CAMBRIDGE LINKAGE COMMITTEE
FEBRUARY 24, 1987
BASIC ISSUES

IMPLEMENTABLE

o Mechanism must be implementable

MANAGABLE

o Mechanism must be practical to administer

FEASIBLE

o Mechanism must allow for project feasibility

FLEXIBLE

o Contribution methods must be flexible

ADAPTABLE

o Mechanism structure must adapt to changing markets

ACCOUNTABLE

o Mechanism sucess must be measurable

ADJUSTABLE

o Mechanism must allow adjustment in response to evaluation

TRANSFER TAX

BASIC STRUCTURE
- Tax levied as a percentage of purchase price
- Example - average 1-2 percent of purchase price

VARIATIONS
- Exemptions on the basis of established purchase price thresholds
- Example - prices < $100,000 exempt
- Buyer v. seller obligation
- Use of funds - housing, open space, public improvements, etc.

IMPLEMENTATION MECHANISM
- Legislative action required

PROS
- Distributes economic burden of providing affordable housing across broad cross section of Cambridge constituencies
- Generates large and predictable annual revenues to support housing programs
- Highly adaptable to changing market conditions - self adjusting

CONS
- Difficult to implement given legislative requirements
- Not a direct method of producing affordable units
- Lacks flexibility regarding method of contribution

INCLUSIONARY ZONING

BASIC STRUCTURE

- Unit or cash equivalent contribution made on the basis of development density, use, and/or development cost
- Example - $5.00 per square foot of development over 100,000 sf

VARIATIONS

- Exemptions on the basis of established use or sq ft thresholds
- Example - sq ft < 100,000 exempt; residential projects exempt; renovation projects exempt; etc.
- Contributions made in form of cash or unit production

IMPLEMENTATION MECHANISM

- Local zoning code modification required

PROS

- Can be implemented relatively quickly given lack of legislative requirement
- Direct housing production could result
- Offers flexibility regarding the form of developer contributions

CONS

- Burden for providing affordable housing not broadly distributed among Cambridge constituencies
- Does not generate predictably large annual revenues to support housing programs
- Not highly adaptable to changing market conditions - not self adjusting

VOLUNTARY LINKAGE

BASIC STRUCTURE
- Cash or unit contribution on the basis of individually negotiated agreements
- Example - 2 affordable units produced in exchange for special permit or variance from zoning

VARIATIONS
- Neighborhood specific concerns could dictate differences in the trade-offs made in exchange for developer contributions
- Cash or unit contribution
- Use of funds - housing, open space, public improvements, etc.

IMPLEMENTATION MECHANISM
- Voluntary compliance with established local policy

PROS
- Easy to implement given lack of legislative requirements
- Significant flexibility regarding method of contribution
- Highly adaptable to changing market conditions - self adjusting
- Direct housing production could result

CONS
- Does not distribute economic burden of providing affordable housing across broad cross section of Cambridge constituencies
- Does not generate predictably large annual revenues to support housing programs
- Does not sufficiently solve existing problems associated with negotiated contributions

Councillor David Sullivan stated that C. 40A, § 9 MGLA allows for open space bonuses which would address inclusionary zoning for low and moderate income housing. He further stated more credit to developers should be given for providing land rather than making a contribution to a housing fund in an effort to encourage the production of land for housing units.

At this time Councillor Duehay stated he intended to call two additional public hearings of the Committee, tenatively for March 19th and 26th, beginning at 5:30 p.m., and on March 26th the Committee will receive a report from Mr. Carl Slanger, the graduate student working on linkage.

Responding to inquiries regarding the accessibility to data collected thus far by Ms. McKinnon, Councillor David Sullivan stated that according to a public records law any data in the hands of a public employee is a public record and thus should be available.

Councillor Duehay stated that local boards are individually granting permits for a a variety of requests, in return for some kind of "unofficial" linkage contribution and that such arrangements should be standardized.

Councillor David Sullivan stated that local boards are bound by governing statutes and cannot go beyond their legal authority relative to the way permits are granted. Furthermore, he stated the City Council was the only legislative body which is generally free to negotiate for such things as linkage agreements.

Mr. Martinelli stated he believed that a mechanism must be developed with "teeth" since a voluntary program won't work. He further questioned whether or not there were currently any developers waiting to decide on building in Cambridge pending the establishment of a transfer tax or a percentage fo the development cost.

Ms. McKinnon responded in the affirmative and stated it was important for Cambridge to maintain a competitive edge for development.

At this time Mr. Alex Steinberg, a Cambridge developer, stated that the project he currently is involved in within the Cambridgeport area, is providing a 6% linkage payment. He said although he thought this percentage for a development like his was feasible, a greater percentage would be too great to make the development numbers work.

