



CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

Affordable Housing Trust

July 31, 2025, 4:00 p.m.

**Ackermann Room, City Hall, 795 Massachusetts Avenue
Cambridge, Massachusetts**

OR

[Webinar Registration - Zoom](#)

To participate in this meeting through the Zoom video meeting platform, please register using [this link](#) in advance of the meeting.

AGENDA

1. Review of Meeting Minutes
2. Update from the Housing Department
3. 35 Cherry Street: Housing staff are requesting that the Trust authorize conveyance the 35 Cherry Street property to Just A Start;
4. Inclusionary Housing in New Residential Developments: discussion of strategies that City staff are exploring to assist in addressing challenges facing new residential development with inclusionary housing units at this time, including the idea of the Trust financing the creation of new inclusionary housing units;
5. Adjournment

Members of the public can provide written comments to the Affordable Housing Trust by email sent to affordablehousingtrustcomment@cambridgema.gov, or by delivery to the Housing Department, by 5:00 p.m. the day before the meeting.

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
June 26, 2025 at 4:00 p.m.
Conducted via Zoom and in person (City Hall, Ackermann Room)

Trustees Present in Person: Elaine DeRosa

Trustees Present via Zoom: Chair, Yi-An Huang; Teresa Cardosi, Alyson Stein, Susan Schlesinger

Trustees Absent: Raffi Freeman, Krissandra Robinson, Jim Stockard, Elaine Thorne

Staff Present: Chris Cotter, Housing Director; Anna Dolmatch, Senior Manager for Homeownership; Haines, Housing Planner; Christine Yu, Associate Housing Development Planner

Others Present: Councillor Catherine Zusy, Madeline Lee, Tess Hoffman, James Williamson, Alex Bob, Connor Ring, Alex Cardelle, Noah Sawyer, Cecelia Cobb, Ethan Leite

The meeting was called to order at 4:05 p.m. Mr. Cotter explained that this meeting of the Affordable Housing Trust is being held in a hybrid fashion pursuant to applicable requirements, that all votes would be taken by roll call. He then confirmed via roll call that each remote participant could hear the meeting and was audible to others.

MEETING MINUTES

Upon a motion moved, seconded, and approved by roll call of five in favor and four absent (Mr. Freeman, Ms. Robinson, Mr. Stockard, and Ms. Thorne), it was voted to approve the minutes for the meeting of May 22, 2025.

HOUSING DEPARTMENT UPDATE

HomeBridge Program: There are currently 6 active buyers in this program looking for a home. Seven units have sold since the last Trust meeting, and one unit is under agreement.

Resale Program: There are five units under agreement.

52 New Street: The marketing process for its 106-unit affordable development at 52 New Street in Cambridge has begun. Two more information sessions have been scheduled for July 8th and July 22nd. Applications will be available beginning July 1 with a lottery to be held in September. Construction is expected to wrap up in December 2025.

Jefferson Park Federal: Staff have begun discussions with the Cambridge Housing Authority (CHA) about the financing closing of phase 2 of Jefferson Park Federal. The closing is expected to close by July 31.

4 Mellen/1627 Massachusetts Avenue: Construction is underway, with an anticipated completion date by the end of 2026.

49 6th Street: Preservation of Affordable Housing (POAH) closed on their 49 Sixth Street project in June 2025. Construction is expected to begin soon. A groundbreaking event is scheduled for July.

2072 Massachusetts Avenue: The second AHO meeting for this project was held on May 29th. The development team is proposing a 12-story building with over 70 units.

116 Norfolk Street: The CHA held a ribbon cutting event on June 12th to celebrate the completion of 116 Norfolk Street, which was named after the previous CHA Executive Director, Daniel J. Wuenschel. The site is now fully occupied.

The Print Shop: The roof replacement is expected to begin in the fall.

In response to questions regarding the project schedule and whether there was an update to the Capital Needs Assessment (CNA), staff replied that the condo is looking at potentially doing work on individual unit HVAC systems before the roof. That work is not part of the Trust-funded project but some coordination is needed. The condo association has not yet completed the CNA.

Neville Place: Renovations at Neville Place continue.

28-30 Wendell: Homeowners Rehab, Inc. is bringing their 28-30 Wendell Street project to the Planning Board for the first of two required Advisory Design Review meetings this summer.

OTHER UPDATES

Community Preservation Act (CPA): The FY26 process of allocating CPA funds is underway. Two public meetings to discuss the CPA funds are scheduled for July 28 and August 20.

City Council Budget: The City Council approved the City's FY26 budget, which includes \$24 million allocated to the Trust.

Affordable Housing Overlay (AHO): A new AHO petition was passed by the City Council that clarified the height limit for AHO developments in C-1 zoning districts.

Federal Funding: The City joined litigation regarding the federal government's decision to place conditions on Continuum of Care funds. Staff are also preparing to see challenges and potential rollbacks with CBDG and HOME funds.

City-Funded Vouchers: the City has approved funding for two new pools of vouchers to be offered by CHA. One will assist current CHA voucher holders who are at risk give changes in voucher program policies at the Federal level and the other will provide vouchers to individuals who have been homeless.

In response to a question regarding whether the vouchers need to be funded every year, Mr. Cotter explained that they need to be part of the City's annual budget now.

Prior to moving on to New Business, Ms. Schlesinger asked if staff could talk about the policy order regarding inclusionary. Mr. Cotter informed the Trust that the City Council approved a policy order asking staff to provide information on challenges new market-rate development is facing and ideas to assist these developments as the City begins work on a new Inclusionary Housing Study. Staff are have prepared a response that will be introduced to the Council on Monday, June 30th. Staff will be undertaking a new Inclusionary Housing Study in FY26 and will look into the challenges that market rate developers are facing. There has been support for making changes to the inclusionary zoning requirements to make development easier. Ms. Schlesinger advocated that changes should not be made to inclusionary zoning until the study is done. One of the strategies the City Council has asked be explored is the Trust funding inclusionary housing. This will be discussed at an upcoming Trust meeting.

NEW BUSINESS

35 Cherry Street Construction and Permanent Funding Request

Mr. Cotter presented a funding request for \$7,434,000 in construction and permanent financing for the creation of ten units of affordable homeownership units on the Trust-owned lot at 35 Cherry Street. The Trust has already provided \$300,000 in predevelopment funds, bringing the total requested financing for this project to \$7,734,000. Just A Start (JAS) is constructing 6 two-bedrooms and 4 three-bedroom units, with some restricted to households making up to 80% AMI and others restricted to 100% AMI.

