



City of Cambridge

Committee Report #6a

IN CITY COUNCIL

June 5, 2000

COUNCILLOR BRAUDE

ORDERED: That the staff report on the legal limits of what can be charged as a nexus fee, and the practical limits of what can be charged without creating a disincentive to the commercial development that provides the linkage fees.

In City Council June 5, 2000.

Adopted by the affirmative vote of nine members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

A handwritten signature in black ink that reads "D. Margaret Drury".

D. Margaret Drury
City Clerk



City of Cambridge

Committee Report #6b

IN CITY COUNCIL

June 5, 2000

COUNCILLOR DECKER
COUNCILLOR BRAUDE

ORDERED: That the City Manager be and hereby is requested to direct the Community Development Department to proceed with a new nexus study; and be it further

ORDERED: That the Community Development Department provide an estimate of the costs of a new nexus study by the date the City Council will vote on this motion.

In City Council June 5, 2000.

Adopted by the affirmative vote of nine members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

A handwritten signature in black ink that reads "D. Margaret Drury".

D. Margaret Drury
City Clerk



City of Cambridge

Committee Report #6c

IN CITY COUNCIL

June 5, 2000

COUNCILLOR DAVIS

ORDERED: That the City Manager be and hereby is requested to confer with the Assistant City Manager for the Community Development Department to provide a report on whether impact fees can apply to all development, including as-of-right development.

In City Council June 5, 2000.

Adopted by the affirmative vote of nine members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

A handwritten signature in cursive script that reads "D. Margaret Drury".

D. Margaret Drury
City Clerk

Councillor Braude asked if the City Council could make increases in addition to inflation adjustments without a new nexus study. Ms. Jameson answered that a new nexus study would be required.

Councillor Braude asked if a CPI adjustment could be done from 1988. Ms. Jameson said that the 1997 CPI increase took it from 1988 to 1997. So there could be an adjustment from 1997 to 2000, and CDD staff will recommend to the Affordable Housing Trust that there be an annual cost of living index adjustment.

Councillor Braude asked if the present heat of the housing market would be a relevant factor in a new nexus study, and Ms. Rubenstein answered in the affirmative.

Councillor Decker asked what would be considered valid reasons for a new nexus study, and Ms. Rubenstein said that the changes in the environment, for example, the hot development market and the termination of rent control, would be reasons for doing a new nexus study.

Councillor Braude asked how major an undertaking in terms of cost a new nexus study would be. Ms. Rubenstein said that she did not have that information but she would be glad to report back on the matter. She said that it would involve outside consultants.

Councillor Decker asked who did the last study and said that she would like a copy.

Councillor Braude requested copies for the entire committee. A copy is attached to this report (**ATTACHMENT B**).

Laura Booth, CEOC, asked why the Incentive Zoning Ordinance does not require the delivery of actual units.

Ms. Jameson said that she wasn't employed by CDD at the time of that decision, but it is typically done for flexibility.

Ms. Rubenstein added that in Cambridge, there are strong nonprofit affordable housing agencies with good track records of obtaining other types of government loans, tax credits, etc., so that the Trust's money can go further.

Councillor Decker said that she would prefer to see developers come up with units rather than payments to the Trust. Ms. Jameson said that commercial developers are not necessarily equipped to do the residential development.

Councillor Decker said that such a statement is too much of a generalization. She has had conversations with commercial developers who have said that they are in a

much better position than City staff to hear about and act upon opportunities to obtain sites and produce good housing at good prices.

Councillor Braude asked whether the ordinance could provide for the City to make the choice of whether to supply units or money to the Trust instead of leaving it up to the developer as in the current ordinance. Ms. Jameson said that might be possible.

Councillor Henrietta Davis asked how much money Cambridge has received as linkage payment. Ms. Rubenstein answered that over the last ten years the Affordable Housing Trust has received \$600,000. CDD projects that the Trust will receive another \$500,000 from the Cambridge Research Park development during the next three years and that over the next 5-7 years the Trust will be paid a total of \$2.5 million from the Cambridge Research Park project.

