and extraordinary maintenance, in order to preserve and improve the current public housing stock. The CHA continues to view the preservation and continued viability and quality of the in-place stock as the most fundamental mission of the Authority. The Fiscal Year 2001 MTW Annual Plan envisioned an ambitious schedule for modernization and extraordinary maintenance, and many projects were undertaken. Completion of many capital improvement projects is slightly behind schedule, however, due to some design and planning issues. Overall, the priorities remain the same and the proposed work will be completed in the coming fiscal year.





- **Elderly Housing Issues**

A broadly stated initiative, including efforts to assess modernization needs of the properties and develop a program/programs to address the needs of Cambridge's elders. This included a change to local admissions preferences and to the age of eligibility for elderly housing (from 62 to 60 years old, in order to bring the federal program in line with the state program). In addition to modernization efforts and the institution of a local preference to place non-resident seniors with close ties to the community, work continues on two projects that will go far to ensure affordable housing options for seniors: the HOPE VI redevelopment of Kennedy Apartments and the redevelopment of Neville Manor into a nursing home and assisted living facility.

- **Ongoing effort to develop Local Leased Housing program/Tenant Preservation Program**

A comprehensive approach to re-examine the Leased Housing (Section 8 program), in consultation with program participants and other stakeholders, in order to develop a Local Leased Housing Program with maximum viability in Cambridge. Includes interim changes to allow the program to be more responsive to the market. CHA's Local Leased Housing program continues to be successful, preserving the program and making slight increases in utilization in the face of significant market challenges. A longer paper describing Cambridge's experience with the program in the context of MTW is included in this document.



Leased Housing Program Marketing and Outreach

Direct outreach and overall marketing efforts are to the preserve and increase success in the leased housing program. Landlord outreach continued this year, and has been an important element in the program's success. A survey of participating landlords, conducted in the last year, is included in this document.

Project Based Leased Housing Assistance

Emphasis on project based assistance, as it both provides an invaluable resource to other institutions in the development of affordable housing and secures longer-term affordability of units in Cambridge. Project Based Assistance continues to be a vital resource for affordable housing development and preservation in the City. A new application process has been developed and a comprehensive description of the program is included in this document.

Preservation and Viability of the MRVP Program

An effort to preserve the state rental voucher program by using federal resources to augment the state subsidy and bring it in line with allowable rent levels in the federal leased housing program. CHA received state approval this year to move forward on the augmentation of these subsidies. While the program is at an all-time low, the resources that will be preserved through this initiative are crucial.

▪ Ongoing Development Activities

Development of new housing resources through a condo acquisition program and targeted acquisition of larger scale development projects, and the exploration of provision of construction financing or other incentives to encourage the development of affordable units in the city. CHA, through its non-profit affiliates, will have developed 80 units of housing since the beginning of the demonstration. These include properties in neighborhoods that formerly had no significant public or affordable housing presence.





process, including in-depth file review of program participants and other economically mobile residents in addition to other assessment approaches.

- **Utility Savings Initiatives**

- Realization of savings incentives provided by the MTW agreement and the ability to provide energy savings-based financing, through a number of utility and water related savings projects.* Numerous projects were undertaken in this area over the past year, including our first self-ESCo project at Miller's River. While the construction environment made the project economically infeasible at this point, positive response from potential finance sources and design management experience reinforces the CHA's intent to move forward on these projects without an outside Energy Services company.

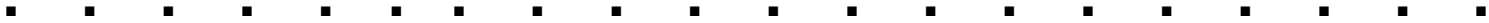
- **Homeownership Program**

- Exploration of a homeownership program allowing residents to use leased housing subsidy to purchase homes.* Given Cambridge's real estate market, is unlikely a homeownership program for low or even moderate income households is currently plausible. A CHA analysis of several different possible homeownership structures is indicated in this document.

Occupancy

The CHA continues to serve more program participants in its MTW-related programs than it would have absent the demonstration, particularly in the case of leased housing. In elderly housing, the authority is currently holding units off-line for modernization in order to address the significant needs of the elderly developments for new kitchen and baths, as well as general envelope work. The waiting lists for both conventional and leased housing have increased over the past year, underscoring the significant need for affordable housing in the area. Initiatives around rent policies, income diversification, and deconcentration continue to be successful elements of the MTW program. A revised Administrative Plan for the local Leased Housing Program is included in this document.





Other Documentation

This year's report includes an expanded Appendices Section, in order to include more in-depth information on various MTW efforts. These include a paper exploring CHA's MTW Leased Housing (Section 8) experience; Leased Housing program surveys instrument samples and survey results of landlords and program participants; a more complete explanation of the Project Based Leased Housing Program, including CHA's revised solicitation process; a new agency Procurement Policy; the State Public Housing viability study and resulting legislation; in-depth analyses of Development Choice, MTW Rent Policies, Income Diversification, Deconcentration; expanded program demographic and statistical information; a revised Leased Housing Administrative Plan; PHDEP survey results; and the most recent complete audit.







■ *MTW Deregulation Demonstration Overview*

MTW was approved by Congress in Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134), and allows unprecedented fiscal and regulatory flexibility in hopes of increased efficiency while also asking participating Housing Authorities to provide economic incentives and opportunities to residents to encourage work. HUD recently approved extension of the end date of the deregulation program by two years, from an original end date of March 31, 2004 to a new end date of March 31, 2006.

For the CHA, this Demonstration is comprehensive in nature, covering all but a very few of its federally assisted programs. A general description of the Demonstration, its requirements and the overall CHA Demonstration objectives are included in this plan as Appendix One. The first MTW Annual Plan, submitted to HUD in October 1999, contained a wide range of specific regulatory relief allowed in accordance with the CHA's MTW Agreement. This year's plan continues those reliefs, and includes a few new relief requests.

Program Goals

The central goal of the MTW Deregulation Demonstration is the development of a comprehensive, locally developed affordable housing program to address the realities of the Cambridge housing market. The focus is on identifying local needs, and targeting a program that is both responsive and relevant to the needs of the range of low-income residents in the city, in terms of



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supply, quality and choice of housing. The CHA's program does this in five major ways, intended to impact both the stock itself, and the overall housing market:

- Preservation of existing affordable housing resources through:
 - a) Capital improvements to the current public housing stock;
 - b) Changes to the Leased Housing Program to make it more competitive in a tight housing market;
 - c) Project-basing as many leased housing units as possible; and,
 - d) The return to viability of the Massachusetts Rental Voucher Program (MRVP) by using federal resources to enhance its usefulness.
- Resident-based initiatives to increase choice for low-income residents -- in terms of housing type, location and program options -- through rent policies, development choice, changes to waiting list preferences, eligibility and income diversification.
- Development of new, permanently affordable units.
- Ongoing tenant services programs in employment and training to serve our residents in their journey towards upward mobility, economic stability and self-sufficiency.
- Administrative and other internal changes implemented as part of the Demonstration to address issues of efficiency, as well as the need to be accountable for overall performance in the absence of performance factors dictated by Public Housing Assessment System (PHAS) or Public Housing Management Assessment Program (PHMAP).

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Programs Included

CHA's MTW Demonstration includes the following programs:

Conventional Low Rent Public Housing

- All federally-assisted developments;
- Operating Funds; and
- Capital Fund monies.

Section 8/Leased Housing Program

- All vouchers and certificates on yearly Annual Contribution Contract cycles (most non-special purpose subsidies, including anticipated new Fair Share vouchers)

MTW *excludes* the following federally funded programs:

- Section 8 Moderate Rehabilitation Units;
- The Shelter Plus Care Program;
- Developments with funding sources outside the Demonstration's scope: Roosevelt Towers Mid-Rise building (mid-rise only), Putnam Square and Putnam School;
- Enhanced voucher subsidies at 929 House and Huron Towers;
- Two hundred Section 8 Vouchers for persons with disabilities (which will be rolled into the Demonstration upon renewal) that are related to the CHA's elderly allocation plan; and
- The CHA's HOPE VI elderly redevelopment grant for John F. Kennedy Apartments



It is important to note that a significant part of the CHA's overall housing operation is its state program component, funded by the Massachusetts Department of Housing and Community Development (DHCD). The state program includes state conventional elderly and family public housing, the Massachusetts Rental Voucher Program (MRVP) and the Alternative Housing Voucher Program (AHVP), as well as other forms of state assistance. Currently, the CHA is participating in DHCD's 5-5-5 Deregulation Demonstration program, which has allowed some changes to the state program, though not as broad in scope as the MTW Deregulation Demonstration. Program components of MTW, including rental policies, will not apply to the state program unless DHCD specifically allows them under the Demonstration.

Annual Plan and Report

As part of the MTW Deregulation Demonstration, each year the CHA must develop an Annual MTW Plan to describe the MTW activities planned for the fiscal year. This plan is in lieu of HUD's currently required Housing Authority Annual Plan, and has different requirements in terms of content and public participation. The CHA's fiscal year begins on April 1, and ends on March 31. A public hearing is required before the Board of Commissioners can adopt the plan and submit it to HUD.

The CHA is also required to provide an Annual Report that summarizes the activities of the fiscal year, and discusses its efforts in relation to the goals and policies set forth in the Annual Plan. The Annual MTW Report takes the place of most other conventional HUD performance measures, and is intended as a document that is informative to members of the Cambridge community, as well.

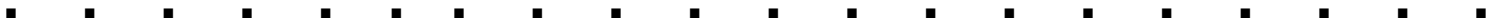
Other Demonstration Participants

The CHA is an active participant in the community of other MTW Deregulation Demonstration Housing Authorities. These Housing Authorities, especially the block grant agencies, are able to exchange ideas and strategies for new initiatives that can be conducted under MTW. The HUD sponsored MTW web site (at <http://www.hud.gov/pih/programs/ph/mtw/pihmtw.html>) is



one place where participants can go to access information about the MTW Deregulation Demonstration, links to the authorizing legislation, and related information.

At the end of the MTW Deregulation Demonstration, there will be a national evaluation to determine the results of the increased flexibility and ability to address needs in a locally determined way. The evaluation was designed by the Urban Institute and Aspen Systems to measure the impact on households, housing developments, and local priorities. The CHA will also conduct its own evaluation at the end of the Deregulation Demonstration to determine how well the Deregulation Demonstration allowed the Authority to meet its goals.



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■ *Major Initiatives for Fiscal Year 2001*

The Major Initiatives included in CHA's Fiscal Year 2001 plan reinforced the CHA's role of stewardship: to preserve the conventional public and leased housing programs in a particularly in a volatile market that shows no signs of changing. Given the permanent end of rent control, continuing presence of universities and the increasing numbers of companies moving to Cambridge, in the supply of affordable housing, CHA is playing for keeps. MTW allows the authority the opportunity to make many program rules and agency practices work more efficiently and responsively in the local context.

Preservation of Current Public Housing Stock

Modernization and extraordinary maintenance were a continuing emphasis during Fiscal Year 2001, as the preservation and continued viability and quality of the in-place stock is viewed as the most fundamental mission of the Authority. As part of the MTW Deregulation Demonstration budget planning and implementation process, CHA continues to take advantage of fungibility in order to address capital needs aggressively, using the capital and operating budgets interchangeably to fund capital and extraordinary maintenance.

This year saw the completion of a new Capital Improvement Plan (CIP), the document the CHA uses to make strategic capital investment decisions. In developing its CIP, the CHA hired an architectural firm with several building component experts as subcontractors, to meet with planning, maintenance and management staff as well as development residents to inform their professional opinion of capital needs. An in depth comprehensive assessment of the developments was conducted through field investigations and surveys, database analysis and on-site interviews.

More than 3,000 recommendations or deficiencies were identified, with a total estimated cost exceeding \$75,400,000. Because CHA's properties are, objectively speaking, in good physical



condition, the bulk of these work items were relatively minor, so the CHA asked that work items be divided in two lists: one of large capital improvements, the other of smaller projects, maintenance or routine repairs. The final document contained only the items judged to be capital improvements; the total estimated cost of these improvements is \$69,000,000 (over a five year period), with the remaining \$6,400,000 as repair and extraordinary maintenance work. Appendix Two includes the following related charts:

- Summary of previous capital improvements at CHA family developments
- Summary of previous capital improvements at CHA elderly developments
- Summary of costs by priority category
- Summary of capital estimated improvement costs, by development

With a total backlog of capital need construction costs to fix “as-is” estimated at \$69 million dollars — or about \$35,500 unit, exclusive of soft costs — contrasted to the annual \$3.5 million in estimated capital funding, keeping pace with needed modernization and replacement work is challenging. In an effort to improve efficiency and the quality of work, the Management and Planning and Development departments have made significant changes in capital/extraordinary maintenance work (EM) since the start of the Demonstration. The flexibility of funding allows for extensive partnership and ongoing budgetary shifts necessary to complete planned improvements in a logical and comprehensive manner. Each year, priorities identified by on-site management staff and the Director of Maintenance are included with the capital list from the CIP in budget discussions. The Directors of Management and Planning and Development then prioritize these needs, in consultation with the Executive Director.

Capital and Extraordinary Maintenance Efforts

The table in Appendix Two reflects planned capital expenditures and associated schedules as included in the Fiscal Year 2001 Annual Plan, and as currently estimated (and as reflected in the Fiscal Year 2002 Annual Plan), including a brief explanation of changes to schedule or capital budget impact is included. As with any ongoing planning work, project scope often changes during the design process, as can schedule. In addition to the budgets reflected below, and additional \$4,025,700

was included in the operating budget for capital/EM work. Of this, \$1,904,723 was expended, as the scheduling delays reflected below significantly impacted fiscal outlays. These unspent funds are fully committed to work already in planning or construction, and have been rolled over into the CHA's Fiscal Year 2002 budgets.

Of significant impact to the schedule this year was the CHA's decision to delay some design work in order to solicit a new indefinite quantity contract with an A/E firm, as work under a previous contract had not been to the CHA's standards. The CHA uses a house doctor model for smaller construction design work, using a single solicitation to put under contract one or more architectural firms who are then on retainer. Overall, the model has been successful in reducing the administrative burden and costs of minor solicitations.

Over the past year, a number of significant capital improvement and extraordinary maintenance projects have been completed. These include:

- Completion of the redevelopment of Corcoran Park, through capital grant funds and a Major Renovation of Obsolete Public Housing (MROP) development grant; 153 units were comprehensively modernized, including new kitchens and baths, an electrical system upgrade, lead abatement and full compliance with accessibility (Section 504) requirements, as well as a new community and management building and garage, extensive site work including new porches, regarding, landscaping and the construction of a new road way to better integrate the development into the surrounding neighborhood;
- Common Area improvements at four elderly developments, including LBJ, Millers River, and Burns. This work provided new entryway schemes and other common area improvements to provide improved lighting, better circulation and more inviting, marketable spaces;
- Roof repairs to three developments, Millers River, Burns and LBJ to help abate leaking problems;
- Site work at Valentine Street and Weaver to make the sites more attractive and more in keeping with their surrounding neighborhoods;

- Caulking work at Millers River and LBJ to address systemic leaks and air infiltration problems. The leaking problems at these building have been chronic since construction, and the CHA continues to pursue improved techniques to abrogate the problem, including recaulking work every several years;
- New roofs at Robert C Weaver Apartments, an elderly development; 121 Jackson Street family housing; Putnam Gardens family housing;
- New bi-fold and bypass doors at Washington Elms, Fairmont and Valentine Streets
- Cycle Painting of occupied units at Millers River and Truman;
- Pipe Insulation for energy improvements at five developments.