JAS is requesting that the Trust provide both permanent and construction financing for the project, which will save approximately \$15,000 per unit in borrowing costs. With the Trust as the only funding source, the project will be able to move to construction more quickly. The request will be approximately split with \$4,452,000 in permanent funding and \$2,982,000 in construction financing. The construction financing will be paid back from unit sales after JAS's developer fee is paid. JAS is targeting a September closing. They estimate an October construction start and completion in Fall 2026.

Prior to voting, staff and Trustees discussed the financing timeline and if the project is getting any state funds. Ms. Dolmatch confirmed that this project is not receiving state funds, which will significantly speed up the timeline.

Upon a motion moved, seconded, and approved by roll call of five in favor and four absent (Mr. Freeman, Ms. Robinson, Mr. Stockard, and Ms. Thorne), it was:

VOTED: to approve the request for \$7,434,000 in construction and permanent funding to assist with the development of 35 Cherry Street, as detailed in the memo provided.

12-14 Laurel Street Predevelopment Funding Request

Mr. Cotter presented a funding request for \$125,000 in predevelopment funding to assist with the proposed development of four affordable homeownership units at 12-14 Laurel Street. The site is currently owned by a non-profit and used as low-cost unrestricted congregate housing. The owner has agreed to transfer the property to JAS for redevelopment as affordable housing if JAS is able to secure

City financing for the project. One current resident will be rehoused in the completed projects. Other residents will be provided with relocation assistance as required.

The preliminary design includes 3 large three-bedroom units and 1 one-bedroom unit. All units will be restricted to households making up to 80% AMI. The project will proceed as-of-right under the Multi-Family Housing zoning provisions (MFH). Staff will continue to work with JAS as designs progress.

JAS has received predevelopment funding from CEDAC. They have a commitment for project funding from the Federal Home Loan Bank of Boston and are looking at a potential funding application to the Cambridge Redevelopment Authority. JAS will submit a future request to the Trust for construction and permanent financing.

Upon a motion moved, seconded, and approved by roll call of five in favor and four absent (Mr. Freeman, Ms. Robinson, Mr. Stockard, and Ms. Thorne), it was:

VOTED: to approve the request for \$125,000 in predevelopment funding to assist with predevelopment activities related to 12-14 Laurel Street, as detailed in the memo provided.

ADJOURNMENT

Upon a motion moved, seconded, and approved by roll call of five in favor and four absent (Mr. Freeman, Ms. Robinson, Mr. Stockard, and Ms. Thorne), it was voted to adjourn the meeting.

The meeting adjourned at 4:36 p.m.

The next meeting is scheduled for July 24, 2025 at 4:00 p.m.

Meeting Materials:

- Agenda
- Minutes from the Trust's May 22, 2025 meeting
- Project Update
- 35 Cherry Street Construction and Permanent Financing Request CAHT Memo
- 12-14 Laurel Street Predevelopment Request CAHT Memo

Cambridge Affordable Housing Trust

July 31, 2025

Status of Active Commitments

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	<i>currently approved buyers:</i>	10	112 scattered site units purchased by first time buyers to-date. Trust approved expanded subsidy share in August 2023. One unit closed since last meeting; two units under agreement.	N/A	\$34,200,000	1-br: 50% sale 2-br: 60% sale 3-br: 65% sale	several, including most recent: November 2024
2.	Homeownership Resale Program	CDD	<i>currently active units:</i>	21	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers. Three units under agreement for sale to new owner.	N/A	\$10,000,000		December 2011
3.	Vail Court (139 Bishop Allen)	TBD	TBD	TBD	Trust and City hosted public meeting in 2017 to hear from the community on affordable housing needs and ideas for the redevelopment of Vail Court. Additional public meetings will be scheduled but are currently on hold. Steps to agree to settle the litigation are underway pending the legal action taken by former owner.	TBD	TBD	TBD	N/A
4.	2072 Mass. Ave.	Capstone Hope	TBD		Capstone/Hope purchased site in April 2018 and initially sought a comprehensive permit for an affordable housing development but withdrew their request at the September 2021 BZA hearing; they remain committed to creating affordable housing at this site and are proceeding under the AHO. AHO community meetings held on 10/9/24, 10/30/24 (repeat of first meeting), and 5/29/25.	TBD	\$5,071,000	TBD	February 2018 and June 2021
5.	52 New Street	JAS	106		JAS purchased the site in early 2020 and completed the AHO process in early 2022. Construction began in December 2023 and is underway. JAS began the marketing process in May 2025 with additional sessions this summer ahead of a September lottery and early 2026 occupancy.	\$90,359,816	\$18,025,390	\$170,051	October 2019, June 2021, and January 2022
6.	Broadway Park (240 Broadway)	JAS	TBD		In March 2021, the Trust approved funding to create 15 affordable homeownership units at this JAS-owned site. JAS began a community process with the intention of seeking a comprehensive permit for the homeownership plan but put the project on pause and is now planning to develop the site as rental housing in conjunction with 37 Brookline Street. JAS has applied for state funds for the scattered-site Broadway Park/Brookline St development. Their first AHO community meeting was held on 7/24/25.	TBD	\$3,600,000	#DIV/0!	March 2021
7.	Jefferson Park Federal (45-60; 61-75; 77-92; 93-108; Jackson Circle; 1; 2-19, 21-42; 109-124; 1000 Jackson Place)	CHA	278		In September 2021, the Trust approved funding to assist with the comprehensive modernization of Jefferson Park Federal. The CHA completed the AHO process in early 2022 and began construction of Phase 1 in early 2024, after a late 2023 'dry closing'. The CHA is currently preparing for the construction closing of Phase 2.	\$309,675,326	\$43,611,615	\$156,876	September 2021
8.	4 Mellen / 1627 Mass. Ave.	HRI	29		In January 2022, the Trust approved funding for the purchase of this property from Lesley University to create affordable housing. The Trust approved additional predevelopment funding in August 2022. HRI acquired the site in August 2022 and completed the AHO process in late 2023. State funding approved June 2024. HRI closed on construction on 5/16/25. Groundbreaking held on 6/17/25.	\$33,034,091	\$10,425,000	\$359,483	January 2022, August 2022, and January 2024
9.	35 Cherry Street	JAS		10	In March 2022, City Council approved the disposition of this property to the Trust for creation of affordable homeownership housing. Transfer from MIT complete. After RFP, Just A Start selected as developer in October 2023. At June meeting, Trust approved construction and permanent financing. Working towards September closing. Construction bids underway.	\$8,352,000	\$7,734,000	\$773,400 (\$475,200 permanent)	March 2022, May 2024, June 2025

