Members of the CDD housing staff researched the question of what people of various income levels can afford in Cambridge, based on the real estate advertisements in the Boston Globe and the assumption that 30% of income would be spent on housing monthly rent or mortgage, property taxes and insurance for homeowners. There was very little that people with incomes of less than 80% ($37,100 for a family of four) could afford. Rental opportunities are much better for people with incomes of 100% of median ($58,000 for a family of four); there are very few purchase opportunities, although there were a few ads for condominiums in a price range that would be affordable at this income level. At 120% of median income ($89,040 for a family of four), there are lots of options and there is not as significant an affordability gap.

Ms. Jameson provided a progress report on the new CDD program designed to work in conjunction with the first time homebuyer program assist moderate-income homebuyers with incomes of up to 120% of median. Clients can identify a potential home on the open market. If there is a gap between the amount of a mortgage that the client can afford and the selling price, the City can provide grants of up to $130,000 and low-interest loans of up to $260,000. The income level cutoff point for grants is 100% of median income, while the loans are available to buyers with incomes of up to 120% of median. The buyers must agree to limited equity deed restrictions that will keep the property affordable for future buyers.

CDD did extensive marketing of the program. To date there have been eight applicants who are actively working with Robert Vining, director of the First Time Homebuyer Program. The average income level of the eight households is 72% of median income, and all have incomes of less than 100% of median income.

Councillor Murphy asked about the possibility of using Section 8 certificates for homeownership Ms. Jameson said that the Cambridge Housing Authority is still looking at this issue but there is a huge affordability gap. Section 8 recipients have income levels of under 50% of median income.

Councillor Decker said that City Council opinion is mixed with regard to how much support there should be for middle-income housing when the need is so great among low-income Cambridge residents.

Councillor Murphy inquired about the amount of Community Preservation Act (CPA) funds spent or committed to date. Ms. Jameson said that CPA funds are designated for the preservation of 42 units of expiring use housing on Columbia Street, the Cast project, 13 units at the former Boy Scout headquarters and 21 units at the former Cantabrigian Nursing Home.

At this time Councillor Murphy invited public comment.

Cheryl-Ann Pizza-Zini, 1221 Cambridge Street, said that the Cambridge Housing Authority's annual plan mentions using Section 8 certificates for homeownership.

Councillor Murphy thanked all those present for their attendance. The meeting was adjourned at 5:00 P.M.

For the Committee,

Councillor Brian Murphy

Councillor Anthony Galluccio, Chair

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CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Assistant City Manager for Community Development

SUSAN M. GLAZER
Deputy Director for Community Development

To:	Robert W. Healy, City Manager
From:	Beth Rubenstein, BR Assistant City Manager for Community Development
Date:	December 3, 2002
Re:	Council Order #37 dated September 24, 2001. Report on the incremental increases in FAR in exchange for the development of middle and moderate income housing in addition to the inclusionary zoning affordable housing requirements.

In response to the above referenced council order, this memo outlines the city's current programs as well as questions/issues that staff have identified as we consider proposals to create middle-income housing in exchange for dimensional relief.

What is Middle-income Housing?

The following is generally accepted terminology in the housing community and is based on Area Median Incomes (AMI).

Very Low-income	under 50% AMI ($37,100 for a family of 4)
Low/Moderate-income	under 80% AMI ($58,300 for a family of 4)
Moderate/Middle-income	80-100% AMI ($74,200 for a family of 4)
Middle-income	100-120% AMI ($89,040 for a family of 4)

What are the existing zoning policies that create housing in exchange for density relief and do they apply to residential and/or commercial development?

The City has two ordinances that require residential and commercial developers to contribute to the affordable housing stock in the city. The proposed relief for middle-income housing would be in addition to the FAR/density relief granted under the following ordinances.

The **Inclusionary Zoning Ordinance** requires that residential developers creating 10 or more units set aside 15% as affordable to households under 80% AMI. **Incentive Zoning** (Linkage) requires commercial developers seeking an increase

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in the density or intensity of their use (e.g., FAR, height, less parking, etc) to make a housing contribution of $3.28 per square foot (this would increase to $7.83 per square foot under the proposed increase currently being considered by the City Council).

These provisions are based on studies that demonstrate the relationship between the developer's request and the appropriate contribution in return for the increased density/intensity or density bonus. In both cases, there is an upper limit on the amount of relief that can be granted: a 30% density bonus for Inclusionary Zoning and up to the Special Permit thresholds for Incentive Zoning.

