

Planning for Housing in Cambridge: Past, Present and Future

February 7, 2013

Over the twenty years since the 1992 publication of the Cambridge Growth Policy: Toward a Sustainable Future, the City and the Community Development Department have pursued a two-pronged housing strategy: *encourage expansion of the housing supply while working to preserve the range of existing housing opportunities available to residents*. This strategy has informed a set of goals that are central to Cambridge's planning efforts, including the following:

- Construct a variety of housing types and models to meet the needs of residents;
- Preserve housing affordability, scale, and neighborhood character;
- Meet the needs of the workforce attracted to Cambridge by the technology based economy of the 21st century and by the amenities offered by the rich urban fabric of the City;
- Place housing in close proximity to jobs to better manage the capacity of our transportation networks.

Cambridge Growth Policy recognized the impact of university populations within the housing market, and set a policy of encouraging universities to provide housing for their students, faculty and staff. The 1991 report of the Mayor's Committee on University-Community Relationships supported this approach.

The 1997 to 2000 Growth Management Advisory Committee rezoning effort explicitly sought to increase the housing supply in the City by rebalancing commercial and residential development across Cambridge. Rezoning petitions following the 2001 Eastern Cambridge Planning Study and the 2007 Concord-Alewife Planning Study both sought to accomplish the same goals within the specific context of each study area. Current planning efforts, in particular the K2C2 Study, apply these goals to the current economic environment. Orderly growth and continued prosperity in and around Kendall and Central Squares will rely on the expansion of housing opportunities integrated with commercial development.

Increasing the Housing Supply

As Barry Bluestone states in the 2012 Boston Housing Report Card:

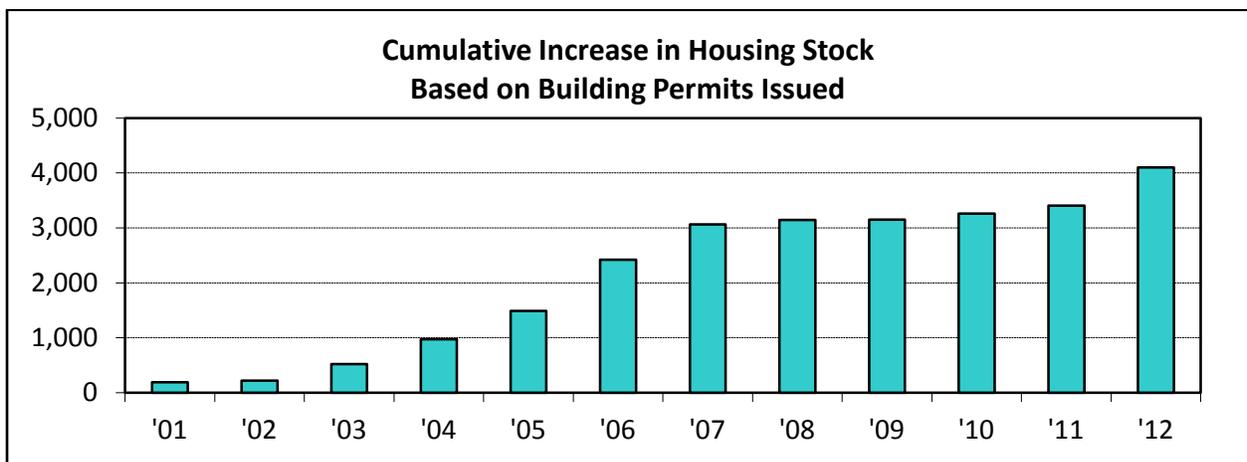
To meet this projected [housing] demand, Massachusetts needs more housing, especially more affordable housing, and must be welcoming and "open for business" to responsible developers who can produce new, quality housing units.

Cambridge has long recognized the need for additional housing production. Depending on the model, new housing can meet the needs of families, low and moderate income households or individuals, a 21st century technology driven workforce, or other groups seeking to make Cambridge their home. The 2007 update to the Cambridge Growth Policy:

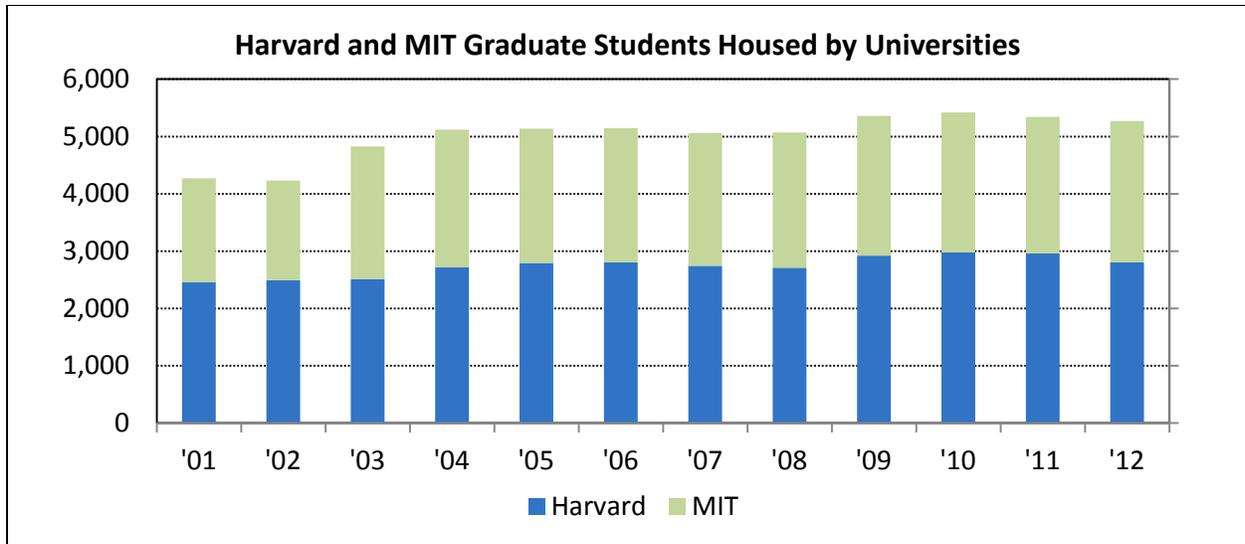
Toward a Sustainable Future recognized a number of newer forces driving demand for more housing:

All of this construction is responding to a market demand for housing in Cambridge from a host of different people: employees coming to the city for a new job, longtime employees who have discovered the convenience of living near their employment, empty-nesters starting out a new life in the city, academics and students who find living off campus a better choice, or those who can live anywhere but choose Cambridge for the many amenities it provides. (p. 46)

The decade and more of development starting in 2001 provides evidence for the success of the City's efforts. About 4,100 net new housing units were built in the years since 2001. Among them are 461 permanently affordable units completed under the requirements of the Inclusionary Housing Ordinance and related measures. The Census Bureau found that units completed between 2000 and 2010 amounted to a 6% increase in the City's housing stock. The development pipeline currently includes another 4,200 permitted units and will drive continuing expansion of the housing stock for the foreseeable future.



During this same time period, both Harvard and MIT prioritized efforts to increase housing for graduate students. These efforts have led to the construction of 1,670 beds of new graduate student housing since 2001.



Several measures indicate progress toward providing housing for the evolving Cambridge workforce. While the Cambridge workforce has grown by 4% since 2000, the amount of housing has grown at a larger rate. As a result, the ratio of Workers to Residents has decreased from 1.13 workers per resident in 2000 to 1.11 in 2012. Additionally, the number of employed Cambridge residents who work in Cambridge has increased by 5% since 2000. The percentage of employed residents who drive to work has decreased by 5%.

Demonstrated demand for housing remains strong. Rents for market-rate housing have continued to rise over the past ten years. According to the latest market reports, median rents for one, two and three bedroom apartments are \$2,300, \$2,800 and \$3,175 respectively. The housing sales market is similar. Condominiums represent 79% of market rate housing sales, and their median price in 2012 reached \$445,500, a 5% increase from the prior year. Prices such as these are not affordable to low or moderate income households. Families with children, graduate students, single persons with limited incomes and others have found limited housing options in Cambridge within the past few years. Middle income households find that their opportunities to own housing are limited and rapidly shrinking.

Preserving Housing Opportunities: Supporting Affordability

Increasing the supply of housing on the market helps to mitigate the effects of increasing market demand that results in higher costs, however supply alone will not make housing affordable for all residents. For this reason the City has for many years employed a vast array of tools to preserve and expand housing affordability for low, moderate and middle-income residents in efforts to preserve the socio-economic diversity of the community. The effort and resources that Cambridge has committed to affordable housing is unmatched among Massachusetts communities and among the strongest municipal commitment to housing in the nation.

The City's housing efforts intensified following the repeal of rent control in 1994, when the City initiated a number of actions to preserve existing and create new affordable housing as thousands of rental units transitioned to market rents and many tenants were displaced. City programs, strategies, and resource commitments first developed to mitigate the impacts of the transition from rent control have remained in place and continue to assist income-eligible residents through a variety of housing market challenges from the initial increases in rents when units were de-controlled; to the loss of significant numbers of rental units during the subsequent condo conversion boom; to spiraling housing costs – both rental and homeownership – during the 2000's; to the impacts and fallout from the recent recession where housing prices in Cambridge remained stable or increased despite regional and national trends in the opposite direction; to the recent dramatic price increases in the rental market. The desirability of Cambridge makes the housing market among the most competitive in the nation, making it all but impossible for low and moderate-income households to find housing they can afford and increasingly difficult for middle-income families. The demand to live in Cambridge has likewise insulated the market against significant cost decreases in recent years. While the challenges facing residents have evolved and become more varied since the end of rent control, the City's commitment to providing a range of housing programs and services has endured.