10.	49 Sixth Street	POAH	46		In October 2022, the Trust approved funding to assist in the conversion of a portion of the Sacred Heart church property to affordable housing. POAH has completed the AHO process. POAH is assembling remaining financing in advance of beginning construction in 2024. Increase of Trust funds request approved 3/6/24; increase of Trust funds approved at 8/1/24 meeting. POAH closed on construction on 6/16/25.	\$44,050,313	\$11,250,000	\$244,565	October 2022, March 2024, and August 2024
11.	37 Brookline Street	JAS	13		JAS acquired the site in July 2023 and held a meet and greet meeting on 4/25/24. AHO community meetings held 7/10/24 and 9/11/24. Design work is underway.	TBD	\$2,064,000	TBD	March 2023
12.	650 Concord Ave	Neville Communities Inc (NCI)	71		In May 2023, the Trust approved funding to assist with capital repairs at Neville Place, the affordable assisted living portion of its campus. Increase of Trust funds request approved 3/28/24. Neville closed on the refinancing of their existing mortgage and Trust funding in February 2025. The initial capital repairs underway include the replacement of the roof and the replacement of immediate building system components, including two HVAC chillers. The chillers are installed, and the roof is approximately 75% complete.	\$5,670,500	\$5,670,500	\$79,866	May 2023 and March 2024
13.	28-30 Wendell Street	HRI	95		HRI purchased 30 Wendell Street from Lesley University on 11/30/23 and purchased 28 Wendell from Lesley on 6/7/24. An initial AHO meeting for the 30 Wendell site was held 2/14/24. HRI restarted the process with AHO community meetings for the combined sites held 6/20/24, 11/14/24, and 3/6/25. The first Planning Board Advisory Design meeting is scheduled for 8/5/25.	TBD	\$16,657,000	TBD	August 2023 and March 2024
14.	87-101 Blanchard Rd	B'nai B'rith	110		In March 2024, the Trust approved \$18,169,120 in funding to BBH for the new construction of 110 affordable rental units for seniors. BBH completed the AHO process on 6/18/24. State funding awarded in February 2025.	TBD	\$18,169,120	\$165,174	August 2023 and March 2024
15.	Print Shop Condominiums	Print Shop Condominiums		24	In October 2023, the Trust approved up to \$3,000,000 approved to assist this all-affordable condominium building with building envelope repairs starting with the replacement of the roof. First phase of loan (up to \$820,000) closed 11/21/24 for roof work. Bids received on the roof April 2025; work to be scheduled. Full CNA to be completed.	TBD	\$3,000,000	TBD	October 2023
16.	102 Sherman St/Walden Square Apartments II	Winn	95		Trust approved funding for the construction of two new buildings containing 95 affordable rental units on a portion of the existing Walden Sq I site; Winn completed the AHO community process in Fall 2023 and presented the proposed to the Planning Board at the two advisory design review meetings on 3/12/24 and 7/2/24. Planning Board final design report issued on 8/1/2024 and accepted by Trust on 10/24/24. Winn now seeking remaining funding needed to begin construction.	\$80,413,447	\$18,750,000	\$197,368	June 2024
17.	Rindge Commons South	JAS	77		JAS will be seeking the remaining financing needed to begin construction on the second phase of their two-phase Rindge Commons development which received a comprehensive permit in August 2020. The Trust approved funding of \$9,051,615 for the second phase, Rindge Commons South, at its September 2024 meeting.	TBD	\$9,051,615	\$117,553	September 2024
18.	1826 & 1840 Massachusetts Avenue	JAS	TBD		Trust approved funding for JAS to purchase two parking lots from Lesley University to develop into new affordable housing, as well as some predevelopment funding. Properties were acquired 11/26/24.	TBD	\$10,900,000	TBD	September 2024
19.	1, 3, 5 Frost Street & 20, 22, 28 Roseland Street/ Frost Terrace II	Capstone Hope Zahler	TBD		Trust approved funding for the development team behind Frost Terrace I Apartments to purchase six sites in Porter Square to develop a second affordable housing development, Frost Terrace II Apartments, as well as some predevelopment funding. Properties were acquired 12/13/24.	TBD	\$19,839,500	TBD	September 2024
20.	12-14 Laurel Street	JAS		4	Trust approved funding to assist with predevelopment activities related to the development of 12-14 Laurel Street.	TBD	\$125,000	\$31,250	June 2025
				989	Total Units				

Cambridge Affordable Housing Trust
Status of Affordable Housing Overlay (AHO) Developments

	AHO Development	Developer	AHO Status & Activity	Rental Units	Ownership Units	Development Status
1.	52 New Street	Just-A-Start Corporation	AHO Community meetings held on 2/25/21, 3/25/21, and 4/15/21. Planning Board design consultation held on 10/26/21 and 1/4/22. Design consultation completed January 2022; Final Planning Board report issued 1/20/22 and was transmitted to the Trust on 1/27/22. Construction underway. Marketing for units began Spring 2025 with initial occupancy scheduled for 2026.	106		Design Consultation Complete; see above
2.	Jefferson Park Federal (45-60; 61-75; 77-92; 93-108; Jackson Circle; 1; 2-19, 21-42; 109-124; 1000 Jackson Place)	Cambridge Housing Authority	AHO Community meetings held on 3/2/21, 4/1/21, and 10/19/21. Planning Board design consultation held 11/9/21 and 2/15/22. Final Planning Board report issued 3/9/22 transmitted to the Trust on 3/24/22. Construction of Phase 1 underway; construction closing of Phase 2 scheduled for Summer 2025.	278		Design Consultation Complete; see above
3.	Walden Square II (102 Sherman Street)	WinnDevelopment Companies	AHO Community meetings held on 3/23/21, 4/13/21 and 5/27/21. Submission for first Planning Board advisory design consultation was withdrawn by developer on 11/16/21. Design revised based on community comments. Community meetings held 2/23/22, 8/29/23 (rescheduled from 8/1/23) and 9/14/23. Planning Board advisory design meetings held 3/12/24 and 7/2/24. Final Planning Board report issued 7/24/23 transmitted to the Trust on 8/1/24.	95		Design Consultation Complete; see above
4.	49 6th Street	POAH & Urban Spaces	AHO Community meetings held on 7/27/21 and 11/3/21. First Planning Board advisory design consultation meeting held 4/5/22. Second design consultation meeting was held on 6/28/22; Planning Board report issued 7/14/22 and transmitted to the Trust on 8/4/2022. Construction closing closed on 6/16/25. Construction underway.	46		Design Consultation Complete; see above
5.	116 Norfolk Street	Cambridge Housing Authority	First AHO community meeting held 2/10/22. Second community meeting held 4/26/22. First Planning Board advisory design consultation meeting was held on 7/5/22. Second advisory design consultation held 9/13/22. Planning Board report issued on 10/28/22 and transmitted to the Trust on 11/17/22. Construction complete; property fully occupied.	62		Complete
6.	1627 Mass. Ave./4 Mellen	Homeowner's Rehab Inc	First AHO community meeting held 9/15/22. Second community held 3/15/23. First advisory design consultation with Planning Board held 7/18/23, second design consultation held 12/5/23. Final Planning Board report issued 12/20/23 and transmitted to the Trust on 1/25/2024. Construction closing closed on 5/16/25. Construction underway.	29		Design Consultation Complete; see above
7.	87-101 Blanchard Road	B'nai Brith Housing	AHO community meetings held 10/4/23 and 11/10/23. First Planning Board advisory design meeting held 1/23/24 and 6/4/24. Final Planning Board report issued 6/18/24 and transmitted to the Trust on 6/27/2024.	110		Design Consultation Complete; see above
8.	28-30 Wendell Street	Homeowner's Rehab Inc	First AHO community meeting held 2/14/24. HRI restarted the AHO community meeting to include 28 Wendell Street. AHO community meetings for combined sites held 6/20/24, 11/14/24, and 3/6/25. The first Planning Board Advisory Design meeting is scheduled for 8/5/25.	95		AHO community meetings underway.
N/A	35 Cherry Street	Just-A-Start Corporation	AHO community meetings held 5/15/24, 6/26/24, and 8/21/24. Project no longer AHO and is proceeding under new multi-family zoning as of right.		10	Project no longer AHO and is proceeding under new multi-family zoning as of right.
9.	37 Brookline Street	Just-A-Start Corporation	AHO community meetings held 7/24/24 and 9/11/24.	13		AHO community meetings complete; design consultation process in progress.
10.	2072 Massachusetts Avenue	Capstone Communities	AHO community meetings held on 10/9/24, 10/30/24 (repeat of first meeting), and 5/29/25.	TBD		AHO community meetings underway.
11.	Corcoran Park	Cambridge Housing Authority	First AHO community meeting held on 2/13/25.	TBD		AHO community meetings underway.
12.	71 Cherry Street	Cambridge Redevelopment Authority	First AHO community meeting held on 2/19/25.	TBD		AHO community meetings underway.
13.	Broadway Park	Just-A-Start Corporation	First AHO Community meeting held on 7/24/25.	TBD		AHO community meetings underway.