Councillor Davis said that \$3 per square foot does not come anywhere near capturing the real impact on housing. She asked how the City can get to the real core of what would be true compensation for the housing impact.

Councillor Braude asked the staff to report on the legal limits of what can be charged, and the practical limits of what can be charged without creating a disincentive to the commercial development that provides the linkage fees.

Ms. Jameson said that many communities tie incentive zoning to particular uses to encourage certain types of development. For example, San Francisco is setting different fees for different uses.

Councillor Davis said with regard to the question of who builds, the City and its nonprofits or the private developer, the real question is who can get more for the money, the private developer or the City.

Councillor Decker said that there are times that private developers can identify opportunities better than the City staff. She said that she would like to know more about the costs. She has been told that the nonprofits may be paying more than private developers would pay for the same things.

Councillor Braude asked what Boston does in terms of incentive zoning. Ms. Jameson said that Cambridge, San Francisco and Boston are the leaders in this area. Right now in Boston, the fee is triggered by the request for a variance for developments of 100,000 square feet or greater for hospital, university, hotel, retail and office uses. The Boston fee is \$5 per square foot, based on their nexus study done in the late 1980's. Boston is currently seeking a straight inflation adjustment to \$7.00 per square foot.

Councillor Decker moved that the City Council request the City Manager to direct the Community Development Department to proceed with a new nexus study. The motion passed on a voice vote without objection.

Councillor Braude requested that by the date that the City Council will vote on this motion, CDD provide an estimate of the cost of a new nexus study.

Councillor Born said that after some conferences she had attended, it has appeared to her that Cambridge's incentive zoning, which was cutting edge when enacted, is now somewhat outdated.

Councillor Davis asked whether a nexus study is the best idea, considering the limitations of this tool. Is there something that will bring better results?

Ms. Rubenstein said that there should be a new nexus study to be ready for either the current or the next upswing, but the City can and should do more. For example, the zoning could be changed to require housing in commercial districts.

Councillor Davis said that in Florida there are impact fees; she thinks they apply to as-of-right development. Why does Cambridge have to condition fees upon applications for special permits?

Councillor Reeves said the linkage fee is too low and that Cambridge missed the upswing in the market. He added that the housing that Cambridge does not have is housing that a young family can buy and live in. He hopes the City will focus on city-assisted housing for small families.

Councillor Decker raised the issue of incentives. She asked what would make developers build housing. She said that she took a tour of the telecom building in East Cambridge. These businesses are owned by out-of-state corporations. The payroll is out of state. What value is the City actually getting from them other than property taxes?

Councillor Braude asked whether Cambridge can get to a point in which all development including as-of-right development, is required to pay linkage fees.

Councillor Davis moved that the City Manager be and hereby is requested to confer with the Assistant City Manager for CDD to provide a report on whether impact fees can apply to all development, including as-of-right development. The motion passed on a voice vote without objection.

Councillor Decker stated that she would like more information about the pros and cons of developers providing the units rather than money to the Affordable Housing Trust.

Ms. Rubenstein noted that Cambridge Research Park is an example of a developer providing both fees and units for the same project. The Planning Board pushed for units, and the development was also subject to the Incentive Zoning Ordinance.

Councillor Braude asked when the fees are due, and Ms. Jameson said at the time that a certificate of occupancy is granted.

Councillor Braude thanked those present for their participation. The meeting was adjourned at 5:20 P.M.

For the Committee,

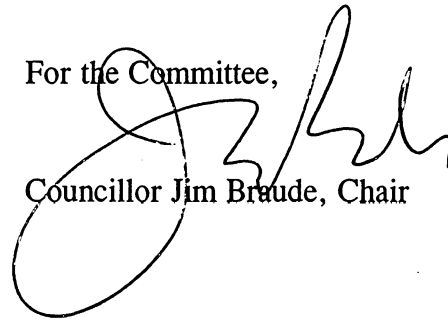
Councillor Jim Braude, Chair

Ms. Rubenstein noted that Cambridge Research Park is an example of a developer providing both fees and units for the same project. The Planning Board pushed for units, and the development was also subject to the Incentive Zoning Ordinance.

