

REMARKS For March 19, 2015 Housing Committee Meeting
Sullivan Chamber, Cambridge City Hall
5:30 pm – 7:30 pm

Good evening. Tonight, the Housing Committee is meeting to conduct a public hearing to provide an update and launch a discussion on the incentive zoning study from the Community Development Department. As many of you may know, this meeting was originally scheduled to be held on February 10, and it was postponed due to the unexpected passing of our friend and colleague, Brian Murphy, just days earlier. Brian, as Assistant City Manager for Community Development, was instrumental in moving this work forward, and in addition to opening the meeting by acknowledging his hard work and dedication, I also want to thank the entire Community Development Department for pulling together over this past, challenging month and working extra hard to continue this important work.

We'll be trying to get through a great deal of material tonight. The nexus study on incentive zoning is a discussion we all have been waiting a long time for, and I would like to note that we have already scheduled a follow-up meeting on this topic, in this room, on April 22 at 5:30 pm. So we will work to get through as much as we can tonight, and I'll ask everyone to bear in mind that this is just the FIRST meeting devoted to this topic. I want to make certain that we leave these meetings with a clear and shared understanding of what this study is telling us.

To the CDD, I am hoping that we can start to work through some basic questions, which I will briefly summarize now, and I'll be happy to reiterate throughout the meeting:

- How does the Cambridge incentive zoning ordinance compare to ordinances in other communities nationally?
- Do incentive ordinances in other communities include academic institutions?
- What is the need for university student housing in Cambridge? What are institutions planning to do?
- What are the impacts of other requests/fees that apply in Cambridge?
- Why keep the housing creation option in the ordinance? What are some ways to improve it?
- What would be involved in establishing a jobs linkage fee? How would it affect the housing contribution?
- Is there a way to incorporate a living wage ordinance and a "hire local" provision into our ordinance? And what would the effect be if we did this?

Those are some of the first, and most prominent, questions that come to my mind, and as this conversation unfolds, there will certainly be many others. To begin, I am going to ask the Community Development Department to make their presentation; following that, I will invite my colleagues to ask any questions they may have, and then we shall have public comment. I will ask everyone to be respectful of each other and each other's time. I'll do my best to hold this meeting to two hours, and again, please keep in mind this is just the first meeting for this discussion. And with that, I will open the floor to the Community Development Department.

Agenda For March 19, 2015 Housing Committee Meeting

Sullivan Chamber, Cambridge City Hall

5:30 pm – 7:30 pm

The Housing Committee will conduct a public hearing to provide an update and continue discussion on the incentive zoning study from the Community Development Department. Please note that there will be a follow-up Housing Committee Meeting on this subject on April 22, 5:30 pm in the Sullivan Chamber.

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

UPCOMING SCHEDULED HOUSING-RELATED MEETINGS:

- April 14, 5:30 pm:** Housing Committee Meeting in the Main Library Community Room on Level 2. Discussion with the CHA on RAD process and answers to the questions and concerns raised at last October's Cambridge Tenants Meeting.
- April 22, 5:30 pm:** Housing Committee Meeting in Sullivan Chamber to continue tonight's Nexus Study discussion.
- May 11, 5:30 pm:** Affordable Housing Roundtable in the Sullivan Chamber.

Cambridge Incentive Zoning Nexus Study



**PRESENTATION TO
CAMBRIDGE CITY COUNCIL
HOUSING COMMITTEE
KARL F. SEIDMAN
MARCH 19, 2015**

Incentive Zoning Ordinance

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- Established in 1988
- Applies to commercial development over 30,000 gross square feet in which developers seek special permits to change requirements or increase density
- Requires housing contributions of \$4.58 per sq. foot
- First 2,500 square feet are exempt
- From 2004 to 2013, generated \$1.79 million in housing contributions
- Provision for annual CPI adjustments

Note: Summary presentation. See Nexus Study for complete analysis.