844	Total Units
-----	-------------

Status of Active Inclusionary Housing Developments

	Approved Active Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	40 Thorndike Street, Court House	Leggat/McCall	Covenant recorded 7/23/21. Building permit issued 3/2/21. Tenant selection underway.	48		All units are affordable
2.	605 Concord Ave.	Abodez Acorn	Covenant recorded 1/6/20. Building permit issued 12/9/21. Under Construction. Tenant selection underway	7		Revised ordinance at 15% sf requirement
3.	121 Broadway	Boston Properties (BXP)	Covenant recorded 12/28/23. Building permit issued 3/21/24. Under construction.	102		MXD zoning - 20% Inclusionary + 5% Middle-Income
4.	8 Winter Street	S. Jafry	Covenant recorded 7/18/2024. Building permit issued. New ownership; updated plans under review.	3		Revised ordinance at 20% of requirement.

Under Development:	160	0
Completed Units:	<u>1224</u>	<u>215</u>
All Units:	1384	215
	<hr/> 1599	

	Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units	Applicable zoning
1.	75 First Street	Urban Spaces	IHP plan under review	90		Revised ordinance at 20% of requirement.
Current subsidy amount needed to create Affordable Dwelling Unit Net Floor Area for Inclusionary Housing not created pursuant to Section 11.203.3 (i):				\$534 / per square foot		last update: 1/23/2025

Incentive Zoning Contributions - FY2026

	Development	Contribution Amount	Rate	
1.				
			Total FY2026	
		\$17,655,619	Total FY2025	
Current Incentive Zoning Housing Contribution Rate pursuant to Section 11.202 (b):		\$36.36 / per square foot		last update: 5/2/2025



CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

MEMORANDUM

To: Cambridge Affordable Housing Trust
From: Anna Dolmatch, Senior Manager for Homeownership
Christine Yu, Associate Housing Development Planner
Date: July 31, 2025
Re: 35 Cherry Street – Conveyance to Just A Start

In June 2025, the Trust voted to approve construction and permanent funding to create new affordable homeownership units at 35 Cherry Street. We are now working with JAS to close on this funding in the early fall, and are preparing documents that will be needed to transfer the ownership of the property to Just Start to begin construction of 10 new affordable homeownership units there.

As you know, the City Council approved the disposition of the 35 Cherry Street property to the Affordable Housing Trust. The property was originally made available to the City from the Massachusetts Institute of Technology (MIT), and was conveyed to the City in 2022. In accordance with M.G.L. Chapter 30B, the Trust issued an Request For Proposals (RFP) in July 2023. Following the review of the RFP submissions, the Trust designated Just A Start (JAS) to build new affordable homes of the site in October 2023. The designation indicated that the property would be conveyed to JAS by the Trust at the time of initial construction closing.

RECOMMENDATION:

Housing staff recommend that the Trust now authorize the City Manager to execute any and all documents needed to convey the 35 Cherry Street property to JAS, or its fully controlled affiliate, in its current condition, and subject to the following conditions:

1. JAS shall enter into a permanent affordable housing restriction on the site that includes requirements that the site will only be used for the development of affordable homeownership units for low- and moderate-income households. The affordable housing restriction shall fully describe the requirements as described in the RFP project guidelines;
2. Upon the conveyance of the site to JAS, the Trust will require such other binding legal instruments and resale restrictions as determined by City staff;
3. If for any reason JAS does not begin construction within 180 days of the conveyance of the site, at the City's election, JAS shall reconvey the site back to the Trust in a safe condition, free from any hazards;
4. Conveyance of the site is contingent upon satisfactory completion of all closing requirements associated with the Trust's funding commitment as described in that commitment.



CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

MEMORANDUM

To: Affordable Housing Trust
From: Chris Cotter, Director of Housing
Alex Bob, Housing Planner
Date: July 31, 2025
RE: Strategies to encourage the construction of market-rate residential development with inclusionary housing units

Over the past several years, as interest rates and construction costs have increased, Cambridge, like other cities regionally and nationally, has seen a slowdown in new market-rate housing production. This trend presents a major challenge to the City's effort to meet the Envision Cambridge goal of creating 12,500 new housing units by 2030. While recent policy changes like the citywide multifamily zoning and the elimination of parking minimums aim to expand new housing development, factors, many of which are outside of the city's control, are limiting the impact of these policy changes. Given the importance of continued steady production of new housing units, the City is looking at new approaches to promote new housing development in the face of a challenging economic environment.