Councillor Braude asked when the fees are due, and Ms. Jameson said at the time that a certificate of occupancy is granted.

Councillor Braude thanked those present for their participation. The meeting was adjourned at 5:20 P.M.

For the Committee,

A handwritten signature in black ink, appearing to be 'J. Braude', written over the printed name.

Councillor Jim Braude, Chair

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CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager Richard C. Rossi, Deputy City Manager

May 10, 2000

TO: Councillor Jim Braude, Chair of the City Council Housing Committee
 Councillor Kathleen L. Born
 Councillor Henrietta Davis
 Councillor Marjorie C. Decker
 Councillor David P. Maher

FROM: Robert W. Healy, City Manager

SUBJECT: Linkage Program

Please find attached for your information, a report received from Assistant City Manager for Community Development Beth Rubenstein, relative to the current "Linkage" program which requires commercial building projects in the City to provide funds to the Affordable Housing Trust for the development of new affordable housing in the City.

Attachment

cc: Mayor Anthony D. Galluccio
 Councillor Kenneth E. Reeves
 Councillor Michael A. Sullivan
 Councillor Timothy J. Toomey, Jr.
 City Clerk Margaret Drury



2000 Things 2 Do in 2000



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Assistant City Manager for
Community Development

MALAINA BOWKER
Deputy Director for
Community Development

To: Robert W. Healy, City Manager

From: Beth Rubenstein, Assistant City Manager for Community Development

Date: May 10, 2000

Re: Council Order #008 dated November 1, 1999: Report to the Housing and Community Development Committee on the current "Linkage" program which requires commercial building projects in the City to provide funds to the Affordable Housing Trust for the development of new affordable housing in the City.

In response to the above referenced order about the City's Linkage Program (referred to as Incentive Zoning and found in Section 11.200 of the Zoning Ordinance), this report responds to the following questions:

What is Incentive Zoning and to whom does it apply?

The City's current Incentive Zoning Ordinance applies to research facilities, office and laboratory uses, and retail businesses that require a Special Permit (as described below) that authorizes an increase in the permissible density or intensity of a particular use. An increase in density or intensity of use includes:

- increases in gross floor area or height,
- a reduction in or waiver of parking requirements, or
- a change in dimensional requirements or the addition of uses that result in an increase in density or intensity of use.

For any project that is 30,000 SF of gross floor area or greater, the developer is required to contribute three dollars (\$3.00) for every square foot of gross floor area over 2,500 square feet.

Housing Contribution

The Ordinance allows for the per square foot fee to be reviewed by the City Council every three years. The rate may also be adjusted annually by the Cambridge Affordable Housing Trust based on the Consumer Price Index (CPI) or a similar standard to reflect changes in inflation rates. Since the original linkage study that established the relationship between office development and the City's housing market, and the inception of the Incentive Zoning Ordinance in 1988, the fee has been increased twice. In July 1997, the contribution was adjusted by the

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Affordable Housing Trust from \$2.00 per square foot to \$2.65. The increase was based on an analysis of the inflation rate since 1988. In Fall 1997, the contribution was adjusted by the City Council from \$2.65 to \$3.00 per square foot.

An adjustment of the fee by the City Council must be based on an analysis that demonstrates a change in the relationship between nonresidential development and the impact on the cost and supply of housing. The analysis should include recent economic trends, including development activity, commercial rents per square foot, employment growth, and housing trends measured in terms of vacancy rates, production statistics, and prices for dwelling units.

Housing Creation Option

The developer of an Incentive Zoning project has 3 housing creation options in lieu of a financial contribution:

- develop the affordable units,
- facilitate the creation of the affordable units (e.g., contract with another developer), or
- donate land to be used exclusively for the development of affordable units.