In 1988, the City responded to concerns about housing affordability by creating the Cambridge Affordable Housing Trust to finance the creation and preservation of affordable housing. At the same time, the City Council adopted the Incentive Zoning Ordinance requiring that commercial development subject to special permits for increased intensity of use would make contributions to the Affordable Housing Trust to address the impact of new commercial development on housing costs. This requirement remains in place today. However, the contribution rate has only been adjusted marginally and has not kept pace with the escalating housing market costs the Ordinance was intended to mitigate.

In 1998 the City Council adopted the Inclusionary Housing Ordinance, which requires market-rate housing developers to set aside affordable units in new market-rate housing developments. Affordable units created under Inclusionary Zoning mirror the type, size and location of what the market produces. These units are subject to permanent affordability restrictions and are available to households earning up to 80% of Area Median Income (AMI). Some development projects have also provided affordable units through separate agreements and are administered in the same way as units produced through Inclusionary Zoning. Through the IZO and similar zoning and permitting requirements, 461 affordable units have been completed, with about 170 more approved and underway.

Meanwhile, in 1995 the City began to appropriate funds directly to the Affordable Housing Trust. In 2002 Cambridge became one of the first communities to adopt the Community Preservation Act (CPA), which provides a dedicated City funding stream for affordable housing that is matched by additional state funds. To date, the City has committed more than \$119 million to the Trust, which has preserved or created more than 2,450 affordable units. These units are located throughout the City and consist of rental and homeownership units for low-, moderate-, and middle-income residents. Units include

housing for families, single-room occupancy (SRO) developments, and units for special needs groups.

While continually working to create new deed-restricted affordable housing, the City has sought to retain the affordability of existing housing subject to expiring use restrictions. Housing preservation has been a top priority of the City and Affordable Housing Trust in recent years. In the past two years the City and its partners has preserved the affordability of 274 units, which might otherwise have converted to market-rate housing. Since the end of rent control, the City has facilitated preserving the affordability of more than 1,660 units, ensuring that these important housing resources remain available for the long-term..

The City also offers a range of programs for homebuyers, including monthly homebuying classes, one-to-one homebuying counseling, and deferred financing to moderate- and middle-income households to assist in their purchase of market-rate housing. Housing created through City homeownership programs remains affordable to moderate- and middle-income homebuyers when it is resold. CDD staff administers a portfolio of more than 520 limited equity affordable homeownership units that have been created through City programs.

Since 1995 combined efforts by the City have resulted in the creation or preservation of 4,075 affordable rental and homeownership units with funding from the Affordable Housing Trust, via tax agreements or other assistance from the City, or through the Inclusionary Housing Ordinance and other permitting requirements.

Ongoing planning efforts seek to address emerging housing issues. In addition to the housing goals of the City Council, each year the Community Development Department holds hearings to gather public input for the City's annual One-Year Action Plan, which informs the allocation of federal funds provided through various grant programs. Additional public input comes through hearings held by the Community Preservation Committee, as it considers its recommendation on uses of CPA funds, and from discussions and policy advice from the Affordable Housing Trust, non-profit housing providers, and the Cambridge Housing Authority. City housing objectives for FY2013 include:

- Creating new affordable rental units;
- Increasing affordable homeownership opportunities for first-time homebuyers;
- Preserving affordable rental housing;
- Stabilizing owner-occupied one to four family buildings occupied by income-eligible households.

The expanding gap between housing market costs and what many residents can afford has been a consistently expressed concern. This significant gap, which remains critical for low and moderate-income households and now affects many middle income households, comes at a time in which the landscape of housing resources is changing dramatically. We have experienced significant reductions in public funding necessary for many housing programs, and expect to suffer further reductions in the coming months and years. The challenge of

serving the growing housing needs of residents will remain across both the lower and upper income ranges of households served by City and other housing programs. The challenge is made more difficult as resources shrink and housing costs continue to rise. These issues will continue to be discussed in a variety of forums as housing plans and priorities are set.