Study Purpose and Scope

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- Address legal need to demonstrate rational basis (nexus) for policy and contribution rate
- Update Cambridge's current rate
- Assess existing policies and options
- Recommend new contribution rate and policy changes

Overview of Recommendations

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- Expand uses subject to housing contributions
- Remove the special permit trigger
- Raise housing contribution from \$4.58 to \$10 to \$12 per sq. foot
- Continue to apply a single contribution rate and make regular CPI adjustment

Study Methodology

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10 Year Projected Development and Employment by Use and Industry

Worker Survey

Estimated Number of Workers Demanding Housing in Cambridge by Use and Industry

Occupational Dist.
& Earnings

Estimated Number of Workers Demanding Housing in Cambridge by Annual Earnings

MSA Data on
Households

Estimated Number of Single & Multi-Worker Households Demanding Housing in Cambridge by Low, Moderate and Middle Income Levels and Household Size

Final Estimated Housing Units by Tenure and Number of BRs to Address Demand from New Development among Low, Moderate and Middle Income Households

Estimate Development Costs and Required Subsidy for Calculated Impact Contribution Rate

Note: Summary presentation. See Nexus Study for complete analysis.

Estimate of Projected New Development and Jobs

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Type of Use	Projected Square Feet of Development	Estimated Jobs
Office and R&D Lab Space	3,800,000	11,943
Institutional Space	300,000	600
Retail and Services	135,000	422
Restaurant	240,000	1,067
Hotel	120,000	120
Total	4,595,000	14,152

- Reflects development activity over past ten years along with planned development projects

Note: Summary presentation. See Nexus Study for complete analysis.

Estimated Housing Demand From Projected New Development

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Income Group	One-Person Households	Two-Person Households	Three Person Households	Four Person Households	Total
Low Income	42	24	11	31	108
Moderate Income	136	56	21	18	231
Middle Income	82	96	63	112	353
Total	260	176	95	161	692

Note: Summary presentation. See Nexus Study for complete analysis.

Housing Mix Assumptions in Calculations

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- Rental and Ownership Units
 - Low-income units are all rental units
 - Moderate income units are 30% ownership/70% rental
 - Middle income units are 50% ownership/50% rental
- Unit Size
 - One person households are 100% one BR units
 - Two person households are 20% one BR /80% two BR units
 - Three person households are 80% two BR/20% three BR units
 - Four person or larger households are 100% three BR units

	1 BR Units	2 BR Units	3 BR Units	Total
Rental	200	135	111	446
Ownership	95	82	69	246
Total Units	295	217	180	692

Note: Summary presentation. See Nexus Study for complete analysis.

Rental Housing Development Costs and Subsidy

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- **\$214.4 million** estimated total development cost (TDC) for 446 rental units, based on recent comparable projects
- Rental NOI based on rent at 30% of household income less operating costs
- Total NOI of \$3,752,690 supports mortgage debt of \$53.019 million and equity investment of \$4,691,000
- **Required subsidy of \$156,717,000**
- (TDC – supportable mortgage – supportable equity)

Ownership Development Costs and Subsidy

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- **\$118.3 million** total development cost for 246 ownership units , based on recent comparable projects
- Sales price based on 30% of household income to pay mortgage principal, interest, taxes and insurance with 5% down payment
 - Average sales price for moderate income = \$165, 913
 - Average sales price for middle income = \$346,887
- Total revenue from housing sales = \$72.9 million
- **Required subsidy of \$45,242,000**

Note: Summary presentation. See Nexus Study for complete analysis.

Combined Subsidy and Unadjusted Calculated Impact Contribution Rate

	All Units	Low Income Households	Moderate Income Households	Middle Income Households
Total Development Subsidy	\$202,141,000	\$51,721,027	\$87,238,614	\$63,181,360
Projected Square Feet Subject to Housing Contribution	4,538,000	4,538,000	4,538,000	4,538,000
Subsidy Required per Square Foot	\$44.54	\$11.40	\$19.22	\$13.92

Note: Summary presentation. See Nexus Study for complete analysis.