Special Permit Requirement and the Nexus Requirement

The Ordinance outlines the thirteen Special Permits that invoke the Incentive Zoning Ordinance. An Incentive Zoning Ordinance is based on the demonstration of the negative impact of nonresidential uses on the supply and cost of providing housing in a community. These special permits trigger the Incentive Zoning requirement because the special permit allows the developer to increase the density or intensity of use of the project.

What are the revenues the City has received in the past ten years, and what are our projections for the next three years?

Over the last ten years, the City has received 3 linkage payments totaling \$597,838. These were from Lotus Corporation (\$5,000), EF Ventures (\$258,000), and 2 Canal Park (\$334,838).

The Community Development Department projects that the City will receive another \$500,000 during the next three years from the first phase of Cambridge Research Park. Based on the total amount of gross floor area that has been approved for Cambridge Research Park, we project that over the next 5-7 years,

Cambridge Research Park will make linkage payments exceeding \$2,500,000. The amount and timing of the payment depends on the construction schedule for the research and development buildings.

How might this program be expanded to cover a broader range of commercial projects?

As part of the City's growth management initiative, CDD, the Planning Board, and CGMAC will examine the possibility of expanding the range of projects to which the Incentive Zoning Ordinance applies. This will involve considering the pros and cons of permitting increased density and/or intensity of use to produce more affordable housing balanced against other concerns such as traffic impacts and the need to preserve open space.

CDD staff will develop a recommendation on an inflation-related adjustment to be made by the Trust for the July 2000 Trust meeting.

Can we require that developers actually provide affordable units? (i.e., built out and ready for occupancy as opposed to cash payments?).

As noted above, under the provisions set forth in the Cambridge Zoning Ordinance, a developer may build affordable units in lieu of a cash payment. Alternatively, the developer may donate land to the Affordable Housing Trust.

To date, all developers have elected to contribute to the Cambridge Affordable Housing Trust in lieu of providing the units. Traditionally, developers of large nonresidential projects do not have the incentive or capacity to build a small residential component.



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

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2000 MAY 19 10 3 24
LEON
L. BETTS

BETH RUBENSTEIN

*Assistant City Manager for
Community Development*

MALAINA BOWKER

*Deputy Director for
Community Development*

MEMORANDUM

To: Housing Committee
Cc: Bob Healy, City Manager
Beth Rubenstein, Assistant City Manager for Community Development
From: Darcy Jameson, Housing Director
Date: May 19, 2000 *EVJ*
Re: Incentive Zoning

In response to your request for a copy of the nexus study for the Incentive Zoning Ordinance at the May 16 Committee Meeting, I am attaching a copy for your review.

With regard to the other issues that were raised at the meeting, we are following up on them.

THE IMPACT OF CAMBRIDGE OFFICE DEVELOPMENT

ON

CAMBRIDGE HOUSING PRICES

A Study Prepared For The

Department of Community Development

City of Cambridge

By

Jerold S. Kayden and Robert Pollard

April, 1988

I. Introduction and Summary

The purpose of this study is to estimate some of the impacts of private office development in Cambridge on the City's housing market. Office and housing markets are related. Office development attracts new employees, some of whom enter the housing market, increase the demand, and place upward pressure on prices. These higher prices are paid not only by new residents but by many current Cambridge residents.

This study is divided into three parts:

one, calculation of the increase in housing demand generated by office development;

two, calculation of the impacts on housing prices associated with the increase in housing demand;

three, calculation of the impacts on housing prices per square foot of office development.

This study finds that 4% of Cambridge office building employees move to the City because of their job. Put another way, for every 6,250 square feet of office space developed, an additional office employee relocates to Cambridge. Nearly 1,000 new resident employees moved to Cambridge over the past 6 years.

This study also finds that the impact of these new resident employees falls primarily on renters of non-rent-controlled units, and that the annual addition of new resident employees raises these rents by more than 5% annually. The total annual increase in rents is approximately \$3 million. Thus, each square foot of Cambridge office development results in a \$3 increase in citywide non-controlled housing prices.

