



CITY OF CAMBRIDGE

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To: The Ordinance Committee
From: Iram Farooq, Assistant City Manager for Community Development
Date: August 29, 2019
Subject: Supplemental Information Regarding Affordable Housing Overlay
Zoning Petition

The Community Development Department (CDD) has put together the following additional information along with the following revised documents in response to questions and suggestions raised during recent discussions of the Ordinance Committee on the Affordable Housing Overlay (“AHO”) Zoning Petition:

- Zoning Petition text revised to incorporate amendments voted by the Ordinance Committee at its August hearings, along with clarifying edits made by CDD staff and suggested by the Planning Board;
- updated versions of the maps and charts, first presented in June, summarizing the proposed AHO standards as applied across different zoning districts; and,
- updated draft Design Guidelines for 100% Affordable Housing Overlay projects.

The primary goal of the Affordable Housing Overlay is to enable affordable housing to be created more quickly, predictably and efficiently. While we support many of the objectives behind proposals made to incorporate certain additional requirements into the AHO Petition, we note that to the extent that these requirements add cost to, or complicate the development of, AHO projects, and particularly if these requirements are not similarly imposed on market-rate developments, the potential impact of the AHO may be lessened. The following provides staff recommendations on several of these suggested changes. We look forward to continuing this discussion with the Committee on September 3rd.

Net Zero Ready Buildings

Affordable housing developments built in Cambridge are among the most energy-efficient and sustainable buildings in the City. Affordable housing providers have a track record of applying principles of sustainable design, using durable environmentally sensitive materials, and incorporating on-site

renewable energy features where possible. New buildings are often built to meet Green Communities or Passive House standards. Developments under the proposed AHO would be subject to the same minimum Green Building Requirements as market-rate projects, and moreover, past experience has shown that AHO projects are likely to exceed those requirements.

However, to require new affordable housing to be “net zero ready buildings” would require a definition that includes clear performance standards that could be objectively assessed and could add complexity to efforts to create new affordable housing. Depending on how net zero ready buildings are defined, building to these standards could be significantly more costly and could require the purchase of costly offsets and/or significant changes in design. Requiring AHO projects to build to net zero standards sooner than otherwise required for all development would put affordable housing builders at a disadvantage relative to developers of market-rate housing.

As part of the phased implementation of the Net Zero Action Plan, presently developers are asked to provide information to CDD on the energy performance of a building and potential pathways to reducing or eliminating greenhouse gas emissions in the future. For example, if the electric grid becomes more emissions-neutral over time, systems that use fossil fuels on-site could be converted to electric systems, even if that is not preferable or feasible under current conditions. Recommended changes to the Green Building Requirements of the Zoning Ordinance would codify a requirement for a “Net Zero Narrative” with this information. If adopted, this requirement would be applied to AHO Projects that are subject to Green Building Requirements (generally, projects of 25,000 square feet or more).

The Net Zero Narrative would include:

- (1) anticipated building envelope performance, including roof, foundation, walls and window assemblies, and window-to-wall ratio;
- (2) anticipated energy loads, baseline energy simulation tool assumptions, and proposed energy targets, expressed in terms of site energy use intensity (EUI), source EUI, and total greenhouse gas emissions;
- (3) a description of ways in which building energy performance has been integrated into aspects of the project’s planning, design, and engineering, including building use(s), orientation, massing, envelope systems, building mechanical systems, on-site and off-site renewable energy systems, and district-wide energy systems;
- (4) a description of the technical framework by which the project can be transitioned to net zero emissions in the future (acknowledging that such a transition might not be economically feasible at first), including future net zero options for building envelope,

HVAC systems, domestic hot water, interior lighting, and on- and off-site renewables; and

(5) a description of programs provided by local utility companies, government agencies, and other organizations that provide technical assistance, rebates, grants, and incentives that can assist in achieving higher levels of building performance, summarizing which entities have been contacted and which programs could be utilized in the project.

Displacement/Relocation Assistance

The AHO is designed to preserve and expand the socio-economic diversity of the city by enabling the production of housing affordable to low- and moderate-income residents who would otherwise be at risk of being displaced from the community due to escalating housing costs. During discussions of the AHO Petition, questions have been raised about the potential for permanent displacement of residents of properties which are purchased for redevelopment under the AHO, including potential displacement of owner-occupants as well as tenants. We believe this will be a rare circumstance given the practical challenges of redeveloping a site that is occupied and actively used; as we have seen how affordable housing providers work with residents when temporary, or in rare instances permanent, relocation is needed to renovate existing housing.

As staff noted at the August 8, 2019 Ordinance Committee Meeting, many AHO projects would trigger state and federal relocation protections as a result of the funding being used to create the new affordable housing. The Uniform Relocation and Real Property Acquisition Policies Act (URA) requires that relocation assistance be provided to both owners and tenants who are forced to involuntarily vacate their properties as a result of certain federally-funded projects, including some HUD-funded projects where property acquisition is required. In addition, a similar requirement, Section 104(d) of the Housing and Community Development Act of 1974 applies only to lower-income residential occupants and applies to other HUD programs. Finally, the state outlines requirements for relocation services and payments under M.G.L. Chapter 79A.

Affordable housing developments which receive certain types of federal and/or state funding may trigger one or all of these requirements, with URA generally being the most broad and comprehensive. Relocation may be temporary if the residents are eligible to return following renovation or redevelopment, or permanent in cases where residents do not meet the eligibility criteria for the affordable housing funded by these programs. Relocation assistance includes informational notices, relocation advisory assistance, and time-limited financial relocation assistance. While URA sets upper limits on the total amount of assistance to be provided, there are opportunities for exceptions, so housing developers often budget for approximately \$8,000-10,000 per residential household for relocation to cover both rental assistance as well as moving expenses and other miscellaneous expenses.