The following work is either under construction or in the planning phase:

- Replacement of the emergency generator at Truman apartments;
- Systemic leak problems at both family and elderly developments are being assessed and strategies developed. The CHA has retained the services of a “leak doctor,” a specialist engineer to advise us on how best to address the ongoing issues of water and air infiltration;
- Replacement of the air handlers at Burns apartments for improved ventilation;
- Elderly modernization design work, including kitchen and bath replacement and the possible enclosure of balconies to provide additional living space. CHA is attempting to address the challenge of a large mix of very cramped, unattractive studio apartments;
- Burns apartment envelope work, which includes the installation of new windows and balcony enclosure, is in the design and tenant review phase. It is not part of the larger kitchen, bath and balcony modernization, but will eventually undergo its own kitchen and bath upgrade project;
- Jefferson Park site work to be completed over the summer will conclude phase two of a multi-phase plan intended to make the site more workable. Phase 2 and 3 focuses on



the four buildings in the Jackson Circle area, including a large common space and front and back doorways;

- Replacement of cabinets at Washington Elms, which is on a cycle. Washington Elms was comprehensively modernized almost 20 years ago and its kitchens are showing signs of wear; the CHA is trying a replacement reserve model with the kitchen cabinet project.
- Replacement of windows at Putnam Gardens and Jefferson Park.
- Conversion of Millers River all-electric heating and domestic hot water systems to natural gas.

Elderly Housing Issues

During Fiscal Year 2001, the CHA has continued to respond to the needs of the current elderly population of Cambridge and to prepare for the aging of the baby boom generation, the latter of which is expected to create a significant increase in the City's elderly population. The CHA's Annual Plan Fiscal Year 2001 noted that the CHA would focus during the year on modernization and development of new models for housing choice for the elderly; and changes to the elderly local preferences. Modernization and program diversification goals were achieved through the CHA's progress in the construction and redevelopment of the Mayor Michael J. Neville Nursing Home, the elderly HOPE VI project at John F. Kennedy Apartments, and through modernization and market assessments.





Neville Manor

The CHA’s Fiscal Year 2001 Annual Plan briefly summarized the CHA’s plans to begin construction and redevelopment of the Mayor Michael J. Neville Nursing Home, a community resource for over 70 years that has been crucial in meeting the needs of low-income Cambridge elders, but which was at significant risk until the CHA developed a plan to redevelop and expand the facility. The Annual Plan Fiscal Year 2001 stated that between thirty and fifty Leased Housing subsidies would be allocated toward the conversion of the Neville Manor Nursing Home into an affordable assisted living facility and affiliated nursing home, thereby nearly doubling the number of assisted living units in Cambridge currently available to low income elders. The total development cost of the project was estimated at approximately \$12.5 million, with the project scheduled to enter construction in summer 2000. This section provides an update of the CHA’s progress in meeting the goals outlined in the Fiscal Year 2001 Plan, as well as a more detailed explanation of the Neville project and the CHA’s involvement.

The CHA’s participation in the redevelopment of Neville Manor reflects the Authority’s ongoing work to responsively address local housing and related needs. The circumstances precipitating the CHA’s involvement in the project, and the CHA’s response to those circumstances, illustrate the agency’s capacity and commitment to creatively address these needs. In part through the flexibility afforded under the MTW Deregulation Demonstration, the CHA has been well positioned to take a leading position in the continuation and enhancement of this critical community resource.

Despite a crucial role in helping to meet the health care needs of low-income Cambridge elders, for several years the viability of Neville Manor Nursing Home has been jeopardized by an operating deficit that the Cambridge Public Health Commission was increasingly unable to subsidize. In November 1996, the Commission issued a Request for Proposals for redevelopment of the facility, in the hope of preserving Neville Manor as a resource for low and moderate-income Cambridge seniors. With a shift in its mission or even closure of the facility possible in the absence of a non-profit response to the RFP, the CHA recognized the detrimental impact such an occurrence would





have, both for the community at large and most particularly for residents of CHA elderly housing, the latter of whom have a limited range of options as they age and require increased care.

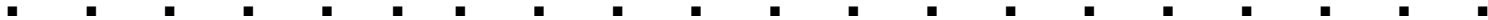
In response to this situation, the CHA assembled a four member, joint-venture development team to respond to the Request for Proposals. The proposal developed by Neville Community Partners (NCP), the name of the joint venture assembled by the CHA, called for the adaptive reuse of the existing Neville skilled nursing as a mixed-income affordable assisted living community with the bulk of the units accessible to low- and moderate-income elders. The second component of the proposal involved construction of a new skilled nursing facility on the site. Collectively, the facilities would offer a continuum of care for Cambridge elders with a range of housing and health care needs: from individuals needing limited assistance with daily living activities, to specialized care for persons with memory impairment, and full-scale nursing care for very frail seniors.

In April 1997 Cambridge Public Health Commission chose the redevelopment plan developed by NCP as the proposal most consistent with the stated goals of its RFP, and selected Neville Community Partners with the CHA in the role of lead developer. Over the ensuing four years, the CHA and its partners have negotiated an array of legislative and regulatory approvals needed to implement its proposal. A major milestone was reached on the assisted living project in October 2000 when renovation work began. Design work and financing on the skilled nursing facility are in the process of being completed and secured, respectively.

Assisted Living

As noted previously in this section, physical redevelopment of the existing Neville Manor Nursing Home began during Fiscal Year 2001. The conversion of the existing structure into a 71-unit mixed income assisted living facility is scheduled for completion and occupancy in November of 2001. In accordance with the goals set out in the Annual Plan Fiscal Year 2001, the CHA allocated 39 Leased Housing certificates (30 project-based, 9 mobile) toward the project to make the assisted living facility accessible to low and very low-income elders. An additional 18 residents with incomes between 50 - 80% of AMI will be housed. The financial flexibility afforded under the MTW Deregulation Demonstration enabled the CHA to allocate Leased Housing certificates to Neville





Assisted Living in advance of HUD’s issuance of regulations on the use of such certificates in assisted living facilities. Along with the operating subsidy available through the Leased Housing program, the project is utilizing capital funds from a variety of sources, including low income and historic tax credits, CDBG and HOME funds, and a grant from the Federal Home Loan Bank of Boston.

Skilled Nursing Facility

Along with the conversion of the existing skilled nursing facility to a mixed-income assisted living facility, the redevelopment of Neville Manor will involve construction of a new, 112 bed skilled nursing facility on a different part of the same site. This component of the Neville redevelopment is particularly important to Cambridge elders, as the City has lost 50 percent of its skilled nursing home beds over the last three years. Design work for the new skilled nursing facility is now currently underway and is scheduled for completion to allow for a financial closing in October 2001. The project is to be funded primarily through HUD-insured bonds. Construction is currently projected to begin upon the financial closing.

HOPE VI for the Elderly

During Fiscal Year 2001, the Cambridge Housing Authority continued its steady progress on a second major development/redevelopment effort in the area of elderly housing; the CHA’s HOPE VI Revitalization of John F. Kennedy Apartments.

The CHA is one of only five housing authorities nationwide selected to participate in HUD’s HOPE VI demonstration for the revitalization of public housing for the elderly and disabled. The CHA’s vision for this revitalization is ambitious. The plan addresses the immediate need for building improvements at the existing John F. Kennedy Apartments, while integrating a broad and encompassing supportive services program to respond to the needs of the CHA’s growing population of frail seniors. The plan also responds to the intensifying affordable housing crisis across the City, and the particular need for alternative affordable housing options for younger disabled households.





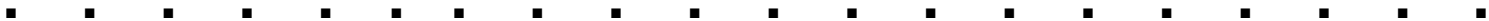
Phase I of the project encompasses the renovation work at Kennedy Apartments. The plan includes extensive renovation to this 8-story, 83-unit building, including new kitchens and baths, complete new electrical and ventilation systems, upgrade of plumbing and heating systems, window replacement, roof replacement, enclosure of balconies, and conversion of undersized studio units into one-bedroom apartments. The revitalization plan also incorporates the creation of an innovative new supportive service program on site for CHA's growing population of frail seniors. Upon completion of the renovation work, the Kennedy Apartments building will include 44 independent public housing units and a new 25-unit affordable assisted living program on site.

The CHA's revitalization plan also includes acquisition of off-site condominium units to replace the affordable units that will be lost on site by the renovation. These units will be set-aside for low-income younger disabled households. The acquisition will be funded primarily through the City of Cambridge, the Commonwealth of Massachusetts Department of Housing and Community Development and Department of Mental Health, and East Cambridge Savings Bank. The CHA's plan also includes the creation of new shallow subsidies for low-income families, created by the transfer of public housing subsidies that will become available at Kennedy Apartments by the planned renovation and reconfiguration of units.

The CHA's HOPE VI program continues to emphasize resident participation, community collaboration, innovative building design, and inventive supportive service programming to provide an integrated program of housing and services to benefit the entire Cambridge community. The effort is unusual for the HOPE VI program, as there will be a net gain of affordable units.

The CHA's Fiscal Year 2001 Annual MTW Plan outlined as goals for the HOPE VI project during FY01: completion of schematic design work, with a projected construction date of fall of 2001; acquisition of four of the fourteen off-site replacement condominium units; pursuit of additional funding in the form of tax-exempt bonds, tax credits, and other state and local funds; and completion of HUD's Demolition/Disposition process for the Kennedy Apartments building.

The CHA will utilize the \$5 million HOPE VI grant to leverage substantial additional funding to complete this renovation work. At the center of the financing plan is the use of tax-



exempt bonds and associated tax credits issued by the Massachusetts Housing Finance Agency to generate more than \$8 million in tax credit equity to fund the project. The CHA's equity partner for the project is the Massachusetts Housing Investment Corporation. Other sources of funds include the Commonwealth of Massachusetts, the City of Cambridge, the Federal Home Loan Bank, the Cambridge Housing Authority, and East Cambridge Savings Bank. All of these funds were secured in Fiscal Year 2001.

In order to utilize the tax-exempt bond financing and associated tax credits, the Kennedy Apartments building will be sold to a new sole-purpose limited liability corporation, to be controlled by the CHA's tax credit equity partner. The CHA, through an affiliate organization, will serve as the Manager of the LLC. The purpose of this change in ownership is to provide the appropriate legal structure to allow for the use of tax credit equity to fund the project, to provide separation between ownership entities as required by the use of tax-exempt bond and tax credit financing, to allow for the arm's-length sale of the Kennedy Apartments building needed to increase the eligible tax credit basis for the project, and to provide separation between the CHA and its affiliate in relation to project guarantees. This ownership structure was outlined in both the HUD-approved Demo/Dispo Application, which was completed in Fiscal Year 2001, and in the Phase I Mixed Finance Proposal, which was submitted in the first quarter of Fiscal Year 2002.

In addition, in accordance with the approved MTW plan, the schematic design work was completed at Kennedy Apartments in Fiscal Year 2001, as well as substantial progress on the construction documents. The documents are anticipated to be complete in September of this year, in preparation for the public bidding process and start of phased construction before the end of the calendar year. In Fiscal Year 2001 the CHA applied and received HUD approval of its disposition plan for the Kennedy Apartments. The CHA also secured all of the funding needed to complete the renovation work at Kennedy Apartments, and submitted a Mixed Finance Proposal detailing the financing plan. The CHA has been working diligently to negotiate the various contracts, loan documents, and other agreements required to complete the construction financing, and expects to close on the complicated financing for the renovation work in late fall of 2001. Renovation work is expected to commence shortly thereafter. Due to the complicated on-site relocation plan, construction is anticipated to require a total of 24 months, with the first units being completed by



November 2002 and the entire renovation work complete by December 2003. Off-site resident relocation was completed in December 2000 in anticipation of the start of work.

In addition to securing funding for the renovations at Kennedy Apartments, the CHA has also been actively pursuing funding sources for the purchase of the fourteen off-site replacement condominium units included in the HOPE VI Revitalization effort. In Fiscal Year 2001, the CHA successfully acquired three of the fourteen replacement units. In the first quarter of Fiscal Year 2002, an additional three units were purchased, with two more placed under agreement in this same time period. By the end of Fiscal Year 2002, we expect to have purchased 10 of the 14 units, with all 14 units acquired by December 2003.

The third key feature of the CHA's HOPE VI Revitalization effort is the creation of new shallow subsidies for low-income families. The CHA proposes transferring public housing subsidies at Kennedy Apartments that would otherwise be lost by the planned renovation work to another housing development to create new subsidies for low-income families. This element of the plan was included in the CHA's approved disposition application for the Kennedy Apartments building. This aspect of the project has not yet been fully developed. We expect to focus attention on the plan once the renovation work at Kennedy Apartments has commenced.

Elderly Development Modernization

In addition to its activities at Neville Manor and the Kennedy Apartments, during FY01 the CHA continued its efforts to respond to the needs its elders by focusing on the modernization needs of the elderly properties and service need to assess and develop more service approaches. Completion of modernization and service needs analysis is important now, while demand for elderly housing is relatively low, so that the CHA is prepared for the increase in demand that is expected in the coming decade and to strengthen its capacity to meet the needs of its current residents who are increasingly frail. The CHA is able to use the fungibility allowed in the MTW Deregulation Demonstration to use capital and extraordinary maintenance funds to address a future local need today because such foresight will save money and will have apartments ready for occupancy as demand spikes.



During FY01, the CHA began exploring a number of innovative approaches to elderly modernization, including the following: reconfiguring small studios and one bedroom units to better address market demand and the physical needs of an increasingly frail elder population; changing bathrooms and kitchens to provide more marketable, supportable independent living; enlarging total living space through the enclosure of balconies or additions to existing buildings; using common area improvements and redesign to reinforce the goal of allowing elders to remain in their homes as long as possible; and improving the structural integrity of buildings, many of which experience envelope problems due to their initial design and construction. This conceptual and design work will continue into the coming year.

As part of elderly modernization, special attention has also been paid to community spaces, making certain there are comfortable “living room” areas to promote quiet conversation and socialization in addition to areas for larger community functions. Such common areas have been refurbished, with drapes and artwork and floral arrangements added, as part of this effort to make such areas more appealing to residents.

Elderly Former Cambridge Resident Preference

In Fiscal Year 2001, the CHA instituted a waitlist preference for elders (aged 60 and older) with significant ties to Cambridge. This preference is meant to address the needs of potential or current applicants who have already moved out of Cambridge due to the rising rents, without realizing that they were eligible for elderly housing, due to family demands, or because they could not apply for the development of their choice. This is also meant to provide elders a preference equivalent to the preference for family applicants who work in Cambridge, as elders are often retired and can no longer qualify as residents through their work. This preference was expected to have minimal overall impact and was intended to provide CHA with maximum flexibility in providing appropriate housing choice to seniors, particularly those who need to be near family, institutional or social service support. Thirty-four applicants were qualified for this preference in Fiscal Year 2001, and three were placed. The CHA intends to continue the preference in coming years.



Elderly Eligibility Age Change

Under the MTW Deregulation Demonstration agreement, CHA is allowed to drop the age to 55 for admission to our Federal Elderly developments. In Fiscal Year 2001, CHA retained the right to amend the definition of elderly to include applicants no younger than 60 years old. This amendment would bring the Federal developments in line with the State developments. An individual who is 60 years must now wait for either a family one-bedroom apartment, our longest list, or wait for State elderly housing. Making the age criteria uniform would simplify eligibility and expand housing opportunities for these individuals by lessening their time on the waiting list.