Adjusted Calculated Impact Contribution Rate

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- Other non-Cambridge sources help fund required subsidy for low and moderate income housing
- Cambridge Affordable Housing Trust Fund contributed 33.9% of subsidy to recent low and moderate income projects
- No outside subsidy is assumed for middle income units
- Applying the 33.9% share to contribution rate for low and moderate income housing units results in the calculated impact contribution of \$24.30
 - 10.38 for low moderate income units
 - 13.92 for middle income units

Note: Summary presentation. See Nexus Study for complete analysis.

Review of Existing Ordinance and Policy Options

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Policy options considered:

- Change uses subject to ordinance
- Alter conditions that trigger housing contributions
- Vary contribution rate by use
- Change 2,500 exemption

Policy Options: Uses and Triggers

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- Majority of development is not subject to housing contributions
 - Some uses are not covered by Incentive Zoning Ordinance: 2.44 million SF of institutional development from 2004 to 2013
 - Many projects do not need the special permits that trigger housing contributions: 26% of new commercial, lab and retail projects from 2004 to 2013 made housing contributions (\$1.789 million)
 - Considerable new development with affordable housing impact does not make housing contributions
- Proposed solutions
 - Expand uses subject to housing contributions
 - Apply contributions to non-residential development independent of permit requirements

Note: Summary presentation. See Nexus Study for complete analysis.

Regional Context

Community	Rate	Threshold	Uses	Triggers
Cambridge-current policy	\$4.58	30,000	Commercial, lab, retail, research facilities	Projects seeking specific special permits
Cambridge-recommended	\$10 to \$12	30,000	Above plus lodging, institutional and industrial	All projects by size and uses
Boston	\$8.34	100,000	Office, retail, lab, hotel, institutional	All projects by size and uses
Somerville	\$5.15	30,000	All except housing, gov't. religious, artists studios	All new construction or substantial rehab with special permits or site plan review
Barnstable County	\$1.27 to \$15.34	10,000	Office, medical, retail, restaurant, warehouse, other	Based on size, location and use

Note: Summary presentation. See Nexus Study for complete analysis.

Competitive Impact of Linkage Fees

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- Calculated impact rate is 5x increase in current rate
 - Almost 2.5X Boston's fee and over 4X Somerville's level
- Fee will add to project development costs
 - Impact may be greater with other Cambridge policies
- Developers can reduce acquisition cost, lower investment returns or raise rental rates in response to increased rate
 - Rental impact: adds \$2.29 psf over ten year lease , + 4.1 to 6.5%
 - Impact on equity returns: ~ 100 basis point decline
- East Cambridge rents are among highest in region
- West Cambridge rents are above competing suburbs
 - 50% higher for lab space and 7% for office space
- Combined factors favor contribution rate below maximum

Note: Summary presentation. See Nexus Study for complete analysis.

Recommended Rate and Policies

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- Remove special permit trigger and apply housing contributions to all projects over 30,000 sf with defined uses
- Expand project definition to add 7 uses (hotel/motel, radio/TV studios, institutional health, education and social services, light industry/wholesale and heavy industry)
- Set rate at \$10 to \$12 per square foot
- Limit disparity with surrounding communities
 - Reduce impact on Cambridge competitiveness
- Continue single rate across uses & CPI increases
- Eliminate 2,500 square foot exemption

TO: The Cambridge Residents Alliance Members and Supporters

RE: City Releases "Cambridge Incentive Zoning Nexus Study"
Analysis of Current and Future Affordable Housing Needs

DATE: January 29, 2015

Tonight at the City Council meeting the Nexus Study will be presented and the discussion will begin about increasing fees and expanding the scope of the "Incentive Zoning" provision for funding affordable housing. Here is a brief explanation of the law, some highlights of the study and the Cambridge Residents Alliance position on the recommendations.

What is "incentive zoning" or a "linkage fee," as it is often called?