II. The Study

A. Increase in Housing Demand

New Cambridge office development may result in residential migration to the City. Employees living outside of Cambridge and taking jobs in Cambridge office buildings may choose to move to Cambridge.¹ A survey was conducted to calculate the number of these "new resident employees."

The first step was to identify those Cambridge office buildings to be surveyed. Since newer and larger office buildings more closely approximate present and future development, the 20 largest office buildings completed since 1981 were selected.² Exhibit 1 lists the 20 buildings chosen.

1. A person's residential location decision depends on many factors, including workplace location, availability and cost of transportation, housing prices, lifestyle choices, and neighborhood and school quality. Since travelling to work is costly in time and money, workplace location plays a central role in that decision. Other things being equal, people prefer to live close to their job. Urban economists have long documented this preference. See, e.g., E. Mills Urban Economics 60-65 (1972); J. Kain, "The Journey to Work as a Determinator of Residential Location," Papers and Proceedings of the Regional Science Association, Vol. 9 (1962).

2. See "List of Office Buildings," Cambridge Community Development Department (January 1988). The new buildings include new construction and substantial rehabilitation projects. Survey distributors were prevented by building managements from distributing surveys at two of the 20 buildings. Therefore, the next two largest buildings were added to the survey sample.

EXHIBIT 1: BUILDINGS (CAMBRIDGE OFFICE EMPLOYEE SURVEY)

<u>Building</u>	<u>Size</u> ³	<u>Date Completed</u>
Riverfront Office Park	606,300	1982 and 1987
One Kendall Square	437,000	1987
Athenaeum Press Bldg.	340,000	1981
One Memorial Drive	340,000	1987
Riverside Place	290,000	1985
Riverview Office Bldg.	275,000	1984 and 1985
Five Cambridge Center	250,000	1981
150 Cambridgepark Drive	248,000	1986
Four Cambridge Center	225,000	1983
One Cambridge Center	210,000	1987
University Place	200,000 ⁴	1985
One Hampshire St.	184,000	1985
125 Cambridgepark Drive	184,000	1984
Nine Cambridge Center	155,000	1984
One Alewife Place	136,000	1983
Continental Can Rehab	125,000	1982
Fresh Pond Square	118,000	1985
Charles Square	115,000	1985
Interleaf Bldg.	111,000	1985
1000 Massachusetts Ave.	108,000	1982

3. These figures, measured in total rentable square feet, in some cases include both office and retail space, although the retail amounts are relatively small.

4. This amount includes 70 residential condominium units.

The survey was conducted from March 4, 1988 to March 11, 1988, between the hours of 8:00 am. and 9:15 am. Eight persons distributed a postage-paid⁵ survey questionnaire to employees at the entrance of buildings, and at the entrance to parking garages where applicable.

The key question in the survey was directed at office employees who were Cambridge residents: "Did you move to Cambridge because of a job you took in a Cambridge office building?" Exhibit 2 includes the full survey questionnaire.

5. The return address on the survey questionnaire was "Urban Research Systems" and a post office box. The name "Urban Research Systems" was used only for purposes of the survey.

EXHIBIT 2: QUESTIONNAIRE (CAMBRIDGE OFFICE EMPLOYEE SURVEY)

Urban Research Systems is conducting a survey of employment, housing, and commuting patterns in Cambridge. Please take a few moments to answer the following questions and drop the postcard in the mail. Your cooperation is appreciated.

1. Do you work in a Cambridge office building?

yes (_____)

no street address

2. What is your occupation? (_____)

3. Do you live:

in Cambridge

elsewhere (_____)

name of town

4. Do you:

own your residence

rent your residence

5. If you rent your residence, is it rent-controlled?

yes no

6. Which of the following do you use to travel to work?

walking auto bus subway other

7. **FOR CAMBRIDGE RESIDENTS ONLY:** Did you move to Cambridge because of a job you took in a Cambridge office building?

yes no

Approximately 3,500 questionnaires were distributed, and 795 were returned. 781 of the 795 respondents were Cambridge office employees, and 92 or 12% of them lived in Cambridge. Of the 92 Cambridge resident office employees, 31 or 34% moved to Cambridge because of a job taken in a Cambridge office building. Thus, of the 781 total office employees responding to the survey, 31 or 4% were new resident employees: they moved to Cambridge because of their job.⁶ Exhibit 3 shows selected survey results.