Because implementation of this initiative requires amending the CHA’s Designated Housing plan – the plan that sets a ceiling/floor of 13.5 percent per elderly development total residents who are non-seniors with disabilities – the CHA decided to defer changing the definition until Fiscal Year 2002, when the Designated Housing elderly allocation plan is required for resubmission to HUD.

Biannual Recertification Change

In the MTW plan for Fiscal Year 2001, the CHA discontinued one of its initial MTW Deregulation Demonstration policy changes, biannual recertification for elders and persons with disabilities. Although the intent of the initial move to biannual recertification was made in order to provide residents and managers with a less burdensome process, in implementation of the policy the CHA has found that most residents opted to recertify annually due to complex deductions. During Fiscal Year 2001, the CHA found that resurrecting the annual recertification process was no more administratively burdensome, and that many managers feel that ensuring face-to-face contact with each tenant is important. The CHA will continue with annual recertifications for all residents.



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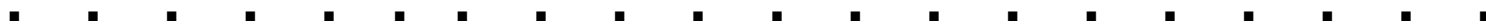
Other Elderly Initiatives

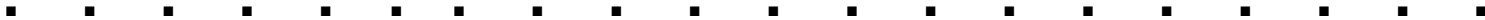
The CHA continued to expand elderly initiatives during Fiscal Year 01. The Housing Authority began a pilot English as a Second Language (ESL) program at the Lyndon B. Johnson development and hopes to expand the ESL program to other sites.

The CHA was also awarded a grant for one of its State Elderly developments to develop a services enriched senior housing program. This program is a step beyond elderly housing and a step below assisted living on the continuum of care. It provides case management and personalized homemaker services, 24 hours a day; personal care service; a full-time staff person to coordinate individual service plans and activities; and meals seven days a week. This program also provides these services, at a reduced cost, to individuals not in the plan, but in need of temporary assistance. For example, if a resident catches the flu and needed a homemaker to perform grocery shopping and laundry, that resident could procure the homemaker services at a reduced cost. If this pilot program is received positively, the CHA, under the flexibility of the MTW Deregulation Demonstration, may expand this model to one or more of its federal elderly developments.

Local Leased Housing Program

The CHA currently has 1,238 units of housing under lease through its MTW Local Leased Housing (Section 8). Maintaining high levels of utilization in these Leased programs continues to be a challenge to CHA because of the scarcity of affordable, quality housing units in the City of Cambridge. According to a rent survey study by Harvard Planning and Real Estate, the average cost of a 2-bedroom apartment soared to \$1,868 (without utilities). With Exception Fair Market Rents for a 2-bedroom apartment of \$1,175 including utilities, it is no wonder that voucher program participants' rate of success in finding units decreased to 55 percent. Thus, CHA's efforts in the past year focused extensively on marketing the Local Leased Housing program to new owners, negotiating with existing owners to keep affordable units in the program, and assisting voucher holders in the housing search process.





Overall utilization in the program has slightly increased, a strong success in light of what the program utilization would be absent the demonstration and as experienced by many of CHA's neighboring communities. An in-depth analysis of the CHA's Leased Housing program efforts under the MTW Deregulation Demonstration is included in this Report as Appendix Three. In summary, the CHA has found that MTW is crucial to its ongoing success in the Leased Housing program for the following reasons:

- The ability to respond to an ever changing, local real estate market by determining rent levels and policies appropriate to the City and its individual neighborhoods, rather than using HUD's SMSA-determined standards. This flexibility is important not only in determining initial rent levels, but in allowing for responsiveness around renewals of in-place units, as well.
- Local determination of appropriate policies and procedures that not only make the program appealing to landlords, but also "normalize" it and conform to the standard real estate practices of the local market. For example, vacancy payments provide incentives to landlords to deal with a bureaucratic process they could otherwise avoid, while damage claim payments substitute for the conventional deposit other renters provide.
- Aggressive pursuit of more permanent forms of affordable housing provision, as Cambridge's past has shown that market forces preclude the provision of housing affordable to families and the elderly. This includes the CHA's continuing efforts to project base as much of the Leased Housing program as possible.

Nationally, the CHA sees that efforts must be made to streamline the voucher program, adjust rent levels, and allow local agencies to tailor program requirements in response to local housing market needs and conditions. This will require simplification of the regulatory structure and greater flexibility in the determination of rents and leasing terms. Recognizing that housing markets have unique features and cannot be painted with a "broad brush" of federal regulations is a critical first step in reassessing this vital housing resource.





Program Overview

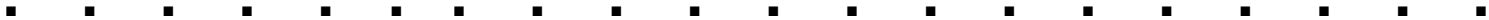
In order to enhance participants' likelihood of finding and maintaining an affordable leased unit, the CHA continued its implementation of the MTW-authorized Local Leased Housing Program. Under the MTW Deregulation Demonstration, CHA has the ability to determine the following components of the Local Leased Housing Program (which also apply to the Project Based Program):

- Determination of rent reasonableness and rent adjustment factors
- Percentage of the program to be project based
- Implementation and tracking of rent policies established in this and previous MTW Plans
- Vacancy payments to landlords
- Payments to landlords to compensate for the period of time a unit must sit vacant during processing and inspection before lease up
- Compensation for tenant caused damages
- Fair Market Rents
- Lease length, certificate expiration and reissuance
- Waiting list and tenant selection procedures
- Content of housing assistance payment contracts and contractual rental agreements.

In its Fiscal Year 2000 MTW Annual Report, the CHA described a number of policies and procedures that have been put in place to implement the Local Leased Program including:

- Allowance for tenants to exceed 40 percent of their income for rent if they requested and could demonstrate the ability to meet such a high rent burden.





- An extension of the voucher/certificate expiration date beyond the then-current allowable term (sixty days with an additional sixty day extension at the request of the participant) for an additional 30 days if the family could demonstrate a diligent housing search.
- A provision that allows the CHA to provide damage payments to owners and vacancy payments to owners if a Leased Housing tenant moves from an apartment under a subsidized lease provided that the landlord agrees to take another Leased Housing program participant.
- CHA will allow owners to seek compensation for tenant-caused damages for an amount not to exceed two months contract rent less the tenant's security deposit.
- Modified income limits to allow a small number of applicants between 50 to 80 percent of area median income (AMI) to participate in the program in cases of emergency or where the receipt of rental assistance will allow the CHA or a non-profit to secure a unit's affordability for the long term. A breakdown of the AMI categories can be found in Appendix Ten, Table 10 – 6.
- CHA will use federal resources to augment and preserve the state-funded Massachusetts Rental Voucher Program such that payments are now made up to the 120 percent of FMR level.

These program elements continued to be implemented during Fiscal Year 2001. MTW Deregulation Demonstration flexibility has also played a critical and essential role in helping to maintain Leased Housing as a viable program within the Cambridge housing market. Over the past year, it has allowed the agency to:

- **Reduce displacement through maintaining good quality units and responsive landlords in the program**
 In light of the prevailing market conditions, many landlords are opting out of the program in order to get much higher non-subsidized rents. This puts the current subsidized tenant at grave risk because the likelihood of finding a new apartment in



Cambridge is very low. To minimize displacement, CHA has implemented a program of direct, individual negotiations with owners prior to the lease renewal date. CHA has hired a staff person to market the program to owners and to negotiate renewals and rent increases. Every owner who indicates that they intend to terminate participation in the program was contacted to: 1) determine the reason for termination, and 2) to identify ways to keep the unit in the program. The ability to exceed annual adjustment factor percentages (subject to a rigorous rent reasonableness standard) and to increase rents prior to the annual anniversary date (applied in special circumstances, including new ownership, and in instances of never-ending leases) has been critical to the success of these negotiations.

- **Recruit new owners into the program through financial incentives**

Competing for scarce affordable housing units in the Cambridge housing market is a daily struggle for voucher holders and staff. In an attempt to enhance the program's marketability, CHA has implemented incentives designed to make the Leased Housing program more competitive. Through the MTW Deregulation Demonstration's flexibility, CHA will under certain conditions pay owners up to one month's rent for damages beyond wear and tear and up to one month's rent should the tenant vacate without notice or owing rent. These approaches were previously allowed under the Section 8 regulations. CHA has found that they are an important part of an overall owner marketing strategy.

- **Improve the program's image in the landlord community**

CHA has placed a high priority on marketing the program features to the entire real estate community including current and prospective property owners. A significant step in this effort was to conduct a survey in Fiscal Year 2001 of all current owner participants to assess satisfaction with the program and identify ways that program administration could be improved. The results of this survey are attached as Appendix Five of this Report. As a result, several program changes were made including increasing the frequency of monthly check production, 24-hour turnaround on inspections and leasing and other administrative improvement efforts. Further, CHA has implemented an ongoing marketing strategy to promote awareness of the

program and its benefits. Last year, this included an aggressive communications strategy targeting brokers, rental agents, institutional landlords and members of landlord associations. A newsletter was produced, presentations were made at meetings and media coverage was actively solicited.

- **Provide direct support to participant housing search efforts**

Leased Housing program participants need a high level of support in order to compete in the Cambridge market. In Fiscal Year 2001, CHA conducted surveys of both successful and unsuccessful program participants to try to better understand factors influencing a successful housing search. The results of this survey are attached as Appendix Four; they indicated that:

- 1) Participants overwhelmingly want to stay in Cambridge;
- 2) The lack of affordable units in Cambridge is the number one problem for participants;
- 3) The most successful housing searches result from “word of mouth” referrals;
- 4) Contacting owners based on newspaper advertising is the most frustrating and least productive mode of housing search. The CHA has also continued its contract with a local non-profit to provide housing search assistance to primarily disabled voucher holders.

All of the initiatives cited above have helped CHA to maintain its current level of program utilization and participant success rates. However, these measures provide only a “stop gap” solution. The fundamental problems of high private market rent levels, intense competition and limited supply are expected to continue and accelerate over the next year.



Project-Based Leased Housing Program

The CHA currently has in place 146 units of Project Based assistance, 178 under agreement, and 64 pending units, for a total of 388. This represents an increase of 145 units from Fiscal Year 2000. Project based units are particularly important in Cambridge because of the extremely high market rents and the limited number of available units. Further, participants in CHA housing programs overwhelming indicate their preference to continue to live in Cambridge.

In order to address the need to impact supply, the CHA undertook a planning effort in Fiscal Year 2001 to develop a local Leased Housing Project Based Program consistent with the MTW Deregulation Demonstration Agreement. This planning effort involved discussions with local property owners including neighborhood-based, non-profit organizations with prior Project Based experience. The CHA's revised Leased Housing Project Based Program design reflects this input as well as the agency's prior successful experiences administering the program. The CHA's approach focuses on simplifying and streamlining the application process while building more flexibility into the program in response to Cambridge housing market conditions.

Under the MTW Deregulation Demonstration, the CHA is allowed to make local determination in its Project Based Program of the following program elements:

- Criteria to establish a reasonable, competitive process for project basing leased housing;
- Criteria for selection of those units, including certification to HUD that site and neighborhood selection requirements have been met;
- Criteria for expending funds for physical improvements on those units, expenditure requirement and the timing of rehabilitation and construction of units;
- Determination of the types of funds that may be used to rehabilitate or construct units; and

- Adoption of procedures to determine whether or not units meet the CHA's requirements regarding rehabilitation and construction, including what information is required to be submitted by owners to CHA.

In addition to the above elements, under the MTW Deregulation Demonstration, the CHA retains the ability to apply the relevant management components of its local leased housing program to the Project Based program. These additional components are discussed in the Local Leased Housing program narrative.

CHA's locally determined Leased Housing Project Based Program will be implemented in Fiscal Year 2002 using the Request for Proposals included with this Annual Report as Appendix Six of this Report. The following are key elements of the revised program:

- CHA will establish an open application process that will extend over a one-year period. During that time, CHA will evaluate and make decisions on proposals as they are received using CHA determined criteria.
- CHA will not require a minimum or maximum percentage of project-based units in any given project. Each project will be evaluated on its merits.
- CHA's selection criteria will provide higher points to units that are at or below 120 percent of FMR; however, there is no specific rent or rent increase cap, subject to CHA's determination of rent reasonableness determination to make
- CHA will not require submission of an AHAP or expenditure of a minimum level of rehabilitation or new construction funds.
- Certification to HUD that site and neighborhood standards have been met will not apply in the case of project basing of "existing" units, consistent with HUD's Initial Guidance published in the Federal Register of January 16, 2001.
- CHA will enter into contracts for period up to ten years.



In conformance with the new regulation, the RFP specifies that CHA can enter into leases up to 10 years subject to funding availability and program regulation extension, since a 10-year term will extend beyond both the MTW Deregulation Demonstration agreement and CHA's existing ACCs. As the new regulation also eliminates the previous prohibition on using PBA funds for units constructed or rehabbed with US Housing Act funds, the RFP intentionally does not include any such restrictions. Finally, the CHA program eliminates HUD review of the selected proposals or rent levels.

Ongoing Development Activities

The CHA uses its ongoing development activities as one of the primary methods of preserving long-term affordability in the Local Leased Housing program. Although the difficulty of making any substantial gains in development in the Cambridge market make the total number of potentially developed units seem minor to an outside observer, even a single unit increase in the affordable housing stock represents an important expansion of housing opportunity for low income Cambridge residents. When the units developed directly by CHA and its non-profit affiliate, the Cambridge Affordable Housing Corporation (CAHC), are taken in combination with the resources the CHA provides to outside organizations, the important role the Authority plays in the preservation and development of affordable housing resources in Cambridge is clear. It is also clear that CHA/CAHC would have been unable to develop the vast majority of the units described below absent the demonstration. The MTW Deregulation Demonstration also has allowed the non-profit community to develop additional units that would have been impossible without the regulatory and financial flexibility of the demonstration.

Over the past three years, the CHA, through its various affiliates, has acquired or is in the process of acquiring, 80 units of housing located throughout the City of Cambridge. The initial goal of 25 units, all as individual condominium units, has shifted given the real estate acquisition opportunities that the CHA has been presented with during this time. A total of 5 individual condominium units have been acquired. Funds previously earmarked for additional condominium units were shifted to acquired a total of 75 units at three different sites. The CHA remains active in pursuing both additional condominium units as well as small properties.





Ashton Place is described in detail below. As noted previously, the CHA has purchased or is in the process of acquiring 8 of 14 condos for the HOPE VI program and will continue to seek additional units for that program as well.

217 Western Avenue

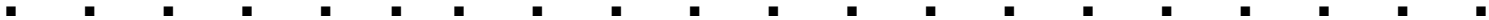
CAHC embarked on a significant development opportunity by being selected as developer of 217 Western Avenue, an existing four unit building that will be converted to six permanently affordable housing units. The building will be substantially rehabbed, with the resulting six units to be leased to low-income residents through the Leased Housing program. In Fiscal Year 2000 the owner of the property, Riverside Cambridgeport Community Corporation, a local non-profit agency, solicited proposals from various non-profit housing entities. CAHC was chosen from among several interested not-for-profit development organizations. Terms of the property's transfer to CAHC were being negotiated at the start of Fiscal Year 2001.