Cambridge's **Incentive Zoning** Ordinance has a "linkage fee" that requires large new non-residential developments (over 30,000 sq ft) to either make contributions to the Cambridge Affordable Housing Trust Fund or build affordable housing, in return for certain Special Permits to build a larger building. The funds are used by the Affordable Housing Trust for maintenance and creation of affordable housing. The linkage fee can be increased by the Affordable Housing Trust every year up to the rate of the Consumer Price Index; and can be recalculated and reset by the City Council once every 3 years.

As explained in the thorough *Cambridge Day* article (January 26, 2015) linked below, "the formula hasn't been updated in Cambridge since it was set at \$3.28 in 1988, although the rate has risen to \$4.58 to reflect incremental growth in the consumer price index. The council got a 2002 study that suggested raising it to \$7.83, but never acted on it." For the full article: <http://www.cambridgeday.com/2015/01/26/linkage-fee-study-dont-scare-builders-charge-only-up-to-12-per-square-foot/>

(Note: Linkage is distinct from the "Inclusionary Zoning," regulation that requires new market-rate housing developments of 10 or more units to set aside 11.5% of units as affordable, in return for greater density.)

What is a "Nexus Study?"

Roughly every 10 years, cities hire analysts to conduct a "Nexus Study" to assess the impact of commercial development on housing needs. The last study in Cambridge was conducted in 2002. The current Nexus study by Karl F. Seidman Consulting Services was released on January 20, 2015 following residents' outcry that in the midst of an affordable housing crisis, the City Council had not raised the rate in 12 years. The Council must now debate and adopt some or all of the report's recommendations and set a new linkage rate. The report is long but well-written and fairly accessible to a lay person:

http://www2.cambridgema.gov/CityOfCambridge_Content/documents/Incentive%20Zoning%20Nexus%20Study%2001262015.pdf

Key findings from the 2015 Nexus study:

- Projected new commercial development in Cambridge over the next 10 years is estimated to be 4,595,000 square feet, generating 14,152 new jobs; most of this build-out (3.8 million square feet) is projected to be for office and research/development (lab) use.
- Projected number of new low-, moderate- and middle-income housing units needed to keep the current balance of incomes: 693 units, composed of 108 low-income (below 50% of area median income or AMI), 231 moderate-income (50-80% AMI), 354 middle-income (80-120% of Boston AMI). All types would need some kind of subsidy.
- The current incentive zoning or linkage rate is \$4.58 sq ft.

- Analysis of the need for new housing finds that a new linkage contribution rate from developers would be \$24.30 per square foot in order to construct the needed units; \$10.38 for low- and moderate-income housing and \$13.92 for middle income housing (for which there are no federal or state subsidies).
- The study authors, however, recommend a \$10 to \$12 sq ft rate to keep Cambridge competitive regionally; they express concern that a 5 times increase in the housing contribution and other fees would discourage development in Cambridge, especially for small and start-up firms. The report also states that “interviews with developers and real estate professionals confirmed the strong market demand for office and lab space in Cambridge.”
- By refusing to raise the linkage fee over the past twelve years, the City of Cambridge missed out on 10.6 million square feet of non-residential development that would otherwise have been assessed at the higher fee rate (Table 1 on page 8 and Table 25 on p.55). That represents a net loss of tens of millions in linkage fees and possibly 100 units of affordable housing.
- The study states: “Housing contributions are highly dependent on the market and should be adjusted with some frequency to appropriately mitigate the impact commercial development has on the availability of affordable housing in a community.” (p. 51)
- Currently many large developments are exempt from the linkage fee. The study recommends expanding the kinds of properties that would require the contribution – they would include Research & Development, Office, private Institutional, Hotels, Restaurants and Retail/Personal Services.
- The study recommends removing a special permit as a trigger for the mandatory contribution, and instead require it for any non-residential development over 30,000 square feet: make regular adjustments to the rate tied to the Consumer Price Index; and eliminate the 2,500 square feet that are currently exempt from the contribution. (Zoning changes must be passed by the City Council.)