6. This result is statistically significant at a 5% level. Cambridge office development may have resulted in greater residential migration to the City than that suggested by the survey results. First, a survey of current office employees does not reach persons who moved to Cambridge because of a job in a Cambridge office buildings but who no longer work in a Cambridge office building. Second, office development creates additional non-office jobs to service the office development, and some of these workers may also move to the City.

EXHIBIT 3: SELECTED RESULTS (CAMBRIDGE OFFICE EMPLOYEE SURVEY)

<u>Residential Location</u>	<u>Total</u>	<u>Percentage</u>
Live in Cambridge	92	12%
Live outside of Cambridge	689	89%
	—	—
Total	781	100%

Reason for Residential Location in Cambridge

Moved because of office building job	31	34%
Did not move because of office building job	61	66%
	—	—
Total	92	100%

By multiplying the survey-derived new resident employee percentage by the number of office employees, a figure for new residents generated by office development may be calculated.⁷ From 1981 through 1987, the Cambridge office space inventory increased from 1.8 million to 7.7 million total rentable square feet, for a total increase of about 6 million sq. ft.⁸ This represents an average increase of around 1 million sq. ft. per year.

Assuming a ratio of 4 employees per 1,000 sq. ft. of office space, or 1 employee for every 250 sq. ft., 1 million

7. Some observers argue that office development does not "cause" the influx of new resident employees, because growth in office space is merely a response to firms who rent space and hire employees. The allocation of ultimate causal responsibility for the in-migration is beyond the purview of this study. For a discussion of this issue, see Kayden and Pollard, "Linkage Ordinances and Traditional Exactions Analysis: The Connection Between Office Development and Housing," 50 Law and Contemporary Problems 127, 131-132 (1987).

8. See Spaulding & Slye, "The Boston Area Report: Cambridge Market Survey" (July, 1981); Spaulding & Slye, "Cambridge Office Report" (October, 1987). Office inventory is measured as total rentable area.

square feet of annual office growth generates 4,000 new office employees per year.⁹ Applying the survey results, 4% or 160 new office employees annually move to Cambridge to become new residents of the City. Put another way, one new resident employee arrives for every 6,250 sq. ft. of office space developed.

9. There are many rules of thumb used for office space per employee. These numbers depend on a variety of factors, including the type of business, the length of tenancy, the number of building tenants, and current office space vacancies. One source analyzed 47 different studies and suggested that office buildings between 100,000 and 200,000 gross sq. ft. average 4.4 employees per 1,000 sq. ft., and 3.5 employees per 1,000 sq. ft. for buildings over 200,000 gross sq. ft. See Institute of Transportation Engineers, Trip Generation 885 (4th ed. 1987). Although the Cambridge office inventory figures used for this study are total rentable rather than gross square feet, it is convenient and conservative to use a round figure of 4 employees per 1,000 total rentable sq. ft.

B. Housing Price Impacts

New resident employees generated by office development enter the Cambridge housing market, increase the demand, and place upward pressure on housing prices. A large percentage of Cambridge residents live in rent-controlled units and therefore are protected from price impacts. Current owners of property are also insulated from price increases, and indeed may enjoy appreciation of their property values owing to the increased demand.¹⁰ It is the renters of non-rent-controlled units, 58% of whom have incomes below the median,¹¹ who are most affected by the new resident employees. Non-controlled tenancies are yearly or monthly, and their rents may be raised or lowered according to current market conditions. Thus, this study focuses on the impact of new resident employees on renters of non-controlled housing.

