

## *Cambridge Affordable Housing Trust*

June 23, 2016

To the Honorable, the City Council:

The Cambridge Affordable Housing Trust has reviewed and discussed the Inclusionary Housing Study completed by David Paul Rosen & Associates. We appreciate this thoughtful analysis which reviews the current inclusionary provisions, looks at similar provisions in other communities, analyzes changes in housing affordability and the community since the adoption of the inclusionary provisions, models the impact of changed set-aside ratios and income targeting, and makes a series of recommendations for changes in our inclusionary provisions. We have discussed the study at length, and want to share our recommendations and comments with you as the City Council continues its discussion of the study and changes to the inclusionary housing provisions.

The City's inclusionary housing provisions have been exceptionally successful. There are now more than 900 affordable units completed or under construction which have been built without the need for any City or other public subsidy. Inclusionary units are included in all types of market-rate buildings throughout the city, and remain a permanently affordable resource for residents. Inclusionary housing has proven to be an incredibly valuable tool which complements the Trust's efforts to add to the city's affordable housing stock. It has become a critical component of the City's overall housing strategy. We cannot emphasize enough how important this is given the challenges we face developing new affordable housing. Competition for limited subsidy funding and the need for ever-increasing subsidy amounts to offset continually rising development costs make the production of new affordable housing in our community very challenging. We need a variety of tools to create new affordable units. Given the great success of the City's inclusionary housing provisions, we urge thoughtful consideration of changes to this important zoning provision.

The Trust is committed to creating new affordable housing across the City and working to ensure that new housing serves the needs of families in our community. With these goals informing our discussion of the study, we share the following recommendations and comments:

1. Set-aside Ratio – We fully support DRA's recommendation to increase the set-aside ratio to a net 20% of units in new buildings. We also support seeking higher set-aside ratios when a developer requests additional development potential on specific sites through Zoning Ordinance amendments for specific properties.
2. Income eligibility and targeting - We support increasing the income eligibility limit for inclusionary homeownership units to 100% of area median income (AMI). We have discussed at length the needs of middle-income households in Cambridge and have seen the demand for

homeownership units among moderate- and lower middle-income households (i.e. 60%-100% AMI). We believe increasing the eligibility limit for homeownership above that for rental housing, as is done in many other communities, makes sense here.

We recommend that the income eligibility limit for rental housing, however, be maintained at the current 80% AMI. There remains overwhelming demand for inclusionary rental units among households earning less than 80% AMI, and much less demand for rental housing affordable to middle-income households. We therefore fully support maintaining current income eligibility limits and affordability targets for inclusionary rental units. We note the study's finding of a significant decline in households earning between 50% and 80% AMI. Inclusionary units are one of the few affordable options available to households in this income range. We also note that with more than half of inclusionary rental units currently occupied by households with Housing Choice Vouchers, the current income targeting policy for rental units is working to serve households with a broad range of incomes, including those with incomes well below 50% AMI.

3. Density Bonus – We support the recommendation to maintain the current 30% density bonus. In addition, we understand that due to height, setback, and parking requirements, many developments are now not accessing the full amount of the available density bonus. We recommend that the City Council consider ideas received from the development community regarding other zoning changes which would make the full 30% density bonus more attainable and recommend that flexibility in these areas within reasonable limits be available to help developers access the full density bonus.
4. Creation of Family Units – Increasing the number of two- and three-bedroom units is a major goal of the Trust. We support looking at inclusionary housing compliance by building area rather than by unit count in order to increase the number of two-bedroom and three-bedroom units by in certain circumstances. This approach would allow for trading square footage associated with smaller units and result in fewer, larger units. We recommend that the City develop clear criteria for how this flexibility would work as we do not think the creation of family units is appropriate in every building – it would be difficult to imagine affordable two- and three-bedroom units fitting well within a building where the market units are designed for individuals. Developing clear regulations for when and how this option might be utilized will help both developers and CDD staff create more units for families while maintaining the consistency and predictability of the inclusionary provisions and compliance process. We recommend that these standards be adopted through regulations promulgated by the Trust, rather than within the Ordinance, so that these regulations can be revisited from time to time to best advance City housing goals.

Given how important this goal is, we also support other efforts that could result in creating new units for families, through other zoning provisions or incentives and/or other mechanisms that could lead to building more new units for families, both market-rate and affordable, in new buildings.

5. Studio units – Given our goal of promoting much-needed housing for families, we agree that it would be best if fewer studio units were created and larger affordable units were created instead. For new studio units, we would strongly support setting a separate pricing methodology for new

studio units so that households would pay less in a studio than a one-bedroom unit. Pricing studios at 25% of household income rather than the standard 30% of income, for example, would better serve many households and reduce turnover now seen as studios are priced at the same rent as one-bedroom units.

6. Threshold Project Size – we recommend that the project size threshold of 10 units or 10,000 square feet be maintained.
7. Contributions for partial units – We support the recommendation that in cases where the application of the inclusionary ratio results in more than one unit with an additional fractional unit, that rather than rounding the number of inclusionary units up or down as is done now, that a contribution to the Trust be sought for any remaining fractional unit. This contribution could be based upon the cost of producing a new affordable unit as determined by the Trust from time to time.
8. Accepting less premium units in exchange for additional units – We do not feel that we have enough information to make a determination on whether or not to recommend this option now. With more information we could better evaluate what would be gained if this provision were to be introduced. While allowing the flexibility to not include higher value units, for example on the upper floors of a high-rise, might allow for more or larger affordable units to be created elsewhere in a building, we need to understand how the affordable component in a typical building might be improved in this way, and in exchange, how much flexibility would be needed in locating the affordable units in the building. The current mirroring provisions have worked well with affordable units indistinguishable from market units and located throughout buildings. We should be cautious in considering changes which significantly alter this approach.

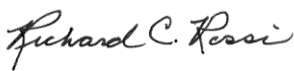
If more flexibility were to be introduced, we believe there would need to be clear criteria and limits regarding how such trade-offs would be allowed so that the intent and range of expected outcomes is clear, and to ensure that this flexibility can be administered consistently and fairly. If there is new information which demonstrates the benefits to this approach, we are ready to revisit this idea. We are also ready to assist by establishing standards to implement this flexibility so that such trade-offs advance our housing goals while balancing impacts on how affordable units are distributed in new buildings.


9. Grandfathering Provisions – We have discussed and acknowledge concerns about projects commenced under the current inclusionary provisions, and understand the impact this change could have in those cases. We support efforts to implement changes to the inclusionary provisions in a thoughtful manner which responds to issues changes would present to developments already underway. We look at these recommended changes as building on the current successes of the program for the long-term, and support efforts to implement them in a fair and consistent manner for developments now underway. We believe it best to clearly identify a date after which changes would apply to developments that have not reached an identified milestone by that date (i.e. permitting approvals within six months of any change).


Advancing the recommendation to increase in the inclusionary housing ratio will assist greatly in our shared goals of increasing the stock of affordable housing in Cambridge. Other recommendations will help ensure that new inclusionary housing units best serve the needs of our community. We believe the changes discussed above will build on the current success of the inclusionary provisions and ensure they continue to advance our collective efforts to support and preserve the socio-economic diversity of Cambridge


We would be happy to discuss the inclusionary housing study with you and very much look forward to working with you to implement the recommended changes.

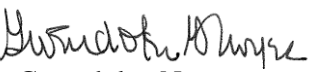
Respectfully submitted for the Affordable Housing Trust,

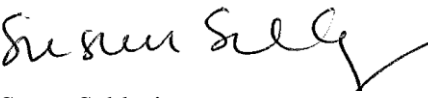
  
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