The City Council has asked that the City review current barriers to new housing production and to develop new strategies to assist in making residential development more feasible in the current economic climate. The attached memo presented to the City Council for their June 30th meeting (attached) outlines the barriers to new housing production in more detail and outlines some possible local options to help support new housing development. The attached report provided an initial overview of some of these strategies which City staff are now analyzing more fully in anticipation of providing more information to the City Council in the fall.

Strategies identified to support housing production include:

1. Amending the Zoning Ordinance to reduce to inclusionary housing set-aside ratio from 20% for a set period of time while the new Inclusionary Housing Study is completed and suggested changes are then considered;
2. tax incentives for new multifamily residential development;
3. funding inclusionary housing units through the Affordable Housing Trust;
4. a revolving loan or equity fund for multifamily residential projects similar to MassHousing's Momentum Fund or the City of Boston's Accelerator Fund; and
5. exempting multifamily projects from building permit fees.

There is interest from the City Council in acting on some of these options before the end of the year, and staff from various departments are currently working to explore the feasibility and impact of these options and provide more information to the City Council for discussion in the fall.

As part of our effort to gather information on these different policy options, we would like to update and discuss these options with the Trust.

Using Trust Funding for Inclusionary Housing

As we continue to explore the strategies identified above, we would like to discuss with you and hear your comments on the idea of using Trust funds to subsidize new inclusionary housing units. While funding inclusionary housing units has not been done before, based on a review of the Trust's governing documents, we believe it would be a permissible use of Trust funds, and are working with the Law Department to confirm that.

To help guide the discussion, we have outlined several questions for the Trust's consideration below:

1. How should the city balance its goals of increasing the supply of housing units generally with its goals of creating new income-restricted affordable housing units?
2. How do you view trust funding of inclusionary units in the context of the other options being considered?
3. If the Trust were to receive a proposal from a developer to fund inclusionary units in a market-rate project, what information would the trust need to evaluate the proposal? And how, if at all, would this differ from information requested from all-affordable projects?
4. What do you see as the benefits and drawbacks of Trust funding of inclusionary housing units?
5. Would the Trust need to set aside a separate pool of funding for inclusionary projects?
6. If the Trust were to fund inclusionary projects, should financing be structured differently than the financing of all affordable projects?

City staff have been meeting with developers to discuss challenges that are preventing new projects from moving forward. We have met with developers sponsoring two different developments that have received permitting approvals and are now encountering difficulty for many of the reasons noted in the attached memo. We are sharing some high-level information from those discussions which we think helps to illustrate to extent of the need and the type of funding request the Trust might see to assist in funding inclusionary units in new market-rate developments.

- Example 1: permitting approvals are in place for a mixed-use development that would create a new 62-unit condominium development and new retail space. The development would include 50 market and 12 affordable units under the current 20% set-aside requirement. The pro forma shows a development budget of \$89 million with a \$17.3 million financing gap (\$1,438,750 per inclusionary unit). The project benefits from significant investment from the Cambridge Redevelopment Authority.

- Example 2: permitting approvals are in place for a 236-unit rental development that would include 47 inclusionary units under the current 20% set-aside requirement. The pro forma shows a development budget of \$129 million with a \$23.5 million financing gap (\$500,000 per inclusionary unit).

Staff have engaged with each development team to understand the challenges and discuss ways in which the City might assist at this time. Staff have not reviewed in detail either development pro forma. The idea of Trust funding was of interest to each and both noted the new tax revenue that would be created from their new development, which would represent a return on the City's investment in financing new building. For the rental example, the developer estimates increased annual tax revenue of approximately \$620,000. New tax revenue from new condominiums and retail space in the mixed-use development is estimated by the developer to generate new tax revenue of approximately \$440,000 annually.

Next Steps

Staff from several departments are continuing to review approaches to tax incentives, waiving building permit fees, and to analyze public-sector equity fund models. Staff will also continue work with developers with stalled projects to review financing gaps and understand how some combination of the strategies above could assist them as we continue to prepare more information on new approaches to share with the City Council. For example, if the inclusionary set-aside requirement was reduced to 10%, the financing gaps would be reduced to the point where some form of public investment could be advisable to move projects into construction. As we do this, we can assemble more information which could be used to put together specific funding requests for the Trust to consider if the Trust sees that it can provide assistance in this way to help meet City affordable and market housing production goals.

**MEMORANDUM**

To: Yi-An Huang, City Manager

From: Melissa Peters, Assistant City Manager for Community Development
Christopher Cotter, Director of Housing

Date: June 30, 2025

Re: Awaiting Report 25-30 regarding a review of barriers to housing production, a timeline for next Inclusionary Housing Study, and the feasibility of additional development incentives

In response to AR 25-30 regarding remedies to address the slowdown in housing starts, a timeline for the next Inclusionary Housing Study, potential amendments to the Inclusionary Zoning Ordinance, and other incentives to encourage housing development, we submit the following report, which includes the following sections.

1. Existing barriers to housing production
2. Timeline and overview of the proposed Inclusionary Housing Study
3. Zoning amendments for consideration and preview of other policy options

1. Existing barriers to housing production

Private housing development is affected by both macroeconomic factors and local policies. While creating conditions that encourage housing production is a key policy priority in Cambridge, developers are highly sensitive to market conditions outside of the City's control that impact the financial feasibility of housing construction. Major cost components of new housing development include construction costs and borrowing costs which are largely driven by larger macroeconomic factors. Land costs are another major cost component and can be affected both by larger market forces as well as local policies. Local policies can also affect the operation of new housing when they impact the revenue or costs developers can expect for their completed buildings over time. Below we outline both the macroeconomic factors and local policies and market conditions that impact the financial feasibility of private housing development.

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

Macroeconomic Factors

The upfront costs for the land, materials, and labor needed for multifamily construction require large amounts of debt and equity funding. The cost of land, materials, labor, debt, and equity funding are all market driven. All of these cost factors have gone up significantly in recent years, making it increasingly difficult for developers to make the investment return and profit that would induce them to move forward with new projects. These factors have reduced housing production across the economy with new deliveries of multifamily housing nationwide down 25% compared to this time last year, according to commercial real estate firm [Cushman and Wakefield](#). And new multifamily housing construction in the Boston Metro Area is at 10-year low levels according to [real estate services firm Colliers](#).

Construction Costs: Construction materials have been affected by the same post-pandemic inflation that has driven up costs for goods and services across the economy. This has made it increasingly difficult to accurately model total development costs and ensure financial feasibility. While costs have gone up nationwide, Massachusetts is second only to Hawaii in terms of construction cost per square foot. Additionally, there is a significant labor shortage in the construction industry in the Boston area that is particularly challenging for multifamily projects that require coordination of large construction crews in various trades. Demand for construction labor outstripping supply has made labor costs also increase. The labor shortage also increases risks of completion delays that can further increase cost for developers.

