Overview of Inclusionary Housing Program And DRA Inclusionary Housing Study

City of Cambridge
Community Development Department
Presentation to Planning Board: July 12, 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
• Nearly 820 units completed
• Over 100 units under construction or permitted

Interior, Aberdeen Lofts
6 affordable homeownership units
Inclusionary Housing Stock Growth FY00-FY16
Inclusionary Housing Activity FY2000 – FY2016
Affordable Inclusionary Units Created to Date by Bedroom Size

- **355** (38%) 1 Bedroom
- **101** (11%) 2 Bedroom
- **403** (44%) 3+ Bedroom
- **63** (7%) Studios
Number of New Households Leased Annually 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>
</tr>
</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>$39,250</td>
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<td>3 person</td>
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<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

- Less than 50%
- 50-80% AMI
- 80 - 100% AMI
- 100 - 120% AMI
- Over 120%

2000

2011

Changes in Distribution of Households by Income 2000-2011
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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<tr>
<td>Prototype 3</td>
<td>Rental</td>
<td>100</td>
</tr>
<tr>
<td>Prototype 4</td>
<td>Rental</td>
<td>25</td>
</tr>
<tr>
<td>Prototype 5</td>
<td>Ownership</td>
<td>40</td>
</tr>
<tr>
<td>Prototype 6</td>
<td>Rental</td>
<td>6</td>
</tr>
<tr>
<td>Prototype 7</td>
<td>Ownership</td>
<td>6</td>
</tr>
</tbody>
</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
Process to Date

• DRA study submitted to City Council - April

• Community review and discussion of study and recommendations – ongoing
  • Meetings with community groups, business groups, developers – May & June
  • Affordable Housing Trust review and discussion of recommendations and considerations – April – June
  • AHT recommendations submitted to City council – June 27

• City Council Housing Committee hearings:
  • May 18 - Hearing for community comments and questions
  • May 31 – Lead study consultant presented study and recommendations and answered questions
  • July 11- Affordable Housing Trust recommendations and developer comments discussed
Affordable Housing Trust Recommendations

- 20% of total built units to be affordable. Higher ratios on specific sites through zoning ordinance amendments;
- **Rental**: maintain eligibility of up to 80% AMI; **Ownership**: increase eligibility up to 100% AMI;
- Maintain existing **density bonus of 30%**; Consider other zoning changes to make density bonus more attainable for developers;
- **Create family size units** by looking at inclusionary compliance by building area instead of units when appropriate. Establish clear regulations;
- Support **fewer studio units**. **Charge less** for new studio units;
- **Maintain current threshold** of 10 units or 10,000 square feet;
- Establish **contribution for partial units**;
- Need more information to determine whether a trade off of **fewer higher value units** for more or larger units is advisable;
- **Grandfather** developments that reach identified milestone.
Next Steps

• Housing Committee Meeting – August 15 – Committee to discuss further and formulate recommendations

• Zoning Petition to be drafted based on set of policy changes recommended by Housing Committee