Some notes on Housing in the report:

- In 1999, 19% of Cambridge households paid 50% of their income in rent; in 2012 the number rose to 23% (p. 25).
- “...land and residential construction costs are too high in Cambridge for market demand for affordable housing alone to trigger affordable housing. In fact, the high cost of housing construction in Cambridge is a barrier to development of housing affordable even for families at 120% of the AMI. Cambridge’s housing affordability gap, however, is most acute for low-income households at or below 80% of AMI.” (p. 26)
- “Given the market conditions and the costs to construct new housing, as discussed above, none of the needed affordable housing units will be supplied by either the current housing market or the new unsubsidized private development market.” (p. 27)
- The study “assumes that the affordable housing to be supplied will be a mix of rental and ownership units. The subsidy required in this analysis assumes that: 50% of middle-income units will be ownership units; 30% of moderate-income units would be ownership units; all low-income units will be rentals.” (page 29-30, see tables 11 and 12 for distribution of types.)

The Cambridge Residents Alliance position on the linkage fee:

In its 2013 Platform, the Cambridge Residents Alliance called for increasing the linkage fee from the current \$4.58 to \$50 sq ft, given that we are in the middle of one of the hottest real estate markets in the nation, and that it’s this market that has made housing in this city unaffordable. In addition to resulting in more funds to build affordable housing, a higher linkage fee will help compensate for housing being less profitable to build than commercial buildings.

We strongly supported Councilor Dennis Carlone’s 2014 proposal for a temporary increase to \$7.83 sq ft, but the Council did not pass that proposal, preferring to wait for the new study.

Specifically we support the following elements of the Nexus Study:

- We support the proposed **expansion of sizes and uses of buildings** that must pay a linkage fee.
- We support requiring **all buildings over 30,000 sq ft to pay a linkage fee**, rather than only buildings which apply for a special permit.
- Given the extreme need for funds for low-, moderate-, and middle-income housing, we support **increasing the linkage fee to \$24.30 sq ft**, the amount needed to fully fund the creation of the needed below-market-rate housing. The \$10-12 range is too low to dig us out of the hole we've dug by not raising the rate and by exempting so many of the recent large projects (see p. 55).
- In effect, the report says that unless Cambridge underfunds its affordable housing needs by half, letting developers off the hook for the full amount required to solve the problem, then we will lose companies to other cities. A \$24.30 fee would only help us meet the housing need generated by new commercial development -- we'd still have a big deficit of affordable housing.

Planning Before Building :

We restate our position that the city's whole housing policy needs real thought, not piecemeal development that is essentially controlled by developers. How high and fast can Cambridge's population grow? We would hit Manhattan's density at 180,000 residents. And what amount of housing do we want at each income level? An increased linkage fee needs to be part of a comprehensive plan to try to make up as much ground as possible in the housing sectors that have fallen behind over the past 25 years.

The amount of inclusionary housing required also needs to change, or else the market rate units will continue to reduce the proportion of low-, moderate-, and middle-income households relative to higher-income households. Currently, every big new residential building just makes that income distribution worse.

The Cambridge Residents Alliance
www.cambridgeresidentsalliance.org
working for a livable, affordable and diverse city

Attachment E

March 19, 2015

Councilor E. Denise Simmons, Chairperson
Cambridge City Council Housing Committee
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Chairperson Simmons and Members of the Housing Committee:

On behalf of Forest City Enterprises, owner and operator of the 27 acre University Park at MIT campus, I write to share our concerns regarding the recommendations by Karl F. Seiderman Consulting Services to significantly increase the contribution rates called for in the current Incentive Zoning Ordinance. For the record, Forest City is the owner and operator of the buildings within University Park; which includes 1.5 million square feet of life science space, almost 700 residential apartments (150 of which are affordable), a 212 room hotel, 70,000 square feet of retail space, 100,000 square feet of publicly dedicated open space and approximately 2,500 parking spaces in three separate garages. Currently, we are developing a 250,000 square foot life science building scheduled for a first quarter 2016 delivery. We are deeply committed to sustainability and utilize industry recognized best practices for sustainability in both our building design and operations and our commitment to affordable housing. You may recall that Forest City was required to deliver 150 units of affordable housing early in our development project in order to build the balance of the commercial portion of the site.

