



CITY OF CAMBRIDGE
Community Development Department

BRIAN P. MURPHY

*Assistant City Manager for
Community Development*

To: Richard C. Rossi, City Manager
From: Brian Murphy, Assistant City Manager for Community Development
Date: July 8, 2014
Re: Incentive Zoning Ordinance Update

In response to Policy Order No. 2 from May 5, 2014, we provide the following information regarding the Incentive Provisions of the City's Zoning Ordinance in advance of the Ordinance being discussed by the Housing Committee. This order was referred to the Housing Committee and will be discussed at tomorrow's committee meeting.

As you know, the contribution rate for the Ordinance is currently \$4.58 per square-foot, and was last adjusted in February 2014 when the Affordable Housing Trust increased it to reflect changes in the CPI. The 2002 Nexus Study recommended that the contribution rate be \$7.83 per square-foot.

In response to information requested by the City Council we report the following:

Since July 1, 2002, there have been seven developments which have contributed approximately \$3.5M to the Affordable Housing Trust. Four of the seven contributions were phases of the Cambridge Research Park development in Kendall Square. Other contributions were made for the recently completed 150 Second Street development, the Novartis redevelopment of 254 Massachusetts Avenue, and the Zero Arrow Street development. There are currently three developments under construction which will make Incentive contributions: 1 Education Street, 114 Mt. Auburn Street, and 300 Massachusetts Avenue. These developments are expected to make combined contributions totaling \$2.0M.

Had the contribution rate been increased to \$7.83 per square-foot as recommended by the 2002 Nexus Study, we estimate that the total amount of contributions received during this time would have been approximately \$4.65M. A 2002 rate increase would have applied only to new developments permitted after the rate increase went into effect. With an increased rate, we further estimate contributions coming from developments currently under construction would be approximately \$4.7M.

While the Incentive Provisions have applied or will apply to 1,340,500 square feet of applicable floor area since 2002, there has been approximately 7,266,000 square feet of commercial development in the city during this time. Many significant new commercial developments have not been required to make Incentive contributions based on the permits they have received and/or zoning which exempts them from the Incentive Provisions.

New Nexus Study Update

The City received two proposals in response to the recent RFP for a consultant to complete a new Nexus Study for the Ordinance (“New Nexus Study”). City staff are completing review of each proposal and will soon designate the study team. Based on schedules proposed by each team, we expect the results of the new study in early 2015.

The New Nexus Study will examine the current impact of non-residential development on the housing market, recommend an updated contribution amount, and also consider the types of permits which require Incentive contributions as well as other permits which allow similar types of development without requiring Incentive contributions.

Interim Rate Increase based on 2002 Nexus Study

Where we expect results of the New Nexus Study in the near future, we do not at this time recommend an interim increase in the contribution rate using the recommendations of the 2002 Nexus Study.

As you know, the Ordinance provides that the City Council can review and recalculate the contribution rate every three years, “based on a consideration of current economic trends including but not limited to development activity, commercial rents per square-foot, employment growth, and housing trends measured in terms of, but not limited to, vacancy rates, production statistics, and prices for dwelling units.”

Recommendations from the 2002 Nexus Study, which were based on research and data from 2001, will likely not meet the requirement that the City Council use “current economic trends”. We agree that an updated contribution rate is desirable. However, using research from the 2002 Nexus Study may undermine this policy goal as the imposition of Incentive Zoning requirements on developers should be based upon the findings made and conclusions drawn in a current nexus study. We believe the New Nexus Study should be completed first and then the City Council could consider changes based on those findings

and conclusions. Updating the Incentive Provisions based on findings and conclusions from the New Nexus Study will ensure that any change in contribution rate meets the current standard set forth in the Ordinance, and will also allow for consideration of other recommendations such as expanding the list of permits which require Incentive contributions.