



City of Somerville

SUSTAINABLE NEIGHBORHOODS

Working Group Recommendations Report
December 2015

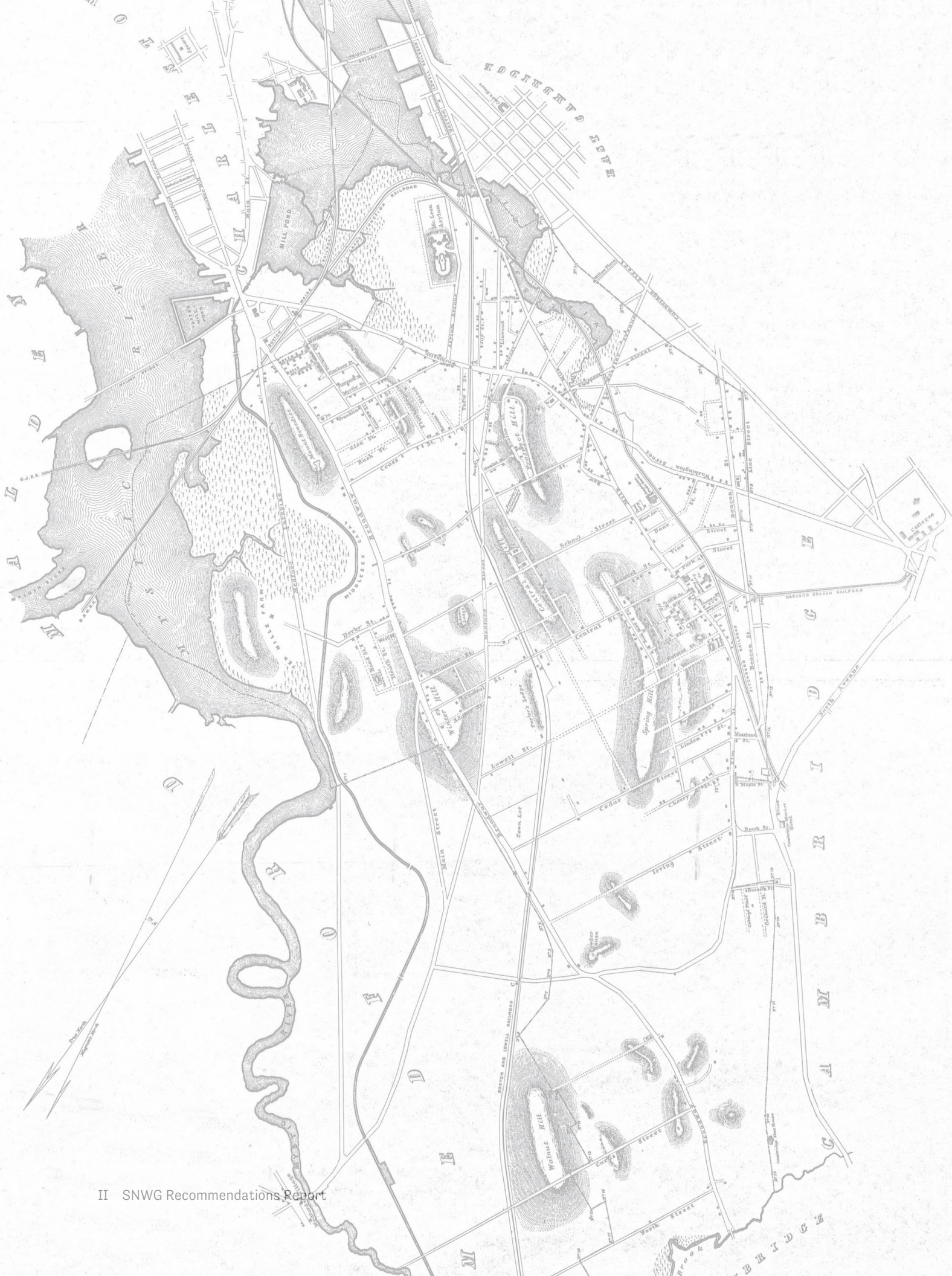


Transmitted by:

Mayor Joseph A. Curtatone's
Office of Strategic Planning and Community
Development – Housing Division

Prepared on behalf of:

Sustainable Neighborhoods Working Group



December 22, 2015

Joseph A. Curtatone, Mayor
City of Somerville
93 Highland Avenue
Somerville, MA 02143

Re: Sustainable Neighborhoods Working Group Recommendations Report

Dear Mayor Curtatone:

We are pleased to transmit with this letter the accompanying Recommendations Report of the Sustainable Neighborhoods Working Group (SNWG), in our capacity as SNWG Co-chairs. We have asked Irene Lew, as a fellow chair of one of SNWG's three working committees, to sign along with us in recognition of her critical participation in that role throughout the SNWG process. The report presents the work of the members listed on the ensuing two pages, whom you appointed in January 2015 as part of the Sustainable Neighborhood Initiative (SNI) introduced by your administration in October 2014.

In describing the formation of the Sustainable Neighborhoods Working Group at that time, you called for SNWG to recommend "bold and innovative" initiatives to address housing affordability for Somerville households and maintain the economic diversity of the City. It gives us great pleasure to report that SNWG members have worked creatively, constructively, and diligently to do exactly that.

The Recommendations Report is the result of extensive research, discussion and deliberation, conducted over 12 full SNWG meetings between February and November 2015. Between full SNI Working Group meetings, members also met a total of 22 times across the 3 working committees to develop 19 proposals to help address Somerville's housing affordability crisis through resources, programs and policies for renters, homeowners and homebuyers that promote housing development, preserve existing affordable housing, and support residents. Collectively, the proposals offer a comprehensive approach toward ensuring Somerville's neighborhoods are accessible to families and individuals of diverse backgrounds and incomes, in a way that is sustainable over time.

The report provides substantial detail on initiatives researched and discussed by Working Group members and SNWG staff, in order to convey the basis for the enclosed recommendations and the significant effort and energy invested in reaching those recommendations. Please note, however, that in no way is it meant as a document of research. It is, rather, meant to serve as a basis—and call—for action.

Its contents contain recommendations that will require various forms of action, on the part of the Board of Aldermen, your administration, Somerville's state legislative delegation, and the City's own residents. We understand that you already have requested the City's Housing division to commission analysis of the feasibility of proposals with potential fiscal impact and/or requiring legislative action. We look forward to the results of that analysis and creation of an implementation plan as swiftly as possible in the New Year. On behalf of all SNWG members, thank you for the opportunity to work on an issue of critical importance to Somerville residents present and future, and for your support of our recommendations.

Sincerely,



Mark Niedergang, Ward 5 Alderman
Co-chair, Sustainable Neighborhoods Working Group
Chair, SNWG Resources Committee



Dana LeWinter
Co-Chair, Sustainable Neighborhoods Working Group
Chair, SNWG Policies Committee



Irene Lew
Chair, SNWG Programs Committee

Somerville SNWG Members and Affiliations *(as noted by members)*

Mark Alston Follansbee	Executive Director, Somerville Homeless Coalition, Inc.; Steering committee member of SomerVision Comprehensive Plan
Jacinta Arena	Affordable housing advocate
Joseph Beckmann	Editor, MA Political Almanac; member, Union Square Civic Advisory Committee; member, 1998 Somerville Affordable Housing Task Force
Jamie Bemis	Master in City Planning Candidate, Massachusetts Institute of Technology
Fred Berman	Senior Associate, National Center on Family Homelessness, American Institutes for Research
Natasha Burger	Realtor, Coldwell Banker Residential Brokerage
Mary Cassesso	Chief Community Officer and President, CHA Foundation at Cambridge Health Alliance; Managing Trustee, Somerville Affordable Housing Trust Fund
Irma Flores	City of Somerville Language Liaison; Somerville Resident
Kevin Gatlin	Senior Vice-President, Commercial Lending, Winter Hill Bank
Kristin Haas	Housing Policy & Resource Specialist, Project Hope
Shaina Korman-Houston	Project Manager, Urban Edge Housing Development Corporation
Maude LaRoche	Family Engagement Coordinator, Prospect Hill Academy Charter School
Daniel LeBlanc	Chief Executive Officer, Somerville Community Corporation; Trustee, Somerville Affordable Housing Trust Fund
Irene Lew	Research Assistant, Joint Center for Housing Studies, Harvard University
Dana LeWinter, Co-chair	Executive Director, Massachusetts Community & Banking Council; former Housing Division Director, City of Somerville OSPCD
Stephen Mackey	President/CEO, Somerville Chamber of Commerce
Patrick McMahon	Director of Development , Federal Realty Investment Trust; Board of Directors, Heading Home, Inc.
Damian Musello	Owner, GreenHome Realty
Mark Niedergang, Co-chair	Member, Somerville Board of Aldermen, Ward 5; Chair, BOA Housing and Community Development Committee; Independent Non-Profit Organization Management Consultant



Ann Marie Polaneczky	Project Manager, Shawmut Design and Construction
Peter Quinn	Principal, Peter Quinn Architects LLC
Ellen Shachter	Senior Attorney, Cambridge and Somerville Legal Services
Tim Talun	Architect, Elkus Manfredi Architects; Member of SomerVision Steering Committee; Chair, Union Square Neighbors
Thalia Tringo	President, Broker/Owner, Thalia Tringo Real Estate, Inc.; Board of Directors, East Somerville Main Streets; Board member, Somerville Homeless Coalition
Peter Tsourianis	Steering committee member, SomerVision Comprehensive Plan
Kimberly Wells	Government Services Specialist/Performance Management Analyst, Edward J. Collins, Jr. Center for Public Management.

* Note that three additional people were appointed but did not continue due to changes in their schedules. These were Roger Frossard, Vice-President, Loan Officer/Mortgage AMPA Enterprises LLC; Ludo Gardini, Managing Attorney, Perez Gardini, LLC – Attorneys; Ezra Glenn, Lecturer/Special Assistant, MIT; Board Member, SCC; Community Preservation Committee Member, and Maryann Heuston, Somerville Board of Aldermen, Ward 2; Director, Revenue Cycle Training and Education, Cambridge Health Alliance

Staff

Alex Bob, SNI Program Coordinator, OSPCD Housing Division

Kelly Donato, Assistant Housing Director and Housing Counsel, OSPCD Housing Division

Michael Feloney, Housing Director, OSPCD Housing Division

Michael F. Glavin, Executive Director, Mayor's Office of Strategic Planning and Community Development

Consultants/Technical Assistance Providers

Stephanie Hirsch, Consultant, OSPCD Housing Division

Matt Gardner, Research Analyst, Metropolitan Area Planning Council (MAPC)

Jennifer Raitt, Assistant Director of Land Use Planning & Chief Housing Planner, MAPC

Holly St. Clair, Director of Data Services, MAPC





Sustainable Neighborhoods Working Group (SNWG)
RECOMMENDATIONS REPORT

Transmitted by:

Mayor Joseph A. Curtatone's Office of Strategic Planning and Community Development – Housing Division

December, 2015

Prepared on behalf of:

Sustainable Neighborhoods Working Group

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Section 1

INTRODUCTION AND RECOMMENDATIONS SUMMARY

In October 2014 Mayor Joseph A. Curtatone announced the inception of the City of Somerville's Sustainable Neighborhoods Initiative (SNI), a comprehensive program intended to "broaden and deepen the City's efforts to maintain affordability" for the residents of Somerville. In introducing SNI's creation, Mayor Curtatone identified six proposals for analysis and assessment. To explore those proposals and develop others to advance Somerville's efforts to expand housing affordability, he also announced that a Sustainable Neighborhoods Working Group (SNWG) would be formed to "recommend bold and innovative ways that the City can address affordability".¹

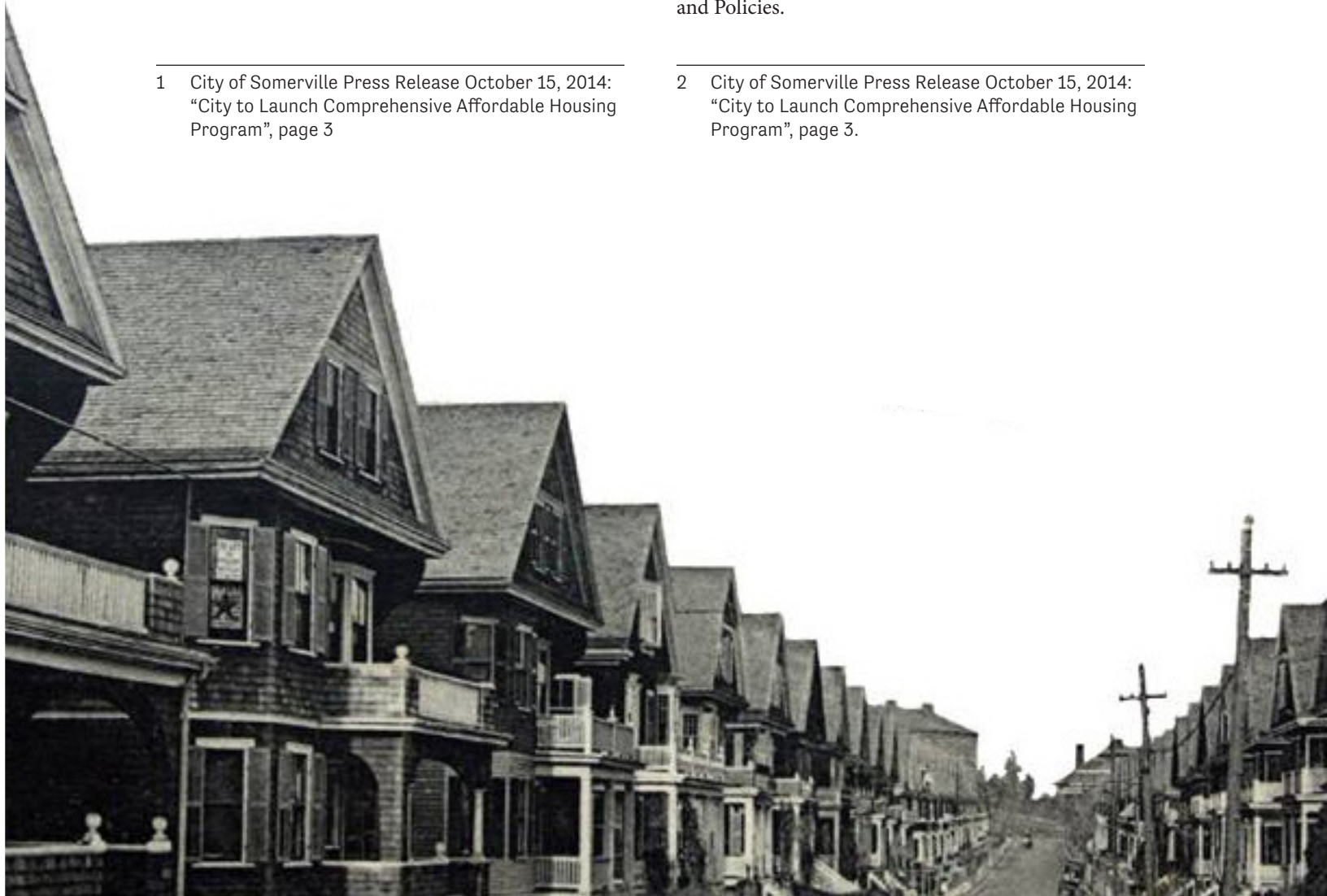
The Mayor's Office of Strategic Planning and Community Development (OSPCD) – Housing Division and Communications Office subsequently requested expressions of interest from "experts in the field, stakeholders and advocates, industry professionals,

city planning and housing staff, and residents."² Over 60 individuals submitted applications materials by the November, 2014 deadline for expressions of interest. In January 2015 Mayor Curtatone named 29 residents to serve on SNI's Sustainable Neighborhood Working Group.

Beginning in February, 2015 SNWG members and City Housing staff supporting their work met 12 times over an eight month period, completing deliberations on recommendations in late October and review of this Recommendations Report in November, 2015. In addition to SNWG's 12 full meetings, members participated in a total of 22 committee meetings. This report presents the recommendations those deliberations produced, and the data and discussions that served as the basis for them. The summary of recommendations that follows is organized to reflect the three working committees that developed them: Resources, Programs, and Policies.

1 City of Somerville Press Release October 15, 2014: "City to Launch Comprehensive Affordable Housing Program", page 3

2 City of Somerville Press Release October 15, 2014: "City to Launch Comprehensive Affordable Housing Program", page 3.



SNWG Recommendation Summary

RECOMMENDATIONS REGARDING RESOURCES

Real Estate Transfer Fee. Recommendation is for an approximately 1% fee on all real estate transactions, except for certain exempt transactions.