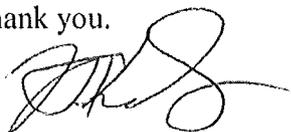
At Forest City, we do believe there should be a thoughtful discussion regarding changes to the Inclusionary Zoning Ordinance and we would be pleased to take part in any discussions regarding the adjustment of the contribution rate to a more effective level. However, the upside parameter suggestions of up to \$24 per square foot outlined in the Seiderman Study is extreme and will undoubtedly hamper any future residential and commercial development in this City. If the intent is to be comparable with surrounding cities like Boston while maintaining our unique standing, we certainly support the efforts in adjusting toward the \$10-12 per square foot range.

(1)

However, increasing the base rate of the Incentive Zoning by almost 400% is onerous at this time; particularly now when the City has almost \$20,000,000 in unallocated dollars in its Community Benefits fund and is considering enacting a Carbon Tax as part of its Net Zero efforts. The real estate community in Cambridge has always worked with the City in the interests of all its residents and we are willing to sit at the table on this issue. However, Incentive Zoning payments of up to \$24 a square foot is an unreasonable step and will certainly stall the future achievements of this great City, if not stop them altogether.

We urge you to consider an appropriate adjustment of the contribution rate and not one that will curtail the efforts of our intellectual economy and vibrant neighborhoods.

Thank you.

A handwritten signature in black ink, appearing to read 'John T. Kiely, Jr.', with a stylized flourish extending to the right.

John T. Kiely, Jr.
Forest City Enterprises

Cambridge Affordable Housing Trust

March 18, 2015

To the Honorable, the City Council:

The Cambridge Affordable Housing Trust has reviewed, discussed and supports the recommendations in the Incentive Zoning Nexus Study report completed by the consultant team led by Karl F. Seidman Consulting Services. We think the most critical recommendations relate to the expansion of the incentive requirements to new use categories, and, most importantly, making housing contribution requirements mandatory for all developments of more than 30,000 square feet, regardless of special permit needs. We are also very supportive of the recommendation to increase the contribution rate to \$10-\$12 per square-foot of new non-residential development. Adopting the recommended changes will greatly assist the Affordable Housing Trust as we carry out our mission of preserving, expanding and supporting affordable housing in the city.

In recent years, we have seen too many developments that have had impacts on the need for affordable housing which were not required to make incentive contributions because they include uses that are currently exempt from the incentive provisions, or because the current requirements are limited only to certain special permit approvals. As the study notes, there was 3,260,000 square feet of commercial development in projects larger than 30,000 square feet between 2004 and 2013. Approximately 860,000 square feet of this development was subject to the incentive ordinance while almost 2,400,000 square feet was exempt from the ordinance and made no housing contribution. The adoption of the recommendations will ensure the fair application of the ordinance so that developments with similar impacts on the need for affordable housing will make housing contributions to address these impacts. The recommended broad expansion of the ordinance will significantly increase the funds available to the Trust to address affordable housing needs.

Likewise the Trust strongly supports the recommendation for an incentive contribution rate of \$10.00-\$12.00 per square-foot. We understand the interest in raising the rate more dramatically as the study analysis might support a larger increase, however we also recognize that the housing contribution fee is not the only mitigation that the City might want to discuss with a commercial developer. The rate of the housing contribution under incentive zoning should be considered in the context of other city goals including sustainability measures, job training, and public realm and infrastructure improvements and the overall impact on the feasibility of development. Taken together, these requirements could impact development location decisions.