During Fiscal Year 2001, a purchase and sale agreement was signed and CAHC acquired the building in March. Central to the agreement was the dedication of the building for low income residents below 60 percent of Area Median Income. The CAHC has engaged the services of an architect, Winslow Architects, Incorporated and plans to start construction in November 2001. To fund construction, CAHC intends to utilize a construction loan provided by the Cambridge Trust Company, a local lending institution. These monies will be coupled with funds provided by the Commonwealth of Massachusetts, the City of Cambridge, and CHA's own MTW Deregulation Demonstration funds. The construction loan will be retired with funds provide by MHP.

Lancaster Street

The flexibility of the MTW Deregulation Demonstration, coupled with substantial funding from the Cambridge Affordable Housing Trust (CAHT), Harvard University, and East Cambridge Savings Bank, a local bank, allowed the CHA to take advantage of a new and exciting opportunity to purchase the 65-unit 8-10 Lancaster Street development during Fiscal Year 2001.





provided primarily by the Cambridge Trust Company. Other funders include the City of Cambridge, the Commonwealth of Massachusetts and the CHA. Part of the City of Cambridge funds will come from Harvard University, through the University's 20/20/2000 initiative. A permanent loan will be provided by MHP.

Changes to Management and Budgetary Procedures

Several major efforts, including Project Based Budgeting (PBB) and changes to the inventory and work order systems, are being made in response to the demands for accountability that greater regulatory flexibility demands. These efforts will ensure that the CHA achieves greater efficiency in its program management.

Resource Allocation and Project-Based Budgeting

CHA has included the establishment, evaluation and refinement of project-based budgeting, intended to provide more accurate financial measures of each individual development as a goal of its MTW Deregulation Demonstration program since its first Annual Plan in Fiscal Year 2000, and has refined its PBB practices each year. The link between the MTW Deregulation Demonstration and PBB is a strong one. Although it is true that PHAs can, as many do, track operating costs in a project-based manner, under the conventional operating budget, the issue of resource allocation is largely absent.

While changes to Capital Fund expenditure rules allow for a certain percentage of that budget to be applied directly to operating expenses through line item changes, and the operating budget can provide capital funds through Extraordinary Maintenance, these are fairly limited ways in which resource allocation patterns can be determined, and both restrict and protect the funds available to the developments to the two subsidy streams. Moreover, the budget planning and reporting processes for these subsidy streams were, until recently, on markedly different schedules. Conventionally



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funded PHAs operate within fairly strict lines on the total operating budget, and PBB is a way to divide up a pie that is a more or less set size.

Under the MTW Deregulation Demonstration, with full fungibility between three federal funding sources (capital, operating subsidy, Section 8 monies) and three local funding sources (tenant rents, other income and utility savings), the question of resource allocation becomes much more important. Allocation of property based costs and the establishment of property-driven budgets becomes a much more important management tool. The conventional public housing program, which before had a very clearly defined universe of available funds, must now be considered in a context that also weighs the costs and benefits of housing provision through Leased Housing subsidies and through development. The distinction between Extraordinary Maintenance and capital funds, which are often structurally segregated in PHAs, also becomes less clear.

In resource allocation for the Fiscal Year 2001, the CHA made its first major steps towards a consolidated budget process, establishing property-based discretionary budgets based on intended expenditures outside the context of the Performance Funding System(PFS)/Operating Subsidy formula. Significant changes to overhead allocation were also made. Planning efforts for capital improvements and extraordinary maintenance were consolidated, including the division of work items between operating and capital budgets. Leased Housing program funds allocation, including the establishment of a clear budget for Housing Assistance Payments (HAPs) and an internal allocation for the number of subsidies appropriate to issue given other budgetary demands, was considered in the context of the development of permanent housing resources.

CHA expects to further refine both its budgetary and financial reporting procedures in the coming fiscal year in order to take advantage of the fungibility the demonstration provides. Few, if any, models for this transition and for financial management of combined resources exist. Transition to new software and an internally-developed, CHA-specific chart of accounts will help with coming changes.





Procurement Procedures

The decentralization of purchasing authority to provide managers with a more autonomous, efficient system was aided this year by a long-overdue revision to the Commonwealth's procurement guidelines. These changes, which more than doubled the definition of small purchases requiring public bid from \$10,000 to \$25,000 allowed the CHA to make substantial revisions to its procurement policy. Internally, an automated review and approval system now allows managers to procure goods and services directly, with purchase orders generated on demand. The exception is for items needing to be put out to public bid, which is still done centrally. Both on site management staff and the central management operation have been very pleased with the improvement to the system, though changes to improve its efficiency—mostly software driven, technical challenges—will need to be made in the coming year. An annotated copy of the revised Procurement Policy, incorporating these changes, is included in this document as Appendix Seven of this Report.

Revisions to procurement practices in order to take better advantage of bulk purchasing and related savings were delayed due to software limitations and internal resource commitments to the decentralization of purchasing authority and the work order/inventory tracking pilot program.

Work Order/Inventory Tracking Pilot Program

The CHA currently expenses goods and materials to conventional sites when those goods are either purchased by sites or issued from the CHA's Central Stockroom to sites. In December 2000, however, the CHA began a pilot program at an elderly development, Daniel F. Burns, and a family development, Putnam Gardens, to track inventory through the work order system. Rather than expensing inventory to sites when items are issued to sites, the pilot program expenses specific goods and materials when they are used to complete work orders. The goal of the pilot program is to ensure more accurate valuation, safeguarding, and tracking of inventory and to reduce pilferage and shrinkage of site inventory. Because the program has worked well, it was expanded this year to



Washington Elms and will soon be expanded to Millers River. Incremental changes to tracking procedures and inventory items have been made to better reflect work practices.

HUD's Increasing Data Requirements

Over the past year, CHA has continued implementation activities associated with the procurement of a new software system and related network and equipment upgrades. During this period, CHA provided additional staff training, developed management reports and worked to maximize staff utilization of the new system. CHA also implemented new computer user and Internet access policies accompanied by agency-wide training.

Under MTW, CHA does not utilize the standard 50058 form to report tenant characteristics to HUD; however, in early 2000, HUD proposed major modifications to the standard 50058 reporting format as well the creation of a new MTW-specific 50058 reporting form. These modifications are part of HUD's new Public Housing Information Center (PIC) system, an initiative that will greatly increase the reporting and information collection requirements for all PHAs including MTW agencies.

Under the new PIC system, PHAs will be required to submit highly detailed reports to HUD on agency operations including information on every public and leased housing unit and resident. While CHA is concerned that this effort is counter to the spirit of deregulation embodied under MTW and the Public Housing Reform Act, we are even more concerned about the lack of careful planning that has accompanied the roll-out of the new PIC initiative coupled with the high cost and administrative burden that these requirements will place on PHAs.

CHA and other MTW agencies have expended a significant level of technical staff resources to review and respond to HUD's proposal with the goal of streamlining the MTW reporting system. The MTW agencies submitted a proposed revision in May 2000; however, the response was not positive. After more than one year of dialogue, the MTW 50058 reporting format has still not been finalized.



CHA will continue to monitor developments and respond to HUD's requirements related to PIC and 50058 submissions; however, we are concerned about the potential costs and administrative burdens and uncertain as to the public benefits associated with these complex information systems.

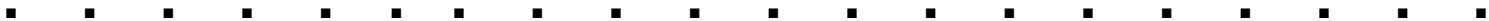
Implementation of Development Choice

In the first year of the MTW Deregulation Demonstration, the Leasing and Occupancy Department (L&O), in conjunction with the Management Department, began implementing a new public housing unit assignment system based on development choice. Under this system, the central waiting list was replaced with 15 family development lists, 10 elderly development lists and 4 "First Available" lists (Family federal and state, Elderly federal and state). Full conversion to development choice was completed in April 2000, with Fiscal Year 2001 being the first full fiscal year during which development choice was in place.

While the CHA's Fiscal Year 2000 Annual Report analyzed development choice waiting lists, this year's assessment of the development choice program is based for the first time on both waiting lists data and actual placements. The complete assessment, which is summarized in this section, can be found in Appendix Eight of this Report and provides a detailed analysis of the demographics of waiting lists and/or developments based upon households' bedroom size, race, income level, and disability status.

Impact of Development Choice on Waiting Lists

Unless otherwise noted and consistent with previous annual reports, this Report's analysis of development choice addresses demographics of Cambridge residents on waiting lists. CHA analyzes only Cambridge residents because, for the foreseeable future, they are the only likely public housing placements. Both the CHA's elderly and family waiting lists increased in size during Fiscal Year 2001, in terms of number of applicants and number of developments chosen by those applicants. In Fiscal Year 2001 there were 1,987 different Cambridge residents with a total of 5,503 choices on the



family development lists. Each family has an average of 3.6 choices out of a possible 4, meaning that most families used all four choices, while a few families used 1, 2, or 3 of their 4 choices. On elderly development waiting lists, there were 557 different Cambridge residents with a total of 821 choices. The trend of decreasing elderly applicants was reversed during Fiscal Year 2000, with the number of applicants increasing by nearly 30 percent. Each elderly applicant has an average of 1.5 choices out of a possible 3, meaning most applicants used two choices, while a few applicants used 1 or all of their 3 choices.

Development Choice Waiting Lists – Bedroom Size

Appendix Eight, Table 8 – 1, shows changes from the last fiscal year to the present one in development choice for family developments by bedroom size. The table demonstrates that there are an adequate number of families on every list, especially considering the CHA’s low turnover rate. Appendix Eight, Table 8 – 2, shows changes during the past year in development choice for elderly developments by bedroom size. Applications for studio apartments increased by nearly 40 percent between Fiscal Year 2000 and Fiscal Year 2001, with 70 percent of all elderly applicants on development choice lists qualify for studios. In contrast, only 27 percent of applicants qualify for one bedroom units, with the remaining 3 percent requiring two or three bedroom units.

Development Choice Waiting Lists – Income Levels

The demographics of the family site lists in Appendix Eight, Table 8 – 3, show that, with regard to income, all site lists represent the larger population of family applicants. During the past Fiscal Year, the CHA experienced a large increase in the number of applicants for family developments, and Table 8 - 3 confirms that each development list contains roughly the same percentage of applicants in each income group (i.e., approximately 60 percent of applicants on each list earn less than 30% of AMI, approximately 25 percent earn 30 – 50% of AMI, and around 10 percent earn 50 – 80% of AMI). The table shows a healthy mix of different income groups applying for each public housing site. As demonstrated in Appendix Eight, Table 8 – 4, the demographics of the elderly site lists show that with regard to income all site lists reflect the larger population of all

applicants for elderly housing. As with the lists for family developments, most development lists reflect the average income breakdowns of all applicants.

Development Choice Waiting Lists – Race

Information on the racial demographics of Cambridge residents on family and elderly waiting lists can be found in Appendix Eight, Tables 8 – 5 through 8 – 8. As demonstrated in Appendix Eight, Tables 8 – 5 and 8 – 6, 81 percent of applicants for family public housing are minority families, over half of whom are Black. While the CHA has seen a 3 percent decrease in the overall representation of minorities on development choice waiting lists, the number of total minority applicants on each list increased significantly during the past fiscal year. Only Black applicants experienced a 1 percent decrease on waiting lists, and this decrease actually suggests an increase in racial diversity on CHA waiting lists, since Black applicants represent over half of all persons on development choice waiting lists. All family development lists represent the general population of waiting list applicants with regard to race.

As demonstrated in Appendix Eight, Tables 8 – 7 and 8 – 8, 42 percent of applicants for elderly public housing and 43 percent of all persons on elderly/disabled waiting lists are a racial minority. Because the number of applicants on the development choice waiting lists increased by over 60 percent (from 295 to 466 persons) between Fiscal Year 2000 and Fiscal Year 2001, the racial makeup of the waiting lists has changed slightly, but not significantly. As with family applicants, there are no trends reflecting disparate choices among minority and white applicants. Additionally, development choice waiting lists reflect not only the overall percentage of minority applicants in the waiting list population, but also the waiting list population with regard to specific races/ethnicities.

Impact of Development Choice on CHA Developments

Development choice has been equally equitable in its placements at developments. CHA developments have low turnover rates, so years may pass before CHA is fully able to assess the development choice policy. However, demographics from Fiscal Year 2001 show that the system is

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effective in furthering fair housing, with no negative impact based on tenants' bedroom size, income or race/ethnicity.

Demographic Distribution by Development – Income Levels

Appendix Eight, Table 8 – 9 shows that approximately 50 percent of CHA residents at family developments earn below 30 percent of the Area Median Income (AMI), which means that a household comprised of four tenants earns below \$19,650 per year. The number of households in this income category decreased by less than 1 percent during the past year. During Fiscal Year 2001, households earning between 50 – 80% of AMI increased slightly from 15.2 percent of the development population to 17.3 percent. Increasing tenants' incomes is a stated goal of the CHA's participation in the MTW Deregulation Demonstration, and the Housing Authority is pleased to report that this goal is being achieved.

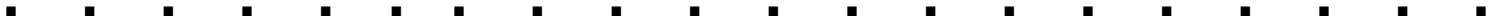
The demographics of the elderly sites in Appendix Eight, Table 8 – 10 show that, with regard to income, all sites represent the larger population of elderly tenants. The income composition at elderly developments changed by less than 3 percent between Fiscal Year 2000 and Fiscal Year 2001.

Demographic Distribution by Development – Race

At the end of Fiscal Year 2001, CHA developments housed a total of 1,827 households of a variety of races and ethnicities. 40 percent of the Agency's total population was White, 44 percent was Black, with the remaining 17 percentage represented other racial/ethnic minority groups.

As Appendix Eight, Table 8 – 11 through 8 – 14, demonstrate, the overall racial/ethnic composition of each CHA development did not changed significantly during Fiscal Year 2001. At most developments, in fact, the change in composition in each of the racial/ethnic categories listed was no more than 10 percent. Moreover, the *overall* change in minority representation—whether categorized as “Black,” “Hispanic” or “Other”—at all developments has either increased or not changed significantly, suggesting that development choice has not impacted the racial demographics at these developments.

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Several developments have experienced a large increase or decline in the number of tenants falling into one of the racial/ethnic categories, but these occurrences are isolated and unrelated to development choice. For example, one development, Corcoran Park, experienced a 46.5 percent increase in total number of tenants, thereby increasing the overall percentage of each racial/ethnic group represented at that development and increasing minority representation by nearly 60 percent. The Scattered Sites, HomeOwners, Roosevelt Towers, Jefferson Park, H.S. Truman, and Daniel F. Burns have each experienced a change in the composition of a specific racial/ethnic group in excess of 10 percent, but the overall percentage of minorities at each of these developments increased, rather than decreased, and is consistent with total minority representation at other developments.

Though the percentage of minority families at CHA elderly/disabled developments is significantly lower than that at family developments, Appendix Eight, Tables 8 –13 and 8 – 14, indicate that minority representation at elderly/disabled developments increased during the past year by nearly 4 percent. The CHA will continue to monitor these changes to ensure that development choice does not impact fair housing efforts.

Demographic Distribution by Development – Disabled Applicants

On an annual basis, the CHA monitors the disability-related tenant composition at each development to identify any changes that may have occurred during the implementation of development choice. Because the year between Fiscal Year 2000 and Fiscal Year 2001 was the first full year of development choice implementation, this measurement was not included in previous years' Annual Reports. As indicated in the table below, disabled tenants represent 11 percent of households at family developments and 15 percent of households at elderly developments. The development-based choices of this population show no patterns of potentially troubling clustering and are, in fact, very similar to the choice mix for both elderly and family applicants.