Linkage Fee. Recommendation is to adjust fee based on new nexus study to be commissioned; also propose indexing linkage rate and reducing threshold size of projects to 20,000 square feet. Projects between 20,000 and 30,000 SF would have lower linkage rate than those above 30,000.

Short-term Rental Policies. Recommendation calls for formation of a 'new economy' task force, with first task to be a review of regulatory policies for short-term

rentals, particularly short-term rentals that remove units from the conventional rental market. Also recommend levying lodging tax on short-term rental once state law allows it.

Ch. 40R Smart Growth Zoning Overlay. Qualified recommendations, to pursue 40R overlay district only if SomerVision housing goal is increased and commercial/open space goals can be achieved and if as-of-right development is allowed in transformative districts.

District Improvement Financing (DIF) Set-Aside Policy for Affordable Housing. Qualified recommendation, to explore policy for future DIFs.

PROGRAMS RECOMMENDATIONS

SomerVision Housing Production Goals. Recommendation to increase SomerVision Housing Goals was expressed, contingent on OSPCD Planning and Zoning Division's study on the physical feasibility of the increase and provided that SomerVision Jobs and Open Space Goals can be met. Increased housing goals should be informed by MAPC study and other data indicating the preponderance of need for family-sized housing and affordable housing.

Affordable Housing Design Competition. Recommendation to pursue community-driven competition that incorporates preferences for proposals that emphasize energy efficiency, affordability, and family-sized units, as well as, a combination of rental and homeownership units.

Financial Support Program for Tenants in Inclusionary Units. Recommendation is for a pilot program for up to 6 tenants, using targeted funding to expand the existing tenancy stabilization program. The idea is proposed in response to eviction risk and possible displacement experienced by Inclusionary tenants. Inclusionary rents are not adjusted due to loss income, unlike the Section 8 program participants, for whom such an adjustment is possible.

Benevolent Property Owner Tax Credit. Recommendation is against pursuing this proposal, due to projected administrative burden and fiscal impact. Support was noted for an alternative proposal - to explore a pilot program making a limited number of residential tax rebates available through an application and lottery process, to mitigate cost and administrative impact.

Affordable Tenancy and Energy Efficiency Program. Recommendation is for a new program to provide forgivable loan for energy efficiency improvements in exchange for affordable rent restrictions. Duration of restrictions would be proportional to amount of forgivable loan.

100 Homes Initiative. Recommendation to continue work on this program, which was initiated before SNWG meetings began.

Financial Support for Income Eligible Homeowners Facing Foreclosure. Recommendation that the City should explore further through creation of a task force. (Proposal made late in committee deliberation process.)

Community Land Trusts. Recommendation for a task force to explore strategy further.

POLICIES RECOMMENDATIONS

Right-to-Offer Program. Recommendation is to pursue program that govern all or most sales of a tenant-occupied building or unit; convene task force to develop and design program details.

Condominium Conversion Ordinance.

Recommendation is to update the condo conversion ordinance. However, there are concerns about pursuing the 2008 condo conversion proposal; the task force convened to explore the Right-to-Offer program should also reassess this area.

Zoning Overhaul. Support for several housing-related provisions expressed:

Inclusionary Housing Percentage – Recommendation for 20% requirement city-wide, informed by results of study commissioned by OSPCD Planning Division on financial impact.

Density Bonuses – Recommendation for a new weighting structure to incentivize (from highest to lowest priority): affordable housing/unit size diversity, senior/disabled housing, artist space, and green space.

Accessory Structures – Recommendation to allow basement units in three-family homes as well as two family homes; allow housing in above-ground accessory structures. Recommendation also calls for outreach to owners about home rehabilitation funds available from the City to bring basement units into compliance.

Cash-in-Lieu of Inclusionary Units – Recommendation is to continue special permitting

requirement for cash-in-lieu payout, and to increase pay-out ratio from current on-to-one to include cost of land acquisition.

Universal Waitlist Priorities – Recommendation on priorities, including that City and universal waitlist consultant finalize prioritization scheme.

Housing Types – Recommendation that ‘student housing’ type should include “students and their families”.

Targeted Funding for Lowest Income Households.

Recommendation to prioritize a percentage of housing funds for housing to serve extremely low income households (i.e., below 30% Area Median Income³). Recommendation to also work with SHA and MBHP to increase Section 8 voucher usability within Somerville.

Alternative Homeownership Models.

Recommendation for creation of ‘housing assistance center,’ to provide technical assistance for residents considering joint purchases, cooperative housing, etc.

3 The United States Department of Housing and Urban Development (HUD) calculates median income for specific locations by calculating the median family income for a 4 person household and then adjust based on this baseline median income calculation. Households at or below 30% AMI are considered extremely low income, households at or below 50% AMI are very low income, and households at or below 80% AMI are considered low income.

2015 Boston-Cambridge-Quincy HUD Income Limits

AMI	Household Size			
	1-Person	2-Person	3-Person	4-Person
30% AMI	\$20,700	\$23,650	\$26,600	\$29,550
50% AMI	\$34,500	\$39,400	\$44,350	\$49,250
80% AMI	\$48,800	\$55,800	\$62,750	\$69,700
110% AMI	\$75,800	\$86,650	\$97,500	\$108,350

Section 2

DEFINING AND DESCRIBING THE CHALLENGE

Selected Data Review and Key Areas of Focus

Challenges to housing affordability are nothing new to Somerville. The City's location between Boston's Charlestown neighborhood to the northeast and Cambridge on the southwest – two areas experiencing gentrification and housing cost pressures going back to the 1980s and 1990s – have made it an attractive place for students and young professionals seeking comparatively affordable housing for decades. Extension of the MBTA's Red Line to Davis Square expanded public transit access to the City's western areas, which today reflects both the positive economic and environmental benefits of public transportation for local businesses and residents – and also its central role in escalating housing costs.

This well-documented dynamic has been frequently noted in recent years, as Somerville prepares for the opening of five new Green Line stations. A 2014 report by the Metropolitan Area Planning Council (MAPC) touches on the impact of the Davis Square station's opening on housing costs. It is the prospect of a similar impact, together with powerful demographic trends that reflect resurgent and sustained interest in urban living, that bring a renewed attention and heightened urgency to issues of housing affordability in Somerville.

While past experiences in Davis Square and studies of current housing needs can help document and frame the affordable housing challenges Somerville faces, the SNI Working Group placed greatest emphasis and energy in exploring ways to deepen the City's affordable housing work, in anticipation of the continued and expanding challenges to affordability that lie ahead. At the same time, SNI Working Group members agreed that in order to develop informed recommendations,

it was important to understand current demographic data and housing trends before offering new recommendations. To support that effort, the administration secured technical assistance from MAPC to help with data gathering and analysis; findings from and limitations of that data follow below, along with a brief discussion of other work documenting Somerville's housing needs.

Data Findings and Selected Limitations

Like many other urban centers across the US, the Boston Metropolitan area of which Somerville is part has experienced population growth in the past decade. MAPC analyzed the characteristics of this growth and found that in the Metro North region (which includes Somerville) there has been increasing net in-migration of 25-34 year olds and slightly decreasing out-migration of 35-39 year olds in the past 25 years. These data seem to show that adults in their 20s and 30s are choosing to stay in more urban communities like Somerville longer than in past decades.

This trend has been accompanied by a decrease in the number of families with children from 2000-2010, and a subsequent decrease in the median household size from past decades. Together these trends have served to place additional strain on housing supply in Somerville, causing vacancy rates to decrease and prices to escalate. An increasing population creates rising overall demand for housing units, while decreasing household size means the existing housing stock accommodates fewer people.

The result has been an increasingly tight housing

As Somerville prepares for the opening of five new Green Line stations, it is the Green Line's expected impact on housing costs, together with powerful demographic trends that reflect resurgent and sustained interest in urban living, that bring a renewed attention and heightened urgency to issues of housing affordability in Somerville.

market in the City, with rising prices and increasing numbers of people struggling with increasingly burdensome housing expenses. MAPC found that this housing cost strain has been especially pronounced, and continues to increase, among Somerville's low-income population, with the portion of cost burdened low income households in Somerville rising from 66% in 2000 to 74% in 2010.⁴

In order to forecast how population trends may shape Somerville in coming decades, MAPC applied demographic projection methodologies it has developed to predict future housing demand in Somerville and the surrounding area to 2030. MAPC staff analyzed current patterns of births, deaths, and migration, as well as assumptions about how those trends might change in the coming decades as the basis for those projections⁵. Applying two distinct assumptions about growth in the

region, MAPC created predictions of the impacts of two different regional demographic scenarios: a "Status Quo" scenario and a "Stronger Region" formulation.

Under its Status Quo scenario, rates of birth, death, migration, and housing occupancy follow current trends in the period leading up to 2030. The Stronger Region scenario examines the impact of changing demographic patterns that result in population growth in the region. MAPC has determined that the Stronger Region scenario is likely to be more predictive of future outcomes than its Status Quo model. That conclusion is based on a combination of recent trends that include younger householders more inclined toward urban living than in the past, and 'empty nester' householders downsizing to smaller units in urban regions.

MAPC's Stronger Region scenario predicts 25% growth in Somerville's population by 2030, with age composition expected to stay relatively constant (see Figure 1). Specifically, the 25 to 44 year old age bracket will continue to make up the largest share of the population (44%), but the 45-54 year old cohort is predicted to grow most sharply, increasing by 59% by 2030. MAPC expects these demographic patterns to spur increased demand for housing in Somerville and surrounding areas.

MAPC projections demonstrate the need for new housing units available to all income levels, especially

- 4 Housing cost burden is the percentage of gross income spent on housing. A household is said to be "housing cost burdened" if its members spend more than 30% of their gross income on housing expenses and is referred to as "severely housing cost burdened" if they spend more than 50% of their gross income on housing.
- 5 MAPC, Metro Boston Population and Housing Projections; January, 2014, <http://www.mapc.org/projections>

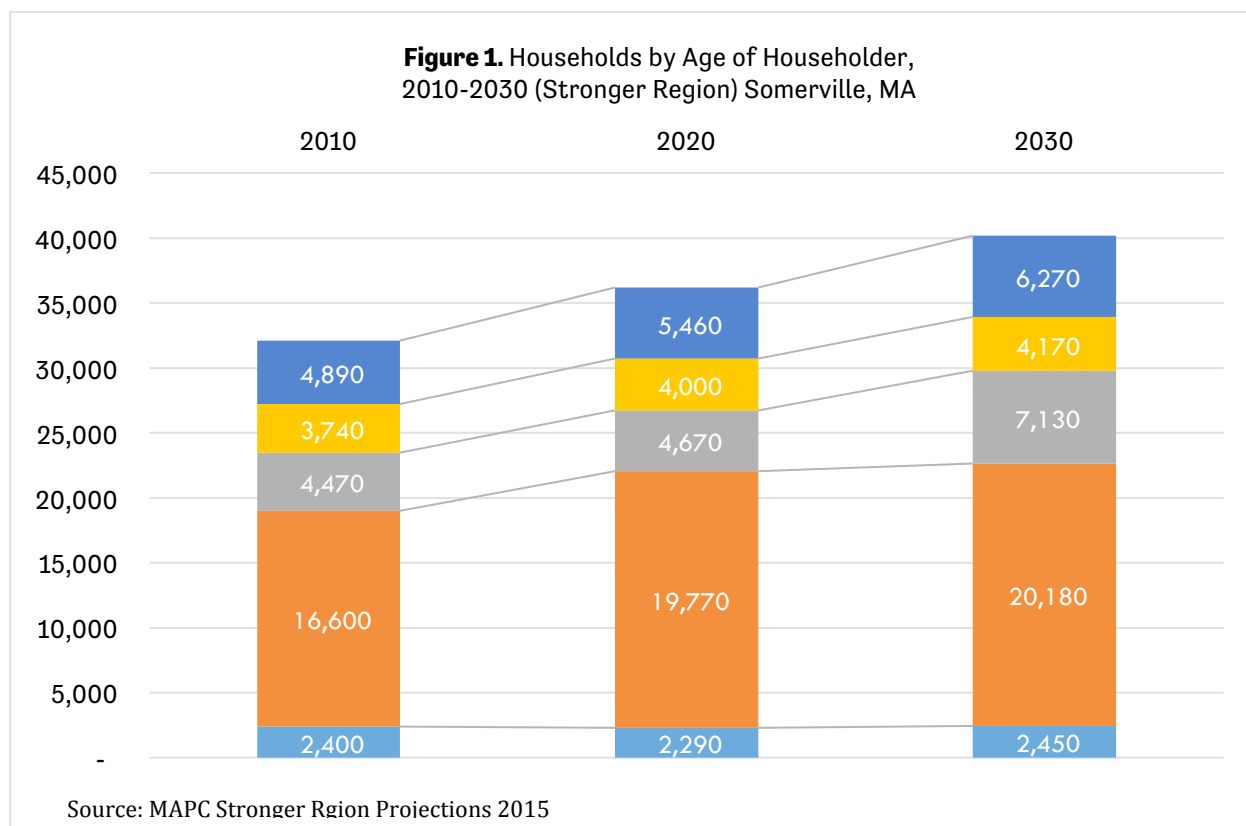


Table 1. Projected Housing Demand by Income and Size in 2030, Somerville, MA

Income as % of AMI	Household Size			Grand Total
	1	2-3	4+	
50% AMI and Under	870 - 950	700 - 810	570 - 680	2,230 - 2,360
51%-80% AMI	230 - 280	540 - 560	230 - 260	1,030 - 1,080
81%-110% AMI	260 - 390	680 - 900	560 - 610	1,510 - 1,890
111% AMI and Above	390 - 570	1,600 - 1,730	900 - 900	2,890 - 3,200
Total	1,930 - 2,010	3,760 - 3,760	2,320 - 2,400	8,080 - 8,090
Vacant Units*				1,020
Grand Total				9,100

Source: MAPC Projections 2015; * Indicates the number of additional units needed to sustain a healthy vacancy rate of between 5-7%

lower income residents. Projections also indicate the need for a diversity of unit sizes to accommodate the demand from larger households. Data points of particular note from MAPC's projections include:

- By 2030, thirty five to forty percent (35-40%) of the new housing demand will come from low-income households (< 80% AMI). A comparatively low portion, 17%, of new demand is expected to be from moderate income households (80-110% AMI), with the remaining 43-48% of demand from households earning more than 110% AMI⁵.
- Among households of all income categories, in 2030 nearly 80% of housing demand will come from households with 2 or more members and about 30% of housing demand will come from households with 4 or more members (see Table 1 below)⁶.
- In 2030, almost 70 percent of low-income housing demand will come from working-age households, ages 25-54. For householders over the age of 65, around 50% of demand will come from those earning less than 50% AMI⁵.

Based on its Stronger Region scenario projections, MAPC has identified a need for 9,000 new housing units to be developed in the City by 2030. MAPC and other local research and technical assistance providers, have said that increased production in Somerville and

the surrounding region is necessary to stabilize current price increases and make housing more attainable for residents of all income levels.

Despite capable and diligent technical assistance MAPC personnel provided to support SNWG efforts, there were limits on the kind of data found to be available and on the time periods some data covered (generally no more recent than 2011, or 2013 in some instances). These limits posed real challenges to the Working Group's ability to base some of its critical deliberations on current and Somerville-specific data. While MAPC's analysis accounted for factors that will inform housing demand over the next 15 years, for instance, it does not account for factors influencing possible supply of housing, such as the amount of developable land in a given city and development in comparable, nearby municipalities.

Other areas where requested projections proved difficult to access include projections by household type and tenure. Perhaps most important was the fact that the projections were solely population-based. Data on existing occupied housing stock and/or building/construction permit data was not as readily available as had been hoped.

For this reason, recommendations on areas such as housing production goals at this point remain more general than they may have been if more definitive data on regional housing productions efforts and Somerville's capacity to absorb up to 9,000 units of new housing over the next 15 years was available during the period SNWG conducted its work. Accordingly, some recommendations are contingent on work in these areas presently still being conducted or overseen by OSPCD's Planning and Zoning Division.

A second source of data that became available

6 MAPC, Metro Boston Population and Housing Projections; January, 2014, <http://www.mapc.org/projections>

toward the conclusion of the SNI Working Group's efforts came from a Housing Needs Assessment (HNA) commissioned by OSPCD's Housing and Planning Divisions. That work was initiated at the request of the Planning and Zoning department, since an HNA must be conducted in association with changes to the City's Inclusionary Zoning Ordinance (IZO) that will be part of the comprehensive zoning reform proposal currently in development. While the HNA preparation technically was distinct from SNWG's work, its conclusions place issues of housing demand and supply in further, stark relief; salient points from that analysis – prepared under an accelerated timetable by LDS Consulting Group of Newton in part to inform this report – are excerpted and summarized below.

