City of Cambridge
Inclusionary Housing Study

City of Cambridge
May 31, 2016
Study Elements

- Socioeconomic Diversity Analysis
- Economic Feasibility Analysis
- Practices in Other Cities
Socioeconomic Diversity Analysis

- Analysis of housing and demographic changes in Cambridge since 1997 and 1998 original inclusionary housing studies
Economic Feasibility Analysis

- Estimated effects of alternative inclusionary housing standards on residential financial feasibility and land values in Cambridge using prototypical housing developments
Practices in Other Cities

- Review of inclusionary housing practices in selected cities nationwide
Trends in Income and Housing Costs

- Increases in residential market rents and sales prices have outstripped increases in area median income (AMI) since 1997.
Total Increase:
2007 to 2014

Area Median Income: 14%
Median 2 BR Asking Rent 31%
Average Condo Sales Price 33%
Average SF Sales Price 45%
Results

- Marked reduction in housing affordability
- Increase in cost-burdened households
- Decline in proportion of households with incomes under 100% of AMI.
# Ratio of 80% AMI to Market Rents

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2000</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>99.3%</td>
<td>72.1%</td>
<td>63.8%</td>
</tr>
</tbody>
</table>
% of AMI Required to Afford Average Home Sales Price

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2014</th>
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<tbody>
<tr>
<td>Condos</td>
<td>145%</td>
<td>151%</td>
</tr>
<tr>
<td>Single-Family</td>
<td>226%</td>
<td>257%</td>
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</tbody>
</table>
## Cost-Burdened Renter Households (% of HH)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td><strong>All Renter Households</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paying &gt;30% of Income</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Paying &gt;50% of Income</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Renter Households Earning 50% to 80% AMI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paying &gt;30% of Income</td>
<td>56%</td>
<td>74%</td>
</tr>
<tr>
<td>Paying &gt;50% of Income</td>
<td>10%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Household Income Distribution
(% of Households)

2000
- Less than 50% AMI: 8%
- 50% and 100% AMI: 30%
- 100% to 120% AMI: 35%
- More than 120% AMI: 27%

2011
- Less than 50% AMI: 8%
- 50% and 100% AMI: 18%
- 100% to 120% AMI: 29%
- More than 120% AMI: 47%
Affordable Housing Stock

- The proportion of the restricted affordable housing stock has remained at approx. 15% of total units
- Result of success of City’s IHO, AHT and other City programs
Importance of IHO

- Development of new affordable housing is more challenging
  - Competition for sites
  - Declining state and federal funding
- IHO has contributed increasing share of new affordable units
Future of IHO

- Analysis concludes there is room for Cambridge to increase its inclusionary standard without rendering housing development economically problematic
### Recommendation #1

**Affordability Requirements**

<table>
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<tr>
<th>Housing Type</th>
<th>Requirement</th>
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<tbody>
<tr>
<td>Rental Housing</td>
<td>15% of units at 65% of AMI plus 5% of units at 100% AMI OR 20% of units at 65% of AMI</td>
</tr>
<tr>
<td>Owner Housing</td>
<td>20% of units Income Limit 100% Mortgage affordable at 75%-90% of AMI</td>
</tr>
</tbody>
</table>
Recommendation #2: Density Bonus

- Retain existing density bonus
- Enact zoning changes to add additional affordable units when conditions warrant
Recommendation #3: Family Units

- Disallow provision of studio units to meet IHO obligations or offer them at lower cost than one-bedroom units
Recommendation #4: Threshold Size

- Consider reduction of threshold size
- Accept fractional unit fee for fractional units
Recommendation #5: Location of Affordable Units

- Allow option of selecting less premium units in exchange for an increase in the number of affordable units
Recommendation #6: Residential Vs. Commercial

- Consider the impacts of IHO standards on the market competitiveness of residential versus commercial land uses
Recommendation #7: Grandfathering

- Changes do not apply to projects in construction or with a recorded affordable housing covenant.
Nora Lake-Brown
DRA Principal
949-559-5650
nora@draconsultants.com

David Rosen
DRA Principal
510-451-2552
david@draconsultants.com