Distribution of Household Types at CHA Developments

Program/Development	Disabled		Elderly		Family		Total
	#	%	#	%	#	%	
Family Developments							
Washington Elms	30	17%	21	12%	123	71%	174
Corcoran Park	8	5%	23	15%	121	80%	152
Putnam Gardens	15	13%	19	16%	86	72%	120
Newtowne Court	39	15%	15	6%	212	80%	266
River Howard	3	9%	4	13%	25	78%	32
Jefferson Park	19	11%	9	5%	149	84%	177
Scattered Sites	1	2%	2	4%	43	93%	46
Roosevelt Towers	7	6%	3	2%	113	92%	123
HomeOwners	1	13%	0	0%	7	88%	8
Subtotal Family	123	11%	96	9%	879	80%	1,098
Elderly/Disabled Developments							
H.S. Truman	13	21%	49	79%	0	0%	62
Daniel F. Burns	31	16%	165	84%	0	0%	196
Millers River	65	23%	220	77%	0	0%	285
Lyndon B. Johnson	44	27%	120	73%	0	0%	164
Robert S. Weaver	2	10%	18	90%	0	0%	20
Subtotal Elderly/Disabled	279	15%	668	36%	886	48%	1,833
TOTAL HOUSEHOLDS	402	14%	764	26%	1,765	60%	2,931

Independent Testers

As part of its development choice implementation the CHA will use independent testers or other means satisfactory to HUD (and described in that year's Annual Plan), to assure that development choice is not being implemented in a discriminatory manner, and that no pattern of discrimination exists. Results of the testing will be provided to HUD. To comply with this provision, the CHA is in the process of securing the services of an independent tester. Testing will be





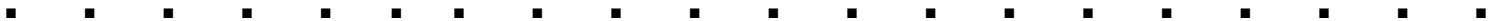
completed by the end of the second full year of development choice implementation, which will coincide with the end of Fiscal Year 2002.

Preservation and Viability of the MRVP Program

The Commonwealth of Massachusetts runs its own voucher program, the Massachusetts Rental Voucher Program (MRVP). Historically, allowable contract rent levels in the state program have lagged several hundred dollars a month behind the federal levels, which are themselves several hundred dollars behind market rate rents. These contract rent levels, and the state's former prohibition on resissuance of the subsidies on turnover, have threatened the very viability of the program, reducing the number of subsidies the CHA administers from 160 in 1992 to the 34 units administered currently.

Recent changes to the program have removed an absolute cap on contract rents, but did not significantly increase the total subsidy the state is willing to provide. For example, for a 3BR family earning \$6,500 per year the total voucher value under the MRVP program would be \$967; if the family was able to find a 3BR for \$1,500 per month (typical rents for a 3 BR are nearer \$2,100), the would be required to pay \$533 per month in rent, or 99 percent of their monthly income.

The MTW Deregulation Demonstration allows CHA to combine more than one kind of subsidy in a single unit, something previously prohibited by federal program regulations. By using federal resources for augmentation to bring the contract rent levels up to 120 percent of FMR, the CHA can preserve an otherwise unusable state subsidy, and effectively expand the number of rental vouchers over what would have been available absent the regulatory relief provided by the Demonstration. CHA finally received state approval to make this change to the program this fiscal year, and so far nine vouchers are being augmented. CHA expects this number to increase in the coming year to encompass the majority of the program.



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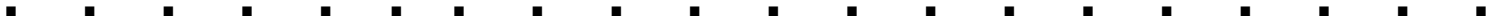
The CHA would like to expand the program to include the Alternative Housing Voucher Program (AHVP), which subsidizes units for the disabled, but the Commonwealth has been slow to respond to this initiative. Efforts to bring the programs into alignment will continue, as the CHA feels this important opportunity should be afforded to all participants in the state program, particularly those with the most urgent housing needs.

State Public Housing Viability Study

The Fiscal Year 2001 MTW Plan stated that the CHA would undertake a study of the physical and long-term viability of its state-assisted public housing, including redevelopment options. MTW’s flexibility in allowing the CHA to expend federal dollars on the state program seemed to warrant an exploration of what kind, if any, of investment in this precious resource – almost 700 units of permanently affordable housing, with striking modernization and capital improvement needs – might be plausible.

In May of 2000, the CHA, in partnership with the Boston Housing Authority (BHA), received a \$63,000 grant funded by the Housing Innovation Program of Harvard University to explore the state housing stock. In cooperation with the Citizen’s Housing and Planning Association (CHAPA), a month study of the program state-wide was undertaken. That led to the July release of a report on the future of state-aided public housing: *Protecting the Commonwealth’s Investment: Securing the Future of State-Aided Public Housing*. A copy of this report is included in this document in Appendix Nine.

The report calls for a \$1.5 billion dollar investment in the aging state-aided inventory and legislative action to free housing authorities to access other sources of funding to preserve and create affordable housing. The report found that state public housing is underfunded relative to the federal program. Despite similarities in development construction, age and the demographics of residents, state housing receives substantially less operating and capital funding per unit than federally assisted public housing.



The report recommends that the state undertake the necessary capital investment over the next ten years to stabilize the inventory and reorganize how the state spends the funding by making it more predictable and less centrally controlled so the authorities can plan better and more efficiently.

Protecting the Commonwealth's Investment also calls for construction reform of the public bid laws which public housing, alone among affordable housing producers, has to use for projects. This will make public housing modernization more efficient and cost effective. Reform should include relief from current low construction cost thresholds that trigger public bidding and an end to the filed sub-bids requirement. Changes to these laws would also have significant impact on the CHA's federal program and capital expenditures.

The study resulted in the introduction of legislation to the Massachusetts state legislature to amend state law to facilitate more flexible development and operation of public housing. Included in these modifications are changes to allow for mixed finance development, and construction reform (although this will likely be absent in the final legislation). Copies of the original legislation, which encompassed two bills, are included in this document as Appendix Nine.

Internally, CHA is developing a Capital Improvement Plan similar to the one used for the federal program's capital improvement planning. Due to a lack of resources and the sporadic nature in which the state provides capital improvement funds, no comprehensive assessment has been conducted at the state-assisted developments, where piecemeal modernization work has been the norm rather than a comprehensive approach. Pursuant to this effort, the CHA is partnering with the Department of Housing and Community Development to develop a state-wide software program that will enable local PHAs to document, evaluate and track their modernization needs and improvements on-line. It will also provide an inventory for the state of the properties and their condition, possibly assisting them in funding advocacy efforts.





Tenant Services Outcome Assessment

The CHA Annual Plan Fiscal Year 2001 described the Housing Authority’s plans to more comprehensively evaluate the outcomes of its Tenant Services programs, as well as to provide analyses to target its efforts to areas of greatest need. The assessment will assist the Housing Authority in identifying ways in which services and programs can be improved to even better meet the needs of our residents. Outcome measures of the assessment will include qualitative measures of client satisfaction, which will be measured through a survey of all program participants, to include both an assessment of the quality of services provided and a self-assessment by participants of their progress in meeting the goals of their enrollment.

The assessment will also include a review of tenants’ files, to examine economic and other improvement or declines experienced by residents during the course of the MTW Deregulation Demonstration, and the impact of tenant services programs upon those who experienced improvements. File reviews should also reveal any underserved tenant populations so that the CHA may better target services to those populations. The assessment will take into account Cambridge economic conditions, demographic shifts at the Housing Authority, and tenant services programs offered by the CHA. During Fiscal Year 2001, the CHA continued planning the assessment, and will complete it during Fiscal Year 2002.

Utility Savings Initiatives

Taking advantage of the savings incentives provided by the MTW Deregulation Demonstration agreement and the ability to provide energy savings-based financing, the CHA pursued a number of utility and water related savings projects this year:





- **Transportation Gas**

A new 3-year contract was entered into for purchasing the natural gas commodity from a third-party supplier. For the winter of 2000 to 2001, the CHA locked in its price in July 2000, and savings per term of about \$0.25 to \$0.50 as the retail gas prices climbed through the winter. Total annual savings are preliminarily estimated at \$75,000.

- **Combined Billing**

The savings continue to accrue from this measure that was implemented several years ago. Multiple accounts at several developments were converted to a single multi-meter account for each development. Total annual dollar savings are preliminarily estimated at \$10,000.

- **Pipe Insulation**

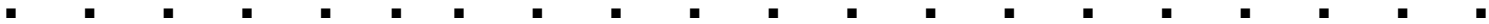
This was upgraded at Newtowne Court, Washington Elms, and Roosevelt Towers. About \$13,000 was spent to insulate several hundred feet of pipe and associated fittings. Savings are estimated to be about \$3,000 per year.

- **Community Building Controls**

At Jefferson Park Extension, Pisani Center, Corcoran Park Community Building, the Central Garage, and the Compactor Buildings at Newtowne Court, limiting temperature controls, boiler water temperature reset controls, and time-of-day temperature controls. An initial estimate of total savings is about \$4,000 per year.

- **Vending Machine Lights Disconnected**

At Burns and at the Pisani Center, ballasts for the lights inside the soda machines were disconnected. While a small measure, it is a painless way that energy has been conserved, saving approximately \$300 per year, at no initial cost to the CHA.





- **Irrigation Meters**

- At Corcoran Park, Burns, and Millers River, separate meters have been installed for irrigation water. These meters will result in no sewer charges for this usage. Annual savings are projected to be about \$2,000 per year.

Miller's River Self-ESCO

CHA has also intended to move forward on its first self-ESCO energy performance contract at Miller's River Apartments, a 303 unit elderly high-rise. Energy performance contracts use a stream of utility savings to pay for financing in order to make capital improvements that then reduce energy costs. HUD has approved the bulk of these projects in the past only when PHAs enter into agreements with Energy Savings Companies, ESCo. Under the terms of the MTW Deregulation Demonstration agreement, however, the CHA is allowed to function as its own ESCo, and retain the significant savings that represents, both in terms of management of the construction oversight and ongoing energy maintenance costs associated with the project. The agreement also provides for a set fixed base of consumption, which generates the savings automatically, negating the need to involve HUD in setting the terms of the financial component.

This project's scope includes replacement of a 30-year-old electrical heating system with state-of-the-art gas-fired condensing boilers; new domestic hot water service and new heat distribution system with panel radiators that will allow the apartments to be more furnishable. Toilets will also be replaced with low-flow models. Initial estimates expected the project to show savings of \$250,000 a year in fuel costs, available for debt service payments.

In functioning as its own ESCo, the CHA directly procured the services of an engineer specializing in design of state-of-the-art boiler systems, as well as those of a financial advisor. The financial advisor assisted the authority in arranging for financing from a third party investor.



Response from investors was extremely strong, and the CHA obtained very favorable financing, even without the presence of an independent Energy Services company.

However, we were unable to move forward on the project due to the prohibitive environment of the current construction climate. The project was designed to a budget of \$2,000,000. However, when bids were opened the single response was a bid of \$3,208,000, making the project financially infeasible. The CHA plans to revisit the design, and to wait until next spring to reassess the construction climate. There are no plans to scale back the project, as the fuel switch and heat distribution replacement are the main reasons the CHA wants to use the ESCo model, although they increase the payback period significantly.

Homeownership

With the change of Administration on the federal level, HUD has a stated goal of increased focus on homeownership. While this is both admirable and practical in many communities, in Cambridge it is a daunting challenge for all but the most privileged. The MTW Deregulation Demonstration 2001 Annual Plan included exploration of a program to allow residents to use leased housing subsidy to purchase homes.

In preliminary exploration of such a program, the CHA prepared a memo for the City of Cambridge's Community Development Department outlining possible scenarios for the use of Leased Housing subsidies for homeownership. The size of the mortgage required to purchase any form of ownership in the Cambridge market makes the viability of homeownership for low income households questionable. CHA identified four possible scenarios that may warrant further consideration:

- Expanding the eligibility of the program to include households up to 80% of AMI;
- Increase the percentage of its own resources a household could put toward a mortgage, from 30 percent to 40 percent of gross income;
- Increase the amount of subsidy the CHA allocates toward leased housing from 120 percent of FMR to 140 percent of FMR; and



- Access other funding sources to write down mortgages.

None of these scenarios is, on its own, enough to close the gap (an estimated \$147,000 shortfall for a 2 bedroom unit for a family at 80% of AMI without any subsidy) for a low-income homebuyer in the Cambridge real estate market. If each of the suggested measures were adopted, it is estimated that the local contribution necessary to make even the most aggressive approach to a homeownership program work would likely average at least \$50,000.

As included in the Fiscal Year 2002 MTW Annual Plan, in considering the development of a homeownership program utilizing CHA resources, several major factors need to be considered:

- Limited duration of some CHA resources, and the ability of CHA to commit resources for a significant term;
- Underwriting issues and the increased risk of mortgage default, particularly given that the scenarios above are largely dependent on a household's ability to exceed the conventional allocation of 28 percent of income for mortgage payments;
- Additional burdens of existing housing resources, and the cost to other affordable housing initiatives; and
- Lack of any true equity build-up associated with conventional homeownership, particularly in light of likely deed restrictions.

One possibility would be to target a program to work in tandem with the city's inclusionary zoning regulations. In the coming year, further discussions will take place regarding the plausibility of moving forward with a program for homeownership. While CHA would like to develop a viable program, current market conditions would make this seem unlikely.

After the close of the Fiscal Year 2001 fiscal year, the CHA received a grant from the Harvard Housing Innovation Fund to hire an outside consultant to continue to pursue using Leased Housing subsidies in conjunction with homeownership. The CHA hopes to be able to include the results of this effort in next year's Annual Report.





■ **Occupancy**

The CHA houses over 8,000 persons through our Federal public housing and leased housing programs. Our total resident population exceeds 9,600 after including residents from our state programs and affiliated non-profit agency. This is approximately 9.5 percent of the total City of Cambridge population. While that percentage is high compared to many cities of comparable size, the demand for additional affordable housing remains high. There is almost an equal number of persons on our waiting lists looking for affordable housing.

Households Served – Conventional Housing

This section compares the number and characteristics of households served in the Cambridge Housing Authority’s MTW federal developments from February 2000 to February 2001. Under the MTW Deregulation Demonstration, as required, the CHA has continued to serve essentially the same number and mix of households as it would have otherwise served absent the demonstration. This section will discuss changes in the number of households served by bedroom size, income and race/ethnicity based on actual occupancy. Detailed tables illustrating these changes can be found in Appendix Ten. The Authority will not, as a result of the MTW Deregulation Demonstration, decrease the number or mix of families (by family size) receiving housing assistance.

Appendix Ten, Tables 10 – 1 through 10 – 5 detail annual changes in the number of conventional housing families based upon bedroom size, race/ethnicity, and income. There are over 1,800 households involved in the MTW Deregulation Demonstration living in Conventional housing. During Fiscal Year 2001, the CHA served approximately 1.5 percent more families than were served during the previous fiscal year. Approximately half of households residing in CHA conventional housing live in studio or 1-bedroom units.