Selected Housing Needs Assessment Findings

Low income populations are impacted most acutely by escalating housing costs, as the preceding MAPC data demonstrated. Data collected for Housing Needs Assessment purposes reinforces that point, and also illustrates that housing costs are above what a great majority of Somerville residents could afford if their current housing situations were to change. Among the data points reinforcing this reality are the following (also shown in Tables 2, 3, and 4):

- 38.8% of renters are paying more than 30% of their income on rent, with 21% “housing cost burdened” (i.e., paying over 30% of income toward rent) and 17.8% “severely housing cost burdened” (paying over 50% of income).
- 38.4% of homeowners are spending more than 30% on housing expenses; 19.4% are “housing cost burdened” and 19% “severely housing cost burdened.”
- Only 26.2% of current Somerville households would be able to afford the average-priced rental property if they were to move today.
- Only 17.5% of current Somerville residents could afford the average-priced condominium in the City if they were to buy today.
- Only 11.1% of current Somerville residents could afford the price for the average single family home⁷ in the City if they were to buy today.

⁷ 11.1% of total units or 3644 housing units are single family detached houses according to the 2013 American Community Survey 5-Year Estimates.

Public school data demonstrate particular displacement risks families in Somerville face. A family of four can receive free and reduced lunch if they earn \$44,863 or less per year. In Somerville, 64% of students qualify for free and reduced lunch⁸. For comparison, a family of four earning less than \$49,250 is considered to be at the 50% AMI level. This suggests that the vast majority of low-income families, who in turn comprise the vast majority of SPS students, are at risk of displacement or extreme cost burden.

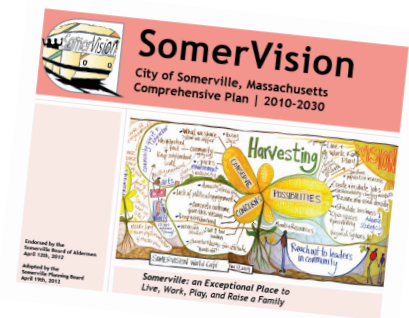
Key Areas of Focus

A final area of context regarding the SNI Working Group's efforts over the last eight months involves the documents, populations in need, and other issues that emerged as repeated points of reference. SNWG staff and committee chairs identified four key areas of focus to which discussion repeatedly returned.

Documents:

SomerVision. The City's 20 year comprehensive plan, *SomerVision*, helped guide discussion throughout SNWG's work. Especially influential were the document's call for preserving Somerville's ethnic and economic diversity, while also retaining the City's residential and cultural character – its walkable neighborhoods of two and three family homes and commercial squares, among other qualities. The plan established ambitious goals and, in certain parts of the City, called for growth of a transformative nature that will fundamentally change the character of neighborhoods previously zoned for industrial uses and off-limits to most other development. To identify different areas of the City where divergent goals exist, the plan laid out areas to preserve, areas to enhance, and transformative areas.

SomerVision was created over the course of a 3-year community engagement process. SNWG



⁸ Mass. Department of Elementary and Secondary Education, analysis of meal count data (National School Lunch Program). Note: Students living in households up to 130% of the federal poverty level (FPL) are eligible for free meals. Students living in households between 130% and 185% of FPL are eligible for reduced price meals. 185% of FPL is \$44,863.

Table 2. City of Somerville Housing Rent Burden, 2000-2013

	2000		2010		2013	
	#	%	#	%	#	%
Total Renter-Occupied Housing Units	21,892		21,441		20,947	
Rent-Burdened Households (30%-50%)	4,513	20.6%	4,687	21.9%*	4,392	21.0%*
Severely Rent-Burdened Households (>50%)	3,553	16.2%	4,352	20.3%*	3,722	17.8%*
Total Rent-Burdened (>30%)	8,066	36.8%	9,039	42.2%*	8,114	38.7%*
Not computed	776	3.5%	466	2.2%	795	3.8%

Source: Somerville 2015 Housing Needs Assessment, LDS Consulting; * The spike in rent burden in 2010 may be accounted for by the recession, while the 2013 figures likely do not capture steep rises in rents and property values over the last few years.

Table 3. Ownership Cost Burden, 2000-2013

	2000		2010		2013	
	#	%	#	%	#	%
Total Owner-Occupied Households	2,712*		9,749		11,239	
Cost-Burdened (30%-50%)	430	15.9%	2,132	21.9%	2,184	19.4%
Severely Cost-Burdened (>50%)	310	11.4%	1,743	17.9%	2,134	19.0%
Total Cost-Burdened (>30%)	740	27.3%	3,875	39.7%	4,318	38.4%
Not computed	24	0.9%	0	0.0%	70	0.6%

* The 2000 Census relied on a sampling of owner-occupied households to determine ownership cost burden, meaning that the number of "total owner-occupied households" for 2000 is not comprehensive.

Table 4. Percent of Somerville Households That Can Afford Average Rents/Purchase Prices, by Tenure

Somerville Resident Tenure	Median HH Income	Average Rent or Sale Price	Monthly Housing Cost for Avg. Rent/Sale Price	Necessary Annual HH Income for Avg. Mo. Cost	% of renter/owner HHs at necessary income level
Renters	\$58,510	\$2,384*	\$2,384	\$95,360	26.2%
Owners	\$87,295	\$593,479-condo**	\$4,250	\$170,000	17.5%
Owners	\$87,295	\$772,577-SFH***	\$5,239	\$209,547	11.1%

* Mean of previous 12 months (9/10/14 – 9/9/15), totaling 383 rented units.

** Mean of previous 6 months (3/10/15 – 9/9/15), totaling 243 condominium sales.

***Mean of previous 6 months (3/10/15 – 9/9/15), totaling 48 single family home sales.

1 HISTA data counts all income over \$200,000/year in one bracket. As a result, this figure may slightly understate the actual percentage of current owner households that cannot afford the average SFH purchase price

Sources: Somerville 2015 Housing Needs Assessment, LDS Consulting; MLS Listings, HISTA 2014 Estimates, 2009-13 ACS

members worked to ensure that strategies it developed allow the City to stay on target to meet SomerVision goals. Particular goals that the Working Group sought to balance were Somervision's call for creation of 6,000 new housing units, 30,000 new jobs, and 125 new acres of open space.

Populations of Concern:

Very low income households (below 50% AMI): SNWG members were eager to develop strategies to improve housing options for very low income Somerville residents, pointing out that their severely limited buying power means that they have the scarcest housing options. This population accounts for 10,615 households, or 33 percent of all Somerville households. The recently completed Housing Needs Assessment (HNA) showed that affordable market-rate housing is essentially non-existent for those in this income group, and that the majority of restricted affordable units in the City are occupied by residents below 50% AMI (The Department of Housing and Urban Development's standard for "very low income").

There are 2,723 deed restricted affordable rental units available to this population, leaving 8,250 households (26 percent of all households) vulnerable to displacement should their current housing situation change. SNWG members looked to devise strategies to target funding to these households and ways to help these residents remain in Somerville.

Middle income households: While there is an extraordinary demand among the lowest income households, there is also a real need for housing accessible to middle income households – those between 80% and 110% AMI⁹. Household incomes in Somerville are actually fairly dispersed among, low, middle and high income households. With few tools available to help middle income households, SNWG members were concerned that this component of Somerville's economic diversity will be forced to leave the City in search of more affordable options.

The HNA showed that there are likewise very few homeownership opportunities available to this group, meaning that the stability, financial benefits, and long term investment in the community that can come with

homeownership are largely inaccessible. SNWG worked to develop recommendations to increase ownership opportunities, preserve affordable rental, and develop new units for this population.

Families: Along with discussing the need for housing options affordable to a range of income levels, SNWG members advocated for housing options available to families, especially larger family households with children. Even though Somerville has the second lowest percentage of children under 15 for communities with over a population over 20,000 in the Commonwealth, the City's 25-34 year old population is more than twice the state average. If trends persist and young families can remain in Somerville to raise their children, the number of families with offspring will increase.

It was noted multiple times during committee and full Working Group meetings that families face particular pressures in regard to housing. One such source of pressure is that families with children are far more likely to be living in poverty than other types of households. Citywide, 9.5 percent of families live in poverty, while 15.7 percent of families with children under 18 live in poverty. Somerville public school data show that 68 percent of students qualify for free and reduced lunch. (Families of 4 must earn less than \$44,863 to qualify for free and reduced lunch, meaning that the majority of students in Somerville Public Schools live in households that earn less than 50% AMI.)

A second source of pressure comes from the limited number of units large enough to suit families. Even middle income families who want to settle in Somerville, or move to a larger home, are unable to find affordable properties. Prices for two-bedroom condos or single families are too high for the majority of middle income households to afford; single family homes are also extremely limited in supply, comprising only about 11 percent of the City's housing stock.

The majority of units in new multifamily developments, meanwhile, are smaller units marketed toward young professionals and empty nester households. SNWG members expressed the hope that Somerville could continue to be a community open to families, and this desire informed recommendations on zoning reform and housing production goals.

Balancing Development Objectives:

Guided by SomerVision and its goals, SNWG members were keenly aware of how recommendations on housing development and preservation could impact the prospects of commercial and/or open

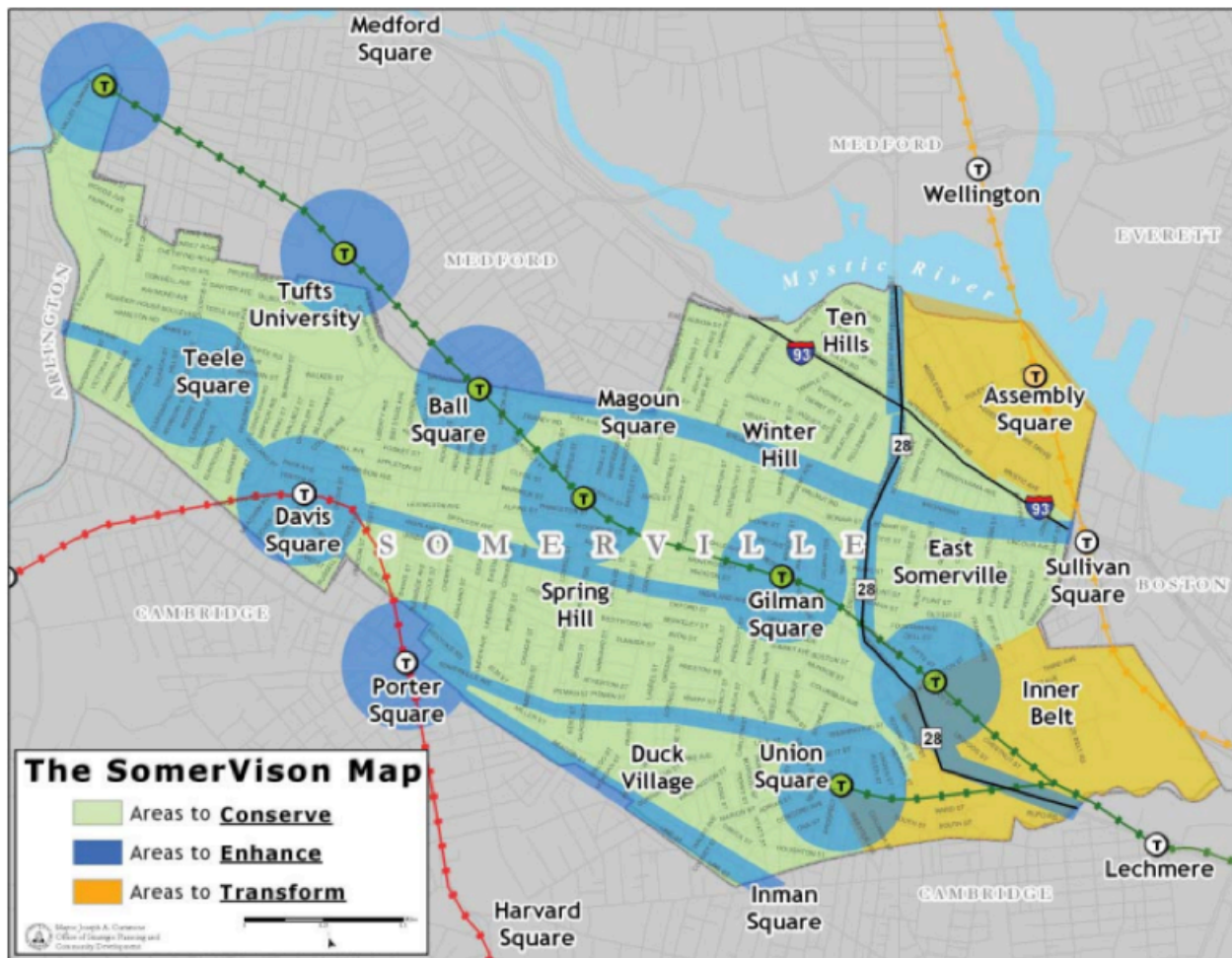
9 110% is used as a working definition, as the percentage the City's Inclusionary Ordinance goes up to presently. In light of actual housing costs, it actually takes well above this percentage to afford most of the City's stock, as demonstrated in the City's 2015 HNA.

space development. While influenced by a number of factors such as zoning, in some ways discussion often touched on the notion that development in Somerville is a “zero sum game”, with a limited amount of space in the transformative areas of the City available for development. Under these circumstances, areas reserved for housing can be seen as coming at the ‘expense’ of commercial development and vice-versa. Studies being conducted by the Planning and Zoning division will help clarify the reality and extent of this perceived tension. In the meantime, SNWG members sought to recommend strategies that put the City in a position to balance sometimes disparate SomerVision goals.

Two areas that were ones of particular note in this regard included:

Development and Preservation: While much of the SNI Working Group’s discussion focused on new affordable housing development, both through purpose built affordable developments and inclusionary units, members were also eager to promote measures to preserve affordability in the existing housing stock. It was pointed out that it may be less costly in many cases to purchase an existing unit and re-sell it or rent it with affordability restrictions than to build a new unit.

Additionally, while there was agreement that new housing must be developed, there was concern that with Somerville land in such limited supply, new construction may not be sufficient to satisfy demand. With large-scale new development targeted to occur in transformative areas toward the City’s eastern border, inclusionary housing will be created in these areas as well. Preservation was noted as one way to ensure affordability outside of the City’s transformative areas.



Balance of home ownership and rental opportunities: Somerville has long been a City of renters, and, while close to two-thirds of the population still rent, there has been a shift over roughly the past 15 years toward homeownership, with rental units declining in absolute number and as a percentage of all housing. Condo conversion is the primary factor in this trend. SNWG members looked to create opportunities for affordable rental and homeownership units, recognizing the benefits of each option – rental being comparatively affordable to low income households in most instances, and appropriate for younger, transient residents. Homeownership has served as a means toward increased financial stability and engagement in the community. Recommendations attempt to promote both rental and homeownership opportunities.

Policy Principles:

Funding for new Initiatives: SNWG members acknowledged that the ambitious recommendations that they offered will require significant sources of revenue. While certain smaller initiatives could be supported by existing funding sources such as the Community Preservation Act and the Affordable Housing Trust Fund, new revenue sources are critical. The Resources Committee, which like other committees met in between most full SNWG meetings, focused

on approaches to generating revenue and identified a number of new strategies.

Program(s) Administration and Staff Capacity: SNWG members further acknowledged that complex strategies can be costly to administer and implement, and took this into account when evaluating the feasibility of various ideas. There was general consensus that, from an administration and implementation standpoint, simpler often is better. Working Group members likewise recognized that new initiatives would mean either additional work for existing staff or expanded staff capacity. Where possible, members looked to make recommendations that either minimized additional time, or noted the need for new positions for additional areas of work.

Development and Support of Existing Residents: Throughout its deliberations and discussions, SNWG members identified not just the need for resources, but the need for opportunities to acquire properties. Any successful solution will need to address this significant constraint. Finally, another cost that SNWG members urged the City to plan and budget for are programs that help existing renters and/or homeowners stay in affordable units.

Section 3

PROCESS AND RELATED WORK

Before reviewing recommendations produced through the work of the Resources, Programs and Policies Committees in the ensuing three Recommendations Report sections, provided below is selected background information on three important areas: how the Working Group determined issue areas to consider and organize committees; how SNWG staff and members approached the process for deliberating and making decisions on recommendations; and areas of related work being conducted through efforts beyond the scope of the Sustainable Neighborhoods Initiative.

