

Agenda For January 13, 2015 Housing Committee Meeting

Sullivan Chamber, Cambridge City Hall

6:00 pm – 8:00 pm

Good evening. Tonight, we are holding “a public hearing to discuss the production of language for a city-wide affordable housing overlay district to be considered by the City Council and to identify areas in the city that would be best suited for an affordable housing overlay district.” This was referred to the Housing Committee at the City Council meeting that was held on October 20, 2014. The original policy order, as amended on the floor, read: “Ordered: That the City Manager is requested to confer with the Assistant City Manager of Community Development and the City Solicitor with the intent of producing language for a city-wide affordable housing overlay district to be considered by the City Council and to identify areas in the city that would be best-suited for an affordable housing overlay district and report back to the City Council.” This policy order was sponsored by Councillor Toomey, Councillor McGovern, Councillor Cheung, and Vice Mayor Benzan.

As many of you may know, the *original* call of tonight’s meeting was to discuss the Community Development Department’s Nexus Study report concerning Inclusionary Zoning. Many of us have been anxiously looking forward to that conversation, and I certainly have been looking forward to it, which is why I rushed to get it on our agenda as quickly as possible. After scheduling tonight’s meeting, though, I was made aware that the Community Development Department has been working hard to have

that report ready in time for the City Council's January 26 meeting. As a courtesy to my colleagues, to allow them the time they needed to finish that report, I decided to switch the call of tonight's meeting with another item that has been waiting for our attention. We will be discussing the Inclusionary Study report from the CDD at the January 26 meeting, I'm sure, and I am already looking at dates in the first half of February to hold a dedicated Housing Committee meeting to that report, so please stay tuned and we will be placing that on the schedule shortly.

I would like to now turn our attention back to tonight's agenda, and focus our discussion on the production of language for a city-wide affordable housing overlay district. I am going to open the floor for public comment, and following public comment, I will ask the Community Development Department to share their thoughts on this matter. Following that, I will ask my colleagues on the housing committee to share any thoughts, questions, or concerns they may have. With that, I would like to open Public Comment:

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The Housing Committee will conduct a public hearing to discuss the production of language for a city-wide affordable housing overlay district to be considered by the City Council and to identify areas in the city that would be best suited for an affordable housing overlay district.

- I. Opening Remarks from Councilor Simmons**
- II. Public Comments**
- III. Remarks From Community Development Department**
- IV. Remarks from Housing Committee Members**
- V. Councilor Simmons Gives Closing Remarks and Concludes Meeting**



City of Cambridge

O-5
AMENDED ORDER
IN CITY COUNCIL
October 20, 2014

COUNCILLOR TOOMEY
COUNCILLOR MCGOVERN
COUNCILLOR CHEUNG
VICE MAYOR BENZAN

WHEREAS: The challenges of spreading affordable housing to all Cambridge neighborhoods are increasing due to factors such as property values and zoning restrictions; and

WHEREAS: As a city wide goal to keep Cambridge affordable for working class families, and to help to maintain our diversity, additional tools could be made available to assist in efforts to create more affordable housing in neighborhoods that are cost or zoning prohibitive for these sorts of developments; now therefore be it

ORDERED: That the City Manger be and hereby is requested to confer with the Assistant City Manager of Community Development and the City Solicitor with the intent of producing language for a city-wide affordable housing overlay district to be considered by the City Council and to identify areas in the city that would be best-suited for an affordable housing overlay district and report back to the City Council; and be it further

ORDERED: That this matter be referred to the Housing Committee.

In City Council October 20, 2014
Adopted as amended by the affirmative vote of nine
members.

Attest:- Donna P. Lopez, City Clerk

A true copy;

A handwritten signature in cursive script that reads "Donna P. Lopez".

ATTEST:-

Donna P. Lopez, City Clerk

REFERRED TO THE HOUSING COMMITTEE

Zoning for New Affordable Housing Development

OVERVIEW

There are a range of challenges to creating new affordable housing in Cambridge. Over the last few months, City Housing staff have been discussing potential ways in which the Zoning Ordinance could be changed to help address some of these challenges. The goal of these discussions, being held both internally and with local developers of affordable housing, has been to identify ideas for changes to the Zoning Ordinance which would make new development of affordable housing more feasible in the current market, and which would encourage the development of affordable housing developments throughout the city, particularly in areas where there are fewer existing affordable units.

This effort got underway as a result of the discussion with the City Council and Affordable Housing Trust at the October 2014 Roundtable Meeting on affordable housing. At this meeting, there was broad discussion of the barriers to new affordable housing development and there was an expressed interest in exploring possible zoning strategies which would encourage the development of new affordable units.