Appendix Ten, Table 10 – 1 (part of which is replicated below), indicates that the Cambridge Housing Authority has seen a slight increase in the number of households served from February 2000 to February 2001. This is primarily due to the reoccupancy of Corcoran Park, which was renovated as part of our Major Renovation of Obsolete Public Housing (MROP) grant. The slight decrease in elders served is due to units being taken off-line for modernization.

Change in Households Served by Bedroom Size: Conventional and Leased Housing

Program	TOTAL UNITS			Studio			1BR			2BR			3BR			4+BR		
	2/00	2/01	% Chg	2/00	2/01	Chg%	2/00	2/01	Chg%	2/00	2/01	Chg%	2/00	2/01	Chg%	2/00	2/01	Chg%
Public Housing																		
Family	1,048	1,092	4.0%	0	4	0.4%	140	148	0.2%	444	455	-0.7%	363	384	0.5%	101	101	-0.4%
Elderly*	753	736	-2.3%	535	520	-0.4%	215	213	0.4%	3	3	0.0%	0	0	0.0%	0	0	0.0%
Total	1,801	1,828	1.5%	535	524	-1.0%	355	361	0.0%	447	458	0.2%	363	384	0.9%	101	101	-0.1%

* 83 units at Kennedy were taken off line for HOPE VI in January 2000. This number is different from the original in order to compare years clearly.

As the table below and Appendix Ten, Tables 10 – 2, 10 – 4 and 10 – 5, demonstrate in more detail, the CHA is serving essentially the same mix of households based upon income category. Families earning 30% or below of Area Median Income (AMI) comprise 59 percent of the conventional housing population. The only significant change is a 4 percent decrease during the past fiscal year in families earning 30% or below of AMI and an increase from 9 percent to 12 percent of households earning over 50 – 80% of AMI. This decrease in extremely low-income and increase in low-income households continues a trend that is a result of the CHA’s income diversification efforts at family developments, the locations at which nearly all of the income increases occurs. Income diversification will be examined more fully in the Occupancy Policies section of this Annual Report. For reference purposes, Appendix Ten, Table 10 – 6, contains the AMI figures for specific bedroom sizes.



Annual Change in Households Served by Income – Conventional Housing

	< 30% of AMI			30-50% of AMI			50-80% of AMI			> 80% of AMI		
	Feb-00	Feb-01	Chg%	Feb-00	Feb-01	Chg%	Feb-00	Feb-01	Chg%	Feb-00	Feb-01	Chg%
Public Housing												
Family	49%	47%	-2%	33%	33%	0%	13%	17%	4%	2%	3%	1%
Elderly	77%	78%	1%	18%	17%	-1%	5%	5%	0%	0%	0%	0%
CHA Total	63%	59%	-4%	26%	26%	0%	9%	12%	3%	1%	2%	1%

The table below illustrates that CHA continues to experience a slight decline of white households and a corresponding increase in minority families. Appendix Ten, Table 10 – 3, of this Report provides more detail regarding percentages of specific races/ethnicities in CHA housing. Minority households have increased by 2 percent during the past year to account for 60 percent of all conventional housing households. Data from the 2000 U.S. Census indicates that the overall white population in the City of Cambridge decreased by 9 percent from 1990 to 2000, even though the City’s population increased by nearly 6 percent and its minority population increased by 10 percent. Preliminary analysis therefore indicates that the slight decline of white households that are residents of the CHA is consistent with broader demographic changes in the City. However, as more 2000 U.S. Census data, such as racial breakdowns by age and income, are released, the CHA will be able to further analyze this trend.

Annual Change in Households Served by Race/Ethnicity – Conventional Hsg

Program	White			Minority		
	Feb-00	Feb-01	Chg%	Feb-00	Feb-01	Chg%
Public Housing						
Family	18.0%	17.3%	-0.6%	82.0%	82.7%	0.6%
Elderly*	74.9%	73.2%	-1.7%	25.1%	26.8%	1.7%
P. H. Subtotal	42.0%	39.8%	-2.1%	58.0%	60.2%	2.1%

* Excludes J.F. Kennedy Apts, the CHA’s Hope VI program.



Increases or decreases in households representing specific income, racial/ethnic, or family size groups have been nominal during the past Fiscal Year, and are part of the Agency's normal turnover of units. The CHA therefore continues to serve essentially the same number and mix of families (by family size, race/ethnicity and income) receiving housing assistance.

Households Served – Leased Housing

Appendix Ten, Tables 10 – 1, 10 – 2, and 10 – 3, of this Report show changes during between Fiscal Years 2000 and 2001 in Leased Housing households served by bedroom size, income and race-ethnicity based on actual occupancy. As the table below indicates, over 1,200 households are participating in the Leased Housing Program using certificates or vouchers included in the MTW Deregulation Demonstration. Most households lease 1, 2, or 3-bedroom units, rather than studios or apartments with more than 3 units. The total number of the MTW Deregulation Demonstration households increased during the past fiscal year by 3 percent.

Annual Change in Households Served by Bedroom Size –MTW Leased Housing*																		
Leased Housing	Total Units			Studio			1BR			2BR			3BR			4+BR		
	Feb-00	01-Feb	%Chg	Feb-00	01-Feb	%Chg	Feb-00	01-Feb	%Chg	Feb-00	01-Feb	%Chg	Feb-00	01-Feb	%Chg	Feb-00	01-Feb	%Chg
Family	972	1004	3%	35	36	3%	171	181	6%	408	424	4%	309	311	1%	49	52	6%
Elderly	229	234	2%	18	16	-13%	103	102	-1%	84	93	10%	22	23	4%	2	0	-
L.H. Total	1201	1238	3%	53	52	-2%	274	283	3%	492	517	5%	331	334	1%	51	52	2%

* 127 Huron Towers units are excluded from the 2000 numbers to make the comparison from year to year more clear.

As illustrated in the table below, the representation of each income group has either remained the same or increased during the past fiscal year. Households earning below 30 percent of AMI still represent approximately 60 percent of Leased Housing families, with families earning 50 percent or higher of AMI representing only 11 percent of the population. CHA policies only admit to the

Annual Change in Households Served by Income – MTW Leased Housing*

Program	< 30% of AMI			30-50% of AMI			50-80% of AMI			> 80% of AMI		
	Feb-00	Feb-01	%Chg	Feb-00	Feb-01	%Chg	Feb-00	Feb-01	%Chg	Feb-00	Feb-01	%Chg
Leased Housing	60%	61%	2%	28%	28%	0%	10%	11%	10%	1%	1%	0%

*This includes only MTW units eligible for inclusion in the Demonstration..

The table below illustrates that households comprised of racial minorities have decreased slightly by approximately 4 percent during the past year, and that white households have increased by approximately 2 percent. This change, however, is not significant, and in fact begins to reverse last year’s 6 percent decrease in the number of white households in the Leased Housing program. More detailed information regarding this change can be found in Appendix Ten, Table 10 – 3.

Annual Change in Households Served by Race/Ethnicity – MTW Leased Housing*

Program	White			Minority		
	Feb-00	Feb-01	%Chg	Feb-00	Feb-01	%Chg
Leased Housing	45.0%	46.0%	2.2%	55.0%	53.0%	-3.6%

*This includes only MTW units eligible for inclusion in the Demonstration.

Conventional Housing Waiting Lists

This section describes the number and characteristics of households on the CHA’s waiting lists for conventional public housing as of February 2001. This information is compared to similar information from February 2000 to assess changes and trends in CHA’s applicant pool. Appendix Ten, Tables 10 – 7, 10 – 8 and 10 – 9, contain summaries of these comparisons, with details relating to specific development choice waiting lists based on bedroom size, race/ethnicity and income contained in Appendix Eight of this Report.

During the past Fiscal Year, the number of applicants on Conventional housing waiting lists has decreased by approximately 6 percent, but the applicant pool on any given day still contains over 6000 households. The 8 percent decrease in elderly applicants continues a trend noted in the CHA's Annual Report for Fiscal Year 2000, but this decline was far less than the 25 percent decrease experienced from March 1998 to February 2000. Most applicants for family developments qualify for one, two, or three bedroom units, and most applicants for elderly housing qualify for studio apartments. As illustrated in Appendix Ten, Table 10 – 7, the percent distribution of applicants based upon bedroom size has not changed significantly during the past year, with the exception that the percentage of elderly applicants for one bedroom apartments decreased by 4 percent.

Appendix Ten, Table 10 – 8, illustrates that the percentage of applicants' income has not changed significantly during the past year. Applicants earning 30% or below of AMI still represent nearly 75 percent of all applications. The percentage of elderly applicants earning over 30% of AMI, however, has declined by about 5 percent since February 2000, whereas the income of family applicants earning over 30% of AMI represents 1 percent more of the applicant pool than this group did in February 2000.

The table below and, in more detail, Appendix Ten, Table 10 – 9, show that the overall distribution of applicants on Federal waiting lists in each racial/ethnic category has basically remained constant during the past fiscal year: American Indians still represent approximately 2 percent; Black applicants comprise approximately 50 percent of Family and 25 percent of Elderly waiting lists; and White applicants represent around 25 percent of the population on Family and 60 percent on Elderly Federal waiting lists.

Change in Percentage of Race/Ethnicity on Conventional Housing Federal Waiting Lists, FY00 – FY01																				
Housing Type	Total FY00	Total FY01	Am Indian			Asian			Black			Hispanic			White			Other		
			FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%
Family	5,652	5,314	1.8%	2.1%	0.3%	4.9%	4.5%	-0.3%	49.7%	50.3%	0.6%	15.3%	17.5%	2.2%	25.0%	22.8%	-2.1%	3.3%	2.7%	-0.6%
Elderly	1,116	1,043	2.6%	2.1%	-0.5%	3.6%	3.0%	-0.6%	23.5%	24.5%	1.1%	5.5%	9.4%	3.9%	59.7%	56.9%	-2.8%	5.2%	4.1%	-1.1%
Total	6,768	6,357	2.0%	2.1%	0.1%	4.7%	4.3%	-0.4%	45.4%	46.1%	0.7%	13.7%	16.1%	2.5%	30.7%	28.4%	-2.3%	14.5%	11.4%	-0.7%



Leased Housing Waiting List

This section describes the number and characteristics of households on the CHA's waiting list for Leased Housing as of February 2001. This information is compared to similar information from February 2000 to assess changes and trends in CHA's applicant pool. Appendix Ten, Table 10 – 8, contains a summary of these comparisons by income.

During the past Fiscal Year, the number of applicants on the Leased Housing waiting list decreased by approximately 30 percent, but the applicant pool remains strong by including over 2,700 households on any given day. The waiting list primarily contains family applicants, but this is to be expected, since most elderly applicants apply for public housing elderly communities.

Appendix Ten, Table 10 – 8, describes the percentage of applicants on the Leased Housing waiting list who fall into various AMI categories: below 30% of AMI, 30 – 50% of AMI, 50 – 80 % of AMI, and over 80% of AMI. The incomes that correspond with these percentages are in Appendix Ten, Table 10 – 6. For family applicants, the past year has seen an increase in applicants earning over 30% of AMI, but such applicants represent only 21 percent of the applicant pool; 79 percent of applicants earn below 30% of AMI. These numbers are consistent with CHA-wide trends.

The table below and, in more detail, Appendix Ten, Table 10 – 9, show that the overall distribution of Leased Housing applicants in each racial/ethnic category has basically remained constant during the past fiscal year: American Indians still represent approximately 1 percent; Asians have decreased by about 1 percentage point; Black applicants comprise approximately 40 percent of Federal waiting lists; Hispanics have increased by less than 1 percentage point to 9.5 percent; and White applicants have declined slightly to represent around 15 percent of the population on Federal waiting lists. This overall percentage change of representation of each race is nominal.





Change in Percentage of Race/Ethnicity on Conventional Housing Federal Waiting Lists, FY00 – FY01

Housing Type	Total FY00	Total FY01	Am Indian			Asian			Black			Hispanic			White			Other		
			FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%	FY00	FY01	Chg%
Leased Housing	3774	2737	1.4%	1.0%	-0.4%	3.7%	2.3%	-1.4%	35.2%	41.3%	6.1%	8.8%	9.5%	0.6%	16.8%	14.9%	-1.9%	34.1%	31.0%	-3.1%

Occupancy Policies – Conventional Housing

The CHA has created occupancy policies in its conventional and leased housing programs, which balance the objectives of creating incentives for residents to work while providing a reasonable operating income for the housing authority. The CHA also used its deregulation status to create policies, which make sense locally, like the new ceiling rent policy.

Ceiling Rent

The MTW Deregulation Demonstration agreement gives the CHA authority to adopt and implement any reasonable policies for setting rents for public housing. Because current HUD regulations for calculating ceiling or flat rents would result in negative impacts to either residents or the CHA, the CHA’s Annual Report Fiscal Year 2001 proposed a more appropriate policy for our locality that would initially increase ceiling rents by 8 percent and then increase them annually by HUD’s Annual Adjustment Factor (AAF) beginning in Fiscal Year 2002. The goal of this method is to raise ceiling rents while still encouraging and rewarding families for moving to better work.

Adjusting the ceiling rent was successfully implemented during Fiscal Year 2001. No major tenant complaints or issues resulted, and the CHA plans to continue this rent policy, as described in more detail Annual Plans Fiscal Year 2001 and Fiscal Year 2002.





Overall, the CHA rent policies result in reduced rent charged to tenants. Only two policies could result in an increase in the overall rent charged: the minimum rents and the transfer surcharge. The minimum rents charged may exceed 30 percent of a tenant's income. Currently, there are thirty-seven tenants paying the minimum rent. This represents less than two percent of all tenants. The new transfer surcharge requires that multiple transfers to larger apartments take place before the surcharge is charged. Thus far, no tenants have been assessed the surcharge. The CHA does not anticipate that the surcharge will apply to more than one or two percent of all residents. The CHA has adopted a hardship policy that allows the Executive Director (or his designee) to evaluate on a case-by-case basis whether the rent policies represent a hardship and shall be granted a temporary exemption.

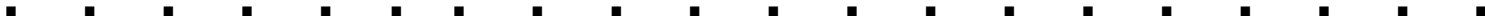
Though some of the policies do negatively impact the CHA financially in the immediate future, the Housing Authority believes that such policies will in fact assist the CHA financially in the future. These policies encourage residents to engage in educational activities and to work, which should, in turn, increase their incomes. As tenants' income increases, so, too, will the financial stability of the Housing Authority.

As stated previously, a complete analysis of the specific impact that each policy has on CHA and on Residents can be found in Appendix Eleven.

Income Diversification

Under the MTW Deregulation Demonstration Program, the Cambridge Housing Authority is implementing income diversification. Income diversification is an effort to increase the percentage of working families in CHA's developments in order to add diversity to the community, address the pressing need for affordable housing for families above 50% of AMI, and potentially reduce the CHA's dependence on federal subsidies. The target ratio is 75 percent of family units for very low-income families (households with incomes below 50% of AMI) and 25 percent of family units for low-income families (households between 50 - 80% of AMI).





program there are approximately 45 placements per year. This means that during an average year, at a maximum, there could be 15 placements using the local preference. Through new placements alone it will be at least 10 years before CHA would reach the 75/25-target ratio in all of the developments.

Deconcentration

CHA developments currently represent a broad mix of incomes. As noted in the CHA Annual Plan Fiscal Year 2001, the Housing Authority’s deconcentration policy is to monitor changes in income distribution at each development as rent policies, profile targeting (renamed income diversification), and development choice impact the mix of households.