Selecting Areas of Analysis and Committee Formation

The process of determining what issue areas to analyze and assess began with the first full Working Group meeting in February, 2015. Both the February SNWG meeting and the March session included ‘brainstorming’ segments intended to identify the issues the Working Group should explore. With limited exceptions (see Related Areas of Study discussion below), the issues generally fell into one of three categories: potential resources to support housing creation, preservation, and support services; programs that could advance affordable housing efforts; and policies that could likewise improve affordable housing creation, preservation and/or support.

In order to distribute work among Working Group members and concentrate research and discussion, members were organized into three committees based on the issue referenced above: Resources, Programs, and Policies. Surveys to identify members’ committee preferences were administered at the March meeting. SNWG co-chairs and staff attempted to accommodate preferences to the extent possible. In limited cases members were asked to accept a second committee choice rather than first, in the interest of keeping the overall number of committee membership even across the three.

Regarding the specific initiatives that became the focus of the committees’ respective efforts: areas for analysis were prioritized by the committees themselves. Committee work was facilitated and supported by a

member of the City’s Housing division¹⁰. The Resources and Policies committees were chaired by SNWG co-chairs Alderman Mark Niedergang and Dana LeWinter, respectively; Irene Lew, a Research Associate at Harvard University’s Joint Center for Housing Studies, served as chair of the Programs Committee.

Committee Work and Recommendation Review

Following committee formation and issue prioritization, the committees met one to two times per month – in addition to participating in monthly full SNWG meetings. Throughout this period, a substantial portion of each monthly full SNWG meeting included reports and updates by committee chairs and other members, in an effort to keep all Working Group members abreast of ideas and issues being explored.

Consideration of recommendations developed by the respective committees took place over four meetings in September and October 2015. The first of these meetings involved testing of technology OSPCD Housing staff had observed in use by other divisions and organizations, including MAPC. SNWG committee chairs and staff employed online surveys to pose a range of questions on each recommendation developed by individual committees. Staff then collected and presented survey responses. Responses then were used as a basis for discussion and deliberation on recommendations and helped to identify areas of agreement, disagreement, and areas for further clarification and discussion.

A final part of the process was setting ‘decision rules’ used to determine whether there was sufficient support to adopt the multiple recommendations included in the next three report sections. Two primary principles informed this decision-making process. One was the lesson shared by several individuals who had previously participated in Somerville’s SomerVision

10 Following the departure of a Housing staff member who had staffed the work of the Policies Committee, the Housing division engaged the work of a consultant familiar with the committee’s work to assume a support role.

SNWG members explored ways to make Somerville's neighborhoods accessible to households with disparate incomes in a sustainable way, regardless of income or form of housing tenure.

comprehensive planning process that took place over roughly a three-year period, between 2009 and 2012.

A key takeaway of SNWG members and staff who had participated in that process was the high level of effort invested in using dialogue and iterative discussion as the basis for action. In other words – the Steering Committee strove to work through issues and build agreement, rather than employ issue-by-issue votes that can be contentious. The second principle applied was based in the work of the Consensus Building Institute (CBI), a Cambridge-based not-for-profit organization founded in 1993.

SNWG utilized an approach outlined in a CBI-prepared guide titled “A Short Guide to Consensus Building”¹¹. Of particular usefulness was an excerpt shared prior to SNWG discussion of recommendations that offered a working definition of consensus as follows:

Consensus means overwhelming agreement. And, it is important that consensus be the product of a good-faith effort to meet the interests of all stakeholders...Most consensus building efforts set out to achieve unanimity. Along the way, however, it often becomes clear that there are holdouts... *Most dispute resolution professionals believe that groups or assemblies should seek unanimity, but settle for overwhelming agreement that goes as far as possible toward meeting the interests of all stakeholders.* It is absolutely crucial that this definition of success be clear at the outset. (Emphasis added)

This definition, and the SomerVision-based goal of employing dialogue toward building agreement, were shared before each meeting in which recommendations were reviewed. A draft version of the following three sections of this report was shared prior to the last SNWG meeting, held November 15 2015, in an effort to confirm that it reflects the areas of agreement and occasional disagreement discussed through the recommendation process.

Following a brief description below of the areas of SNWG-related work being conducted by other entities, SNWG recommendations are presented in Report Sections 4, 5 and 6.

Related Areas of Work

SNWG members and staff identified three areas of activity which, while beyond the scope of research and recommendations the Working Group was in position to pursue, are integrally related to the nature of the Working Group's efforts and any consideration of housing affordability. The information following therefore is not meant to serve as a detailed discussion of the respective issues themselves. It is intended, rather, to acknowledge their critical importance, and to provide information on where the detailed consideration of them is being conducted.

Homelessness. The issue of homelessness was identified as a crucial issue in the very first ‘brainstorming’ session the Working Group undertook at its inaugural meeting. It is also one that, by its very nature, cuts across the work of any one of the committee formed to explore resource, programmatic, and policy needs. Before SNWG had to contend with how to approach such a ‘cross-cutting’ set of related issues, in April 2015 the Mayor's office announced formation of a Homelessness Task Force.

That effort, staffed by SomerStat personnel and the City's Department of Health and Human Services, was created in response to specific concerns on a growing number of homeless students in Somerville public schools. The respective roles of SomerStat and Health Department senior staff in facilitating and leading the task force's work reflect the need for enhanced data and systems-mapping capacity, particularly in regard to an inherently transient and, in some instances, undocumented population. Housing Division participation in and support of this effort came primarily through SNWG members and staff who participated in task force meetings.

Of particular importance in this regard was the involvement of the Housing Division's Assistant Director, who also serves as liaison to multiple agencies comprising the Somerville-Arlington Continuum of Care

11 http://web.mit.edu/publicdisputes/practice/cbh_ch1.html

(CoC). The CoC coordinates services and planning for homeless individuals and families within the continuum. In its capacity as CoC lead, the City coordinates and takes the lead in preparing the City's response to the federal Department of Housing and Urban Development's (HUD) annual Notice of Funding Availability (NOFA). In November, 2015 the City submitted a \$2.1 million request in response to HUD's 2015 NOFA, to fund supportive services and street outreach, transitional and permanent supportive housing.

The Mayor's Homelessness Task Force completed its work of reviewing available data, defining the issue(s) impacting the apparent increase in the number of unaccompanied homeless youth, and developing recommendations to address the problem, in November 2015. The co-chairs and members presented its recommendations and requests on November 23rd, which Mayor Curtatone promptly accepted. Information on the recommendations and their follow-up status is available through Director of Health and Human Services Doug Kress and/or Assistant Housing Director Kelly Donato.

Project specific Impact(s) of Inclusionary Housing Requirements. As part of the Planning and Zoning Division's ongoing work toward comprehensive zoning reform, the Planning Division is conducting an analysis of the proposed changes to the inclusionary zoning ordinance in the overhaul proposal. The study is meant to determine the financial feasibility of changing the metrics of the inclusionary zoning ordinance. The primary metric that requires review is the overall percentage of inclusionary zoning in a given project.

The feasibility of reaching a certain percentage of inclusionary units depends also upon the level of subsidy, the size of the project, the required provisions for development review and other related requirements including density and parking. The City has partnered with the Massachusetts Housing Partnership (MHP) to fund this report; MHP has hired RKG Associates to conduct the study. RKG has experience completing similar studies in other cities, and an extensive understanding of affordable housing finance in Massachusetts. The report is expected to be complete early in 2016.

Public Housing. As owner and operator of 1,456 units of public housing serving predominately households below 30% of Area Median Income, the Somerville Housing Authority (SHA) has a critical role in the delivery of affordable housing in the City. That role is expanded further by SHA's administration of 1,193 Section 8 tenant-based (i.e. mobile) vouchers, an area discussed in Section 6 of this report.

SHA and the City have a mutual interest in ensuring the quality of its public housing stock, and also identifying opportunities to expand the affordable housing resources it oversees. Toward that end, SHA and OSPCD Housing staff began work in 2015 to explore how the Authority's historically underfunded state public stock could be revitalized in a way that also expands housing for middle-income households. In November 2015, the state Department of Housing and Community Development issued a NOFA for planning grants intended to facilitate mixed-income redevelopment of state-aided public housing; the City expects to work closely with SHA to pursue potential resources in this regard in 2016.

Total Development Capacity (relative to Housing Production Goals). In preparation for the 2016 draft Zoning Overhaul proposal, the Planning Division has hired consultants to consider issues regarding the economic potential of redevelopment under the proposed ordinance, and to determine overall demand for housing in the City. RCLCO will study the economic impact of the proposed zoning overhaul, to determine economic potential of redevelopment under it, and the impact on developing commercial floor space, jobs and housing units. The market analysis firm of Zimmerman Volk Associates will help determine the overall demand for housing in the city, for individuals and families of different sizes and types, to develop a specific profile of the overall demand for housing in Somerville.

Both of these reports are expected early in 2016. Related to this work are issues concerning the City's overall capacity to absorb development, in so-called transformative areas and elsewhere. Planning Division will use components of the analyses described above to help answer this issue, which was of specific interest to the Program Committee in its consideration of housing production goals.

Recommendations and accompanying information, divided into three sections by Resources, Programs, and Policies issue areas follow in the ensuing Sections 4, 5, and 6. Members and staff responsible for these sections prepared detailed background information on each initiative discussed, outlined the working group's final recommendations, and included selected comments that members had on each initiative. This information is included in the following sections in an effort to demonstrate the level of effort SNWG members invested in exploring ways to make Somerville's neighborhoods accessible to households with disparate incomes in a sustainable way, regardless of income or form of housing tenure.

Section 4

RESOURCES COMMITTEE Initiatives and Recommendations

Resource Initiative: Real Estate Transfer Fee

The concept of a real estate transfer fee—a charge on real estate sales based on the sale price of the property being transferred—was one of the initial proposal ideas included in Mayor Joseph Curtatone’s introduction of the Sustainable Neighborhoods Initiative. In examining the policy merits of a transfer fee, SNWG’s Resources Committee worked to consider both relevant existing statutes and the political sensitivities of a measure likely to pose a large “lift” to achieve passage.

Massachusetts has an existing state transfer fee of \$4.56/\$1,000 or 0.456% that is levied on all real estate transactions. 10.625% of revenues collected from the state transfer charge go to county Deed Excise funds, and the rest goes to the Massachusetts General Fund. The Commonwealth does not allow municipalities to impose local real estate transfer fees without state legislative approval. Establishment of such a municipal fee therefore would require either Board of Aldermen plus state legislative approval of a home rule petition, or new state legislation enabling municipalities to set local real estate transfer fees independently.

Selected local governments have successfully enacted local real estate transfer charges in Massachusetts through passage of home rule petitions. Both Nantucket and Martha’s Vineyard have a 2% local transfer fee rate levied on top of the state transfer charge, and Barnstable County imposes an additional

fee of \$3.42 on every \$1000 (or 0.342%) of property sold. The state granted Nantucket and Martha’s Vineyard authority to collect transfer fees in the 1980s, and they both have used the revenues generated from the fee to establish land banks to acquire land on the open market for a range of public benefits including conserving open space and affordable housing creation.

Real estate sales in Somerville totaled close to \$670 million in 2014 and, since 1998, total real estate sales in the City have averaged about \$425 million per year (as shown in Table 5 below), suggesting that a transfer fee structured like that in Martha’s Vineyard or Nantucket could generate a significant and fairly consistent revenue source for the City.

While the purpose of existing local transfer fees in Massachusetts is to generate revenue for public uses, real estate transfer taxes have also been proposed to discourage detrimental real estate speculation. A 2014 proposal that was narrowly defeated in San Francisco would have levied a significant tax on sellers who owned their property for less than 5 years. The tax rate would have been based on the number of years the seller owned the property with the following 5 graduated rate levels: less than 1 yr.=24%, 1-2 yrs.=22%, 2-3yrs. =20%, 3-4yrs.=18%, 4-5yrs.=14%.

Following research into practices elsewhere and into relevant Somerville real estate data, and consideration of SNWG’s Resources Committee on the initiative, the full Working Group made the following recommendations pertaining to pursuit of a real estate transfer fee in Somerville.

The state granted Nantucket and Martha’s Vineyard authority to collect transfer fees in the 1980s, and they both have used the revenues generated from the fee to establish land banks to acquire land on the open market for a range of public benefits including conserving open space and affordable housing creation.



Table 5. Annual Real Estate Sales in Somerville, 1998-2015

Year	Total Sales
1998	\$222,574,832
1999	\$347,164,179
2000	\$341,469,168
2001	\$250,245,577
2002	\$322,590,796
2003	\$355,987,152
2004	\$507,852,511
2005	\$684,504,247
2006	\$510,645,021
2007	\$422,376,052
2008	\$317,462,505
2009	\$496,873,764
2010	\$339,632,482
2011	\$361,088,810
2012	\$464,830,933
2013	\$599,963,900
2014	\$668,586,690
2015 *to date as of September 2015*	\$411,976,188
Total Real Estate Sales since 1998	\$7,625,824,807
Average Annual Sales since 1998	\$424,344,036

Source of data: Somerville Assessing Department

Recommendation: Pursue Real Estate Transfer Fee Passage

SNWG recommends passage of a local real estate transfer fee. Because of the significant revenue that could be generated to support other recommended policies and programs, the Working Group believes that the transfer fee should be highly prioritized. Features of the SNI Working Group's real estate transfer fee recommendation include:

- The fee rate set at around 1% with the main purpose of serving as a source of revenue, rather than to discourage speculative real estate transactions.
- Sales of all real estate types (commercial, industrial, and residential) subject to the fee.
- Exemptions for certain kinds of sales, such as for first-time home buyers and on intra-family transfers. These exemptions should be similar to those established in other local real estate transfer laws and determined by the City.
- Revenues collected from the fee directed to the Somerville Affordable Housing Trust Fund for support of affordable housing creation, tenancy preservation in existing units, and support services for existing residents vulnerable to displacement. SNWG members feel that the City administration

is in a better position than the Working Group to determine other specifics of the transfer fee administration and whether state approval should be pursued through passage of home rule legislation or via state enabling legislation. The Committee acknowledged that either approach would be a major undertaking for both the administration and state legislative delegation.

Factors in the Working Group's decision to recommend a fee designed for revenue generation rather than a fee only assessed on speculative activity include the following:

- Since speculative property transfers tend to be more common when real estate markets are favorable, a fee only levied on property “flipping” likely would become unreliable during real estate market downturns.
- A low-rate, revenue generation approach would be simpler to assess and collect than a rate based on time held, property value, or some combination of the two.
- Property values in Somerville have risen significantly over the past 20 years, and the transfer fee concept recognizes that there are multiple factors, such as the quality of owners’ property stewardship, regional economic conditions – as well as City and community efforts that contribute to property value increases. Community efforts to better public schools, improve infrastructure, and attract transit and other amenities, have resulted in increased property values throughout Somerville. A transfer fee would help capture the value of such contributions, and direct a small portion of property sale proceeds toward the preservation of the community that helped enhance those property values.
- The sale of property already requires significant existing transaction costs including real estate broker commission (usually 4-5% of the property value), Registry of Deeds stamp fee, mortgage acquisition fees, title searches, attorneys, and housing inspections among others. These costs are standard costs in the property sale process, and with little ostensible concern for their impact on sellers or the possibility that they will discourage property sales. While a property transfer fee would add marginally to property transaction costs, and will be analyzed prior to development of a specific proposal, it would be only one of several standard, and generally accepted, costs.

- An anti-speculation approach could unintentionally punish non-speculative homeowners who sell property as a result of an unexpected change in employment and/or income.
- Working Group members were unconvinced that an anti-speculation fee, based on the amount of time a property is held, would be effective at discouraging speculation.

Several alternative versions of transfer fee design were explored and did not receive overwhelming support from Working Group membership. These include the following:

- Instituting a higher transfer fee rate on investor owners than on owner-occupants.
- Adopting a higher rate for the highest-priced housing units in the City (based on price per unit, not per property), with the price at which the higher rate applies to be determined by the City.
- Levying a surcharge on the highest value rental properties.
- Suspending the charge in years when property values in the City decrease.
- Discouraging speculation through a graduated fee rates structure that varies based on the amount of time the property is held.