Housing for the Future: Challenges and Plans

The housing goals the City set out in 1992 remain relevant today, as does the fundamental strategy of expanding supply while preserving opportunities for a range of incomes and household types. While the fundamental challenge remains of preserving affordability, diversity, and neighborhood character in a city that is an increasingly desirable place to live, the current time period brings its own unique set of challenges:

- Preserving housing affordability, as restrictions for more than 800 rental units are set to expire before 2020;
- Declining Federal support for affordable housing programs, which will reduce resources for residents and housing and may require making difficult choices among worthy housing priorities;
- Escalating housing market costs, which continue to far outpace the income of low and moderate income residents and which are now constraining middle-income households, especially families in need of larger units;
- Changing characteristics of the population, in particular the aging of the Baby Boom generation and the new found interest in urban living among younger generations;
- Evolving composition and housing needs of the workforce;
- A growing trend in market-rate developments to produce smaller-sized units, including micro-loft housing, which does not address the needs for both affordable and market rate housing for families;
- Recognizing the role of housing in supporting the City's transportation and environmental goals.

In order to address these challenges, the following are some of the areas where the City will likely focus more of its attention in the coming years:

- **Align Commercial Development and Housing Production:** There is widespread recognition that a new found interest in urban living is found among a large portion of the population. The K2C2 planning study has recognized the increased demand for housing in the city, and recommends increased incentives and requirements for new housing beyond what was established in the 2001 Citywide Rezoning. The recommendations also provide incentives for middle-income housing along with the low and moderate-income housing required under Inclusionary Zoning.
- **Affordable Housing Preservation and Development:** The City has a mature stock of affordable rental and homeownership housing that will increasingly require resources and attention to ensure the assets are well-utilized, maintained, and managed to provide the

intended benefit to the community now and for future residents. There also remains a significant unmet demand for housing among low-, moderate-, and middle-income households. Adding to the City's affordable housing stock to address priority needs while ensuring existing housing remains viable will remain a continuing effort for the City and its partners.

- **Aging in the Community:** The Silver Ribbon Commission recently completed Creating a Vision: Cambridge as an Aging Friendly Community: Housing Options 2012-2030, which analyzes the housing needs of the aging community and recommends measures to help Cambridge residents remain in the city as they age. The City plans to continue evaluating the challenges and opportunities posed by this generational shift.
- **Workforce Housing:** The lifestyle preferences of Cambridge workers (particularly those in the science and technology industries) are changing in significant ways. There are many positive outcomes to more people choosing to live and work in Cambridge, including decreased automobile commuting, more support for local businesses, and a richer set of cultural offerings. However, it is important to find ways to serve the housing needs of Cambridge workers without placing undue pressure on other segments of the market, including long-time residents, low and moderate-income households, and families with children.
- **Inclusionary and Incentive Zoning:** Given that federal and, correspondingly, state support for affordable housing has diminished in recent years and will likely continue to decline, the City's other tools for supporting affordability become increasingly important. It may be worthwhile to review the current Inclusionary and Incentive Zoning requirements to determine whether they should be revised to reflect current realities.

Policy Milestones

1988	Cambridge Affordable Housing Trust created
1988	Incentive Zoning Ordinance adopted
1993	Planning Board and CDD publish Citywide Growth Policy , including policies to achieve the following goals: <ul style="list-style-type: none"> • Preserve character of residential neighborhoods with a focus on rehabilitation of existing housing stock • Support mixed-use development with a significant housing component in commercial areas of the city, especially near transit • Provide affordable housing for a range of households through new construction, rehabilitation, and inclusionary housing policies • Encourage universities to provide housing for students, faculty and staff
1995	Statewide prohibition on rent control takes effect
1995	City makes first appropriation of City funds to Affordable Housing Trust
1998	Inclusionary Housing requirements adopted into Zoning Ordinance
2001	Citywide Rezoning adopted, creating new incentives for residential development in areas zoned for mixed use
2001	Eastern Cambridge (ECaPS) Rezoning adopted, creating stronger incentives for housing development in areas near Kendall Square and Lechmere
2001	Cambridge adopts Community Preservation Act (CPA) , providing a new funding stream for the Affordable Housing Trust
2003	First-time Homebuyer Financial Assistance Program launched, initially to assist homebuyers earning up to 120% of area median income
2006	Concord-Alewife Rezoning adopted, creating incentives for residential and mixed-use development in areas west of Alewife Station
2007	Planning Board and CDD review and reaffirm Citywide Growth Policy
2011	City initiates Kendall Square Central Square (K2C2) Planning Study

Accomplishments

New housing units created (2001-present):	4,100+
Affordable housing units created or preserved with assistance from City or Affordable Housing Trust (1995-present):	4,075+
New affordable housing units created or permitted through Inclusionary Housing and other permitting requirements (1995-present):	630+
New graduate student housing beds created by Harvard and MIT (2001-present):	1,670+

All figures approximate