The CHA would be in compliance with the Deconcentration Final Rule published in December 2000, if the rule applied to CHA during Fiscal Year 2001. As illustrated in the table below, currently the only development outside the 15 percent compliance range is Roosevelt Towers. Roosevelt Towers is the development at which income diversification was first deployed in a full-scale effort to diversify income in that development. This effort was a success and raised the average income of tenants, as is reflected below. The CHA fully expects that, as income diversification continues, the average income at Roosevelt Towers will decrease, while the average income at other CHA developments will increase.





Income concentration in CHA Federal Family Housing 8/1/2001

Federal Development	Households	Income	AMI %	Development % of Average
Corcoran Park	152	20,754	35.0	101
Fairmont	10	18,498	33.0	90
Garfield	8	21,099	34.9	103
Jackson St.	10	20,588	39.0	100
Jefferson Park	177	19,735	33.0	96
Newtowne Court	266	20,329	35.0	99
Putnam Gardens	120	17,470	30.4	85
River Howard	32	20,449	33.6	100
Roosevelt Towers Lowrise	124	22,820	37.6	111
Scattered Sites	12	28,710	52.4	140
Valentine	6	21,655	37.3	105
Washington Elms	173	21,427	34.9	104
Totals	1,090	20,529	34.6	100

Occupancy Policies – Leased Housing

Codification of the changes to the Leased Housing program required CHA to amend its Section 8 Administrative Plan. The full text of this amendment is included in this document as Appendix Fourteen. In summary, the major changes are as follows:

- **Eligibility of households between 50 to 80% of AMI**
 The Housing Choice Voucher Program is specifically a program for very low income households earning less than 50% of AMI. We have not changed this nor do we have any plan to change this. However, with dramatically increasing rents in the City of Cambridge and fewer and fewer available housing options for low-income households,



many of these families are being forced to leave the City. For example, the average two-bedroom apartment in Cambridge rents for approximately \$1,500 per month. If a mother with a child earning \$35,000 were residing in an average two-bedroom apartment, she would have to pay 51% of her gross monthly income towards rent but would be over income for the Housing Choice Voucher Program since her income exceeded the \$28,000 cap for a family of two. Again, our intent would be to allow individuals such as this the opportunity to participate in the program by utilizing a voucher for their current apartment.

■ **Preference for Individuals who Have Found Housing**

With the increasingly difficult and quickly changing market, it is important to be able to work quickly to secure affordable housing units. Therefore, we have moved forward with a preference that would allow Cambridge residents that have found apartments in Cambridge, the ability to move quickly to the top of the waiting list. This works extremely well where individuals currently residing in an apartment have found themselves in a situation where the receipt of a voucher would be the only way that they would be able to remain in-place.

■ **Elimination of the Strict 40% Rule**

Under QHWRA a participant may not lease up an apartment if their portion of rent exceeds 40% of their adjusted monthly income. The rationale behind this is to be sure that the participant can afford the apartment so that the PHA does not set the participant up for failure. However, QHWRA says nothing about the following year or years as the case may be and that same participant could be paying 50 or 70% of their income because of future rent increases on their apartment. We felt that this subject needed to be looked at on a case-by-case basis. We have had many cases where an individual has come to us already paying 60 or 70% of their income to rent for their apartment and after receipt of a voucher would still be above 40%. It would make no sense to deny such a case, particularly for a long term resident.



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- **Local Determination of Contract Rents and Payment Standards**

MTW has given us the ability to set our own rent levels and payment standards provided that they are supported by comparables. This tool is invaluable in a market where rents have escalated to an almost obscene level. At the same time, the pot of money is not endless and procedures need to be in place to not only ensure that our actions do not inflate rents in the City but to also ensure that we can help the maximum number of households as possible.

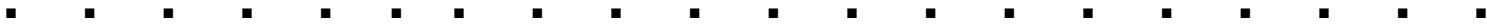
- **Rent Increases**

Rent increases are negotiated on a yearly basis and are not necessarily tied to the Annual Adjustment Factor published by HUD on a yearly basis. Again, similar to the section above, the CHA works with the owner and the tenant to set increases that are fair and in relation to what is going on in the local market. The intent again is to preserve as many units as possible but to balance this with need to house as many households as possible.

- **Security Deposits and Last Months Rents**

In 1998 when QWHRA was enacted, there were some good things and some bad. One of the good things was that PHAs now had the ability to terminate a household's participation in the voucher program if they damaged the apartment beyond normal wear and tear. One of the bad things was that they eliminated the program's guarantee to pay damages. Now a family moving into a two-bedroom apartment in Cambridge, with a rent of \$1,500 per month could be requested to pay \$3,000 plus their portion of the first months rent just to get into the apartment. Since the average two-bedroom voucher participant earns less than 30% of AMI, this figure represents more than 20% of their annual gross income. We have opted to guarantee to landlords that we will pay damages and the last month's rent if necessary and we continue to hold the participant accountable.

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■ Program Management

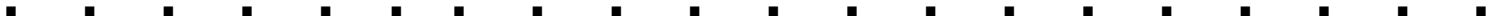
Inventory

At the end of Fiscal Year 2001, the CHA was managing 1,944 federally-assisted and 659 state-assisted conventional public housing units. The HOPE VI revitalization of John F Kennedy Apartments will convert ownership of 83 of these units to an alternate form, including conversion of some public housing units to project-based assistance and the addition of scattered site units; during construction and conversion of subsidies, the unit count available will fluctuate. In order for the CHA to assess its conventional stock without these compounding factors, JFK has been separated from the rest of the MTW stock. Therefore, the CHA's count of conventional public housing units at the end of Fiscal Year 2001 was 2604 total units, 1861 of which will be federally assisted.

Table 15 - 1: Actual Number of Units in Inventory by Bedroom Size, FY01*

MTW*	TOTAL ACTUAL UNITS	NON MTW	TOTAL ACTUAL UNITS	NON MTW	TOTAL ACTUAL UNITS
MTW Public Housing		State Public Housing		Leased Housing	
Family	1,095	Family	325	Non MTW Federal LH	537
Elderly	766	Elderly	334	State LH	243
MTW P.H. Subtotal	1,861	Other Public Housing		Non MTW LH Subtotal	780
JFK HOPE VI	83	Roosevelt Towers Midrise	77		
MTW Leased Housing	1,238	Turnkey Three	7		
SUBTOTAL MTW UNITS	3,182	Putnam School	33		
Total NON MTW Units	1,572	Aberdeen / Hammond	16		
Total CHA INVENTORY	4,754	Non MTW PH Subtotal	792	CHA Affiliate Housing	85

*127 Huron Towers have been removed from MTW



Appendix Fifteen, Table 15 – 1, of this Report details information regarding number of Leased Housing units leased, based on budget and actuals, by number of bedrooms and type of housing by program.

Conventional Housing

CHA’s performance on these indicators -- some of which are conventional measures of property management performance, some of which are HUD/public housing-specific – continues to be strong. The CHA inventory is inspected in its entirety annually, and work orders receive prompt attention. Rent Collection is high and vacancy rates are low. Although vacancy is also related to the lack of affordable housing options, the CHA believes the strong physical condition of its properties and the feeling of its communities (as indicated by the PHDEP survey results) tell the most important part of the story of its performance.

Inspections

As illustrated in Appendix Fifteen, Table 15 – 2, during Fiscal Year 2001, the CHA inspected 100 percent of its conventional public housing inventory, excluding units off-line for modernization. These inspections help the CHA monitor capital improvement and maintenance needs, and are an important element in the overall physical condition of the properties. During these inspections, 100 percent of the units met Housing Quality Standards (HQS) after completion of the inspection process (if any unit fails an initial HQS inspection, corrections are made and the unit is re-inspected, completing the inspection process).

Work Orders

The CHA normally responds to emergency work orders within 24 hours and non-emergency work orders within an average of six business days. The agency continued this high level of



performance from Fiscal Year 2000 to Fiscal Year 2001. Work order response time is detailed in Appendix Fifteen, Table 15 – 3.

Rent Collection

In Fiscal Year 1999, rent collections were at 99 percent of the total of CHA’s issued rent statements. In Fiscal Year 2000, rent collections were at 95 percent, a 4 percent decrease from the previous year. Though acceptable by HUD standards, the CHA was unhappy with this rent collection level, and worked to increase rent collections during Fiscal Year 2001. As demonstrated in Appendix Fifteen, Table 15 – 5, the CHA is pleased to report that rent collections during Fiscal Year 2001 increased by 4 percent to once again be at 99 percent.

Vacancy Rate

Overall, CHA is pleased to report that our low level of vacancies has been continued in Fiscal Year 2001. As noted in detail in Appendix Fifteen, Table 15 – 4, and the summary table below the CHA’s combined adjusted occupancy percentage for its conventional public housing inventory is nearly 98 percent. The adjusted occupancy percentage takes into account units off-line for modernization, as these units are not “vacant” in the conventional sense, but are instead undergoing or being held aside for construction work. There is a one percent difference in budget versus actuals for the fiscal year and a slight increase in both gross and adjusted occupancy levels from Fiscal Year 2000 to Fiscal Year 2001. CHA’s high occupancy percentage and low turnover rate seem largely to be due to the appeal of the quality of the units, as well as the lack of other affordable housing options in the area.



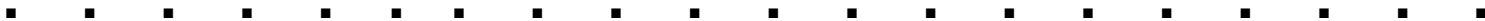
FY01 Budgeted			FY01 Actual			Difference Budgeted vs. Actual	
Gross %	Adjusted %	Adjusted Vacancy Rate	Gross %	Adjusted %	Adjusted Vacancy Rate	Gross %	Adjusted %
94%	99%	1%	96.6%	97.8%	2%	3%	-1%

Security

The CHA’s security program continues to feature both enforcement and prevention strategies in our ongoing effort to control crime and keep our developments as safe as possible. A Public Housing Drug Elimination Program (PHDEP) grant funds many activities targeted to youth to prevent future drug use and related crime. Security activities include enforcement and prevention activities, as well as lease enforcement.

PHDEP Program

In addition to basic unit and building common area safety, physical upkeep and modernization and maintenance efforts in defensible and other design solutions, the CHA’s security program features both enforcement and prevention strategies in the ongoing effort to control crime and keep the developments as safe as possible. More recently, improved attention and focused efforts in the area of domestic violence have been strong, and have greatly improved the CHA’s ties with other community support groups in this area. Staff and resident awareness of domestic violence issues have become a priority.



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A Public Housing Drug Elimination Program (PHDEP) grant funds many activities targeted to youth to prevent future drug use and related crime. Security activities for adults and children to deter drug use include the following areas:

- **Enforcement** – The CHA utilizes security personnel who monitor criminal activity at all sites. The agency also works closely with the residents and the city’s police force to target patrols toward the properties most in need of protective services. In addition, the agency has adopted the “one strike and you’re out” drug/criminal policy and, in cooperation with the city, keeps track of all arrests made on agency property and uses that information to direct police patrols. Monthly meetings between CHA security and management staff and CPD uniformed and undercover staff routinely target trouble areas and plan appropriate corrective action. Quarterly assessment meetings involving residents, management and program staff and providers give overall guidance to our enforcement efforts.
- **Prevention** – Most prevention programs focus on youth. The national award-winning Work Force program will continue to serve about 135 students from family developments, age 13-19 each year. The Recreational Activities Program (RAP) is a resident-operated program of sports, arts and crafts, cooking and other activities for elementary school-age children and young teens.

As the most recent PHDEP survey indicates, these strategies were successfully utilized during Fiscal Year 2001.

PHDEP Survey

This year, as part of PHDEP program requirements, the CHA conducted a survey on resident opinions on safety. The survey was completed by an independent third party, and was administered exactly as specified by HUD guidelines. Complete results can be found in Appendix Sixteen of this document. Below is a summary of the main findings of the PHDEP survey



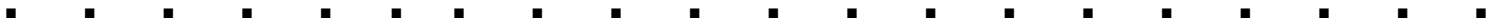


The results of the PHDEP resident survey were strikingly positive, and affirm the CHA's perspective that resident safety is a strong element of our conventional housing program. When asked a series of questions about "how safe" they feel, 97 percent responded that they felt "very safe" or "somewhat safe" out alone in their development or neighborhood during the day. This percentage dropped to 69 percent when asked about safety alone at night. These results are consistent with the CHA's last PHDEP survey, conducted in March 2000. However, 100 percent of respondents attested that they felt "very safe" or "somewhat safe" along at night in their homes—a marked improvement from the 70 percent who felt this way during the March 2000 survey.

Other results of the PHDEP survey noted improvements in safety and security at CHA developments/neighborhoods. Approximately 70 percent of respondents in the March 2000 survey had felt the same level of safety and security one year ago as well, compared to 84 percent who felt the same level of safety and security in the most recent survey. In the latter survey, for those residents who thought that there had been a change in safety over the past year, an average of 4 percent felt "more" safe, while 2 percent felt "less" safe during this time period. This figure contrasts with the March 2000 survey, in which 8 percent had responded that they felt "less" safe.

Residents were asked to compare conditions today to one year ago regarding crime, vandalism and graffiti, groups hanging out, concealed drug dealing, open-air drug dealing, drug use by residents and young people controlling the building or area in which they live. For each of the areas questioned on an average, 37 percent of the residents surveyed indicated that the condition was not a problem. 10 percent of residents surveyed said that there was "less" crime, 18 percent said there was "less" vandalism or graffiti and 12 percent said there was "less" groups hanging out. Approximately 40 percent of residents said that they had no knowledge of drug related activities in the areas where they live. In addition, 61 percent of residents said that young people controlling the building or area in which they live has "not been a problem."

A significant amount of resident comments addressed the need for activities for children and teens to decrease the amount of kids just hanging around. Several positive comments were made



concerning Cambridge Housing Authority and the job they are doing. Positive feedback was received concerning residents' satisfaction and safety in their neighborhoods.

The survey was conducted using a listing of households provided by CHA. Five hundred six residents were sent a letter from CHA, notifying them of the upcoming survey. According to the August 23, 2000, HUD Notice PIH 2000-39 (HA) a minimum of twenty-seven (27) surveys need to be completed based on the number of residents living in CHA housing. A random sampling of one hundred ninety-five (195) residents who have lived at their addresses for at least one year prior to the date of the survey was selected. Of the sample, thirty-three (33) of the surveys were completed.

Elderly Allocation Plan

The CHA continued to use the Elderly Allocation Plan to place disabled applicants for elderly housing in Leased Housing units instead of elderly developments as long as the CHA had more than 13 percent disabled residents in its elderly buildings. The Elderly Allocation Plan has been a success on two main fronts. First, the CHA has better served the disabled population in Cambridge. The CHA has housed more disabled applicants than it would have without the program by giving them Leased Housing vouchers and providing them with housing search services. Based on CHA non-elderly disabled placement rates prior to and following usage of the Elderly Allocation Plan, the Plan has allowed the CHA to house 91 more individuals with disabilities than would have been housed absent the Plan. The disabled applicants have also been placed in leased housing units more quickly than they would have been placed in units in elderly developments. Second, the CHA has better served the needs of the elderly population by creating developments of elders, which has allowed us to bring services and activities to a group of people in the same stage of life. The CHA elderly residents are building closer communities as a result of the elderly allocation plan.