Interest Rates: The federal reserve rate hikes aimed at curbing inflation have hampered multifamily development, significantly increasing borrowing costs and raising the returns demanded by equity investors. Interest rates on construction loans are now averaging 8-10% or even higher on riskier projects, up from 4-6% in 2020. Banks are simultaneously increasing debt service coverage requirements and reducing the amount they are willing to lend relative to project cost. This is significantly increasing borrowing costs, raising demands on cash flow, and making developers rely more on equity investments as a source of capital. At the same time, given the increased risk faced by construction projects, equity investors are also demanding higher returns, compounding the difficulty developers are facing financing projects.

Tariffs & Continuing Economic Uncertainty: Much of the lumber, steel, and mechanical equipment needed for multifamily construction comes from other countries, meaning that new or increased tariffs imposed by the federal government threaten to add more to construction costs. To avoid tariff levies, many developers may try to stockpile materials, but this also comes with added cost

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

in the form of storage fees. The overall uncertain economic outlook is likely also causing developers and investors to hold back and wait for more stability.

Local Regulatory Factors

While the City cannot control the market or national policies that challenge private housing development, it does control zoning, permitting, and development requirements that can affect housing production. Below are some of the local policy levers available with information on recent changes and current requirements.

Zoning: Recent changes such as the Citywide Multifamily Housing Amendments and planned future rezoning on north Mass. Ave, Cambridge Street, and Central Square are intended to enable increased multifamily housing by-right. These changes create more favorable economic conditions for housing development by allowing larger buildings and reducing the time and uncertainty of permitting approvals. As a result, land costs may increase to reflect the potential value of what can be built. There has already been increased interest in multifamily housing development since new zoning was adopted in February.

Permitting: As part of the Citywide Multifamily Housing Amendments, the threshold for Project Review Special Permits was increased from 50,000 square feet to 75,000 square feet and special permits are no longer required for smaller-scale townhouse and multifamily developments in some neighborhoods. Advisory review is still required in some cases, but removing the time and uncertainty of special permit approvals (which are legally appealable) makes housing development more feasible.

Inclusionary Housing: Cambridge's inclusionary housing ordinance, adopted in 1998, has been a key tool for creating housing opportunities for low to moderate income households that are not being produced by the market, helping to maintain the City's socioeconomic diversity as new housing is built. In housing developments of at least 10 units or 10,000 square feet, Cambridge currently requires 20% of residential floor area to be set aside as income restricted housing affordable to income-eligible households (before 2016, the required rate was effectively 11-12%). The 20% requirement is similar to inclusionary requirements in Boston and Somerville. Because developers must charge below-market rents for affordable units, the requirement can reduce the rental revenue and cashflow of a project, making it more challenging to achieve the income needed to cover debt service and building operations. Prior to the Citywide Multifamily Housing Amendments, the inclusionary policy offered a density bonus of up to 30% in floor area and unit

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

count which provided additional income to multifamily housing developers. After the adoption of the Citywide Multifamily Housing Amendments the density bonus is no longer applicable as density on multifamily housing is no longer capped citywide, and in C-1 districts, buildings with inclusionary units can be built with 2 additional stories.

Parking Requirements: Parking spaces are estimated to add up to \$100,000 or more per space in multifamily developments with structured parking. The City Council amended the Zoning Ordinance in 2022 to eliminate minimum parking requirements in new developments. This change lets developers determine how much parking is needed for their buildings based on site-specific considerations, including overall project costs, and allows for reduced costs for developments that seek to build without parking.

Building Decarbonization: Reducing carbon emissions is a key priority of the City. Both the fossil fuel-free ordinance and the specialized energy stretch code are required for most new buildings in Cambridge, and rooftop solar is encouraged. We anticipate that these requirements can increase capital costs for new buildings but will substantially decrease operating costs over time, especially as these technologies mature.

Local Market Considerations

Land Availability: Cambridge is built out without significant areas of vacant, unused land. While there are redevelopment opportunities, redevelopment of built out sites usually requires a more protracted process than developing on vacant land, with complications related to displacement of existing uses which may be profitable to landowners, community opposition, or past uses that limit redevelopment potential or add remediation cost, among other things. Additionally, the large footprint and development aims of the city's large universities, the desirability of Cambridge to well financed business sectors, and community priorities around preserving and expanding open space, all limit the availability of land for housing development.

Land Costs: With access to high paying jobs, public amenities, and world class universities, Cambridge is an extremely desirable community and competition for land among residential, commercial and institutional buyers drives up the land costs, which in turn push up development costs for residential projects. Land costs are also linked to local policies like zoning and inclusionary housing requirements since the value of land is driven by the potential value of what is allowed to be developed on it. In practice, land cost changes lag behind changes to local policy,

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

and this is especially true when policy changes lower the value of what can be developed by adding new or expanded requirements.

2. Timeline and overview of the proposed Inclusionary Housing Study

We will be undertaking a new Inclusionary Housing Study in FY26. The study will update the legal basis for the Inclusionary Zoning Ordinance and review the impact of current and potential inclusionary housing requirements on the financial feasibility of building new housing. We will solicit proposals from qualified consultants who can carry out the study through an RFP process in early FY26. The study will assess whether there is an essential nexus and rough proportionality between the requirement for private housing developers to provide affordable housing in market-rate projects and the impact of market-rate housing development on the socioeconomic diversity of the community. Additionally, the study will assess the impact of the existing inclusionary housing requirements, as well as potential alternative requirements, on the financial feasibility of housing development in the City.

The last inclusionary housing study was completed in 2016 by David Paul Rosen & Associates. While the updated study will assess different policy options, prototype developments, and market scenarios, we expect similar general components. The 2016 study is linked here for review - [Cambridge Inclusionary Study](#).

More recently, in 2023 we completed an Economic Feasibility Analysis (EFA). This analysis was required by the Commonwealth's MBTA Communities Act for municipalities with inclusionary housing requirements above 10% and provided insight into the development economics. The EFA found that as-of-right inclusionary condominium projects generally meet assumed financial return requirements at that time, but that "multifamily rental projects [did] not meet assumed financial return requirements with Cambridge's inclusionary zoning requirements, this result reflect[ed] the current challenging financial market conditions rather than the City's inclusionary zoning requirements." It noted that the high interest rates and investment return requirements made it difficult to finance multifamily rental housing regardless of inclusionary housing requirements. The EFA was submitted to the Executive Office of Housing and Livable Communities, which found Cambridge to be in compliance with the MBTA Communities requirements.