What are the key considerations for granting dimensional (FAR, height, density) relief in return for middle-income housing?

The following outlines the questions/issues that staff have identified in researching dimensional relief in exchange for middle-income housing. As you know, the recent Citywide rezoning initiative reduced commercial density throughout the city, and encouraged residential development in an effort to reduce parking and traffic congestion associated with new development. (The rezoning also provided for project review of any project exceeding 50,000 square feet.) Many of the following questions are related to the competing goals of creating more housing while not further stressing the City's neighborhoods and roadways.

(a) *Residential and/or Commercial Development:* Should relief be available for both residential and commercial development?

Commercial Development - Because of the nature of commercial development, housing units on-site may not always be in the most appropriate location or at a density to create a viable residential component. One option that would have to be carefully evaluated is off-site units.

Residential Development - Under the Inclusionary Ordinance, residential developers building 10 or more units are eligible for up to a 30% density bonus in return for the required 15% affordable units.

If Council chooses to amend the zoning ordinance to provide such relief to developers in return for middle-income housing, such relief would be in addition to the relief granted under the Inclusionary and Incentive Zoning ordinances. The combination of all of this potential relief may reduce some of the density reduction benefits of the recent citywide rezoning.

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(b) *Dimensional Relief:* There are various forms of dimensional relief that may provide developers with the incentive to create middle-income housing, including FAR, dwelling unit density, height, etc. The central questions that this raises are: what should the limits be on dimensional relief for each zoning district and should it be "total relief" or relief granted in addition to what is granted under the Inclusionary and Incentive ordinances?

(c) *Applicable Districts:* Should relief be granted in all districts, including neighborhood residential districts, or only in commercial districts (e.g., Northpoint, Cambridgeport, Alewife)?

Suggested Approach

Based on some of the considerations addressed above, we propose the following: Developers would propose the number of middle-income units that they would provide in exchange for the additional dimensional relief they propose to use. The maximum limit on potential relief would be outlined in the Zoning Ordinance. The Planning Board would consider proposals on a case-by-case basis as part of the developer's special permit application. The proposals would include information on the review criteria that address the following at a minimum:

- financial information about the development, the kind and amount of relief sought, its value based on a proforma, amount and type of housing to compensate the City,
- demonstration that the density and design is consistent with the scale and character of the neighborhood,
- appropriate additional traffic and parking analysis, and
- information about the how units would be developed and managed, materials, location, etc.

The Planning Board would review the proposal to assess its impact based on review criteria and determine if the proposed number of units adequately compensates the City for the relief being granted. The burden would be on the developer to demonstrate that the proposed number of units, size and quality adequately compensates the City and that no adverse impact would result from the dimensional relief. CDD staff would assist the Planning Board in its review of the proposals.

While this approach has some drawbacks, it is based on our sense that developers are the most able to describe the cost and benefit trade-offs at their particular sites. Further, it avoids a "one size fits all" approach with respect to various zoning

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districts. The value of additional FAR, height, or other dimensional relief that may be sought varies by site, neighborhood and the state of the real estate market.

We would recommend that the proposed units be for households between 80-120% of the area median income (targeting households with incomes at 100% AMI) and be administered in a manner consistent with the Inclusionary Zoning Ordinance (e.g., covenant, units of similar size and materials, distributed throughout the building, etc.).

We look forward to further discussion about this proposal with the City Council.

CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

B1

BETH RUBENSTEIN
Assistant City Manager for Community Development

SUSAN M. GLAZER
Deputy Director for Community Development

To: Robert W. Healy, City Manager

From: Beth Rubenstein, BR Assistant City Manager for Community Development

Date: December 3, 2002

Re: City Council Housing Committee Request for information on housing needs in Cambridge in order to assess proposal to expand City subsidies to households earning over 80% of the area median income (AMI).

This memo is provided in response to a request made at the November 6, 2002 City Council Housing Committee meeting for additional information about housing costs and affordability in Cambridge. The data is organized to help the Housing Committee assess whether the City should expand the Inclusionary Zoning program to households earning more than 80% of the area median income (AMI).

Overview

The City of Cambridge, the Cambridge Housing Authority, and local non-profit organizations provide rental and ownership housing that is affordable to a range of income groups. However, there remains a substantial unmet housing need among Cambridge's lower income families as the gap between the cost of housing and the prices households can afford persists.

