



City of Cambridge

Executive Department

YI-AN HUANG
City Manager

CMA 2026-281
IN CITY COUNCIL
October 5, 2026

To the Honorable, the City Council:

Attached please find a report on the Inclusionary Housing Ordinance (IHO) prepared by RKG Associates, the consultant engaged to assess the IHO and its impact on the financial performance of multifamily housing development in Cambridge.

In addition to the consultant's report, staff from the Community Development Department have prepared a memorandum summarizing the study, outlining its key findings, and presenting a set of options for the Council's consideration to support the City's objectives of fostering multifamily housing production and preserving socioeconomic diversity within the city.

Housing affordability continues to be the most pressing challenge in Cambridge. This is a regional and national challenge and the good news is that we are seeing increasing recognition, political support, and action at all levels of government. The Healey administration has made housing a top priority, has set ambitious targets for production, and provided significant support for affordable housing developments in our community. At the national level, housing has become a bipartisan issue, and Congress recently passed the first comprehensive housing reform bill in decades.

We have made tremendous progress on affordable housing. Over the last five years, the City Council has passed significant ordinance reform including a revised version of the Affordable Housing Overlay and a higher linkage fee on commercial development. The City has allocated more than \$40 million per year to the Affordable Housing Trust, and we have acted aggressively to purchase properties for development on the market. The result is that our pipeline of affordable units has increased from two small projects to 16 developments that will deliver more than 1,000 new permanently affordable homes.

Our progress on market-rate housing production has been more difficult. Although recent rezonings along major corridors and in mixed-use districts, as well as the elimination of single-family-only zoning in residential neighborhoods have substantially expanded opportunities for additional housing units, the current pace of housing production remains significantly below historical levels. 2024 and 2025 have marked the lowest rates of new construction in the past decade. Interest rates, which appeared to be going down, are now going up. Construction costs remain elevated from global uncertainty and tariffs. And we are seeing the impact: experienced developers that have shut-down permitted projects even after significant time and investment because they can't get financing, representing hundreds of units of housing that will not be built.



This is an important conversation that we need to have. Inclusionary housing has been one of the greatest producers of affordable housing for Cambridge, but the economic environment has shifted tremendously. There are many things that we are doing as a City to address the housing shortage – zoning reform, improving the permitting process, investing tens of millions of dollars into affordable housing. But this report shows the challenges that remain, especially for the larger housing projects that are going to produce the most homes.

I also want to recognize that in our community, there is often a distrust of developers and we are increasingly seeing how our economic system is broken. But we know the outcome of not building housing – we are experiencing it. We have seen around the country, in places where housing is built, housing costs less. If we want to see the cost of housing stabilize and ultimately come down, we need to build housing and it will need to make economic sense to do so.

We recommend that the City Council refer this report to the Ordinance Committee for review and discussion. We look forward to receiving the Council's feedback and determining a policy direction together.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Yi-An Huang', with a stylized flourish at the end.

Yi-An Huang
City Manager