Overview of Inclusionary Housing Program And DRA Inclusionary Housing Study

City of Cambridge
Community Development Department
City Council Housing Committee: May 18, 2016
Key Provisions of Current Inclusionary Zoning Ordinance

- Adopted 1998 – end of rent control
- Applies to projects of at least 10 units or 10,000 square feet
- 15% of units affordable; typically 11.5% after application of density bonus
- Density bonus: 30% increase in unit count and floor area
- Affordability targeted to households at 65% AMI
- Eligibility up to 80% AMI
- Affordable units provided on-site
- Permanent affordability through a long-term deed restriction
Affordable Inclusionary Units Created to Date

- Over 920 affordable units created or under construction
- Approximately 200 ownership and 720 rental
- Over 815 units completed
- Over 100 units under construction or permitted
Inclusionary Housing Stock Growth FY00-FY16

Rental | Ownership | Total

FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16
Inclusionary Housing Production FY2000 – FY2016
Inclusionary Units Created to Date by Bedroom Size

- Studios: 7%
- 1 Bedroom: 11%
- 2 Bedroom: 38%
- 3+ Bedroom: 44%
Number of Households Leased in Affordable Inclusionary Units
FY 2010 - FY2016
### 2016 Income Limits

- **Low Income**: Less than 50% AMI
- **Moderate Income**: 50% - 80% AMI
- **Middle Income**: 80% - 120% AMI

<table>
<thead>
<tr>
<th>HH Size</th>
<th>50% AMI</th>
<th>HUD 80% AMI</th>
<th>City 80% AMI (for IHP)</th>
<th>100% AMI</th>
<th>120% AMI</th>
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</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$34,350</td>
<td>$51,150</td>
<td>$54,960</td>
<td>$68,700</td>
<td>$82,440</td>
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<td>2 person</td>
<td>$39,250</td>
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<td>$73,050</td>
<td>$78,480</td>
<td>$98,100</td>
<td>$117,720</td>
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Study Approach

• Review of Cambridge’s current inclusionary housing standards
• Review of changes in Cambridge's socioeconomic profile, income diversity, and housing affordability since 1998
• Comparison to other inclusionary programs for best practices
• Economic analysis of current and alternative set aside percentages on typical residential developments
• Recommendations and policy options
Socio Economic Analysis

- Housing costs (rental and ownership) have outstripped increases in income

- Changes in income profile of community between 2000-2011
  - Less than 50% AMI: Stable
  - 50% - 80% AMI: Declined
  - 80% - 100% AMI: Declined
  - 100% - 120% AMI: Stable
  - More than 120% AMI: Increased
Changes in Distribution of Households by Income 2000-2011

Bar chart showing the distribution of households by income bracket from 2000 to 2011.
Comparison with Other Inclusionary Programs

• Cambridge’s inclusionary standards are predictable

• Approximately half of the communities surveyed offer a density bonus; Cambridge’s bonus is higher than all but one

• Set aside percentages range from 5% - 27%. Percentages above 20% are for off site units or targeted to higher income levels

• Cambridge is highly successful in creating inclusionary units on site

• Cambridge units are equal in quality, location, and size to market rate units
# Economic Analysis

- Analyzed 7 prototypes (typical developments), ranging from 6-300 units.

<table>
<thead>
<tr>
<th>Prototype</th>
<th>Tenure</th>
<th>Units</th>
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<tbody>
<tr>
<td>Prototype 1</td>
<td>Rental</td>
<td>300</td>
</tr>
<tr>
<td>Prototype 2</td>
<td>Rental</td>
<td>300</td>
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<td>Prototype 3</td>
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<td>Prototype 6</td>
<td>Rental</td>
<td>6</td>
</tr>
<tr>
<td>Prototype 7</td>
<td>Ownership</td>
<td>6</td>
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</table>
Economic Analysis - Set Aside Scenarios and Target Incomes

Analyzed prototypes under 4 different inclusionary set aside scenarios

- **Scenario 1** – 11.5% of units for low/moderate income (typical project under current IHP standards)
- **Scenario 2** – 15% of total built units for low/moderate income plus 5% of units for middle income
- **Scenario 3** – 20% of total built units for low/moderate income
- **Scenario 4** – 20% of total built units for low/moderate income plus 5% of units at 100% of AMI
Study Recommendations

Set Aside Percentages and Target Income Levels

- **20%** of total built units to be affordable

- **Rental**: maintain eligibility of up to 80% AMI or expand eligibility to include 5% of units at 100% AMI

- **Ownership**: increase eligibility up to 100% AMI
Study Recommendations

Use of Density Bonuses

• Maintain 30% density bonus

• When warranted for specific projects, enact zoning ordinance changes allowing for additional affordable units beyond inclusionary standards
Study Recommendations

Creation of Family-Sized Units

• Create larger units
• Set a percentage of three bedroom units or
• Calculate set-aside percentage by square feet or per bedroom

Studio units

• Disallow studio units or structure at lower cost than one bedroom units
Study Recommendations

Threshold Project Size and Fees for Partial Units

• Consider lowering the unit or square foot threshold for inclusionary units below 10 units or 10,000 square feet.

• When calculation of inclusionary units results in a fractional unit, consider contribution equivalent to value of the fractional unit.
Study Recommendations

Location of Affordable Units/Buildings with View Premiums

• Consider flexibility to designate less premium units in exchange for an increase in affordable units

• Accomplish by quantifiable standards or by mutual agreement
Study Recommendations

• **Residential versus commercial development**
  Balance impacts on future commercial and residential land uses

• **Applicability of provisions**
  Apply changes to new projects
Next Steps

• Community review and discussion of study and recommendations – underway

• Meetings with community groups, business groups, developers underway

• Affordable Housing Trust

• Planning Board

• City Council Housing Committee hearings
  
  May 18 - Hearing for community comments and questions

  May 31 - At a second meeting study consultant to give a presentation and answer questions

Zoning Amendment to be drafted based on desired set of policy changes.