As this report will illustrate, the housing affordability gap is most pronounced and most widespread among the low and very low income groups (those earning under 80% AMI), somewhat less present among the moderate income groups (those earning 80% to 100% AMI), and even less present among the middle income groups (those earning 100% to 120% AMI). Households earning under 80% can afford neither rental nor ownership housing without public intervention. Households earning under 100% have some rental opportunities but almost no ownership opportunities on the open market. Finally, the data shows that households earning between 100% and 120% can afford to pay market rents, but are priced out of many ownership opportunities.

Salaries of City Employees

This report contains a number of comparisons of housing affordability by different income levels. In an effort to help put income figures in context, we have provided examples of some sample annual salaries:

▪ paraprofessional in public schools:	$23,000 to 32,000
▪ entry level police officer:	$31,044
▪ entry level teacher (with a Master's Degree):	$36,666
▪ building inspector:	$40,000 to $50,000
▪ senior level teachers (with several degrees):	$60,675 to $66,104

Income limits for a family of four:	80% AMI:	$58,300
	100% AMI:	$74,200
	120% AMI:	$89,040

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In order to allow us to assess the level of unmet need by income range, we have divided the presentation of the housing information into three income tiers: low/very low income households, low/moderate income households, and middle income households.

Affordability for Low/Moderate Income Households (those earning under 80% of AMI)

Families of four earning up to $58,300 or single individuals earning up to $40,800 fall into this under 80% AMI category. However, many of the individuals and families that CDD works with in this range have incomes well below the 80% cutoff. In fact, approximately half of the Cambridge residents in the CDD database have incomes under 50% of AMI (e.g. those earning up to $25,950 for a one-person household and $37,100 for a four-person household). Similarly, over 80% of applicants for CHA housing earn less than 30% of AMI.

A household of four earning exactly 80% of AMI can only afford to pay $1,500 in rent or up to $230,000 for a home. A single-person household earning exactly 80% of AMI can afford to pay $1,000 in rent or up to $160,000 for a home. Households with lower incomes can afford much less.

A recent review of Boston Globe apartment rental listings in Cambridge reveals that there are few rental units available on the open market for households even at the highest end of this income range. In fact, there was only one three-bedroom apartment and only 10 two-bedroom apartments that would be affordable for a family of four earning exactly 80% AMI. The average asking rents for studios actually exceed $1,000, the most a single person could afford, while one-bedroom rents are averaging over $1,300.

In terms of homeownership, there are even fewer private market opportunities for households under 80% of AMI. Of the 822 single family and condominium sales in Cambridge over the last twelve months, fewer than 100 were sold for under $230,000 and only 30 were sold for under $160,000 representing the estimated maximum amounts household of four and one, respectively, could afford to pay for a home. Those earning well below 80% are virtually priced out of the private market altogether.

Affordability for Moderate/Middle Income Households (those earning 80% to 100% of AMI)

Families of four earning up to $74,200 or single individuals earning up to $51,900 fall into this moderate/middle income category. In marketing the new Middle Income Homebuyer program , CDD staff have conducted extensive outreach to households in this income range. CDD's housing database now includes over 100 Cambridge households in this 80-100% group.

A household of four earning exactly 100% of AMI can afford to pay $1,900 in rent or up to $300,000 for a home. A single-person household earning exactly 100% of AMI can afford to pay $1,300 in rent or up to $200,000 for a home.

In terms of rental opportunities, the survey of Globe listings reveals that there were actually a number of apartments available in the city that would be affordable to households in this range. For instance, of the 65 two-bedroom units listed, over 40 would be affordable for a family of four in this income range. In terms of larger sized units, a family of four could afford 7 of the 12 three-bedroom apartments listed. At $1,300, the average rent for one-bedroom apartments is exactly the amount a single person at the higher end of this income range can afford to pay.

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In terms of homeownership, however, there are fewer opportunities. Of the 822 homes sold in the last year, only 231 (or 28%) were sold for less than $300,000 and only 56 (or 7%) were sold for less than $200,000, representing the estimated maximum amounts households of four and one, respectively, could afford to pay for a home. The decision to expand the Middle Income Homebuyer program (which provides up to $130,000 in subsidy funds to homebuyers in this income range), was based on the recognition that these households face a significant affordability gap in the ownership market. CDD staff have found that response to the Middle Income Homebuyer program has been greatest among those around the 80% income range of this category, as they have fewer options than their higher income counterparts.

