



CITY OF CAMBRIDGE

Community Development Department

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To: Richard C. Rossi, City Manager 
From: Brian Murphy, Assistant City Manager for Community Development
Date: January 8, 2014
Re: New Nexus Study for Incentive Zoning Ordinance

We wanted to update you and the City Council on the status of the commissioning of a new study to assess the impact of non-residential development on the City's housing market as further described below (the "Nexus Study"). Funding for the Nexus Study was recently approved by the Affordable Housing Trust, and we are now ready to seek a consultant or team to complete the new study. CDD staff have worked with other departments to prepare a request for proposals (the "RFP") which will be issued in the coming weeks.

The Incentive Zoning provisions of the Cambridge Zoning Ordinance ("Incentive Zoning Provisions") were adopted by the City Council in 1988 to mitigate the impact of non-residential development on the City's housing market by looking at the impact of demand from new Cambridge-based workers on market rents. Through this new Nexus Study, the City will assess the current impact of new commercial development on housing costs, and reexamine the set of special permits which trigger the Incentive Zoning Provisions. While prior nexus studies have examined the impact on housing affordability for low- and moderate-income residents, in this study we will also ask that housing affordability for middle-income households be considered.

A nexus study establishes the basis for requiring contributions from commercial developments as set forth in the Incentive Zoning Provisions. The new study will quantify the current impact of new commercial development on housing affordability. Study recommendations could form the basis for changes to the Incentive Zoning Provisions such as updating the required contribution rate and/or list of permits which are subject to the Zoning Ordinance. Section 11.203.1 (a) of the Zoning Ordinance requires contributions which are intended to mitigate housing cost increases stemming from new commercial development ("Housing Contributions"). Funds generated from these Housing Contributions are administered by the Affordable Housing Trust.

The Affordable Housing Trust uses Housing Contributions to fund affordable housing programs and developments. These funds are an important source of

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funding for the Trust and are the most flexible source of funds available to the Trust. Housing Contributions are used to fund needs that are not eligible for Community Preservation Act (the "CPA") funding, such as City-wide expiring use analysis and planning, support for non-profit housing providers, purchase price write-downs for new homebuyers, administrative costs of managing the City's stock of affordable homeownership units, and administrative costs of the other housing programs. Housing Contributions have been used to offset recent significant reductions in federal funding for housing programs. While flexibility in the use of these funds is valuable, funds have become a less predictable source as many new commercial developments have not been subject to the Incentive Zoning provisions of the Ordinance.

We will keep you updated of progress as we identify and work with the consultant or team selected in connection with the RFP process to prepare the new Nexus Study.