The CHA's current approval for its Elderly Allocation Plan expires March 31, 2002. The CHA plans to extend the elderly allocation plan due to its success.

Leased Housing

The CHA’s performance on the following indicators continues to be strong. The CHA achieved a utilization rate of 95% of the budgeted MTW units. The CHA inspected and ensured that 100% of the leased housing units meet Housing Quality Standards. The flexibility provided under the MTW Deregulation Demonstration continues to help the Local Leased Housing program run successfully.

Leasing Information

When budgeting for Fiscal Year 2001, the CHA budgeted for 1,428 leased housing units. However, effective April 1, 2000, preservation vouchers for Huron Towers (127 units) were transferred out of the MTW Deregulation Demonstration and into their own increment. This transfer was due to a HUD change in program regulations related to preservation vouchers that allowed landlords to request significant increases to contract rents. As a result, only 1301 subsidies were actually made available for leasing. Overall, the CHA experienced a 95 percent lease-up rate. The CHA is pleased with this progress, and expects to further increase both the budgeted amount of units and the utilization rate in the coming year.

Lease-Up Rates, Leased Housing

Year	Budgeted Units	Number Leased	Percent Leased
FY00 Actual	1373	1201	87%
FY01 Actual	1301	1238	95%

These reflect only MTW units, which do not include Huron Towers, Mod Rehab, Shelter Plus Care, 2 Mount Auburn Street (10C Program), 929 House, expiring use property, or an additional 200 certificates and vouchers to be set aside for use by households with disabilities in connection with the "Elderly Only" designation. Utilization percentages exclude Section 8/Voucher Portability certificates.

Leased Housing Inspections

The Leased Housing inspection process begins after a program participant completes a Request for Lease Approval. This inspection covers compliance with Housing Quality Standards (HQS), a letter of lead compliance, and compliance with State Safety & Sanitary Codes. A CHA Leased Housing Inspector and an inspector from the City Inspectional Services conduct the initial inspection. All units receive and pass the initial inspection or a lease is not signed and the unit is not eligible for the Leased Housing Program.

An Annual Inspection is conducted on the anniversary of the initial inspection in order to determine continued compliance with HQS. If a unit fails the Annual Inspection, the landlord is expected to bring the unit into compliance. Complaint and Exit Inspections are conducted at the request of the tenant or landlord. The CHA Leased Housing Inspectors verify complaints of damage and non-compliance with HQS.

The CHA inspects 100 percent of its leased housing units annually. Since Fiscal Year 1998, 100 percent of the units met Housing Quality Standards (HQS) after completion of the inspection process (if any unit fails an initial HQS inspection, corrections are made and the unit is re-inspected, completing the inspection process). As demonstrated in the table below, the CHA continued this progress for all types of inspections during Fiscal Year 2001:

Inspections Fiscal Year 2001, Budgeted vs. Actual - Leased Housing

Type of Inspection	Budgeted FY01		Actual FY01	
	Inspected	Passing HQS	Inspected	Passing HQS
Annual HQS Inspections	100%	100%	100%	100%
Pre-Contract HQS Inspections	100%	100%	100%	100%
HQS Quality Control Inspections	100%	100%	100%	100%



■ *Resident Services*

CHA program participants often face very strong barriers to social and economic mobility. Tenant services and other efforts aim to remove these barriers and increase access to mainstream resources and opportunities. Exposure to new experiences and the development of a broad set of life skills can empower residents to engage in the variety of work, education, social and life situations to which they aspire. The CHA maintains high expectations regarding residents' abilities to function within the social and economic mainstream. In order to assist residents to realize their aspirations, the CHA has developed holistic, multi-disciplinary programs that build upon the existing strengths of individuals and families.

Nearly 80 percent of adult CHA residents are employed, although the vast majority of these work in low-wage jobs that offer little opportunity for advancement. The racial and ethnic composition of CHA's tenant population is highly diverse, comprised of both American-born residents and recent immigrants including African Americans, Haitians and others from Caribbean cultures, Asians, Latinos and Caucasians.

The needs of this resident population vary widely. To break the generational cycle of poverty, CHA youth need access to support systems and experiential opportunities that their parents never had. Employed adult tenants require services that will assist them in moving from entry-level work to better jobs. Immigrants, some of whom had specialized vocational training in their native countries, often require assistance with literacy and acculturation. Many CHA residents—regardless of country of origin or current employment status—need help in building less tangible skills, such as learning strategies, goal-setting and job readiness. The CHA's tenant services programs work to address all of these needs to assist our tenants in achieving social and economic mobility.

In the CHA's Annual Plan Fiscal Year 2001, specific goals for each tenant services program were established. The sections below report on the CHA's progress in achieving these goals.



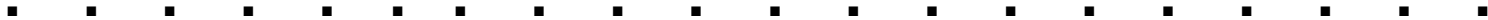


Service Delivery Summary

Because program grant reporting periods, and therefore tracking of service delivery outcomes, often differ from the timeline of the CHA's fiscal year, many of the numbers in the table below reflect the period from July 1, 2000, through June 31, 2001. Overall, the CHA's resident programs have met or exceeded annual goals. The CHA/Cambridge Employment Program (CEP) served 80 persons during the past annual reporting period. The Community Computer Centers, the Gateways, Bunker Hill Community College, and the Work Force Youth Unemployment Prevention Program exceeded goals for the reporting period. In addition, the Work Force received the Best Practice Award in Youth Development Services from the Massachusetts Cooperation for Business, Work and Learning.

Sixty-eight tenants have participated in the Adult Bridge-to-College program since the CHA began participation in the program, some of whom participated for more than one semester. The fact that the CHA did not achieve its enrollment goal of 24 during the previous year is most likely due to the CHA's overly ambitious enrollment and matriculation goals. As demonstrated in the table below, the 65 percent goal may have been too high. Enrolling in college for an adult in or nearing mid-life is a daunting task. Most of those enrolled in the Bridge Program are, in fact, working, and during Fiscal Year 2001, the Housing Authority reevaluated its high job training/college acceptance goal and enacted program modifications to boost completions of the Bridge Program and subsequent enrollment in college. During the coming Fiscal Year, the CHA will revise its numerical goals for this program.

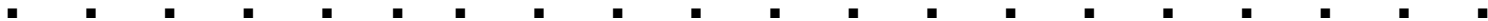


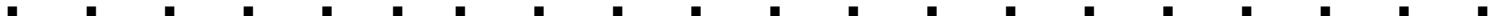


Program	Annual Plan FY 2001 Goal(s)		Number Served*	
	CHA/Cambridge Employment Program	Serve 75	Place 32 in jobs	80 served
Computer Centers (for 6-month period)	Serve 148		224 served 1/01 - 6/01	
Gateways	Serve 70		Served 76	
Bridge-to-College	Serve 24	65% accepted to job training or college	14 served during reporting period; 68 served since	39% matriculation rate**
Bunker Hill Community College	Offer 15 courses/semester		18 courses offered, spring semester	
Work Force	Serve 115 - 125 youth	75% high school seniors matriculate	125 - 135 served through 3/01	85% matriculation average

* Most of these programs are funded through an EDSS grant. The reporting period for EDSS grants runs July through December and then January through June. Numbers are therefore tracked according to the grant's reporting period. Unless otherwise indicated, "numbers served" includes participants from the grant's reporting period, not from the CHA's fiscal year.

** This matriculation rate is derived from a survey of CHA residents enrolled in the program.





■ *Financial Management*

Under the MTW Deregulation Demonstration, the CHA receives MTW Public Housing operating subsidy and Leased Housing program subsidy based on a “block grant” model formula established in the MTW Deregulation Demonstration agreement. The CHA retains all rental and other income without an effect on its subsidy level. These monies are sent monthly to the CHA, per the MTW agreement. Other, non-MTW program funds are received consistent with current program regulations.

The CHA also receives two kinds of grants: 1) those where the budget authority is determined annually by formula, including the Capital Fund (Comprehensive Grant Program) and Public Housing Drug Elimination Programs; and 2.) competitive, non-recurring grants such as the Economic Development and Supportive Service (EDSS)/Resident Opportunities and Self Sufficiency (ROSS) and HOPE VI. In the sources and uses chart below, the amount of monies in either type of grant programs – the Capital Fund, HOPE VI, PHDEP and EDSS/ROSS – are represented in terms of the actual monies the CHA received from HUD, based on actual expenditures, not the budget authority it has.



Sources and Uses

Sources	<i>Actual</i>	Budget¹	Actual
	<i>FY 2000</i>	FY 2001	FY 2001
Public Housing Program	\$13,677,984	\$12,477,763	\$13,084,667
MTW Leased Housing Program	\$14,888,020	\$15,398,367	\$15,739,999
One-Time Leased Housing Reserve Level Payment	\$2,909,195	N/A	N/A
Non-MTW Leased Housing Program ²	\$2,196,107	\$3,526,678	\$4,199,317
Other Federal Programs ³	\$1,327,820	\$1,168,902	\$1,155,122
Modernization (Capital Fund)	\$1,394,014	\$2,000,000	\$2,367,207
Development ⁴	\$2,551,361	\$2,042,500	\$1,910,900
Other Grants ⁵	\$876,521	\$1,034,866 ⁶	\$1,594,657
Total Sources	\$39,821,022	\$37,649,076	\$40,051,869

¹ These numbers differ slightly from the figures included in the FY 2001 plan because they are the budgets as approved by HUD, whereas the Plan included the budgets as submitted by the CHA

² In FY 2000 and the FY 2001 budget, this did NOT include Huron Towers, a Preservation project, but FY 2001 Actuals do; this also includes set-aside vouchers for the disabled, Mod Rehab program units, and Preservation Vouchers at 929 House

³ This includes a Turnkey Three Homeownership program and 2 Mt Auburn, which is part of the 10-C program

⁴ Includes a Public House Development grant related to the federalization of Roosevelt Towers, a Major Renovation of Obsolete Public Housing (MROP) grant for Corcoran Park and a HOPE VI revitalization grant for Kennedy Apartments

⁵ EDSS/ROSS, Public Housing Drug Elimination Program, Service Coordinator, and Shelter Plus Care

⁶ The FY 2001 Plan budget included an error; the budget for other Grants reflected the budget for only the PHDEP grant, not all grants.



Uses	<i>Actual</i>	Budget⁷	Actual
	<i>FY 2000</i>	FY 2001	FY 2001
Public Housing Program	\$10,670,654	\$14,733,355	\$12,574,462
MTW Leased Housing Program	\$11,051,846	\$14,798,177	\$14,017,377
<i>MTW Leased Housing</i>	<i>\$10,900,096</i>	<i>\$11,798,177</i>	<i>\$11,170,464</i>
<i>MTW Leased Housing Development Activities</i>	<i>\$151,750</i>	<i>\$3,000,000</i>	<i>\$2,846,913</i>
Non- MTW Leased Housing Program	\$2,167,050	\$3,520,000	\$4,140,927
Other Federal Programs	\$1,142,633	\$1,171,185	\$1,160,409
Modernization	\$1,394,014	\$2,000,000	\$2,367,207
Development	\$2,551,361	\$2,042,500	\$1,910,900
Grant Programs	\$876,520	\$1,034,866	\$1,594,657
Development Fund/Reserve Set Aside**	\$5,709,195*		
Total Uses	\$35,563,273	\$39,300,083	\$37,765,939
Reimbursement to HUD			\$1,550,040 ⁸
Excess/(Deficit)	\$3,257,749	-\$1,651,007	\$735,890

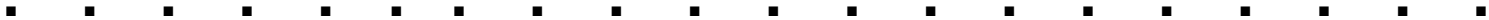
*This is a set-aside, not an expenditure

Sources Narrative

Fiscal Year 2001 presented several variations from budget to actuals. In general, the CHA's sources proved higher than budgeted. This happened for several reasons. First, dwelling rent in the

⁷ These numbers differ slightly from the figures included in the FY 2001 plan because they are the budgets as approved by HUD, whereas the Plan included the budgets as submitted by the CHA

⁸ This is an estimated amount HUD will recapture related to the removal of Huron Towers subsidies from the MTW demonstration.



Public Housing program outpaced our expectations. Interest income also increased the MTW Leased Housing budget. The non-MTW Leased Housing Actuals were increased due to HUD mandated rent increases for Huron Towers; this increment was rolled out of MTW in mid-fiscal year and included in the non-MTW program. Modernization drawdowns were also higher than budgeted, although not significantly. The “Other Grants” category is also significantly higher than anticipated; this is due to \$559,791 in monies from the Federal Home Loan Bank of Boston related to the CHA’s HOPE VI project, which were not anticipated during the budget process.

Uses Narrative

The CHA experienced lower expenditures this year than originally expected. In order to address ongoing capital improvement needs, the CHA made a significant commitment of funds to Extraordinary Maintenance. This commitment was expected to result in a deficit budget. However, delays in planning and bidding have kept the work behind schedule and resulted in an increase to reserve levels and underspending of the “operating” budget; some items were also paid for out of capital funds (thus the slight increase in the modernization line item in both sources and uses). Because CHA is committed to the work moving forward, these monies were included in the Fiscal Year 2002 budget and will be expended in the coming year.

The MTW Leased Housing Program budget was based on 100% utilization; actual financial utilization was 99% for the year (\$15,567,417 versus receipts of \$15,739,999). This budget also included a full year’s coverage for Huron Towers, which was taken out of the program and put into the Non-MTW Leased Housing expense category.

Non-MTW Leased Housing Costs, conversely, were higher than expected, due largely to Huron Tower’s inclusion after the budget was set. Costs in other sectors of the program continue to escalate with payment standards, and as landlords push for larger annual increases. Differences in Modernization and Grants Programs expenditures were explained above; in grant programs, unlike Public Housing and Leased Housing programs, sources match uses, as monies are drawn down as they are expended.

The Reimbursement to HUD line item has been added to reflect the anticipated amount HUD will be reimbursed from the Leased Housing program during the FY 2002 fiscal year to reflect



programmatic changes for subsidies at Huron Towers, a Preservation Voucher project. Huron was initially included in the MTW program, but was removed in mid-fiscal year 2001 due to HUD-approved rent increases beyond the CHA’s control. Due to the presence of these subsidies in two places – the MTW Leased Housing program and the non-MTW Leased Housing program—some monies will be reimbursed to HUD to reflect actual expenditures related to those vouchers.

Estimated Operating Reserves⁹

	Budget	Actual
Beginning of Year	\$ 13,306,803	\$15,530,862
Increase/Decrease	(\$1,938,866)	\$735,890
Restricted Funds		(\$2,909,195)
End of Year	\$11,367,937	\$13,357,557

Over Fiscal Year 2001, the CHA’s reserve increased significantly. This was due in part to a lag in start-up of almost \$4 million in capital expenditures. The reserve level significantly exceeds the minimum reserve level the Authority has established for itself, but seems prudent in light of expected costs associated with maintaining the leased housing program as viable in Cambridge, efforts in the area of Development, and costs associated with making modifications to the elderly stock in order to be in a position to respond to expected demographic shifts in demand.

The CHA’s latest audited financials, for Fiscal Year 2000, are included in this document as Appendix Nineteen. The Fiscal Year 2001 audit, which is expected by the end of the year, will be included in next year’s report.

⁹ *The CHA feels that a reserve level of \$8,984,783 is the necessary minimum. We are carrying a reserve level higher than that amount to allow for increased costs in the leased housing program and for development efforts.*