The meeting of January 29, 1987 was adjourned at 7:05 p.m. and on February 24, 1987 the meeting was adjourned at 7:15 p.m.

For the Committee,

Francis H. Duehay

Councillor Francis H. Duehay
Chairman.

Mr. Jack Martinelli questioned whether or not the idea of a transfer tax would be given a cost benefit analysis prior to its being seriously considered.

Ms. McKinnon responded by stating that she and her associate were extremely sensitive to the issue and would undertake such an analysis prior to making any formal recommendations.

At this time Mr. Michael Rosenberg, Assistant City Manager for Community Development, stated that Nantucket was, to his knowledge, the only community to adopt a transfer tax and that it was done through "Home Rule" legislation as a way to preserve the land on the island.

At this time Mr. Jonathan Myers, 5 Hollis Street, Cambridge, questioned whether or not one particular recommendation would be favored over the others made by the consultant.

Ms. McKinnon responded by stating that her company will lay out a variety of options and their impact upon the community.

Mr. Michael Turk, 24 Prescott Street, stated that if land is at a premium, it would be important to get some understanding of cost.

Mr. Martinelli questioned whether or not any attention was being paid to quality of life issues.

Ms. McKinnon responded by stating that her task was not one which would have her looking at those particular issues, such as infrastructure, etc.

Mr. Rosenberg stated this was not within the scope of Ms. McKinnon's contract.

Mr. Myers questioned whether all proposed models would lean towards housing.

Ms. McKinnon responded in the affirmative.

Councillor Duehay stated that it will be to take the completed data to the full City Council in an effort to meet the incredible need for housing.

The meeting of February 24, 1987 provided an opportunity for the Committee to receive further updating from Ms. McKinnon, who stated that she and her associate were attempting to define both residential and base-line scenarios and then look at basically three generic approaches to whatever mechanisms decided upon.

Ms. McKinnon further stated she believed there was a sufficient margin within the Cambridge market which would make a variety of models feasible. Furthermore, she stated that essentially the three models would be: a transfer tax, inclusionary zoning and voluntary linkage. (The attached document was distributed to those present at the meeting).

Councillor Duehay questioned whether or not in taking into consideration various "contributions" of developers, would any credit be given to those developers utilizing such state-assisted programs as the SHARP Program.

Ms. McKinnon responded by stating that such programs could, in fact be considered as a contribution.

City of Cambridge

In City Council March 9, 1987

The Linkage Study ***Committee*** conducted two public hearings for the purpose of receiving and reacting to status reports by the consultant working on linkage alternatives for the City of Cambridge. The hearings were held in the Ackermann Room beginning at 5:30 p.m. on January 29th and February 24th, 1987.

Councillor Francis H. Duehay, Chairman of the Committee opened each meeting by recapitulating the scope of services of the linkage consultant, Pamela McKinnon of Leggat and McCall, as well as the work being done by a graduate school student working for the Committee from the John F. Kennedy School of Government, Carl Slanger, who is conducting research & analysis simultaneously with the consultant.

Councillor Duehay further stated his intent to hold one or two public hearings upon receipt of the completed report, hopefully in late March or early April and upon completion of these hearings, he hoped for action by the full City Council.

Councillor Alice Wolf questioned whether or not amendments to the Zoning Ordinance would be ready prior to the summer recess.

Councillor Duehay responded in the affirmative, since he believes the City Council should have the earliest opportunity to review all possible linkage alternatives.

At this time, Ms. Pamela McKinnon outlined the research and analysis required to present a menu of options to the Committee and Council, which, in the end should result in possibly six alternatives. She further stated she would use this research to develop a methodology for modeling the existing market conditions. She further stated she will be working with a recently appointed Technical Advisory Committee in an effort for broad imput from a diverse populace. Ms. McKinnon further stated that her firm would develop a series of base line scenarios initially, and then will go on to apply various linkage mechanisms to each which will cover such options as: direct production, normal linkage concepts, the concept of providing land towards housing development, developer subsidies and a transfer tax.

Councillor Sheila Russell questioned the possibility of placing a transfer tax on new home buyers.

Ms. McKinnon responded by stating that this would only be an option for consideration.

Councillor David Sullivan questioned whether or not any of the models being considered would allow for the Council to estimate exactly who would be paying the transfer tax in real terms.

Ms. McKinnon responded by stating that the Council will be able to know the impact of such a tax.

Councillor Wolf suggested that the concept of capital appreciation should be considered.

Ms. McKinnon stated that would be an interesting idea.

26 S-161

REPORT

Committee on Linkage Study

Re: status reports by the consultant working on linkage alternatives for the City.

In City Council,

March 9, 1987

Placed on File