

City of Cambridge

Executive Department

YI-AN HUANG
City Manager

CMA 2025 #248
IN CITY COUNCIL
October 6, 2025

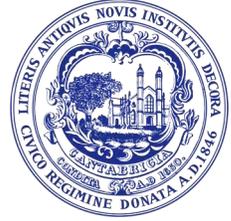
To the Honorable, the City Council:

Please find attached the response to AR #25-20 regarding the Incentive Zoning Nexus Study by Assistant City Manager for Community Development, Melissa Peters and the Director of Housing, Chris Cotter.

Very truly yours,

Yi-An Huang
City Manager





To: Yi-An Huang, City Manager
From: Melissa Peters, Assistant City Manager for Community Development
Christopher Cotter, Director of Housing
Date: October 6, 2025
Re: Awaiting Report 25-20 regarding the next Incentive Zoning Nexus Study

In response to AR-25-20 regarding the next incentive zoning nexus study, we submit the following report, which includes the sections below.

1. Overview and timeline of the Incentive Zoning Nexus Study
2. Methodology and policy options to be considered as part of the Incentive Zoning Nexus Study

1. Overview and timeline of the Incentive Zoning Nexus Study

We plan to initiate a new Incentive Zoning Nexus Study in FY26. The study will update the legal basis for the Incentive Zoning Ordinance by reviewing the nexus between new non-residential development and demand for affordable housing as well as job training services to connect Cambridge residents with new employment opportunities. It will then determine a proportionate housing and job training contribution rate to address the need for affordable housing and job training services created by new commercial development. Additionally, the study will review existing provisions of the Incentive Zoning Ordinance and several alternative policy options (discussed in section 2 below).

The last Incentive Zoning Nexus Study was completed in 2019 by Karl F. Seidman Consulting Services. Based on the results of the 2019 study, the housing contribution rate was increased twice by the City Council – to \$20.10 per square foot in January 2020 and then to \$33.34 per square foot (the maximum determined housing contribution) in October 2022. With annual adjustments, the housing contribution rate is currently \$36.36 per square foot.

In the 2019 study, the maximum determined job training contribution ranged from \$.82 to \$2.20 per square foot, based on the training needed to prepare residents for jobs in new development based on a range of local employment goals. The City has filed a home rule petition to create a job training trust to receive job training contributions and administer those funds. The home rule petition is pending before the State Legislature.

For more information on the methodology and results, please find the 2019 Study linked here - [2019 Incentive Zoning Nexus and Jobs Linkage Study - Cambridge Massachusetts](#).

Timeline

We plan to release a request for proposals (RFP) for a consultant to complete the study in January 2026. Once a consultant is identified, we expect the timeline for completion of the study to be 6-8 months. We expect that the Incentive Zoning Nexus Study will be completed in the of Fall 2026.

2. Methodology and policy options to be considered as part of the Incentive Zoning Nexus Study

Methodology:

The purpose of the Incentive Zoning Nexus Study is to reaffirm the legal basis for the Incentive Zoning provisions, and the methodology used to conduct the study must align with the legal standards for development exactions or impact fees.

Impact fee nexus studies aim to measure the *direct* connection between development and funding needed to address direct impacts of the development. In the case of the Incentive Zoning provisions, the direct impact being measured is new demand for affordable housing and job training services in Cambridge created by projected new commercial development in Cambridge. The study will calculate the amount of funding needed to fund affordable housing and job training needs and quantify those amounts by square foot of new non-residential development. To establish this direct connection and calculate a proportionate fee, the study methodology will follow accepted methods used in nexus studies for similar impact fees around the country, which are roughly outlined below.

1. Forecast new commercial development square footage
2. Estimate demand for affordable housing & job training from new development
 - a. Housing Contribution - Estimate the number of low-to-moderate income jobs created in the new development; and the share of low-to-moderate income workers who will seek housing in Cambridge;
 - b. Jobs Contribution – Estimate demand for low- and middle-skill jobs (which local training services can prepare residents for) in new development and the goal for resident employment;
3. Calculate funding needed to cover affordable housing development & job training
 - a. Housing Contribution - Calculate the local funding needed to develop affordable housing for new low-to-moderate income employees projected to seek housing in Cambridge;

- b. Jobs Contribution – Calculate the local funding needed to fund job training to meet resident employment goals;
4. Calculate the per square foot fee needed to support local funding needed to create the new affordable housing and job training programs

The study will seek to quantify the direct impact new commercial development is expected to have on the need for affordable housing and job training. New commercial development in Cambridge may also have *indirect* impacts on housing prices and affordability for low-to-moderate-income residents, however those impacts are more difficult to distinguish from broader market trends and assess in a way that comports with the legal basis for establishing an impact fee.