Selected Comments

- *“A flat 1% rate won’t pose undue hardship to buyers and sellers or hurt the market in any significant way.”*
- *“A flat rate of 1% makes sense from an administrative, political, and financial perspective. A flat rate would be easier to administer and less controversial than a graduated rate, and it would ensure a steady source of revenue even when the market cools off.”*
- *“I am concerned about the impact of this fee on residents....I likely [would] be able to support this if it did not apply to properties that receive a residential exemption.”*
- *“I wouldn’t try to distinguish between owner occupant vs. absent owner. A good landlord who owns a six unit bldg. shouldn’t be penalized if they don’t live there.”*

Resource Initiative: Project Mitigation Contribution (Linkage Fee)

Somerville's project mitigation contribution, or linkage fee as it is commonly referred to, is an impact fee designed to mitigate the strain on affordable housing availability associated with new employment opportunities from large-scale non-residential development in the City. Somerville established a linkage fee in 1990 with state legislative approval of a home rule petition, and the linkage ordinance has been reviewed and updated twice since then (in 2004 and 2013). The current ordinance mandates a fee of \$5.15 per square foot on all non-residential¹² developments over 30,000 square feet, with the first 30,000 square feet exempt from linkage charges.

Project mitigation contribution payments go to the City's Affordable Housing Trust Fund. The current ordinance also says that the fee is subject to

recalculation every three years. Since the City has already received state legislative approval of a home rule petition allowing a housing linkage fee, amendments to the current ordinance would be enacted through a two-thirds supporting vote by the Board of Aldermen and Mayoral approval, after a public hearing by the Planning Board.

The US Supreme Court has issued decisions supporting the creation of linkage fees, ruling that local impact fees are legally justified as long as municipalities prove a "nexus" between the proposed development and its impact on a legitimate state interest such as housing or jobs. The Court has also declared that mitigation contributions must be roughly proportional to the impact that the proposed development will create. While these rulings justify linkage fees, they also require communities to conduct studies to establish and quantify the nexus between development and impact.

Consequently, when Somerville most recently adjusted its linkage fee in 2013, a nexus study (as it is referred to) was required. The 2013 nexus study took approximately a year to complete from initial proposal to hearing of recommendations by the

12 Religious uses, art studio spaces, and City owned properties are exempt.



Linkage payments from the Partners Healthcare Development will total approximately \$4.3 million paid over 5 years.

Credit: Gensler, Partners Healthcare; source: http://www.somervillema.gov/sites/default/files/documents/2014-06-27_DRC%20Meeting.pdf

Board of Aldermen and recommended increasing the housing contribution to \$5.15 per square foot (and adding a \$1.40 per square foot jobs training fee, so the total recommended linkage fee was \$6.55 per square foot). The study also recommended simplifying the language on land uses that the ordinance applies to. The housing contribution increase and land use language simplification were both enacted.

Two other nexus study recommendations that were proposed by the administration but not passed by the Board of Aldermen would have: (1) tied the fee rate to a construction cost index to allow for regular adjustments of the fee rate and (2) reduced the size threshold for projects eligible for mitigation contribution from 30,000 square feet to 20,000 square feet. Additionally, the City has acted on the study's recommended job training linkage fee by drafting a home rule petition requesting state authorization to enact a jobs linkage fee. The Board of Aldermen approved that home rule petition, and the City is now waiting for action on the petition from the state legislature.

The cities of Boston and Cambridge both have linkage fee ordinances. Boston's total linkage fee is \$10.01 per square foot on all "Development Impact Uses," which generally include office, retail, services, hotel, motel, institutional, and educational uses over 100,000 square feet. The total charge includes both a housing contribution fee of \$8.34 per square foot and a jobs contribution fee of \$1.67 per square foot. Contribution rates may be increased every 3 years based on the housing component of Consumer Price Index (CPI).

In Cambridge, the fee was recently increased from \$4.58 per square foot to \$12 per square foot on all non-residential developments over 30,000 square feet, with a \$1 per square foot increase for the first three years. The nexus study that recommended the linkage fee increase noted that Cambridge would be justified in raising the fee to as high as \$24 per square foot, but the City settled on a lower fee rate.

After researching the history and issues associated with linkage fee administration, the Working Group's Resources Committee made several recommendations for consideration by the full Working Group. Recommendations accepted follow below.

Recommendation: Adjust Project Mitigation Contribution/Linkage Fee

The Resources Committee and the full SNI Working Group recommend that the City adjust its project mitigation linkage fee ordinance. Working Group members agree on the following:

A full new nexus study should be completed as

soon as possible, with the goal of completion prior to November 2016, when recalculation under the current linkage ordinance will next be possible.

The City should create a public timeline for completion and implementation of the nexus study recommendations, based on the timeline of the last nexus study and adoption process. The goal of the timeline is to prompt the City to act on recommendations proposed by the nexus study as close to November 2016 as possible.

The linkage fee should be tied to an index that allows for regular adjustments of the fee rate to account for inflation, increases in construction cost, and other factors. This linkage fee rate should only increase with the index; it should not decrease. A recommendation on the most appropriate index to tie the linkage rate to should be provided in the nexus study.

The size threshold at which linkage fee payments are assessed in the Project Mitigation Contribution ordinance should be adjusted from 30,000 square feet to 20,000 square feet (as was recommended in the 2013 nexus study). To avoid overburdening smaller businesses, the linkage rate would be applied in a graduated form for properties in the 20,000 to 30,000 square feet range, with a lower rate on properties closer to 20,000 square feet and a rate closer to the standard level for properties nearer to 30,000 square feet. The specific way that the rate would be structured should be determined by the City after the completion of the new nexus study.

Selected comments:

- *"I support an increase in linkage fees and think at the current rate of development the increase would not prevent continued investment."*
- *"At this point, the linkage rate is so low that it can barely begin to make a dent in the need for affordable housing, and with rapid acceleration of development in Somerville, the need will only be greater."*
- *"Linkage fee already generates very large amounts of revenue for AHTE. Agree with cons [that]: A higher linkage fee could hurt the City's competitiveness for commercial development."*
- *"Generally supportive although not sure what impact lowering the threshold would have on smaller projects or what types of projects those would be. Would that discourage a small grocery chain from opening in poorer neighborhoods?"*

Resource Initiative: Peer-to-Peer Short-term Rental Services

Peer-to-peer short-term rental services have gained popularity in the past decade as part of the emergence of the so-called “new/sharing” economy. These web-based services now account for a significant share of the transient lodging market. Short-term rental companies, such as AirBnB and HomeAway, act as a platform and marketplace for hosts (i.e. homeowners or lessees) to advertise and rent out their rooms/apartments/homes for short periods. The proliferation and profitability of short-term rentals may impact the broader housing market, since housing opportunities taken off the regular market for short-term rental reduce the supply of housing and may cause price increases. However, short-term rental income also may help owners and lessees subsidize rent or mortgage payments, thereby helping existing residents to afford their homes.

Companies like AirBnB and HomeAway, that facilitate the short-term rental market, exist only as platforms for connecting hosts and renters, therefore avoiding legal responsibility for the conduct of hosts that use their services and putting the onus on hosts to maintain compliance with local laws. Additionally, these peer-to-peer rental services strictly maintain hosts’ anonymity, making it difficult if not impossible for local authorities to ensure that hosts follow local regulations. As a result, most short-term rentals facilitated by companies like AirBnB and HomeAway avoid regulations and taxes that apply to hotels, bed and breakfasts, and other more established lodging houses.

An issue specific to Somerville is that short-term rentals of entire dwelling units and/or more than 3 different rooms in a single unit constitutes an unpermitted use and is not compliant with the City’s zoning ordinance. However, considering the resources required for systematic enforcement, the ordinance is difficult to apply universally in its current form. Currently there are about 400 active AirBnB listings in Somerville, with roughly 40% of them renting out an entire dwelling unit¹³.

Similar to select other regulations, such as the provision restricting more than 4 unrelated people from living in the same unit, zoning laws are only enforced on short-term rental hosts in response to reports of violations. The zoning overhaul proposed in 2015 would have allowed for owner occupants of two family homes to apply for a special permit to rent out up to one unit.

Research on short-term rentals has shown that

hosts can generally be divided into two categories: commercial hosts – people who rent their property out more often and probably do not live in the space that they are renting, and casual hosts – people who rent their property less and probably also live in the space they are renting. Commercial hosts are often running what amount to unregulated hotels, disregarding local regulations. Casual hosts are more in line with the spirit of the so-called sharing economy – offering their space to someone else when they aren’t using it. For these people, hosting often helps them supplement their income and remain in areas where housing prices are rising.

Somerville has both types of hosts, and has shut down at least one commercial operation, where an owner who lived outside the City was using his three-family investment property in Somerville as a 3 unit hotel.

Not surprisingly, the perspectives of short-term rental companies and municipalities do not align on the issue of regulation. AirBnB and its competitors are interested in attracting and retaining users and are likely apprehensive about losing customers to competitors if they make too many rules. On the other hand, municipalities forego tax revenue and are often unable to enforce health and safety codes with the strict privacy protection policies of short-term rental services. These sometimes divergent interests, in addition to the relative infancy of the peer-to-peer short-term rental market, has meant that best practices for municipal short-term rental policies are still evolving.

A number of municipalities have worked on formulating policy on peer-to-peer short-term rentals, including Portland (Oregon), San Francisco, Washington D.C., and Chicago. The most popular approach appears to be to enter into a remittance agreement with AirBnB¹⁴. Remittance agreements require AirBnB to charge a local occupancy fee on all booking transactions made on the website, collect the revenue itself, and then remit that revenue to the City on a regular basis. These types of agreements have been signed in Chicago, Washington D.C., and Oakland among other communities, and AirBnB has expressed openness to making these agreements with other cities.

Another approach that has been attempted in Portland and San Francisco is to pass laws requiring all hosts to be permitted and registered with the City. This allows cities to have more control over inspection,

14 This specific approach may only apply to AirBnB because it requires that the short-term rental platform handle booking transactions between hosts and renters. Some other short-term rental services do not handle the actual exchange of money.

13 MAPC Webscrape, July 2015

regulation, and taxation of hosts. However, compliance with these laws has been low in cities that have adopted them, and enforcement has required significant city resources (San Francisco budgeted \$900,000 for its Office of Short Term Rental Administration and Enforcement). In Santa Monica, the City has moved to completely ban AirBnB.

At this point, municipalities in Massachusetts do not have the authority to charge local occupancy taxes on short-term rentals because the state law enabling cities and towns to charge local occupancy tax does not cover peer-to-peer short-term rentals. Therefore, state law must be amended before Somerville can begin collecting fees from short-term rental hosts.

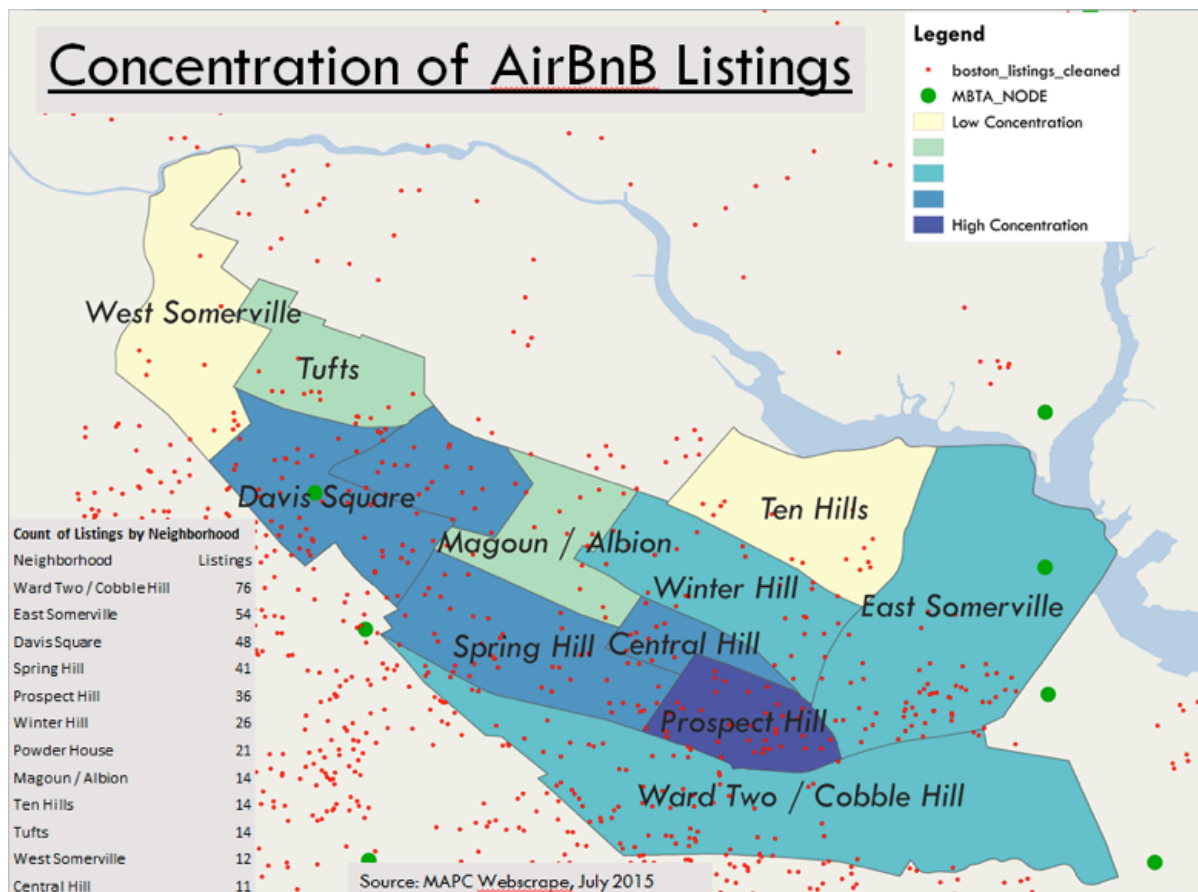
There is currently a bill pending in the state legislature (Bill H.2618) that would establish a state short-term rental tax of 5% and enable municipalities to impose a local 6% tax on short-term rentals. The legislation would require municipalities to register hosts, monitor violations of the law, and submit information on hosts to the state. Based on the research that yielded the comparative information summarized above, the Working Group's Resources Committee made several recommendations for consideration by the full Working Group.

Recommendations accepted by the full Working Group follows below.

Recommendation: Establish Peer-to-Peer Short-term Rental Task Force to Devise Regulation

The Resources Committee and the full Working Group are in agreement on the following recommendations for peer-to-peer short-term rentals:

- The City should create a task force to explore regulatory approaches for peer-to-peer short-term rental hosts in addition to other new economy businesses.
- The City, with input from the task force mentioned above, should develop solid regulations and enforcement mechanisms on peer-to-peer short-term rentals.
- Simultaneously, the City should support state-level efforts to change the state occupancy tax laws to cover peer-to-peer short-term rentals.



- Once a regulatory approach has been approved and state law has been amended, the City should collect local occupancy tax from peer-to-peer short-term rentals. For AirBnB, one of the most prominent peer-to-peer rental companies, the City should consider negotiating a remittance agreement/contract.
- The occupancy tax rate should be higher for owners who rent property that is not their principal residence than for owners who occupy the property they rent.
- The City should also establish a registration fee for short-term rental hosts that will help pay for City costs associated with regulation of short-term rentals.

Selected comments:

- *“I use AirBnB and would not mind paying a small tax to use the service. The informal economy should not be able to profit from commercial transactions without helping to fund City services.”*
- *“These “new” businesses like AirBnB and Uber are traditional services cast in a new light by technology and present unfair competition to traditional services which are important income sources for large segments of society. They should be regulated like everyone else.”*

Resource Initiative: Establishing a Smart Growth Overlay District

The Smart Growth Zoning Overlay District Act, Massachusetts General Laws Ch. 40R, “encourages communities to create dense residential or mixed-use smart growth zoning districts, including a high percentage of affordable housing units, to be located near transit stations, in areas of concentrated development such as existing city and town centers, and in other highly suitable locations.”¹⁵ The State incentivizes 40R smart growth zoning by providing monetary compensation to communities that implement zoning overlay districts compliant with the law’s zoning guidelines. The Resources Committee explored the viability of 40R overlay districts in Somerville, especially in

SomerVision transformative areas targeted for smart growth development.

The law’s zoning guidelines are similar to zoning in the 2015 proposed zoning overhaul. A 40R overlay district would generate significant additional revenue through state incentive payments that could be used to fund affordable housing. Key components of 40R overlay zoning guidelines include:

Development Rules: 40R overlay districts must be primarily zoned for residential development. In practice this means that at least 51% of development in the smart growth overlay must be designated for housing. Additionally, the law requires that projects developed in the overlay district be allowed either as-of-right or through a limited plan review process, rather than a special permit process as currently exists in Somerville.

