

City of Cambridge

100%-Affordable Housing Zoning Overlay Proposal

March 2019

Frequently Asked Questions

1. Why does Cambridge need an Affordable Housing Overlay?

It has become increasingly challenging for affordable housing providers to build new affordable housing in new buildings with public funding which are 100%-affordable. Cambridge residents have growing concerns about displacement and increasing rents and have consistently ranked the lack of affordable housing as an area of significant concern. For many years, the City has made creating and preserving affordable housing a priority goal. However, several factors make the goal of creating new affordable housing increasingly challenging to achieve:

- a. Land and construction costs continue to climb
- b. Cuts at the federal level have reduced funding for housing (despite increased funding at the City level)
- c. The current zoning requirements for areas where it is feasible to build new affordable housing. For example, in many neighborhoods, the Cambridge Zoning Ordinance does not allow existing structures to be rebuilt, and does not allow multi-family or townhouse units.

2. What is the Affordable Housing Overlay?

The proposal is to create a citywide zoning overlay to enable 100%-affordable housing developments to better compete with market-rate development. For 100%-affordable projects that meet the requirements of the Affordable Housing Overlay, this would allow the following:

- a. As-of-right permitting
- b. Increased density allowance through a form-based zoning approach with more flexible dimensional standards (height, setbacks, open space) and parking
- c. Multi-family and townhouse developments in areas where they are not currently allowed
- d. Conversion of larger residential buildings to affordable multifamily housing
- e. A new review process which would include community input and advisory design review by the Planning Board without the requirement of discretionary approvals

The Overlay will help the City's affordable housing partners pursue new opportunities to create affordable housing in all neighborhoods by allowing affordable housing developers to build larger buildings than would otherwise be allowed and streamlining the permitting process to allow 100%-affordable housing developments to move to construction more quickly to help reduce development costs and use public funding more effectively.

3. What does "as-of-right" mean? Does that mean no oversight?

- a. An "as-of-right" development is one which if it meets all applicable zoning requirements may proceed to obtain a building permit without the need for special permits or variances from the Planning Board or the Board of Zoning Appeal. As-of-right developments are still subject to non-zoning laws, ordinances, and regulations, such as the building code and historic protection ordinances.

4. Why is as-of-right permitting proposed?

- a. Special permits and variances – as well as comprehensive permits for affordable housing projects – are subject to appeals which can add significant costs, take years to resolve, and tie up resources and capacity of affordable housing developers while they are pending. As a result, new affordable housing developments can take longer to complete and cost more given the longer development timeframe.

5. Why is a “form-based” zoning approach proposed for the Affordable Housing Overlay? What does this mean? How does a form-based approach impact scale, volume and density? How does it relate to FAR limits?

- a. A form-based approach to zoning is one that primarily regulates the type and scale of buildings allowed in an area, rather than relying on density metrics such as floor area ratio (FAR) and lot area per dwelling unit. In this case, affordable housing projects would be regulated based on the number of stories allowed, along with overall height limits, setback and open space requirements, and specific standards for overall building and site design.
- b. The intent of the proposal is to allow affordable housing to be built at a greater density than allowed by underlying zoning in order to make more sites feasible for the development of affordable units. The form-based approach is being proposed, in part, because of concerns raised in community discussions around the height and scale of buildings. Directly regulating the height and scale (in terms of the number of stories) of an affordable housing development helps provide a degree of clarity and predictability to the outcomes, while providing enough flexibility to make affordable housing projects feasible at a greater density.
- c. While this approach can be described as “form-based,” adoption of a comprehensive form-based zoning code, as some other communities have considered and/or adopted. The proposed zoning would still be an overlay applicable only to one type of development, affordable housing projects.

Questions about Affordable Housing

6. What is affordable housing?

- a. Affordable housing is deed-restricted housing for income-eligible households where residents generally pay no more than 30% of their income for rent or a mortgage. Affordable housing funded by the City ranges from housing designed for formerly homeless individuals to homeownership units for families. Most City-assisted affordable rental housing is targeted to low- and moderate-income residents earning less than 80% of area median income (AMI). Homeownership housing is typically targeted to be affordable to residents earning less than 100% AMI. See chart below:

Current Eligibility Limits - Area Median Income (AMI) by Household Size (households are eligible if their income is below these amounts)

Household Size	80% AMI	100% AMI
1 Person	\$56,800	\$75,500
2 People	\$64,900	\$86,300
3 People	\$73,000	\$97,100
4 People	\$81,100	\$107,800
5 People	\$87,600	\$116,500

7. Who lives in affordable housing and how are they chosen? How do we ensure they are eligible?

- a. Affordable housing in the city is occupied by a wide range of residents, including individuals, families, residents who work in a range of jobs, and retirees. Depending on the type of development, residents for affordable units may be selected by an affordable housing developer or by an involved housing agency, such as the City in the case of homeownership. Residents for City-funded affordable housing are selected in accordance with the City's resident selection preference policies which include priorities for Cambridge residents and families. In some cases, the process involves a lottery for available units. In other cases, units are filled from a waiting list. In every case, screening is done to ensure that the tenant or buyer meets eligibility requirements for an affordable housing development. In addition, subsequent monitoring is done to ensure continued compliance with the requirements of the applicable affordable housing restriction(s).