We agree that it is important to consider the amount of the housing contribution fee in relation to other nearby communities. Housing affordability is a regional issue that crosses community borders. As the study points out, the contribution rate in Somerville is \$5.15 per square-foot and in Boston a combined housing and jobs rate is \$10.01. Raising the requirement to more than the recommended \$10.00-\$12.00 per square-foot in one increase could impact development decisions and make development less attractive in Cambridge. Given the regional nature of the housing market and demand, Cambridge is also impacted by increased demand for housing from new development in these communities. If new development is not economically feasible in Cambridge, we would still face similar housing market impacts from



Attachment G

Phone 617-253-1988
Fax 617-258-6096
<http://web.mit.edu/govt-relations/www/>

March 19, 2015

Dear Housing Committee Chair Denise Simmons and Members of the Housing Committee,

On behalf of MIT, I want to thank you for the opportunity to provide some initial observations about the proposed changes to the City's Incentive Zoning regulations.

- We appreciate the purpose and objectives of the Incentive Zoning Ordinance and believe that it has served our community well.
- We agree that re-evaluating the contribution rate to the Affordable Housing Trust is appropriate, as no changes have been made to the Ordinance since 1988.
- We are concerned, however, about the impact of the proposed increased fees on the trajectory of the City's vital knowledge economy.
- Cambridge's ability to compete in the regional competitive market relies, in part, on the existence of a reliable level-playing field in the region.
- Higher standards than those in Boston and Somerville, for example, can impact development decisions, and the attractiveness to innovative companies because of increased costs. This is particularly true for emerging companies that would like to be in Cambridge, but have difficulty managing the economics of office or lab space already.
- Increasingly, Kendall Square/Cambridge is viewed as the most promising innovation district in the world, developing technological solutions to global challenges through collaboration among a wide breadth of sectors. I know that we don't want to create obstacles in the path of that progress.
- There are several new regulations coming on-line in Cambridge related to other laudable efforts, including new sustainability requirements and other policy initiatives. We are concerned about the cumulative impact of current and proposed regulations on the City's business sector.
- It feels to us that further careful analysis of the impacts of the proposed increase is warranted before changes to the Ordinance are advanced. We would be happy to participate in that conversation.

Again, thank you for your thorough review of this important matter, and let us know if we can provide assistance during your evaluation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sarah E. Gallop'.

Sarah E. Gallop
Co-Director



Adding a FAIR EMPLOYMENT Entailment Requirement to the Incentive Zoning Ordinance (Statement by David Slaney, 237 Norfolk St. 3/19/15)

The Housing Committee is currently considering various amendments to the Incentive Zoning Ordinance.

One such amendment should be a requirement that developers covered by the Ordinance (1) comply with Fair Employment practices, and (2) place a 25-year entailment on their developments mandating that owners and tenants of such developments (a) comply with Fair Employment practices and (b) require any contractors/subcontractors they hire to do the same.

Fair Employment practices would be defined as compliance with the Cambridge Living Wage Ordinance, either as it currently exists, or, ideally, as it might be amended.

The Cambridge Living Wage Ordinance requires, among other things, that covered employers pay their covered employees a Living Wage (currently \$14.95/hour, but indexed to inflation), and that such employers prominently post notices to that effect at the worksites. The City Council could amend the Living Wage Ordinance to include a Local Hiring Preference provision, similar to that already in the Boston Living Wage Ordinance, requiring that covered employers notify the appropriate City agency of job openings in specified employment categories (presumably semi-skilled and unskilled) one week before publicly advertising those openings.

Apart from direct City employees, relatively few employees currently benefit from the Living Wage Ordinance because, apart from the City itself, it only covers employers who have contracts in excess of \$10,000 with the City or receive more than \$10,000 in financial benefits from the City.

Requiring covered developers to comply with the Living Wage Ordinance will significantly increase the number of Cambridge residents benefitting from it. Greater access to higher-paying jobs for less-affluent Cambridge residents will make it at least somewhat easier for them to be able to afford to continue to reside in our City.

A Fair Employment entailment requirement would not directly increase a developer's cost to build in Cambridge, since construction workers and professionals all make well above the Living Wage. Theoretically, however, it could decrease the price/rent the developer could charge for the property, since the buyer/tenant would have to agree to pay the Living Wage to its custodial, security, food service, and retail employees. Yet in reality, requiring that non-tipped employees be paid at least \$14.95/hour will likely have little or no impact on the marketability of the developed property, and those few potential buyers/tenants who don't want to pay their employees a Living Wage will be easily replaced by those employers who are prepared to do the right thing and pay a Living Wage.