BACKGROUND

- In recent years it has become increasingly difficult for affordable housing developers to create new affordable housing.
- Land acquisition and other development costs have made it difficult to identify and gain control of sites which could accommodate the level of development necessary to make affordable housing feasible given limits of many typical funding sources.
- Affordable housing developers have been both outbid by market purchasers or have seen sites sold to market buyers whose offers had fewer conditions (e.g. cash buyers).
- Affordable housing developers have made offers which reflected a site's development potential assuming that the new housing would meet, or come close to meeting, dimensional standards of the Zoning Ordinance (i.e. needing minimal, if any, zoning relief).
- New development density (i.e. number of units) is very limited on sites within Residence A and B districts when compared to the cost of land in these areas, making a financially feasible affordable development very unlikely under current standards.
- Of the 5 new affordable housing developments underway in the past few years, all have sought some type of zoning approval (special permit, comprehensive permit, variances). While all zoning approvals were successful obtained, approvals of 3 of the 5 were appealed (see attached for more detail).
- The potential for appeal of discretionary approvals (PB and/or BZA) for affordable housing developments can be a deterrent to new affordable development given the impacts that an appeal has on both the project and affordable housing developer. Appeals add significant cost and long delays and present significant risk to affordable housing developers. Impacts of appeals include:
 - Adding years to the development schedule, delaying the completion of new affordable units
 - Adding significant legal and carrying costs to often already expensive developments
 - Idling developer capacity while litigation is pending, creating risk for housing developers and potentially deterring development of other new construction projects in future
 - Jeopardizing financing commitments from other public/private funders due to delays in project readiness

- Increased construction costs resulting from price increases during delays

STATUS & CURRENT DISCUSSION

CDD staff are developing a list of potential ideas and recommendations, informed by ongoing discussions with affordable housing developers, on ways to make the development of new affordable housing more feasible. The following provides a summary of some of the ideas currently being reviewed:

Establishment of City-wide Development Standards and/or Overlay District for Affordable Housing

A case study analysis is currently underway with affordable housing developers to help determine what development and dimensional standards would be most needed to make affordable developments feasible. These new standards for affordable housing, could be considered city-wide or via an affordable housing overlay district in certain areas. Ideas being considered include:

1. Increased development standards for density (FAR, lot area per dwelling unit) for affordable housing
2. Increased dimensional standards (height, setbacks, open space) for affordable housing
3. Reduced parking requirements for affordable housing
4. Allowing affordable multi-family and townhouse developments in all districts

Other changes which could help advance affordable housing development (with or without City-wide / Overlay District standards)

1. Reductions in parking requirements for affordable housing
2. Allowing affordable multi-family and townhouse developments in all districts
3. Changing 5.28.2 requirements for conversion of non-residential structures to affordable housing
4. Looking at specific districts or areas where base density and dimensional standards might be increased for affordable housing

Permitting Predictability for Affordable Housing Developments

To advance City goals of creating affordable housing and to encourage new development of affordable housing, permitting predictability is needed to provide a clear path for approval for proposed affordable housing developments.

- Goal of any changes in permitting process would be to avoid costly and impactful delays to new developments so that new units can be created more effectively
- Community review expectations would need to be included to ensure dialogue with the community regarding proposed developments

Defining “Affordable Housing Developments” under new any Zoning requirements

Any new zoning provisions to advance affordable housing development should include clear standards for an “affordable housing development”:

- should not be limited to all-affordable units to leave some flexibility for mixed-income developments where advisable, but should be mostly-affordable and contain a minimum ratio of affordable units (e.g. 75% of units)
- should include definition of affordable unit, including middle-income (i.e. 100% or 120% AMI)
- should include standards for affordability (i.e. income limits, etc.) which could be adjusted from time to time (e.g by the CAHT) to respond to changes in needs
- require City deed restriction to ensure permanent affordability

NEXT STEPS

1. CDD has asked local affordable housing developers to conduct case studies of several actual sites with development potential which were not considered for affordable housing development due to cost and zoning constraints and/or where offers to purchase were not successful. Through these analyses we hope to gain a better understanding of specific dimensional zoning changes that would be needed to make the development of affordable housing financially feasible on these sites.
2. Discussion of this approach with the Affordable Housing Trust, the Housing Committee, and City Council will help shape these recommendations and identify other needed actions.