8. What does an income limit mean? Would a single person earning less than \$56,000 be eligible for any housing created under the Affordable Housing Overlay?

- a. Income limits refer to the maximum amount a household may earn in order to be eligible for an affordable unit. They do not refer to the minimum income amount.
- b. Income limits are derived from Area Median Income (AMI) figures established annually by the Department of Housing and Urban Development (HUD).
- c. In response to the question above, the current income limit for a single person at 80% of AMI is \$56,800. As a result, a single person earning less than \$56,000 would be eligible for housing created under the Affordable Housing Overlay proposal.

9. What does 100%-affordable mean? Would mixed-income be better?

- a. A 100%-affordable development means that all residential units will be subject to an affordability restriction to ensure that units will remain affordable. For the Affordable Housing Overlay, it is proposed that:
 - i. at least 80% of the rental units must be set aside for households earning no more than 80% of the Area Median Income
 - ii. up to 20% of rental units may be set aside for households earning up to 100% of Area Median Income
 - iii. at least 50% of ownership units must be set aside for households earning no more than 80% of the Area Median Income
 - iv. up to 50% of ownership units may be set aside for households earning up to 100% of Area Median Income.
- b. Residents may earn less than these limits, particularly if the development includes additional rental subsidies, or is funded through a program which requires units to be affordable to lower income households. Larger buildings may be "mixed-income" communities with ranges of units affordable to households with different incomes under 100% of AMI.

10. How is affordability maintained over the long-term? What are the mechanics?

- a. Long-term affordability is maintained through deed restrictions, which are legal agreements that are recorded on the deed of each property with affordable units. Affordable housing deed restrictions outline the affordability requirements for the property including ongoing compliance requirements. The City records affordable housing deed restrictions on properties assisted with funding from the City or Affordable Housing Trust, and on properties where zoning requires that there be affordable housing. Housing developed under the Affordable Housing Overlay would be

subject to a zoning-based restriction which would require that the housing remain permanently affordable.

11. What % of Cambridge's housing stock is currently affordable? How has that changed? What is the goal? How will this proposal help achieve that goal?

- a. Approximately 14.8% of the City's existing housing stock is restricted as affordable, with 8,117 affordable units in the city. This proportion has declined slightly since the end of rent control in the mid 1990's when the ratio was over 15%.
- b. The Envision Cambridge planning process has developed a goal of creating 12,500 new housing units by 2030, with 25% of new units (3,175 units) to be affordable. The 3,175 affordable unit production goal would require approximately 1,000 new affordable units to be created with City funding. If the Envision goals are achieved, the proportion of affordable units would increase to approximately 16% of the overall housing stock.
- c. City funds for affordable housing typically produce 50-60 new affordable units each year, with identifying opportunities to add to the affordable housing stock being the most limiting factor. The more areas where it is feasible to create new affordable housing, the more likely we are to continue to maintain our current rate of affordable housing creation as new resources are identified to meet the Envision goal for new affordable units.

12. How much local subsidy is needed to produce a unit of affordable housing? How much is appropriated annually? Based on this, can we estimate how many units could be expected to be created annually?

- a. Most affordable housing developments rely on a range of subsidized financing sources in order to be feasible, including local funding from the City and Affordable Housing Trust.
- b. In Fiscal Year 2019, \$13.6 million in City funding was appropriated to the Affordable Housing Trust for affordable housing preservation and creation.
- c. The amount of subsidy needed to produce a unit of affordable housing will depend on a range of factors including acquisition cost, construction cost, and depth of affordability. Recently, the amount of local funds has ranged from \$175,000 to over \$250,000 per affordable unit.
- d. Assuming an average local contribution of \$200,000 per unit, and annual local funding appropriations of \$15 million, it is estimated that roughly 75 affordable units could be produced per year.

13. If this proposal is not increasing the amount of affordable housing that could otherwise be built, why is the Overlay being proposed?