Housing Requirements: The zoning overlay requires 20% of residential units developed in the district to be affordable to households with incomes below 80% of Area Median Income (AMI). Municipalities must follow state rules for filling affordable units.

Location: Overlay districts must be located in areas that are near transit, concentrated development, or otherwise “highly suitable” locations. Most of Somerville meets at least one of these requirements as a result of proximity to planned or existing transit, prevalence of concentrated development, and the suitability of SomerVision transformative areas for mixed use, smart growth development.

District Size: There is no minimum size for an overlay district and communities can have multiple non-contiguous districts. A single district cannot exceed 15% of a city’s total land area, and all districts in a community cannot exceed 25% of total land area.

Compensation: Incentive payments to cities are based on the number of residential units allowed for and developed in the overlay district above the number of units that would be allowed in the zoning that underlies the overlay. Depending on the number of additional units the zoning overlay allows, the state provides a “zoning incentive payment” of \$10,000-\$600,000 just for the creation of the zoning overlay. The state also provides “density bonus payments” of \$3,000 for each residential unit actually built in the overlay district.

Somerville’s transformative areas do not currently allow residential development (because they are zoned for industrial use), thus all housing units allowed in the zoning overlay would contribute to incentive payments. This means that compensation would be significant,

15 Commonwealth of MA webpage on the law; <http://www.mass.gov/hed/community/planning/chapter-40-r.html>.

especially considering the scale of the City's existing residential development plans for transformative areas.

Table 6 below shows potential 40R incentive payments based on SomerVision housing development estimates by district:

Key Issues in Somerville which the Resources Committee discussed in its deliberations and in formulating recommendations for full Group consideration included:

Residential vs. commercial development: A 40R zoning district would not fit with current SomerVision goals. At least 51% of development in 40R overlay districts must be residential, while the 2015 zoning overhaul, guided by SomerVision job creation goals, would have required at least 60% of development in transformational areas be commercial. However, a 51% residential 40R district could work if the SomerVision Steering Committee decides to increase housing production goals.

District Boundaries: In considering whether 40R would work within the parameters of current SomerVision goals, the possibility of creating small 40R overlay districts was initially considered. Such an approach would allow small housing districts in parts of transformative areas determined to be well suited for residential development, while compensating areas outside these districts by zoning for higher commercial development. This approach was determined to be problematic.

Since housing development generally has been considered to be more profitable than commercial in the current real estate cycle, the City's decisions on where to site 40R districts would influence land values, resulting in certain property owners profiting more than others. Consequently, the conclusion reached was that 40R overlay districts would be more fairly designed if they covered larger areas within transformative zones, so that all property owners had the same zoning.

As-of-right development: The 40R statute requires that 40R districts be zoned for as-of-right development. This would eliminate the special permitting process within the boundaries of the 40R district. Elected officials and others expressed serious concerns about eliminating special permitting in the City's proposed zoning overhaul introduced in 2015. It was noted that as-of-right housing in 40R districts does not mean that the whole City would have to eliminate the special permitting process. Additionally, transformative areas, which seem best suited for 40R overlay districts, are largely separated from populous parts of the City, and therefore might not be as much of a concern if zoned for as-of-right development.

Affordable Housing Requirements: The 40R statute requires that at least 20% of all housing units developed in the overlay district be affordable to households below 80% of AMI. This means that affordable housing that the City currently makes available to middle income households (80%-110% AMI) would not count toward the 20% affordable requirement. Municipalities also must follow the state's guidelines for filling affordable units, meaning that local preference cannot be applied to more than 70% of units. Somerville currently provides local preference for all Inclusionary units.

From its assessment of Chapter 40R issues gained through multiple meetings with City and Department of Communities and Development staff who focus on this zoning tool, the Working Group's Resources Committee made several recommendations for consideration by the full Working Group. Full SNWG conclusions follow below.

Recommendation: Conditional Support for Ch. 40R, Smart Growth Zoning Overlay District

SNWG members are not overwhelmingly supportive of a 40R zoning overlay district. Specific areas of concern members expressed were:

Table 6. Potential 40R Incentive Payments

District	SomerVision Projected New Housing Units*	One-time Zoning Incentive payment	Full Buildout Density Bonus Payments	Total Payments
Inner Belt	1,000	\$600,000	\$3,000,000	\$3,600,000
Brickbottom	750	\$600,000	\$2,250,000	\$2,850,000
Boylnton Yards	500	\$350,000	\$1,500,000	\$1,850,000

- Its potential impact on the City's ability to achieve other SomerVision goals, particularly its job creation targets, given 40R requirements calling for primarily residential development.
- The DHCD affordable housing requirements that limit local preferences and eliminate the eligibility of middle income units.
- Requirement that development in 40R overlay districts be as-of-right, which would eliminate local control of development decisions.

There is significant support for pursuit of a 40R overlay if the following related community decisions are made:

- SomerVision housing production goal increase – if the SomerVision Steering Committee supports increasing the City's housing production goal, a 40R overlay district, which must be primarily zoned residential, would be a viable option within the context of the City's comprehensive plan.
- Zoning overhaul action on as-of-right development in certain transformative areas – in 40R overlay districts developments must be allow either as-of-right or through a limited plan review process, so the Board of Aldermen would have to approve development as-of-right or through a limited plan review process in the area where a 40R district would be located.
- Acceptance of 40R's affordable housing income and local preference requirements – 40R requires that municipalities follow DHCD's rules on income eligibility and local preference for affordable units, which are somewhat different than Somerville's current rules inclusionary zoning rules.

The most appropriate areas for a 40R overlay district would be Inner Belt and Brickbottom, as they

are currently zoned for industrial use, have very little existing housing, and are areas identified for mixed-use development.

The SNWG's conclusion is that 40R should not be a prioritized strategy, but should be left as a 'live' option if there is acceptance of an increased SomerVision housing goal, as-of-right development, and DHCD's income eligibility and local preference requirements.

Selected comments:

- *"Overall I support the concept and the funds generated could be significant."*
- *"Troubled by loss of community control due to as of right and loss of ability to address middle income issues."*
- *"The one-time boost to Somerville revenues would not be worth the required changes to our zoning. We need a lot more commercial development, and a one-time payment of \$8,000,000 isn't worth giving up on that commercial development, isn't worth the constraint on the City's ability to review design and impact on large projects, and isn't worth the loss of local preference."*

Resource Initiative: District Increment Financing (DIF), Affordable Housing Set-aside

District Improvement Financing (DIF) is a tool used to target tax revenues to fund development in a specific area. While DIF is authorized by state law 40Q in Massachusetts, the general concept is used throughout the country, in most other states is called Tax Increment Financing (TIF). DIF is not a new idea in Somerville. The Assembly Square area has an existing DIF that has supported infrastructure costs and a DIF has been discussed both presently and historically as a tool for development of Union Square.

DIF is often used in underdeveloped areas where lack of basic infrastructure, such as sewers and roads, has limited development. In these areas, tax increment revenues are usually utilized to pay for infrastructure improvements with the hope that infrastructure improvement will then stimulate private development in the district.

Municipalities that decide to utilize DIF first must designate a development district and create a development plan for the area. The district boundaries and development program must then be approved by the state's Economic Assistance Coordinating Council (EACC). Once approved, the municipality conducts a baseline valuation of the property within the boundaries of the district to calculate the original assessed value.

DIF then allows the municipality to pledge the tax increment (or tax revenue above that original assessed value) for investments within the district that are specified in the DIF plan. Cities often post bonds to secure funding for needed investments and make bond payments using the tax increment revenue. The expectation is that as investments are made within the district, private development is attracted to the area, increasing total property values and the tax increment generated, creating more revenue for use in the DIF district. DIFs are usually authorized for a set period of time. Once the term ends, tax increment revenues in the DIF district can be used like all other city tax revenues.

DIF is often used in underdeveloped areas where lack of basic infrastructure, such as sewers and roads, has limited development. In these areas, tax increment revenues are usually utilized to pay for infrastructure improvements with the hope that infrastructure improvement will then stimulate private development in the district. Instead of using all tax increment funds for infrastructure development, some cities set aside a percentage of DIF revenues for affordable housing. The City of Portland, Oregon and the State of California, among others, require that a percentage of DIF revenues be used for the creation, preservation, and/or maintenance of affordable housing. In Portland, all DIF districts must use at least 30% of their revenues to fund affordable housing.

From its review of Somerville's use of DIF as a mechanism for resource generation and the experience of other municipalities, the Resources Committee made several recommendations for consideration by the full Working Group, with full Group recommendations summarized below. Discussions on using DIF in Somerville and requiring an affordable housing set-aside focused on utilizing the policy in the Union Square neighborhood. The area is in the midst of planning for redevelopment that will bring improved infrastructure and substantial new housing.

Recommendation: Limited Support for DIF Affordable Housing Set-Aside

The Resources Committee and the full SNI Working Group agree that a DIF affordable housing set-aside policy could be viable in Somerville (in the Inner Belt

area for example); however, there are various opinions about whether it would be appropriate for Union Square. Several members expressed concern about pursuing a DIF with an affordable housing set-aside policy in Union Square for the following reasons:

- Union Square's redevelopment is assumed to require significant infrastructure investment, and therefore all DIF funds may need to be at least available to cover imperative street, utility, and storm water infrastructure costs.
- The Union Square planning process is relatively well developed at this point; there was concern that adding a new affordable housing requirement at this stage may complicate and delay that process.

The conclusion of the Working Group is that DIF affordable housing set-aside policies could be considered for areas where significant infrastructure development is necessary, such as Inner Belt or Brickbottom; however, considering the cost of infrastructure development and the existing affordable housing policies in Somerville, an affordable housing set-aside is of less critical importance relative to the need for conventional use of DIF revenues to address major infrastructure improvement costs. In considering implementing a DIF with an affordable housing set-aside policy, the City should analyze financial projections for redevelopment of the area and include these findings when deciding whether to pursue a set-aside.

Selected comments:

- *"In Cambridge and Boston and other parts of the country, developing the infrastructure is something that the developer largely pays for, not the municipality. If we have a DIF in Union Square to pay for infrastructure, our (future) tax dollars are subsidizing the profit of the developer. I would rather have our (future) tax dollars subsidizing efforts to ensure that there is a more adequate stock of affordable housing. So i (sic) would support an affordable housing DIF in Union Square, as well as in Boynton Yards, Inner Belt, and Brickbottom."*
- *"Funding from DIF needs to consider the broad range of SomerVision goals. Infrastructure being one, open space another."*

Section 5

PROGRAMS COMMITTEE Initiatives and Recommendations

Program Initiative: SomerVision Housing Production Goals

SomerVision is Somerville's comprehensive plan, prepared to direct and guide City community and economic development efforts from 2010 to 2030. City staff and Somerville residents initiated work on SomerVision in 2009. It was endorsed by the Board of Aldermen and adopted by the Planning Board in 2012.

SomerVision's housing production goal calls for the creation of 6,000 new housing units, of which 20 percent (1,200 units) are to be affordable. With Somerville's land mass encompassing a total of 4.1 square miles (approximately 2,640 acres), SomerVision identified three categories of land area to help frame discussion of planning and development efforts. These include land areas in residential neighborhoods to be "conserved," totaling approximately 2,000 acres; "enhancement" areas to allow for limited development in roughly 237 acres of land encompassing squares and commercial corridors; and transformative areas totaling about 365 acres, in which major development could be supported.

The comprehensive plan further calls for 85% of new development to occur in these transformative areas: Assembly Square, Brick Bottom, Inner Belt, Boynton Yards and Union Square. Within these 5 transformative areas, SomerVision called for 2,500 residential units to be created in Assembly Square, 1,000 units in Inner Belt, 750 units in Brick Bottom, 500 units in Boynton Yards, and 350 housing units in Union Square. These projections, totaling 5,050 units, assumed an average of 1,100 square feet per unit.

Other information sources utilized in the Committee's deliberations included two reports released by the Metropolitan Area Planning Council (MAPC) in 2014: *Housing Demand Projections for Metro Boston* and *Dimensions of Displacement, Baseline Data for Managing Change in Somerville's Green Line Corridor and Population*. MAPC's population and housing demand projections anticipated demand for at least 6,300 housing units in the City from 2010-2030 and, under its Stronger Region scenario, as many as 9,000 units. The Stronger Region scenario predicted demand for 435,000 new housing units in the Metro Boston area from 2010-

2040. With these projections in mind – specifically the 9,000 units called for under its Stronger Region scenario – the Programs Committee and full Working Group considered issuing a recommendation that the City should increase SomerVision initial housing production goals.

Housing production goals received the most extended deliberation of any of the initiatives considered, with discussion encompassing issues of density within the City overall, Somerville's current housing stock, evidence as to housing production in neighboring communities, and the overall feasibility of achieving such goals. MAPC staff contributed to the Working Group's discussions by sharing data and responding to multiple rounds of feedback and follow-up requests. The Working Group acknowledged that anticipated increased housing demand, coupled with exceptionally low vacancy rates, would exacerbate housing costs in the absence of additional housing production. Members likewise expressed the desire for there to be housing options for all individuals and families who wish to call the City home.

Recommendation: Conditional support for increasing SomerVision housing production goals

The full SNI Working Group recommends increasing the SomerVision housing production goal, provided the goal can be increased without impacting other SomerVision objectives in areas discussed below. There is also strong support for specifying the kinds of new units that the City would like to see produced in order to ensure a diversity of unit sizes (especially units for families), types, and prices in new housing developments. As referenced previously, discussions were informed by analysis of local and regional housing supply and demand MAPC provided. A summary of "key takeaways" from MAPC's analysis and related analysis conducted by LDS Associates, for a Housing Needs Assessment completed in draft form in late October, is included in report Section 2.

As noted, SNWG support for increasing housing production goals assumes:

- Completion of OSPCD Planning and Zoning's analysis of a "capacity review" of the undeveloped/ underdeveloped land in the City confirms that increasing housing unit production beyond 6,000 units can be accomplished under the zoning overhaul contemplated.
- An increased number of housing units can be built while still achieving SomerVision job creation and open space development goals.
- The City retains, through zoning or other local mechanisms, the ability to specify the types of units built, so that new units address the housing needs of Somerville's diverse population.

Selected comments:

- "I support an increased housing goal if it is clear that it will meet more of the demand for affordable housing and family units. I am concerned about the gentrifying effect of large numbers of luxury units. I want to make sure the building is helping more than hurting and setting more specific targets for size and affordability will accomplish that."
- "SomerVision proposes to focus most of the housing production in transformative areas. There are

great opportunities to build high density mixed-use communities with workforce opportunities. I believe these areas could be expanded without undue adverse impact on existing residential communities."

- "I don't think we can wish our way out of Somerville's and the region's affordable housing crunch. Part of the way to address the housing crunch is to be willing to develop substantial numbers of new housing units to help absorb demand. While I acknowledge the challenging balancing act with desired commercial development, I don't believe the answer is to depress and ignore the need for more housing in Somerville."
- "The question is my mind is how many people do we want living in a 4.1 mile radius, with the concomitant stress on facilities, transportation, quality of life, etc., and how does 6000 units versus 9000 units impact that?"
- "Unless the City uses zoning and all the other tools at its disposal to ensure that the housing that gets built meets the needs of the people who make Somerville the diverse, family-friendly community we like to say it is, developers will...build lots and lots of the small, expensive units that makes the most money for the developers."



30,000 New Jobs as part of a responsible plan to create opportunity for all Somerville workers and entrepreneurs



125 New Acres of Publicly-Accessible Open Space as part of our realistic plan to provide high-quality and well-programmed community spaces



6,000 New Housing Units - 1,200 Permanently Affordable as part of a sensitive plan to attract and retain Somerville's best asset: its people.



50% of New Trips via Transit, Bike, or Walking as part of an equitable plan for access and circulation to and through the City.



85% of New Development in Transformative Areas as part of a predictable land use plan that protects neighborhood character

The SomerVision Numbers cannot be separated into parts and cannot be separated from the SomerVision Map in order to advocate for a specific action by the City. They must be viewed in the context of entire Comprehensive Plan including the backup information in Appendix 1 and Appendix 2.

Program Initiative: Affordable Housing Design Competition

One of the six proposal areas included when the Sustainable Neighborhoods Initiative was announced, an affordable housing design and development competition, was proposed as a way to foster innovative design in affordable housing that meets a broad range of the goals outlined in SomerVision. Starting assumptions for such a competition were that it should be sensitive to the needs of future residents as well as the surrounding community, and address design elements such as long-term environmental goals as well as other goals like economic feasibility. Benefits beyond innovative design were also noted; competitions can encourage creativity in financing and ownership structures to support long-term affordability, and provide models that are replicable. Research conducted by SNWG staff suggested that competitions typically are one-phase or multi-phase, and may or may not be site-specific.