The first step is to determine what percentage of new resident employees rent non-controlled housing. The office employee survey indicated that 22 of the 31 new resident

10. Existing Cambridge renters desiring to purchase a residence will face a relatively modest increase in housing prices. The survey results suggest that only 16% of the new resident employees purchase housing units. Given the size of the market for owner-occupied units compared with the number of new resident employees who compete in that market, the price impact is small.

11. See Abt Associates, "Cambridge Housing Study: Final Report," Exhibit 3-4, p. 19 (June 1987).

employees, or 71%, rented non-controlled housing units.¹² Thus, of the 160 new resident employees arriving annually in the city, 114 may be expected to enter the non-controlled rental market.

Each new resident employee does not necessarily create a demand for one unit. For example, new resident employees may live together or move into an already occupied unit. Thus, a further adjustment is required to calculate the number of non-controlled housing units demanded, as distinct from the number of new resident employees entering the non-controlled housing market. Although no direct statistics are available, a reasonable estimate of 1.4 office employees per non-controlled unit demanded may be made from data compiled in a recent Cambridge housing study.¹³ This means

12. It is reasonable to believe that most new resident employees who rent housing will rent market-rate, as opposed to rent-controlled, housing. Available rent-controlled apartments are scarce, and newcomers will find it difficult to obtain them. However, the sample size underlying the allocation of renters between market and controlled units was too small to produce statistically significant results. Of the other 9 new resident employees represented in the survey, 4 occupied rent-controlled units, and 5 owned their housing.

13. See Abt Associates, "Cambridge Housing Study: Final Report," Exhibit F-1. That study indicated that non-controlled non-subsidized units are occupied predominantly by households with no fully employed, one fully employed or two fully employed persons. *Id.* Exhibit F-1. Households with no fully employed persons are not relevant for purposes of this study. Using the universe of households with one or two fully employed person, those with one constitute 60% of the households, and those with two constitute 40%. A weighted average suggests that the average non-controlled non-subsidized rental household has 1.4 fully employed workers, and this figure may be used as a reasonable proxy for new resident employees.

that each new resident employee demands 0.7 housing units. Thus, the annual 114 new resident employees seeking non-controlled housing demand 80 units.

The total supply of occupied non-controlled non-subsidized units has been estimated at 7,400 units.¹⁴ Over an average year, 20% of those units, or 1,480 units, become available for rental by new tenants.¹⁵ Without the new resident employees generated by office development, there would be 80 fewer units demanded, representing a decrease in demand of 5.4%.

14. See Abt Associates, "Cambridge Housing Study: Final Report" 5. That study calculated the number of non-controlled non-subsidized units as a residual number, by subtracting from the total number of Cambridge households the figures for owner-occupied, rent-controlled and subsidized units. The total number of households in Cambridge was 38,836, with 8,857 (22.8%) owner-occupied units, 17,116 (44.1%) rent-controlled units, 5,463 (14.1%) subsidized units, and 7,400 non-controlled non-subsidized units. Id.

15. For all non-controlled non-subsidized units, 32% were occupied for up to 1 year, 18% for 2 years, 18% for 3-4 years, 16% for 5-9 years, 6% for 10-14 years, 2% for 15-19 years, and 7% for 20 or more years. See Abt Associates, "Cambridge Housing Study: Final Report," Exhibit 3-12, p.31. Using a mid-point year for the ranges, and 25 years for the 20 or more years range, the average length of occupancy in a non-controlled non-subsidized units is about five years.

The length of occupancy indicates how often people move and make their units available for rental by new persons. For example, if the average resident remains in his or her apartment for one year and then moves, then the entire stock of rental housing becomes available to new renters over the year. If the average resident occupies his or her unit for two years, then it is reasonable to assume that one-half of all units become available in any given year. In Cambridge, where the average renter stays for five years, 20% of all units may be expected to be available for rental during any given year.