- a. A goal of the Overlay proposal is to enable more affordable housing to be created more quickly than would be possible without the Affordable Housing Overlay. Allowing larger buildings for affordable housing and a more predictable review process with as-of-right development options will allow affordable housing developers to assemble needed funding and begin construction more quickly. Shortening the development cycle will allow for savings as holding costs (financing, taxes, insurance, utilities) will be reduced. Small savings in development costs will reduce the need for City funds which can then be used to finance additional affordable housing. In the end, however, the amount of affordable housing created will be tied to the amount of funding available. A more predictable and efficient process to develop affordable housing will allow City funding to be used more effectively to help reach our affordable housing goals more quickly.

14. What is the Affordable Housing Trust and what role would it play if any?

- a. The Cambridge Affordable Housing Trust was established in 1989 to preserve and expand affordable housing in Cambridge. The Affordable Housing Trust provides funding to developers of affordable housing in Cambridge. The Trust is a nine-member board, chaired by the City Manager, that meets on a monthly basis to review proposals for new affordable housing needing funding from the Trust. As a result, affordable housing developers receiving funding from the City will need to meet Trust funding priorities, such as a preference for family-sized affordable housing units.

For more information on the Trust: <https://www.cambridgema.gov/CDD/housing/housingtrust>

Questions regarding how the Affordable Housing Overlay would work

15. Who would be able to take advantage of this zoning overlay?

- a. Only projects in which all units have permanent affordability restrictions would be able to benefit from the proposed zoning. Most of the 100%-affordable projects in Cambridge are currently developed by non-profit (e.g. Homeowners Rehab, Inc. and Just-A-Start) and public (Cambridge Housing Authority) entities. However, any developer – public, non-profit, or private – building 100%-affordable housing would be able to utilize the Affordable Housing Overlay zoning. Private developers building market-rate housing (with required inclusionary housing) would not benefit from the 100%-affordable housing overlay.

16. How will design review happen? How much community engagement will there be regarding urban form? What is the proposed process?

- a. The intent of the proposal is to create less restrictive zoning requirements for affordable housing projects, so fewer projects would require special permits or variances. However, the proposal would require an advisory design consultation by the Planning Board which would occur after an affordable housing developer has hosted community meetings to review its proposal. Planning Board advisory review would be non-binding, but it would include public comment and multiple opportunities for review and input.

17. How would historic review apply? Would it be the same process, or something new and streamlined?

- a. Historic review processes are separate from the Zoning Ordinance and would not be affected by this proposal. For example, all buildings that are more than 50 years old would remain subject to the City's demolition delay ordinance. Local affordable housing developers have a long and successful track record of working with the Cambridge Historical Commission to preserve, renovate, expand and re-use historic buildings as affordable housing.

18. Would the Overlay allow the conversion of an existing house to individual units?

- a. Yes, the proposal would provide additional zoning flexibility for the conversion or re-use of existing structures, both residential and non-residential, to affordable housing.

19. Could a developer re-use an existing building and also build new housing on the same site, through an addition or separate structure? How would this work?

- a. The proposal would allow re-use of an existing structure and creating new housing in an addition or separate building. Any addition or new structure would need to conform to the proposed Affordable Housing Overlay requirements, including minimum setbacks and height limits.

20. What are the proposed front yard setback requirements? Could the minimum front setback be reduced to match the setbacks of existing adjacent buildings?

- a. Under the proposal, the minimum front yard setback for an affordable housing project would be 10 feet, unless the normal district requirement is already less than 10 feet. The required setback could be further reduced to the average of the front setbacks for buildings on either site.

21. What will the green building requirements be?

- a. Any housing built under the Affordable Housing Overlay would need to comply with the City's existing Green Building Standards (Section 22.20 of the Zoning Ordinance). There is a pending proposal to update those requirements in the near future to require a minimum LEED Gold standard, or to use the Enterprise Green Communities or PassiveHouse rating system as an alternative.

22. How will recommendations from the Climate Resilience Zoning Task Force interact with the new Affordable Housing Overlay? Will recommendations from the Task Force be incorporated into the zoning?

- a. The overall intent of the proposed Affordable Housing Overlay is to retain the standards for sustainable and resilient development that would apply to all projects. However, because the Climate Resilience Zoning Task Force is not expected to deliver recommendations until the end of this year, the exact impacts will not be known until specific recommendations are considered for adoption.

23. What are the provisions for street level retail space in the Affordable Housing Overlay?

- a. Neighborhood retail provides an important amenity to residents and creating new housing benefits small retailers by growing their customer base. Affordable housing developments built in active corridors already often incorporate street level retail. As proposed, the Overlay provisions would include a requirement to design ground floor space to accommodate retail space in new buildings developed in certain locations and on certain properties that previously had active ground floor retail.

24. Can the Affordable Housing Overlay eliminate the need for curb cut approvals by the City Council?

- a. Curb cuts will continue to require approval by the City Council because that process is separate from zoning.