PERMITTING SUMMARIES OF NEW OF AFFORDABLE HOUSING DEVELOPMENTS ACTIVE IN 2010-2015

Temple Place – 40 rental units

In early 2008 Cambridge Affordable Housing Corporation (CAHC) proposed the creation of 42 affordable rental units on the site adjacent to the YWCA Cambridge SRO housing buildings on Temple Street in Central Square. In April 2008 CAHC applied for a comprehensive permit from the Board of Zoning Appeal (BZA). Relief CAHC requested included: front and side yard setbacks and a reduction in parking (19 spaces vs. 42 required). CAHC also requested relief on height (70 feet) which was also available via special permit (up to 80 feet). The BZA approved the comprehensive permit in July 2008. This approval was appealed by an abutter in August 2008.

During the appeal CAHC was challenged to hold on to funding commitments given the uncertainty of the delay. The appeal litigation was settled in April 2011 just before it was set to go to trial. After the settlement CAHC moved to complete design, obtain financing commitments which could not be sought during the litigation, and solicit construction bids. In early 2012 CAHC received bids well in excess of its budget forcing it to significantly redesign its building. While the construction budget was reasonable for the intended bid in 2009-2010, the cost of construction had risen during the delay making CAHC's original proposal infeasible.

In 2012 CAHC began a process to redesign the building to make its construction feasible and respond to concerns from public and private subsidy sources about its projected costs. CAHC's re-design reduced the number of units from 42 to 40 rental units and eliminated all three-bedroom units in order to maintain unit counts and costs acceptable to state funders. After developing a revised plan which addressed all feasibility issues raised by funders, CAHC applied for a modification to its comprehensive permit in January 2013 which was approved in February 2013. With zoning approvals for its revised plan CAHC assembled its final financing commitments and began construction on October 2013. Construction of the 40 new units will be completed in 2015.

Port Landing – 20 rental units

In 2012 Capstone Communities proposed the development of 20 units of affordable rental housing at 131 Harvard Street in Area Four. Their request for variances from the Board of Zoning Appeal was heard in September 2012. The BZA approved variances which included relief for gross floor area (23,300 vs. 20,500 allowed), FAR (2.33 vs. 2.05 allowed), front and side yard setbacks, open space ratios (9.75% vs. 15% required), and a reduction in parking (15 spaces vs. 20 required).

Since obtaining these zoning approvals the developers have obtained other financing commitments after applying for state funding in several funding rounds, and now expect construction to begin this spring.

Putnam Green – 40 rental units

In October 2008, Homeowner's Rehab, Inc. (HRI) proposed to construct 40 new affordable rental units on Putnam Avenue and Sidney Street in Cambridgeport. HRI requested a multi-family special permit from the Planning Board along with an approval to reduce the number of parking spaces from 40 to 28 spaces. The Planning Board approved this request in September 2009. After completing its design and obtaining its financing commitments, HRI began construction in February 2011 and completed the construction of 40 new affordable units in early 2012.

Elm Place – 19 rental units

Just A Start Corporation (JAS) proposed the new construction of 19 units for affordable rental housing and one retail space on at 1066 Cambridge Street in the Wellington-Harrington neighborhood in 2007. In March 2008 JAS applied for a comprehensive permit which requested relief including eliminating the front yard setback on

Cambridge Street and reducing the ratio of green space to paving. The BZA approved the permit in April 2008. In June 2008 the approved permit was appealed by an abutter.

In 2009 after discussions regarding a settlement were unsuccessful, JAS developed a revised design that met the requirements of the Zoning Ordinance. The revised design required that the size of the retail space on Cambridge Street be significantly reduced, that the building be shifted further back along Elm Street significantly reducing the rear yard setback, and that the building be setback from Cambridge Street. JAS obtained financing commitments for this revised design and began construction in June 2010. The building was completed in the summer of 2011.

Impacts of the delay in permitting the building include additional design costs, carrying costs, legal costs and an increase in construction pricing which required further design review after initial bids were received.

Windsor Church Condominiums – 14 homeownership units

In early 2007 Just A Start Corporation (JAS) was selected through a competitive offering to purchase the former Immaculate Conception Church on Windsor Street in the Wellington-Harrington neighborhood. JAS' initial plan proposed converting the two buildings to a total of 16 affordable homeownership units. JAS requested a special permit from the Planning Board to convert non-residential buildings to a housing use which was presented at a hearing in August 2007. The Planning Board approved the special permit in March 2008 after JAS reduced the size of its proposal from 16 to 14 units. The special permit was appealed in April 2008.

The appeal was settled just before it was scheduled to go to trial in May 2010. During this time JAS incurred significant legal costs and costs to carry the vacant buildings. The cost per affordable unit increased significantly with the reduction in size from 16 to 14 units. JAS also lost the ability to obtain state subsidy funds to assist in financing their development. After attempts to identify alternate funding sources, the development was therefore solely subsidized with City funds. Construction began in the summer of 2011 and the buildings were completed in the fall of 2012.