CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

SUSAN B. SCHLESINGER,
Assistant City Manager for Community Development

TO: Robert W. Healy, City Manager

FROM: Susan Schlesinger, Assistant City Manager for Community Development

SUBJECT: Calendar Item #2 dated 1/9/95 RE: Evaluating the Aspen System and others as they relate to Rent Control/housing issues

DATE: July 31, 1995

This memo examines strategies adopted by other cities to support affordable housing under conditions of rising property values, rapid growth, and shifts in public policy. It responds to a City Council request to study policies adopted by Aspen, Colorado, while considering programs in place in several other cities.

Despite significant differences between the urban community of Cambridge and the primarily resort community of Aspen, both communities have adopted similar policies to support the creation of affordable housing in the face of strong market pressures. These policies include a growth management plan; zoning tools, such as Cambridge's Incentive Zoning Ordinance; limited equity deed restrictions; and local financing, such as that provided by the Cambridge Affordable Housing Trust.

Aspen: Lessons and Limits

Aspen planners have shown that growth management, zoning tools, and ambitious, quantitative targets can facilitate affordable housing, while helping to maintain a community's physical and social character. Through a variety of mechanisms, Aspen has made a large portion of its newly-developed housing stock affordable, and it has severely limited the construction of new developments that are incompatible with the town's character.

While these accomplishments are impressive, they are not fully applicable to Cambridge, for several reasons. Cambridge is much larger and more diverse than Aspen, with its year round population of just over 5,000. It lacks the strict growth controls in place in Aspen, which have severely restricted new housing construction since the mid 1970s. Aspen's

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housing market is vastly different. The median price of a home is over one million dollars, compared to about $260,000 in Cambridge. Seasonal units comprise nearly one third of the housing stock. Another critical difference is social and demographic. Aspen lacks the diversity of racial, cultural and income groups found in Cambridge.

Yet there are some parallels. Aspen is addressing its housing problems in the context of a comprehensive community plan, similar to Cambridge's Growth Policy document. The Aspen Community Plan seeks to direct growth in a manner consistent with "community character," or aspects of the physical and social environment which make the town unique and desirable, and pre-date its resort existence. Both Cambridge and Aspen have tried to maintain social diversity in the face of economic forces. In fact, Cambridge has actively used zoning tools to create affordable housing. Since 1988, the Incentive Zoning Ordinance has required developers of projects over 30,000 square feet, and all projects in specified zones, to contribute funds for affordable housing or include affordable units in their project. Finally, both communities have established Affordable Housing Trust Funds to provide financing, and utilize limited equity deed restrictions to preserve long-term affordability.

Aspen Background

Aspen's character has changed markedly in recent years, as modestly sized homes have been demolished to make way for very large, expensive second homes for vacationers. Persons of modest income have had to seek housing in other locales, and the percentage of Aspen employees who also live in the town has dropped. (Employees in the lowest paying service jobs, such as hotel housekeepers, often live up to 40 miles away.) Locally serving businesses have also been displaced to nearby communities.

These problems are due both to private market forces and public policy. Strict growth controls have had the unintended effect of inflating housing prices and limiting options for building lower cost housing. Until recent revisions, the controls did not prevent the demolition of rental properties and smaller single family homes and their replacement by costly second homes and condominiums. Aspen has begun to address these issues with a number of reforms.

Since 1976, Aspen has maintained growth controls, which are intended to curb some of the excesses of rapid growth, such as traffic congestion and decreased air and water quality. It has limited the number of new residential, tourist and commercial units to a select few, approved annually through a competition. Strict standards also aim to improve the quality of new development and encourage greater public dialogue about it.

In practice, much of the residential and commercial construction under growth controls have been out of character with the community. The system also has the disadvantages of making development approval complex and time consuming, and creating inequities. Recent adjustments to the system have aimed to promote relative affordability and preserve the non-resort qualities of Aspen. In the past, all new development was judged or "scored" in the competition on the basis of meeting infrastructure needs such as water, roads or sewer capacity. Allowable development was capped at a rate of 3.47% annually. Under 1995 revisions, proposals are scored on the basis of meeting "community character" goals, such as "revitalizing the permanent community" as opposed to tourists. Planners seek to limit growth to 2% per year, with a long term population cap of 30,000 permanent residents and tourists. At least 60% of total residential unit awards are allocated to affordable housing. Creators of commercial/tourist developments must either provide housing for employees on site, buy existing units and place them in the "deed restricted" program, or pay a fee into a fund.

Affordable housing developments are exempt from the competition process, and if 100% affordable, may waive building and planning permit fees, as well as "tap fees" for water fixtures. They are still ultimately limited in number by overall caps on residential growth.

In addition to growth controls, Aspen also utilizes the following policies: establishing quantitative targets for the production of affordable housing; creating a local sources of financing for affordable housing through an Affordable Housing Trust Fund; and, utilizing deed restrictions to ensure the long-term affordability of such housing. Aspen raises capital for its Trust Fund through a real estate transfer tax, a sales tax, and impact fees.

Other Cities and Counties

A number of other local governments have demonstrated creative and flexible approaches to creating housing in response to development pressures and problems with existing programs. These communities include Boulder, Colorado, Montgomery County, Maryland, and Berkeley, California. These communities utilize similar policies, with minor variations, to support the creation of affordable housing. More detail is available on each of them in a companion report and documents provided by each city or county.

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

July 31, 1995

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 10, regarding evaluating the Aspen System and others like it as they relate to Rent Control and housing issues, received from Assistant City Manager for Community Development Susan Schlesinger.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
attachment

Consent Agenda # 21 S-244

Response to Awaiting Report Item Number Ten regarding evaluating the Aspen System and others like it as they relate to Rent Control and housing issues.

for original see 1995 City Manager Requests # 4.

In City Council,

July 31, 1995

Placed on File