Middle Income Households (those earning between 100% to 120% AMI)

Families of four earning up to $89,040 or single individuals earning up to $62,280 fall into this middle income category. As noted above, CDD staff have conducted targeted outreach to households in this income range for the Middle Income Program. CDD's housing database includes over 100 Cambridge households that earn over 100% of AMI.

A household of four earning exactly 120% of AMI can only afford to pay $2,200 in rent or up to $350,000 for a home. A single-person household earning exactly 120% of AMI can afford to pay $1,500 in rent or up to $250,000 for a home.

Comparing these limits with the market information collected from the Boston Globe, there appears to be little rental affordability gap among this income group. For instance, of the 65 two-bedroom units listed, 60 (or 93%) would be affordable for a family of four in this income range. A four-person household in this range could afford nine of the 12 three-bedroom units listed and almost all of the four-bedroom units listed. At $1,300, the average rent for a one-bedroom apartment is exactly the amount a single person at the lowest end of this income range can afford to pay.

In terms of homeownership, finding an affordable home may still be challenging, although there appear to be more opportunities than are available to lower income groups. Of the 822 homes sold in the last year, 380 (or 46%) sold for less than $350,000 and 125 (or 15%) sold for less than $250,000, representing the estimated maximum amounts households of four and one, respectively, could afford to pay for a home. To date, CDD staff have found that the response to the new Middle Income Homebuyer program among households earning over 100% AMI is less pronounced than among lower income households. (The program provides up to $260,000 in low-cost financing to homebuyers earning over 100% AMI).

Who is looking for housing right now?

As you know, CDD maintains a database of over 2,500 households that have inquired about housing opportunities in Cambridge. Over the last several months, we have received inquiries from over 300 households whose annual incomes range from less than $10,000 to over $100,000. Of the 220 Cambridge households added to the database recently, 80% earn under 80% of AMI, 11% earn between 80-100% of AMI, 5% earn between 100-120% of AMI and 4% earn over 120% of AMI.

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City of Cambridge

HOUSING COMMITTEE MEMBERS
Councillor Anthony D. Galluccio, Chair
Councillor Marjorie C. Decker
Councillor Brian Murphy
Councillor Kenneth E. Reeves
Councillor E. Denise Simmons

In City Council March 24, 2002

The Housing Committee held a public meeting on February 19,2003 beginning at 4:30P.M. in the Ackermann Room for the purpose of discussing information about income eligibility, demographics and market demand in relation to inclusionary zoning and other affordable housing programs.

Present at the meeting were Councillor Brian Murphy, presiding, Councillor Marjorie C. Decker, and D. Margaret Drury. Also present were Darcy Jameson, Housing Director for the Community Development Department (CDD), Robert Vining, Homebuyer Coordinator, CDD, Chris Cotter and Cassie Arnaud, Housing Project Planners, CDD.

Councillor Murphy convened the hearing and explained the purpose. He noted the continuing issue of the City Council's desire to house those most in need and also to house Cambridge residents who make more than 80% of median income but are still being priced out of the Cambridge housing market and forced out of Cambridge. He requested that Ms. Jameson begin by discussing the information in two memoranda sent to the Councillors on December 6, 2002 and attached to this report. (**Attachments A and B).**

Basic to a concrete understanding of the issues raised is knowledge of the income levels associated with the different classifications used to describe income for affordable housing purposes. The classifications are based on Area Median Incomes (AMI). Those levels are as follow:

Very Low-income	**under 50%AMI**	**$37,100 for a family of 4**
Low/Moderate income	**under 80% AMI**	**$58, 300 for a family of 4**
Moderate/Middle-income	**80-100% AMI**	**$74,200 for a family of 4**
Middle-income	**100-120%AMI**	**$89,040 for a family of 4**

Ms. Jameson reported that the demand and need for housing is still greatest for residents with incomes of less than 80% of the area median income. There were over 700 applicants for the inclusionary zoning affordable units in the Oaktree residential rental development across from the Alewife T in North Cambridge. The majority of these applicants are Cambridge residents with incomes that are 75-80% of median.

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Committee Report #1

Committee Report from Councillor Brian Murphy, for a meeting of the Housing Committee held on February 19, 2003 for the purpose of discussing information about income eligibility, demographics and market demand in relation to inclusionary zoning and other affordable housing programs.

In City Council March 24, 2003

REPORT ACCEPTED.
PLACED ON FILE.