The study will include conducting a new employee survey to gather data on the demand for housing among employees working in Cambridge. The employee survey was last completed in 2015 and was not updated for the 2019 study. Where there have been changes in employment patterns that affect where employees can work, a new survey will need to be completed to provide data necessary for the study.

The results of the nexus study will establish the upper limit of requirements that can be legally justified. However, the City Council can account for other policy considerations and set less restrictive requirements.

Policy Options to be Analyzed:

During the City Council, Housing Committee, and Planning Board discussions related to the last increase to the housing contribution rate, ideas for several other potential changes to the Incentive Zoning provisions were raised. We plan to evaluate these additional changes as part of the upcoming nexus study. These policy options, some of which were considered in the 2019 study but not adopted, are outlined below.

Fee Variations

Existing Fee Variations

Currently, the same incentive rate is applied to all applicable commercial developments over 30,000 square feet, with one exception for developments between 30,000 to 60,000 square feet, where the first 30,000 square feet is exempt from the calculation of the housing contribution payment.

Potential Variations

Tiered Rate by Project Size

The study will assess applying different rates to projects of different sizes by creating a marginal rate structure, which would create incremental contribution rates that step up as a development crosses specified size thresholds (see example below). The analysis will consider whether the incentive zoning fee impacts the feasibility of different sized projects and whether a variation in the fee rate by project size may be advisable. The analysis will also investigate the impact of fee variation by project size on projected housing and jobs contribution revenue.

Marginal rate structure conceptual example:

Size Threshold (gross square feet)	Rate (per square foot)
< 100,000	\$20
100,000-200,000	\$25
200,000-300,000	\$30
300,000+	\$35

Varied Rates by Use

Currently, the Incentive Zoning Ordinance requires all commercial uses to pay the same housing contribution rate. The study will analyze variations in the fee rate for different non-residential uses, investigating both the contribution of different commercial uses to demand for affordable housing and job training as well as the ability of different types of commercial development to pay the incentive fee.

Varied Rates by Geography

Differences in land cost, commercial rents, and existing commercial density between neighborhoods can impact the types of commercial projects built in different areas. Varying contribution rates by location is often intended to avoid adding costs to projects where rents are low and commercial investment is desired. The study will reevaluate variations in commercial development economics within Cambridge and assess whether fee variation by geography is advisable.

Exemptions

Existing Ordinance

Commercial development covered under the current ordinance include the following uses:

- Hotel or motel;
- Radio and television studio;
- College or University not exempt by statute;
- Noncommercial Research Facility;
- Health Care Facilities;
- Social Service Facilities;
- Office and Laboratory Use;
- Retail or Consumer Service Establishments;
- Outdoor Retail or Consumer Service Establishments;
- Light Industry, Wholesale Business and Storage; and
- Heavy Industry.

The size threshold for application of Incentive Zoning provisions is 30,000 square feet of on commercial development, and developments with less than 60,000 square feet of new floor area are exempt from paying the incentive zoning contribution on the first 30,000 square feet. Municipal service facilities and other government service facilities are exempt. Additionally, existing commercial floor area that is demolished and rebuilt as the same type of commercial use within three years is exempt.

Exemptions and Thresholds to be reviewed in the Study

Review of Uses Covered & Exemptions

The study will review non-residential uses currently covered by the ordinance, other potential uses that could be covered, and exempted uses.

Development Size Threshold

The 2019 study examined whether the threshold should be changed from 30,000 square feet and determined that most non-residential developments are larger than 30,000 square feet and that developments smaller than 30,000 square feet have a minimal impact. For these reasons, the consultant recommended against changing the 30,000 square foot threshold. The city council amended the ordinance in 2022, exempting the first 30,000 square feet for developments between 30,000 – 60,000 square feet. This exemption was not evaluated in the 2019 study. The updated study will review the existing 30,000 square foot size threshold and also evaluate the 30,000 square foot exemption for developments under 60,000 square feet.

Substantial Rehabilitation and Demolition + Reconstruction

The incentive zoning provisions currently apply to new construction or additions, substantial rehabilitation for uses the building was not originally used for and change of use from a use not included in the list above to one that is included. The updated nexus study will review how the incentive zoning provisions apply in these different cases and evaluate impact on the various types of projects.

Additionally, in 2022, the city council changed to ordinance to exempt floor area that is demolished and reconstructed within three years for the same use. This exemption was not evaluated as part of the 2019 Nexus Study. The updated nexus study will evaluate the impact of this exemption.