Assuming a price elasticity of demand of 1,¹⁶ this means that non-controlled housing prices would have been 5.4% lower were it not for the addition of new resident employees generated by Cambridge office development. With an average monthly rent of \$622,¹⁷ this suggests that rents would have been \$34 lower, or \$588 per month, without the new resident employees. Because Cambridge landlords of non-controlled units generally set rents on the basis of prices currently prevailing and reflected in the latest rental market transactions, housing price increases will be felt by all non-controlled renters. To calculate the yearly price impact on all non-controlled renters, one must multiply \$34 X 12 X 7,400 units, for a total price impact of approximately \$3 million.¹⁸

16. Price elasticity of demand measures the responsiveness of price to changes in demand. See E. Mills, Urban Economics 164 (1972). Studies of urban housing markets suggest that a reasonable estimate for the price elasticity of demand for housing is 1. Id. This means that a 1% increase (decrease) in the demand for housing leads to a 1% increase (decrease) in its price.

17. See Abt Associates, "Cambridge Housing Study: Final Report," page i.

18. The approach here implicitly assumes that new resident employees immediately affect the demand for housing, but that the supply of housing responds with a lag. Of course, because the supply of land is finite, even when the supply of housing adjusts to new conditions, housing prices will not fall to their original level.

C. Housing Price Impacts Per Square Foot of Office
Development

As discussed earlier, for the 6-year period 1981 through 1987, the Cambridge office space inventory increased from 1.8 million to 7.7 million net rentable square feet. The total increase of about 6 million sq. ft. translates into an average annual increase of around 1 million sq. ft. The annual housing price impact caused by new resident employees entering the non-controlled rental housing market is about \$3 million. Thus, the average price impact of one square foot of Cambridge office development is \$3.00.

City of Cambridge

HOUSING COMMITTEE MEMBERS

*Councillor Jim Braude, Chair
Councillor Kathleen L. Born
Councillor Henrietta Davis
Councillor Marjorie C. Decker
Vice Mayor David P. Maher*

In City Council June 5, 2000

The Housing Committee held a public hearing on May 16, 2000, beginning at 4:10 P.M. in the Ackermann Room for the purpose of discussing a report on the City's current "linkage" program which requires the developers of commercial building projects to provide funds to the Affordable Housing Trust for new affordable housing.

Present at the hearing were Jim Braude, Chair of the Committee, Councillor Kathleen L. Born, Councillor Henrietta Davis, Councillor Marjorie C. Decker, Councillor Kenneth E. Reeves, Councillor Timothy T. Toomey and City Clerk D. Margaret Drury. Also present were Beth Rubenstein, Assistant City Manager for Community Development Department (CDD), Elizabeth Steinberg, CDD, John Woods, CDD, and Vali Buland, Legal Counsel, City Solicitor's Office.

Councillor Braude convened the hearing and explained the purpose. He invited Beth Rubenstein to make a presentation. Ms. Rubenstein started with an introduction of the CDD housing staff present and requested that Darcy Jameson provide a brief introduction summary and description of the city's linkage program, authorized by the incentive zoning provisions set forth in Section 11.200 of the Zoning Ordinance. She noted that the written material distributed to committee members (**ATTACHMENT A**) also provides a description of the linkage program.

Ms. Jameson described the mechanics of incentive zoning. The current incentive zoning covers commercial development projects of 30,000 square feet or greater for research, office and laboratory, or retail uses where a special permit is needed increase the density or integrity of a particular use.

In response to a question from Councillor Braude, Ms. Jameson stated that the fee which developers must pay to the Affordable Housing Trust is based on the nexus study done in 1988. The fee is \$3 per square area for all gross floor area over 2500 square feet. The fees are quite similar to those of other cities. The Affordable Housing Trust can increase it based on inflation, and did so in 1997.

Councillor Decker asked if the Trust makes an inflation adjustment every year. Ms. Rubenstein said that it has not been done every year.

Committee Report #0

1635

A report received from Councillor Braude, Chair of the Housing Committee for a meeting held on May 16, 2000 for the purpose of discussing a report on the City's current "linkage" program which requires the developers of commercial building projects to provide funds to the Affordable Housing Trust for new affordable housing.

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Report Accepted

Placed on file

3 orders adopted.