As we prepare to undertake a new study, we wanted to share an outline of the proposed scope of the study, which will include:

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

1. Review of the existing inclusionary zoning ordinance and comparison to similar programs in comparable communities
2. Analysis of the Socio-Economic Diversity of the community and changes since 2016
3. Financial Feasibility Analysis for New Housing Development, including:
 - i. Review of development data and trends in Cambridge and the region
 - ii. Interviews with real estate and construction professionals
 - iii. Projection of feasibility of various prototype developments under different policy and market scenarios
4. Recommendations

Components of the Financial Feasibility Analysis:

Development prototypes

In the 2016 study, the consultant approximated total development costs, operating expenses (rental), net operating income (rental) as well as sales proceeds (homeownership) for 7 prototype developments (5 rental and 2 homeownership) to calculate return on investment under different inclusionary set-aside scenarios and estimate financial feasibility of different types of development. The development prototypes from the 2016 study ranged from 6 to 300 units rental developments and 6 to 40-unit condominiums. The new study will also develop prototypes to reflect several different scales of residential development to approximate projects expected under current zoning regulations. We will also add several new prototypes to reflect recent and potential changes in the zoning, including developments building to new standards in C-1 districts or to take advantage of increased height along corridors where zoning changes are being discussed.

Modeling a range of inclusionary housing requirements

For affordable housing units to be built through the inclusionary program, set-aside requirements and other provisions of the program should be set at levels that make multifamily development financially feasible with the understanding that macroeconomic factors outside the city's control (outlined in section 1) also impact the ability of developers to move forward with projects. The study will look at alternative inclusionary zoning requirements ordinance (under different market scenarios) to model how potential changes impact the financial feasibility of the different development prototypes.

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

We have assembled a list of ideas or questions to explore in the study based on what has been discussed by Council or has come up in discussion staff have had internally or with stakeholders. Comments on these and additional suggestions are welcome to help develop the study scope.

- A range of set-aside requirements, including those with requirements under the current 20% (e.g. 10% to 15% of net residential floor area);
- a set-aside ratio that varies based on building size;
- the impact of setting affordable rents based on affordability targets (e.g. 60% or 65% of AMI) rather than rents calculated as 30% of actual tenant household income on development financial feasibility;
- reducing the threshold for compliance with inclusionary requirements from 10 units or 10,000 s.f. to 6 or 8 units;
- the feasibility and advisability of a variable set-aside requirement (with set maximum and minimum requirements) which could adapt to different market conditions.

Study Timeline

We are currently drafting the RFP to select a consultant for the study and expect to issue the RFP in early FY26. We are planning to request responses in September so that the study can begin in October. The RFP will ask each respondent to provide a schedule for completion of the study. For planning purposes, we expect that the study will take approximately 6 months. Having a clear scope for the study will be important to have it done expeditiously and changes to the scope while the study is underway could add time.

We expect to have the study completed for review with the City Council in the spring of 2026. Based on the Council's input, staff could prepare a zoning petition for review and potential adoption later in 2026.

3. Zoning amendments for consideration and preview of other policy options

The Council could consider taking some short-term actions before a study is completed next year. These include time-limited zoning changes and other policy options to incentivize new residential development that we are now discussing or that are being implemented in other communities. We

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

are continuing to look at several non-zoning approaches and will provide a more detailed report on these options in a follow-up report.

Completing the study before taking action would help provide clearer guidance on what policy options might lead to better outcomes. The goal of any short-term action would be to counteract some of the current economic difficulties and spur housing production sooner. However, there is no guarantee that short-term actions would result in more housing in the short-term, and they could have consequences in the short-term or long-term.

A. Zoning Amendment - temporary, sunseting inclusionary rate reduction

The City Council could amend the Zoning Ordinance to reduce the 20% inclusionary housing set aside ratio, which is the “ceiling” established by the previous study. This could be done on a temporary basis, with a new requirement contingent on projects being built within a specific timeframe. The goal would be to encourage some projects to move forward while the study is being completed and to reflect the current economic conditions that are making development so challenging. Given the current market conditions and continuing uncertainty in key economic factors, it is difficult to determine if reducing the set-aside ratio requirement would have a broad impact on housing production and the creation of new affordable units, but it could assist stalled projects and might make those that are advancing through review more likely to seek building permits.

An economic feasibility analysis conducted by Karl F Seidman Consulting Services and Karp Strategies in 2024 noted that interest rates and construction costs may be stalling housing development in a way that would not be corrected by changing inclusionary housing policy. As summarized below, some Cambridge developers have suggested inclusionary rate cuts could help their stalled projects, but other developers have said that development would be challenging in the current climate even without any inclusionary housing requirement.

The City Council also recently adopted a major zoning reform with the Citywide Multifamily Housing Amendments, and its effect on encouraging housing is unknown. Several developers have begun to discuss development proposals under the new zoning that would be subject to the 20% requirement. Another major change in zoning policy, if only temporary, could have the unintended effect of causing further delays as the development market readjusts to an interim policy before having to adjust to a more permanent policy a year or two later. An interim change may also create

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

a greater incentive for new developments to take advantage of the Citywide Multifamily Housing Amendments before we can assess the specific impact of that significant zoning change.

If the Council wants to consider a time-limited change such as reducing the inclusionary housing ratio for developments that receive building permits within two years, staff would need to know this relatively soon if the desire is to adopt that before the end of this Council term. A time-limited change would require a zoning amendment which would require the normal review and ordination process for zoning changes. This would require at least 4-6 months to draft and submit a Council zoning petition, hold public hearings, and receive reports from the Planning Board and Ordinance Committee, before voting on ordination. It may also require a reprioritization of other zoning initiatives requested by Council.

There are many complex and dynamic factors that affect financial viability which developers must balance, and each development will face different challenges. Some developers are taking steps to advance projects with the 20% requirement while others note that they are stalled. Any reduction in the set-aside or other relaxing of requirements would be available to all projects in the approval process for special permits or building permits when changes are adopted. Projects that have already received a special permit with the 20% requirement could seek to amend their special permit to benefit from the reduced set-aside.

Current housing production pipeline and the inclusionary housing requirements:

While housing production in Cambridge has slowed, mirroring the regional and national trend, there is mixed evidence that a reduction in the inclusionary set-aside rate will result in any significant increase in housing starts. With investors skittish about economic uncertainty and interest rates as well as construction costs remaining high, it is unclear whether a rate reduction alone would move forward projects that are currently stalled or result in other new developments beyond those that we may see move forward under the Citywide Multifamily Housing Amendments. For example, a recent [article from CoStar News](#) highlights how lenders have been reluctant to provide financing for new residential buildings at Cambridge Crossing, despite that development continuing to be subject to the previous inclusionary zoning requirements that effectively require only 11.5% of units to be set aside as affordable. This is consistent with regional and national trends.