The administration has proposed a parcel at 163 Glen Street as a potential site for the Affordable Housing Design Competition. At this time, its disposition has been conditionally recommended in the BOA Committee to which it was referred, pending preparation of a Request for Proposals that would initiate the disposition process. The Glen Street site is one of three adjacent parcels; Somerville Community Corporation (SCC) owns the other two and is in the process of developing eleven homeownership units on the other two parcels.

The zoning district in which the site is located is currently Residential B (RB), a low density district that allows for just 8 units to be constructed as-of-right. Under the 2015 proposed zoning overhaul, the parcel was included in a 'civic' zoning district, and it likely would remain in a 'civic' zoning district until there was a compelling reason for it to be moved to another category to support implementation of a stated planning goal. The adjacent parcels owned by SCC were proposed to be part of an Urban Residence (UR) district under the proposed 2015 zoning overhaul. If 163 Glen was likewise put into the UR zone, it likely would support between 20 and 28 units based on an 8,100 square foot floor plate.

From a review of other design competitions researched by SNWG staff, members identified several significant additional benefits of holding an affordable housing design competition.

- The structure of a competition fosters creativity and experimentation while addressing identified competition goals.

- The openness of a competition presents an opportunity for a diverse range of professionals to showcase their work.
- The opportunity to engage Somerville community in the judging process, creates transparency and fosters collaboration with City residents.
- The potential for replicability in other neighborhoods and communities.

Recommendation: Affordable Design Competition, with openness to other potential sites

The SNI Working Group recommends pursuit of an Affordable Housing Design Competition. Some members were concerned that the identified site, 163 Glen Street, was not ideal for such a competition. The comments regarding the site centered on the small size of the parcel and limited number of units it would yield. There were also questions as to how replicable a smaller, infill-type project would be.

SNWG found overwhelming agreement on the following key aspects of the competition:

- The competition should have only one phase, bringing together a design team and developers from the start.
- The competition should be community-driven with community engagement at all stages of the competition, including a meeting in advance of the competition at which community members can provide feedback on the competition's scoring criteria. Community input on project design and project cost is critical and community meetings should be planned prior to launch of the competition, as well as throughout the process. Integrating community input should account for 25 percent of the competition scoring.
- Initially, the proposal called for affordability and energy efficiency/sustainability elements to both account for 25 percent of the competition scoring, but the full Working Group recommended that more weight be put on the affordability component and less emphasis be put on energy efficiency/sustainability elements (partially because Somerville already has stringent energy efficiency requirements on new construction as a Stretch Code City). SNWG members did not settle on an exact scoring breakdown for these two components;

as the recommendation calls for a community-driven process, the exact design evaluation method could be decided by community members helping to design the competition.

- Financing and cost effectiveness should account for 25 percent of the total competition score, with the goal of encouraging approaches that bring down development costs.
- The Committee was also interested in creating a preference or bonus for development proposals that include more family sized units but did not want to limit creative designs by being overly prescriptive.
- While the Committee originally considered recommending a tenure type (rental or homeownership) for the site, it was decided to leave the tenure type open to encourage creativity and flexibility.

Selected comments:

- *“The City definitely needs a workable model to assist in developing affordable housing projects on both an in-fill and stand-alone basis. Starting with a surplus property is ideal [because] it will keep the land costs to a minimum thereby providing opportunity for a maximum number of affordable units.”*
- *“I really would like to see all this effort geared toward rental housing or a mix of rental and homeownership. We are struggling particularly with reaching households below 50% of affordability and I would love to see innovative models that explored those with incomes lower than that which could likely obtain and sustain homeownership.”*
- *“It seems like a design competition will require a lot of time and resources from the City for a limited number of units. And given the limited amount of undeveloped land in the City, I don’t think the project will be easily replicated. I would prefer to see our resources used for some of the other initiatives we have discussed, which will most likely have a greater impact.”*
- *“The competition may be of interest and the property developed may in fact be innovative but the results may not be transferable to other projects as each site will have its own characteristics. My fear is that it will result in more ‘hype’ than long term benefit across the City.”*

Program Initiative: Financial Support Program for Tenants in Inclusionary Units

Under the current Inclusionary Zoning Ordinance, which mandates that a percentage of housing units built in private residential developments be set aside as affordable, affordable rental units are restricted to households at or below 50% AMI and 80% AMI. Rents are based on the U.S. Department of Housing and Urban Development’s (HUD) Low (50% AMI units) and High (80% AMI units) HOME rents. If a tenant happens to have a rental voucher, the rent can go up to the issuing agency’s payment standard. Households must recertify their income on an annual basis to demonstrate continued income eligibility.

Unlike the Section 8 program, under which tenants pay a set percentage of gross income toward rent, inclusionary tenants are responsible for paying all of the affordable rent unless they have a voucher. Rent for the unit does not decrease if a household’s income decreases. This potentially puts inclusionary tenants who lose a source of income at risk of displacement.

Currently the City provides financial support to tenants through two programs administered by the Somerville Homeless Coalition (SHC) under contract with the City: SHC’s PASS Program and its Tenancy Stabilization Program. Total current financial support for the programs is \$248,750, including City resources drawn from HUD HOME funds, Community Preservation Act (CPA) funds and Somerville Affordable Housing Trust funds. The PASS Program provides financial assistance for rent for up to two years for income eligible households at or below 80% AMI with ongoing case management for the households. In addition to income eligibility, another criterion for participation is that the household demonstrate capacity to become financially self-sufficient, so that when the subsidy assistance ends the household will be prepared to meet financial obligations on its own.

The Tenancy Stabilization Program provides one-time assistance of up to \$3,000, in addition to case management, for households at or below 80% AMI, for costs such as first or last month’s rent, security deposits, moving costs, broker’s fees (in limited cases) and rental and utility arrearages. If a household already has a Section 8 voucher, they are only eligible for financial assistance through the Tenancy Stabilization Program. While tenants of inclusionary rental units are currently eligible for both the PASS Program and the Tenancy Stabilization Program, Committee members noted that there is a high demand/need for both the PASS Program and Tenancy Stabilization Program (especially with the waitlist for the Section 8 program, administered by the

Somerville Housing Authority, being approximately two years long).

One hundred and four (104) rental units have been created to date through the City's Inclusionary Zoning Ordinance, with additional planned development of affordable rental units in the pipeline. In discussions with SHC regarding use of the PASS Program by tenants in inclusionary rental units, it was noted there appear to be very few inclusionary tenants using PASS. While this may be the case, there is the possibility that if an inclusionary tenant were to experience a loss of income, there may not be funds available in the existing programs to assist the household given the high demand and first come, first served basis on which financial support is provided through existing programs.

It was generally acknowledged by the Programs Committee and full Working Group that households that are at risk of homelessness due to a loss of income may become homeless due to eviction for non-payment of rent.

Recommendation: Create a Pilot Program for financial support of tenants in IZ rental units

The SNI Working Group recommends a three-year pilot program for financial support of tenants in inclusionary rental units with Community Preservation Act (CPA) funds in the amount of approximately \$100,000. The initiative is recommended as a pilot program, with a review to be done at the end of the three year period to re-assess the data gathered on need and whether this program should be continued.

Below is a list of key program guidelines:

- There was overwhelming agreement that the program should be advertised through a Request for Proposal for an agency with experience with rental assistance to administer, and with staff trained in case management.
- Members thought that funding for the program should be separate from the Somerville PASS program, as a dedicated funding stream to be used to serve inclusionary clients.
- There was agreement that the program should avoid making rules about the number of households assisted from different inclusionary income categories, and instead should be flexible on the inclusionary tenants it assists.

- The Working Group members also agreed that the cap on assistance should be no more than 2 years.

Other features of the program identified by the Working Group as possible components to be included are:

- For assistance to be reviewed prior to 6 months.
- For at least selected case management, to develop a housing plan for the household based on circumstances and need at a minimum.
- Three-year contract with the administering agency.
- Reports to the City on households assisted through the program, by year.

On a related issue, it should be noted that the Working Group is moving forward with a recommendation that, should an inclusionary tenant household at 80% AMI demonstrate a documented loss of income and income eligibility at 50% AMI, that the household be prioritized for the next available 50% AMI restricted inclusionary unit. Finally, there was discussion as to the fairness of "carving out" funding to assist households already realizing the benefit of affordable rent versus households already rent-burdened in market rate rentals. The discussion suggested rather than segregating funds for one group, increasing funds for the PASS Program, for which inclusionary tenants are already eligible, so that more households can be served.

Selected comments:

- *"Simply providing affordable housing does not fully address the issues related to an individual's/ family's achieving a sustainable living situation. Living in an affordable unit is one component. Temporary assistance speaks to a more holistic approach."*
- *"I support the idea of a separate stand-alone pilot that is distinct from PASS to minimize competition for funds... As with any short-term assistance, it is still to be determined how many households become financially stable by the end of the 6-month period, but I think that structuring this as a pilot to gauge how households fare is a good starting part."*
- *"These situations are long neglected and [it] is time to do something."*

- *“I am concerned that there won’t be enough demand for this program. There are currently only about 100 inclusionary rental units in the City, and it sounds like tenants of inclusionary units rarely apply for the PASS program. This may change as more inclusionary units come online, but I don’t see this as a top priority right now. Our resources might be better spent on programs that assist households who are still on the waitlist for subsidized/affordable housing.”*

Program Initiative: Benevolent Property Owner Tax Credit

The launch of the Sustainable Neighborhoods Initiative in October 2014 included a proposal to “reward” property owners who maintain rents at affordable levels as an initiative to explore. Research conducted by SNWG staff and Programs Committee members identified one analogous local program existing in Provincetown, MA. The town of Provincetown provides a property tax exemption for housing units rented on a year-round basis to low income households (60% of AMI as defined by HUD) at rents that do not exceed HUD rent limits (plus utilities) for low income households. The average total annual tax impact is \$53,000 (the highest was \$70,000) and the number of properties has ranged from 21 to as high as 33 (with an average of 27 properties). The exemption is administered through the Assessor’s Office.

The City of Cambridge recently explored the feasibility of creating a comparable program. In January 2015, the Cambridge City Manager recommended against pursuing such an initiative because it did not appear to be a program that could be implemented to meet the desired outcome without major administrative impacts on the City, taxpayers and tenants. Although Cambridge opted not to create a program, the City did set out some basic requirements that a tax credit program would have involved.

Those program features included: setting a maximum allowable rent, allowing for a tax credit only for a full year occupancy at below market rent, establishing an annual application process, ensuring that all transactions be arm’s length in nature (not between related parties), and establishing a means test to ensure affordable rents are being given to those in need of assistance. In its decision against pursuing the program, City of Cambridge personnel noted that it would have required a home rule petition that would be difficult to pass in the Massachusetts legislature and sustain a gubernatorial veto.

There are roughly 33,000 housing units in Somerville, as noted previously in this report. Working with Assessing Department personnel, SNWG staff and Assessing estimated that for properties with 2 units and up, approximately 9,970 units may be eligible¹⁶. As a starting point for discussion purposes only, if the program allowed a minimum of \$200 a unit for eligible units the City could be administering credits of roughly \$1,994,200. The FY15 total tax levy on all real and personal property (not just residential), accounting for the residential exemption, was \$122,165,461.

An important factor in Programs Committee deliberations concerned the possibility for a benevolent owner program to have the unintended impact of shifting tax burdens and potentially spurring rent increases, for tenants in units that do not qualify for the program. Assuming that forgone revenue from the tax credit program would need to be made up, the tax burden presumably would need to shift to those property owners without eligible units in order to make up lost revenue. Property owners could, in turn, increase rents in order to make up for an increase in their property taxes.

Staff and Committee members gathered information on managing the residential exemption program, as a means of analyzing issues of administrative impact. The residential exemption program is a property tax exemption that allows owner-occupant taxpayers to reduce the assessed value of their principle residence by up to 35%, which in turn can significantly reduce the property taxes they owe. Few municipalities in Massachusetts offer such an exemption - approximately 10 out of the 351 municipalities in the Commonwealth. As noted already, Somerville has approximately 9,500 eligible properties receiving the exemption currently. Each year, Assessing must process approximately 1,800 applications (roughly 1,000 re-certifications and 600-800 new applications). There is no single staff member responsible for the residential exemptions; all 7 Assessing staff members work on applications.

The Committee has also explored whether it would be possible to provide for multi-year affordability, and to tie unit eligibility to having to meet a specified condition standard (so as not to reward property owners who maintain their units in poor condition). There was general agreement that such a program would require significant additional staff in order to be implemented.

16 The total number of eligible 2+ unit properties was estimated because the Assessing Department only collects tenant income data on 4+ unit properties.

Recommendation: Not to proceed with a full scale program; consider an alternative Pilot

For reasons referenced above and further detailed below, the Working Group is not overwhelmingly supportive of implementing of a benevolent property owner tax credit. The initiative is not being recommended for several reasons:

- If open to all landlords charging affordable rent, the program would be costly in terms of foregone tax revenue. Based on projections that approximately 10,000 units would be eligible – even a small to moderate credit of \$200 a unit (generally acknowledged as too small an incentive to attract property owners), would equal \$2 million in lost revenue, or approximately 1.63% of total revenue (in real and personal property taxes, adjusted for the residential exemption) from FY15. According to the 2010 Census, there are 33,632 year-round housing units in the City. If the lost revenue is passed along to the owners of the other 23,632 units, those taxpayers could see a property tax increase.
- The program would be challenging to administer and additional staff likely would need to be hired to successfully support and implement the program. Specific challenges identified included:
- Expense and time of accurately ascertaining the number of eligible properties ; and
- Staff time involved with verifying actual unit conditions (code and habitability), documenting that a transaction was at arms-length and did not involve family, and verifying rent and income eligibility of tenants.
- The program would not provide sustainable housing affordability. Participating property owners who find the program difficult and/or find the benefit not worth the burden and decide to end participation could increase rents dramatically. Working Group members were consequently skeptical that the program would provide stability and predictability for tenants. Members wished to see funding directed to other programs that could provide longer term affordability for tenants.
- The program would most likely require a home rule petition, which in all likelihood would be a challenge to get through the state legislature, and could come at the expense of other initiatives.

Alternative/Additional Recommendations:

An idea introduced during full SNWG consideration of this complex set of issues and which received some support would to pursue a small-scale pilot program to provide benevolent property owners with a rebate or subsidy. The concept was predicated on the availability of revenue available through passage of a Transfer Fee, to serve as a source for providing a rebate for a limited number of property owners charging below market rents to income eligible tenants (with limits to be specified). Under such an initiative, the City could accept applications and hold a lottery following broad outreach. Such a trial effort could help gauge interest in such a program and provide a sense of the potential number of eligible/interested owners. By designing a program with funding that is not reliant on a tax credit, implementation would not create a potential consequence of increased rents in non-eligible properties, due to a tax burden shift to those properties.

Selected comments:

- *"I support the recommendation not to recommend large scale implementation of a tax credit because the estimated costs outweigh any potential benefits: the additional administrative requirements, inadequate staff capacity to process additional tax credit applications, along with the shifting of the tax burden to other properties not receiving the credit, make this a very unattractive initiative."*
- *"The complexity and cost of administering this program, combined with the low likelihood that it would make a significant difference in rent levels in Somerville, convinces me that it is not worth pursuing."*
- *"The entire proposal was and remains contingent [in the commenter's view] on the transfer tax for funding. This is a spurious [approach]!"*

Program Initiative: Affordable Tenancy and Energy-Efficiency Program

Several years ago Somerville introduced and administered a Residential Energy Efficiency Program, through a three-year grant from the Department of Energy using funds from the American Recovery and Reinvestment Act of 2009. While that grant has since ended, the City has sought to continue a version of the program by "piggybacking" on the existing Mass Save Program and offering additional

incentives, including reimbursements to owners for energy efficiency improvements. The City recently entered into a Memorandum of Understanding (MOU) with Next Step Living to offer energy audits and energy-efficiency retrofits to homeowners in addition to the ongoing Mass Save program.

Due to the cost of energy efficiency improvements, however, some homeowners could struggle to pay fully, or be unable to find financing options to cover the entire project. The proposed Affordable Tenancy and Energy Efficiency program would provide a gap-filling source (i.e., the “last dollars in”) in the form of forgivable loans for residential energy improvements, in exchange for affordable rent restrictions for the life of the loan term. The proposal is similar in its administrative design to the existing Lead Hazard Abatement, Rehabilitation, and Heating System Replacement programs operated by the City’s OSPCD Housing Division.