While we do not anticipate that affordable housing created through the AHO will involuntarily displace a large number of households, and affordable housing providers have a track record of working cooperatively with residents when relocation is necessary, we share the Council's concerns about protecting the ability for low- and moderate-income families to remain in the Cambridge. As a result, we recommend that as a matter of policy, and not through the Zoning Ordinance, the City request that where other state or federal relocation policies do not otherwise apply, developers provide similar relocation benefits to households earning up to 100% AMI. Also, the City Solicitor advises that providing City or other public funds for relocation benefits to tenants that exceed income thresholds or commercial tenants would likely not be legally permissible.

Transportation Demand Management (TDM) Requirements

The AHO Petition currently includes a provision, in cases where less parking is provided than would be otherwise required, to offer either a free annual bike sharing membership or a 50% discounted MBTA combined subway and bus pass for three months, or pass of equivalent value, up to two individuals in each household upon initial occupancy of a unit. The purpose of this policy, which is routinely applied to residential projects seeking a reduction in required parking, is to encourage early adoption of sustainable transportation habits. There was discussion of whether to expand these benefits to require fully subsidizing the cost of MBTA passes and to extend this benefit beyond initial occupancy. The cost of monthly MBTA LinkPass is currently \$90, so the currently proposed requirement would result in an upfront cost of up to \$270/per unit per initial new tenancy. Fully subsidizing two transit passes for a full year would cost \$2,160 annually, at current MBTA rates. This added cost would have a significant impact on project feasibility as it would increase annual operating costs by as much as 20% or more. Increased operating costs will reduce the amount of private mortgage debt that can be supported and increase the need for subsidy funds from the City or other sources. For example, requiring 2 transit passes for each unit would result in a need for an additional \$35,000 per-unit in subsidy funds, or \$700,000 for a 20-unit development.

There was also a question as to whether the offering of transit passes might be considered as income for households receiving this assistance. We do not believe that the provision of transit passes for a limited period of time would constitute income under any housing assistance program. Whether such assistance offered on an ongoing basis would be considered income is a more difficult question that would need to be considered with the specific requirements of an applicable housing assistance program. However, provision of an ongoing transit subsidy would likely be considered income for households under requirements for many HUD programs.

Given these concerns, another option might be to require up to two 50% discounted MBTA passes be provided for six months upon initial occupancy to lengthen the limited period during which assistance is provided to encourage sustainable transportation choices.

Density Limits/FAR Caps

The intent of the AHO is to allow affordable housing to be built at a greater density than allowed by underlying zoning in order to make more sites feasible. The petition describes a form-based approach where height and scale (number of stories) are regulated without setting density or FAR limitations. However, we recognize that concerns have been raised regarding the potential impact of the AHO on lower density neighborhoods in the absence of density controls. As a result, we propose that an FAR limitation of 2.00 be imposed on AHO projects in those lower density districts (see additional language in attached text and revised zoning comparison charts). We believe this will set a reasonable limitation without severely constraining potential outcomes when desirable sites for affordable housing become available in those more restrictive zoning districts.

Applicability and impact of the Tree Ordinance

We were asked to collect information on the estimated financial impact of requiring AHO Projects to meet the requirements of the Tree Ordinance. We have been told that the cost of replacing a 5-6" caliper tree was \$3,000 in one case, and as much as \$12,000 in another case. Replacing smaller 2" caliper trees have typically cost closer to \$1,000 per tree. In general, affordable housing developers have tried to meet the spirit of the Tree Ordinance by preserving existing trees to the extent possible and by replacing trees to the extent feasible. While making AHO Projects subject to the full requirements of the Tree Ordinance will add some cost and complication, we do not anticipate that it would make an AHO Project wholly infeasible on its own.

Historic Preservation

CDD staff consulted again with staff from the Cambridge Historical Commission regarding the reference to the State Register of Historic Places. If the AHO zoning allows some additional zoning relief in cases where a historic building is preserved, staff continues to recommend that the State Register be used as a reliable resource for identifying buildings that are of historic interest.

The State Register of Historic Places includes properties and districts with the following designations:

- National Register of Historic Places
- National Register properties determined eligible for listing where the owner or a majority of the owners have objected to designation
- Massachusetts Archeological/Historical Landmarks
- Local Landmarks designated by the City Council under Ch. 2.78 Art. III
- Local historic districts established under MGL Ch. 40c (not neighborhood conservation districts, though all of Harvard Square and parts of the other

neighborhood conservation districts are included through listings on the National Register)

- Preservation Restrictions accepted under MGL Ch. 184

Altogether, there are about 2,500 properties in Cambridge identified on the State Register.

It should be reiterated that other historic preservation or conservation requirements that are outside of zoning would not be affected by the AHO zoning proposal. Proposed AHO Projects located within a Historic District or Neighborhood Conservation District would be subject to Cambridge Historical Commission or a Neighborhood Conservation District Commission review, pursuant to G.L. c.40C and Chapter 2.78 of the Municipal Code. If a property that is proposed for an AHO Project is designated as a Landmark, pursuant to Chapter 2.78 of the Municipal Code, it would also be subject to Historical Commission review. Additionally, all buildings in the City which are in whole or in part fifty years or older remain subject to the City's Demolition Delay Ordinance, Chapter 2.78, Article II of the Municipal Code.