Staff are now working with projects that are looking to move forward under the 20% requirement, and there may be new interest in multifamily development in areas upzoned through the Citywide Multifamily Housing Amendments.

Current Developments

Staff are now working with development projects that have received Planning Board special permits. There has also been new interest in multifamily development in areas upzoned through the Citywide Multifamily Housing rezoning through which new developments can apply directly for building permits.

Current developments with special permits include:

- 745 Concord Avenue (236 units - special permit approved)
- 75 First Street (90 units - special permit approved)
- 2400 Massachusetts Avenue (56 units - special permit approved)

These developments would be required to provide inclusionary housing at the current 20% set-aside ratio. Staff are reviewing an inclusionary housing plan for one development where the developer anticipates starting construction later this year with the 20% inclusionary housing. In other cases, developers have indicated that their projects are not financially viable at least in part due to the inclusionary housing requirements. Some have indicated that development may be feasible with inclusionary housing ratios at 8% or 10%, while others have noted that developments may not be feasible unless the inclusionary housing requirements are reduced more significantly or eliminated and/or other local incentives are provided.

New projects under Citywide Multifamily Housing Amendments

Staff from several City departments are also now seeing new interest in multifamily development on smaller lots in areas upzoned through the Citywide Multifamily Housing Amendments. Staff from CDD, Housing, ISD and the Historical Commission have all met with developers actively working on proposals for new housing under the recent zoning changes, several of which are being planned to include inclusionary housing. Developers are aware of the 20% inclusionary housing requirement for buildings of more than 10 units, 10,000 square feet, or above 4 stories in C-1 districts. These developments are in the planning stage. It will be some time before we see if any of these developments will move forward and obtain building permits.

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

San Francisco 2023 Rate Reduction

San Francisco implemented a temporary rate reduction in 2023. Prior to the rate reduction, San Francisco required 15-24% of units to be set aside as affordable, depending on project size and tenure (there were also options for off-site provision of units and payments-in-lieu). The rate was lowered to 12% for projects that had been approved before 2023 but were stalled, and 15% for new projects. Projects that had already been approved were given until 2029 to obtain a building permit under the 12% requirement. New projects under the 15% requirement have until 2026 to get building permits. The policy will be reassessed next year.

Staff discussed the outcomes of the rate reduction with city staff in San Francisco. The key takeaway was that despite lowering requirements for developers, San Francisco has not seen a significant increase in multifamily housing starts since enactment. This is likely due to larger market conditions – interest rates and construction costs – and the fact that the policy allows developers to keep the reduced requirements until 2026 or 2029, which has allowed developers to obtain permitting approvals and then wait for potential improvements to market conditions. Developers in San Francisco also benefit from California’s density bonus law that overrides local zoning to allow a 50% density bonus to projects that set aside 15% of units as affordable. A recent change now allows some inclusionary housing units to qualify for this bonus. That bonus seems to have had a more significant impact on advancing stalled developments.

B. Initial Report - other policy options to unlock housing production

Staff have begun to assemble and discuss other ideas that could assist in making new residential development more feasible in the current market. We are sharing some initial information here. More discussion and analysis from several departments is needed and we will provide more detail and analysis on these ideas and others we identify in a later report.

Tax Incentives

Cities around the country have used tax abatements and rebates to stimulate housing production. In Massachusetts, state law governs tax incentive options available to cities. We are exploring available options and requirements to take advantage of them. Tax incentives may require approval from the state, and some require districts to be established or only offer limited short-term tax incentives which may be less impactful. Tax incentive policies that are broadly available

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

and impactful might require home rule legislation, however there may be circumstances where it would be possible to assist developments that meet specific criteria. Tax incentives would lower operating costs, increasing operating income and improving investment returns to help projects that would otherwise not move forward to be constructed. In those cases, the tax increment would not have been received if the tax-assisted developments are not built. The length of the incentive would need to be studied to determine what the maximum benefit could be as Cambridge's low residential tax rate limits the amount of tax incentive that the city can provide. Providing tax relief to new multifamily developments may also require shifting costs for City services associated with new buildings onto other property owners in a way that would have to be considered. Tax incentives are a new approach which will require more analysis and discussion. We are aware that Boston has begun to use tax incentives as a tool to help with new development and are reviewing their approaches to see how we might use a similar model. We will provide more details in a follow-up report.

Funding Inclusionary Housing

City funding for affordable housing has traditionally been used to preserve and create deeply affordable housing in fully affordable buildings. We are reviewing whether it could be possible to fund inclusionary housing units in mixed-income buildings. As we look at options for this, we will consult the Affordable Housing Trust which administers City funding for affordable housing. If possible, and if funded through the Trust, developers would have to request funds from the Trust for each new inclusionary building in a discretionary process which would add time and potential cost to the developments. There could also be some uncertainty for developers who may be competing with requests from affordable housing providers which typically leverage other available public and private funding for affordable housing to lower the need for Trust funds. If there were a significant number of inclusionary developments seeking funding from the City or Trust it might also impact the City's ability to fund the pipeline of all-affordable housing development and preservation projects, including deeply affordable and/or service-enriched housing. We are continuing to explore if this is possible and advisable and will provide more information in a follow-up report.

Capital Funding for Housing Production

The City could look at whether it is feasible to create a revolving loan or equity fund to help close the financing gap on multifamily residential projects. Unlike tax abatements that subsidize projects on the operating side, providing financing up front could ease the difficulty developers are

Melissa Peters | Assistant City Manager for Community Development
Sandra Clarke | Chief of Administration & Operations

344 Broadway
Cambridge, MA 02139

617-349-4600
cddat344@cambridgema.gov

www.cambridgema.gov/CDD

having putting together debt financing and equity investment needed to build in this high-interest rate environment. Rather than direct subsidy, City support could be structured as below-market-rate-interest, short-term loan or as preferred equity with a below market return.

We are continuing to explore if this is possible and how it could be done. One local example of a city doing this is the Boston Housing Accelerator Fund, a partnership between the City of Boston and MassHousing to which Boston has invested \$110 million to finance private multifamily development that includes inclusionary units. Staff will continue to explore and analyze ways in which capital investment from the City might assist with new residential development and provide more information in a follow-up report.

Exempting Multifamily Projects from Building Permit Fees

Building permit fees are a smaller but still significant cost for multifamily developers. Multifamily projects pay a fee of \$20 for every \$1,000 of estimated construction cost. Reducing building permit costs could also assist with making new development more financially feasible.

We will continue to explore these strategies and continue to look for others which individually or through a combined approach may provide a balanced set of new incentives to encourage new residential development.