25. Is it true that developers would tear down any existing building in order to maximize density on the lot?

- a. While each site will be different, affordable housing developers in Cambridge have a long and successful track record of preserving and re-using existing structures for affordable housing. The Cambridge Historical Commission will continue to administer City ordinances relating to building preservation, including the demolition delay ordinance. At the same time, one of the purposes of the Affordable Housing Overlay is to allow more density for affordable housing in order to make development feasible. As a result, while there may be cases where it makes more sense from a design and development perspective to replace existing structures with new construction, continuing to thoughtfully re-use historic buildings as affordable housing will continue to be the preferred approach.

26. Why not limit the Affordable Housing Overlay to the corridors and areas of the city where there is already more density?

- a. One goal for the Affordable Housing Overlay is to create opportunities to add affordable housing to areas of the city that do not now offer many affordable housing options. Expanding affordable housing to these areas of the City would help promote socio-economic diversity and create new housing opportunities in areas where many residents cannot now afford.

27. Can we require that housing developed under the overlay include a middle-income component? Can we expand eligibility up to 120% AMI?

- a. The greatest demand for affordable housing is among households earning less than 100% AMI, with most demand from households less than 80% AMI. In addition, most funding for affordable housing is limited to serving households earning less than 80% AMI. The Overlay proposal provides an option of making a portion of units available to families earning up to 100% AMI.

28. Can we require that housing developed under the Affordable Housing Overlay includes a homeownership component?

- a. The City has created hundreds of affordable homeownership units and will continue to encourage creation of new affordable homes for eligible homebuyers. However, the intention of the Overlay is to increase flexibility for housing developers to create affordable housing. Given that there are now very few sources of subsidy funding for affordable homeownership development, a homeownership requirement could be challenging to finance.

29. Is it true that the majority of the units created will be small units, such as studios and one bedrooms, in order to make development feasible?

- a. No, it is expected that the majority of new housing produced would include a large number of family-sized units as the creation of housing opportunities for families is a top priority of both the City, the Cambridge Affordable Housing Trust and most affordable housing funders. However, it is also likely that some new housing will exclusively consist of smaller units such as in cases where an existing single-family home is converted to small units.

30. Will the Overlay provisions require that housing developed under the Affordable Housing Overlay includes family-sized requirement?

- a. As proposed, the Overlay does not include a requirement for family-sized units. One of the goals of the Affordable Housing Overlay is to make the development of affordable housing more flexible so that affordable housing developers are able to take advantage of a greater number of opportunities. Any added requirements could make the Affordable Housing Overlay less effective in achieving this goal. However, it is anticipated that affordable housing developed under the Affordable Housing Overlay will need funding from the Cambridge Affordable Housing Trust. The Trust has prioritized the creation of family-sized units and typically makes the incorporation of a large number of family-sized units a condition of its funding. As a result, it is expected most new housing would include family-sized units to address this priority.

Other Questions

31. Can the City prepare case studies of potential projects?

- a. Yes. Staff from the Community Development Department are working to develop graphical illustrations of how the Affordable Housing Overlay requirements might be employed on various sizes and types of sites.

32. How does this proposal relate to the Envision Cambridge population projections? Will the Affordable Housing Overlay result in an increase in population?

- a. The recently completed Envision Cambridge comprehensive plan included projections for increases in population and development between now and 2030. The plan also included housing production goals to create 12,500 new housing units, including 3,175 new affordable housing units. If adopted, the Affordable Housing Overlay would not impact the population projections put forth in the Envision Cambridge plan, but it would offer a better chance of reaching the affordable housing production goals of Envision by 2030. Without the Affordable Housing Overlay, affordable housing production will continue but would proceed more slowly, making it more challenging to reach this goal.

33. Should this be called an overlay if it applies to the whole city?

- a. "Overlay" refers to zoning that modifies the requirements of the underlying base zoning district(s) and any other overlay districts. Usually the term "overlay zoning districts" refers to districts only in defined sections of the city. The proposed zoning changes are being referred to as a "citywide affordable housing overlay" because it would modify the base zoning requirements in all districts, and it is also the term that has been used most frequently to discuss the concept in the past.

34. Will any housing developers actually take advantage of the Affordable Housing Overlay? It does not appear that it would provide profits to the developer, or even be financially feasible.

- a. The Affordable Housing Overlay is not intended to make affordable housing development profitable for market-rate developers. 100%-affordable housing developments are typically undertaken by non-profit or private developers who are not driven by profit motives. Significant amounts of public subsidy are needed to make affordable housing feasible. The Affordable Housing Overlay would not replace the need for this subsidy but will help increase feasibility by streamlining the development process and making more sites feasible for housing with the amount of subsidy available for new affordable housing.