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Councilor E. Denise Simmons, Chairperson
Cambridge City Council Housing Committee
795 Massachusetts Avenue
Cambridge, MA 02139

Chairperson Simmons, Vice Mayor Benzan and Members of the Housing Committee:

I am writing on behalf of the more than 1,500 members of the Cambridge Chamber of Commerce (CCC), the largest business organization in Cambridge, and the voice of the business community for more than 90 years. As an organization we support efforts to improve the community for both residents and the over 5000 business organizations and institutions that operate in Cambridge.

In regard to the Incentive Zoning Ordinance, we acknowledge that it's been over 25 years since the 'linkage fee' has been analyzed for adjustment and think re-evaluating the contribution rate to the Affordable Housing Fund is appropriate.

However, the proposed rate changes from \$4.58 per square foot to \$12 have us very concerned based on the impact these fees will have on Cambridge's development activity, and raise some very important questions:

- 1) Have the short and long range financial impacts been studied?
- 2) Do we have a sense of how this increase could alter housing creation and the market rental prices for both commercial and residential units?
- 3) What is the potential effect on restaurants & retailers? Will it increase their costs enough to necessitate price increases across the board? We all know that when prices go up, somehow, it's passed onto the consumer.

We are incredibly fortunate, Cambridge continues to experience growth that other communities wish they were experiencing. We see additional units of housing being built, new companies relocating to Cambridge, and existing companies expanding. Each of those constituencies - both owners and renters - would be impacted greatly by this immense increase. We want and need to stay competitive in order to remain a leading community that engages its emerging and evolving entrepreneurs, businesses and institutions.

This committee and the City Council should be confident they fully understand these complexities and projections before acting. We feel that further analysis of the impacts of the proposed increase is warranted before the ordinance moves forward. The Cambridge Chamber supports a holistic approach to economic development and planning, and we welcome the opportunity to take part in this important conversation.

Best regards,

A handwritten signature in blue ink that reads "Kelly Thompson Clark".

Kelly Thompson Clark
President and CEO
Cambridge Chamber of commerce

Attachment J

PRESIDENT

Patrick Rowe, MIT

VICE PRESIDENTS

Jay Kiely, Forest City

Devin Cole, Workbar

CLERK

Patrick Barrett, JB Realty

Trust

TREASURER

Mark Orent, Leader Bank

DIRECTORS

Christina Abele, IDEO

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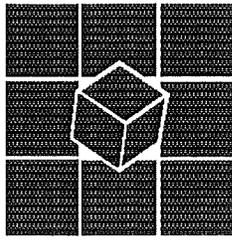
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Robin Lapidus



CENTRAL SQUARE BUSINESS ASSOCIATION

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March 19, 2015,

Councilor E. Denise Simmons, Chairperson
Cambridge City Council Housing Committee
705 Massachusetts Avenue
Cambridge, MA 02139

Dear Chairperson Simmons and Members of the Housing Committee:

The members of the CSBA appreciate all of the thought and work that has gone into this process. We understand and support the re-evaluation of the contribution at this time.

Our concerns are about the impact of the proposed fee increase on potential improvements and activation of Central Square. Our business and cultural district desperately needs both exciting things and to be full of more residents now and in the future. Fees increased to the higher magnitude could damage our ability to have both.

Higher fees will likely be passed on to tenants and businesses. Eventually higher fees will be passed along to resident consumers, employee's, visitors, and students making Central Square less affordable for smaller and less wealthy companies and individuals.

We worry that the proposed regulations on businesses, coupled with other equally worthy goals and future requirements around sustainability, will create a prohibitive cumulative impact on business in Central Square.

We agree that a reasonable and appropriate adjustment is in order and urge you to carefully consider the future impacts on the business community as you seek balance regarding this important issue.

Sincerely,

Robin Lapidus
CSBA Executive Director