These programs include standard requirements like income qualifying residents and monitoring of rent limits. The Lead Hazard Abatement program provides loans to eligible residents up to 80% AMI for lead paint inspection and removal. Rental limits are placed on rental units for the 3 year term of the loan.

Under the Rehabilitation Program, funding can be available to rehabilitate any livable space in income eligible units at or below 80% AMI. The loan is a zero percent interest, deferred payment loan which is not due until the property is sold or transferred and requires homeowners to keep rent at or below HUD’s Fair Market Rent for the life of the loan.

Under the Heating System Replacement program, income-eligible homeowners (i.e., at or below 80% of Median Family Income) can replace their old or inefficient systems. Funded with HUD HOME or CDBG funds, owners can receive up to \$4,500. The loan is a three-year forgivable loan provided there is no default on any of the terms and conditions. (Because this program only provides funding for the income eligible homeowner units, rental restrictions do not apply.)

The Programs Committee discussed requiring that the duration of affordability be proportionate to the amount of funds accessed. This was thought of as a way to enhance rent predictability for tenants. (There would be a provision in the loans prohibiting pre-payment.) The Committee also talked about verification of tenant income eligibility by the City and assumed the program would cost the City no more to confirm income eligibility, unit condition and habitability, and rental limits as do existing programs.

A primary goal of this program would be to leverage additional resources, including Mass Save and Mass Save Heat Programs, to improve housing stock, create affordable rental units, and also contribute to

furthering the City’s goal to become carbon neutral by 2050; it also would provide energy savings to the income eligible tenants.

Through consultation with the Community Preservation Committee, it has been determined that a program of this nature would not be eligible for Community Preservation Act funding. Staff also determined that ‘deferring’ income eligibility (secure funding through the program and demonstrate income eligibility of tenants at a future time) would not be possible.

Recommendation: **Pursue creation of an Affordable Tenancy and Energy-Efficiency Program**

The Working Group recommends pursuit of a three year pilot program designed to provide gap-filling (e.g. “last dollars in”) forgivable loans for residential energy efficiency improvements in exchange for affordable rent restrictions on properties benefiting from the energy efficiency improvements. It was estimated that the program would cost approximately \$1 million and no more than \$2 million. This preliminary estimate is based on a per property limit of ‘last dollar in’ funding in the amount of \$20,000 (with the final funding cap to be determined by the City) for 100 properties (primarily consisting of 2 and 3 units) over the 3 year pilot. Eligible project activities would include boiler and heat pump replacements, insulation (and removal of knob and tube wiring to permit insulation), air-sealing, purchase and installation of solar panels (with a review of any necessary re-shingling, roof stabilization work needed), and other approved improvements that promote energy efficiency and reduce emissions.

Other aspects of the program discussed by the Working Group include:

- Property owners must demonstrate that they have income eligible tenants in order to access funds.
- Improvements to be based on a generally accepted energy audit that would benefit tenants of one or more units and be performed by a licensed contractor.
- Bid must be within a generally accepted range as established by Mass Save, the Department of Energy Resources or the Massachusetts Clean Energy Center.
- Clients must demonstrate the dollar amounts committed in other funding for the proposed improvements (state and utility-funded assistance)

to show that City funding would be the last funding required to pay for the improvement.

- Clients must agree to provide, or authorize the utility company to provide, copies of heating and electric bills for City analysis covering the prior 12 months from the time of application and for the 12 months following the improvements.
- Consider a cap for funding limits per unit to ensure sufficient funds to assist multiple units.
- Duration of the rental limits and monitoring proportionate to the dollar amount accessed with one year of rental limits per every \$3,000 accessed. If the assistance is not an even multiple of \$3000, the obligation would be rounded up in 6 month intervals. Example: a \$10,000 loan would have a 3.5 year rental limit obligation and a \$17,000 award would have a 6 year rental limit obligation. (An alternative approach to this issue would be to round up to the nearest full year to avoid complication with lease periods - which are usually for a full year - rather than round the affordable rent restriction in 6 month intervals.)
- Popularity and success of the program would be evaluated at the end of the 3 year pilot period to determine if the program was worth extending.

Selected comments:

- *"This is an inventive program that could address two goals: affordable rents and increased energy efficiency, at the same time."*
- *"In addition to buying one or more years of affordability for the unit, we would be using the funds to permanently lower the cost of living in those units, because heating costs would be reduced, and electricity costs would be eliminated (if the solar unit was purchased)."*

Program Initiative: 100 Affordable Homes

The 100 Homes initiative predates formation of the Sustainable Neighborhoods Working Group. The proposal was part of the Mayor's Sustainable Neighborhoods Initiative announcement in October, 2014. Under 100 Homes, the City and Massachusetts Housing Investment Corporation (MHIC) are collaborating to fund Somerville Community Corporation's (SCC) acquisition

of properties on the market and/or that SCC identifies as available before being put on the market. Properties on the market are increasingly being lost to cash buyers, often bidding against each other and other prospective purchasers for investment or speculative purposes.

Funding assistance will be provided for acquisition, subsidy, and limited rehab/repairs through Community Preservation Act funds administered by the City's Affordable Housing Trust Fund. SCC will acquire and rehabilitate homes and subsequently serve as a "benevolent owner," providing a diversity of units affordable to households at a range of incomes. The goal of the program is to acquire and preserve the affordability of 100 units within the first three years of the program. Regarding a concern expressed during consideration of recommendations (included below under 'selected comments'), SCC will seek to avoid situations in which it could be in the position of competing against a prospective purchaser who intends to live in the property.

Recommendation: Continue Pursuit of 100 Homes Program

There is overwhelming support for this program from the SNI Working Group.

Selected comments:

- *"This is the only proposal I see that will remove existing housing units from the speculative market and convert them to permanently affordable housing units."*
- *"I would encourage the SCC to try again to meet with the SHA to see if any Section 8s can be project based in any of these units to increase depth of affordability (particularly if there are low income tenants currently in the units)."*
- *"The tenant income limits need to be increased from 100% of AMI to 120%."*
- *"More of my friends and neighbors have expressed concern about this program than any other, particularly young families that have rented for many years and are now hoping to find a multi-family of their own to buy and raise their family in. Some who have bought multi families over the past few years have expressed concern that they would not be living in Somerville today had this program been in place. They would now have to compete on the open market with the SCC, which is being funded by their own CPA contributions."*

Program Initiative: Financial Support for Income Eligible Homeowners Facing Foreclosure

At the last Programs Committee meeting held September 16, 2015, Committee members began to consider a financial support program for income eligible homeowners facing foreclosure. This program was not fully fleshed out, and initial research would need to be conducted to determine whether this could violate the Massachusetts State Constitution's Anti-Aid provision (against using public funds to assist a private citizen without a sustained, demonstrable public benefit). One possibility for consideration would include conditioning of the assistance on affordability restrictions.

Recommendation: Explore ways to offer financial support for income eligible homeowners

SNWG recommends consideration of a program that offers financial support for income eligible homeowners facing foreclosure. Such a program would be similar in intent to the proposal for a financial support program for tenants of inclusionary rental units facing possible eviction after a documented decrease in household income. While the Working Group did not have time to develop and reach agreement on details of the program, there was support for the City's consideration of such a program.

Selected comments:

- “Yes! This is all about preventing displacement and retaining people with a range of incomes, cultures and experiences. We should definitely help folks to avoid foreclosure wherever possible.”
- “This speaks to a more holistic strategy of addressing the creation of a long-term, affordable living situation for an individual or family.”
- “A good example of HUD running a similar program was after the recession hit HUD created a Homeless Prevention and Rehousing Program (HPRP) that didn't differentiate between renters and owners. If they meet the criteria they won't have the resources to stay afloat and it costs us, society, less to help them stabilize.”
- “It seems quite complicated to administer to me. I would prefer putting some City funds into programs that directly assist owners facing foreclosure with

household budgeting and mortgage workouts, such as that run by Cambridge Neighborhood Affordable Housing Services.”

Program Initiative: Community Land Trusts

Given the seven other initiatives the Committee had prioritized for consideration and time constraints of the overall SNWG process, the Committee was unable to consider this initiative in detail. The Working Group recommends convening a community task force to study the potential benefits and costs of community land trusts in Somerville. Since the recommendation on the Right-to-Offer proposal (discussed in Section 6), also involves creating a task force to work out details of the initiative, members recommended that Community Land Trusts be covered by the same task force. An area for particular exploration would be whether land trusts provide more protections and security in the face of potential foreclosure than deed restrictions.

Selected comments:

- “Land trusts offer the potential of using transfer tax and other housing income to guarantee loans and mortgages, reduce intrusive insurance add-on fees, and expand ownership through a wide range of equity partnership agreements.”
- “Land trusts can also be used to support affordable sites for small businesses. To the extent that we want to make it possible for local businesses to exist despite rising commercial rents, we should consider a land trust for commercial property, as well as for residential property.”
- “I believe that one of the potentially biggest differences between a well-run CLT model and other forms of deed restrictions is in the governance and stewardship of CLTs by its members, which can lead to a greater sense of “ownership” (meaning sense of responsibility and control) than often is the case with traditional deed restrictions.”
- “This is a great program -- in other places. I am not convinced that with virtually no vacant land in Somerville and with land as high-priced as it is that this is the best way to go here.”

Section 6

POLICIES COMMITTEE Initiatives and Recommendations

Policy Initiative: Right-to-Offer Program

A Right-to-Offer program would give tenants or third party non-profit developers a legal right to make an offer on a property before other buyers may purchase it. SNWG's Policies Committee examined two existing models in considering a program of this kind in Somerville.

- *Washington DC First Right Purchase Program:* The District of Columbia has operated a program known as its "First Right Purchase" program for over 10 years. The program helps tenants take advantage of their right to purchase when their building is being sold by providing low interest loans to tenant groups. The First Right Purchase program works together with a Tenant Opportunity to Purchase Act, which was passed in 1980 and give all tenants the opportunity to purchase their unit if it is being sold. The program helps low to moderate income tenants capitalize on this right by providing technical assistance, help with forming tenant associations that can then purchase buildings, and low-interest loans for purchase and rehabilitation. Tenants can also assign their right to purchase to a non-profit or for-profit developer.

The program is primarily funded through the District's Housing production Trust Fund and through Community Development Block Grants (CDBG) and has facilitated preservation of about 1,400 affordable housing units between its launch in 2002 and a study conducted 11 years later in September 2013. Because the subsidies and technical assistance make the program expensive, federal cuts in CDBG funding have reduced its scope in recent years.

- *Massachusetts General Law (MGL) 40T:* In 2009 the Massachusetts legislature passed the Expiring Use Preservation Law that governs sales of publicly-assisted housing prior to the end of their affordability restriction. The terms were established by "compromise consensus reached by diverse preservation stakeholders—including private and non-profit owners, tenant advocates, and public

sector representatives—after a multi-year process." According to the law's original terms¹⁷, the property owner must provide notification at least two years before termination of affordability restrictions

The owner must offer the Department of Housing and Community Development (DHCD) an opportunity to purchase, and DHCD may select a designee. DHCD or its designee has 90 days to submit an offer. The owner does not have to accept the offer, and, if they decide to reject it, the owner has two years to sell the property to a third party. Upon execution of the sale with a third party, the owner must submit the same purchase contract to DHCD, which the Department has 30 days to accept. If the offer is on more advantageous financial terms to the owner, then the owner must once again allow DHCD the opportunity to purchase.

In assessing these models, the Policies Committee and full SNWG considered how they could help address several of the goals and needs identified during the course of SNWG's deliberations. These include creation of housing for low and moderate-income households, preservation of housing in traditional neighborhoods¹⁸, creation and preservation of housing suitable for families, and creation of ownership opportunities.

The proposal also incorporates components of other initiatives, including creation of a tenant resource

17 Note that 40T regulations changed in 2013. Owners no longer have to notify DHCD (and others) when they first list the property with a broker (i.e. an early stage) but, instead, can notify DHCD just prior to entering into a purchase and sale agreement (a later stage). This 2013 revision leaves a much shorter period of time for the City or their designee to come up with a viable plan to purchase the property.

18 By "Traditional", we mean the neighborhoods that have older single family-, and two- or three-family homes. The term "traditional" has been used by urban planners to connote "village-style development" that includes different housing types within a compact neighborhood area. See: [http://www.sustainablecitiesinstitute.org/topics/land-use-and-planning/traditional-neighborhood-development-\(tnd\)](http://www.sustainablecitiesinstitute.org/topics/land-use-and-planning/traditional-neighborhood-development-(tnd))



Somerville residents weigh in on draft Union Square plans at a Somerville by Design meeting.

center, revisions to the condo conversion ordinance, and ongoing protections for residents in affordable units who experience a loss of income or increase in expenses. Because A Right-to-Offer program would be a relatively comprehensive approach toward multiple issues, SNWG recommends that the City adopt the program through a deliberative process along the lines of the one described below.

Recommendation: **Establish Right-to-Offer Program**

SNWG recommends that the City establish a Right-to-Offer program that governs all or most sales involving a tenant. This program should be modeled on the “First Right Purchase Program” operated by the District of Columbia and on MGL Ch. 40T that governs disposition of expiring use properties in Massachusetts. As an initial step, the Working Group recommends that the City establish a task force of stakeholders to draft terms of a Right-to-Offer program. The task force should present recommendations no later than June 2016, and should include a representative mix of perspectives on real estate matters.

In developing recommendations, the task force should consider including the following elements:

- *Differentiating terms depending on the size and owner-occupied status of the property. The Working Group would like to see, for example, the ordinance apply to owner-occupied properties, but perhaps with different requirements for two and three family owner-occupied buildings. For example, the ordinance might permit an expedited process for those properties’ sales and/or might employ incentives as opposed to mandatory requirements.*
- *Ensuring that potential buyers have financing resources and tools. This would enable the Right-to-Offer process to happen on an expedited basis, so owners don’t experience significant delays (see suggestions below).*
- *Defining a process by which owners can apply to be exempted from the program, such as in the case of within-family sales.*
- *Enabling the City and/or a third-party affordable*

housing developer designee to be given notice and to assume the Right-to-Offer privileges. This would help preserve affordable ownership or retain rental units in the case that the tenants are not able or interested in joining together to make the purchase directly.¹⁹

- *Developing tools that enable owners to convert their owner-occupied multi-family properties to joint ownership.* This would allow them to take money out, such as in a reverse mortgage model. Also investigate models that enable multi-generation households to work out division of ownership and secure financing for any necessary renovations.
- *Ensuring that the process to establish a property's value is fair.* Under MGL 40T that applies to expiring use properties, the buyer must match a third-party offer. Under Washington DC's First Right law, the sale price is determined by an appraisal or the average for two appraisals. However, the "owner may require up to 10 percent above appraised value if a contract with a third party substantiates that price."
- *Prevent property "flipping".* Consider and include regulations that prohibit tenants who purchase their units with subsidies from selling the unit quickly for a profit.

SNWG members noted that it will be important to evaluate the interaction with and potential impact on local and state condominium conversion laws. The Working Group further noted the need for the City to identify a significant source of funding – such as revenue from the proposed transfer fee – to fund such a program. Funding will be required both to subsidize property acquisition and to support property retention.

SNWG also identified several other areas for clarification and further consideration in design of a Right-to-Offer program, including:

- *Expanded technical assistance:* The City will need to expand services available to assist tenants in purchasing units. The City should provide tenants with information on potential models for purchasing units such as limited equity, joint purchase, condominium, and cooperative housing.

- *Resources to ensure household stability:* The City will need to invest in assistance for households that experience a loss of income or increase in expenses. This parallel investment will help ensure not just affordable household creation, but household stability.
- *Local Loan Product:* The City should work with local lenders to explore development of a special loan product to help fill the gap between households eligible for Mass Housing/MHP mortgages and standard mortgage products, for the purpose of expanding opportunities for middle-income buyers. For example, the terms could include a 2-5 percent down payment, a requirement of good credit, different rate options (e.g. 30-year-fixed, 10/1 ARM), and loans for different property types (e.g. condo, single family, and multi-family up to six units) This type of loan could be offered by all interested local banks and could help banks satisfy CRA (Community Reinvestment Act) requirements.
- *Notification:* If the City does not implement a Right-to-Offer program, at minimum it should implement a process by which tenants get notified prior to properties going on the market. Tenants should also receive information about: tenant rights (whether or not they have a written lease), technical assistance programs, lending options, City programs, energy efficiency programs, financial literacy, building literacy, legal responsibilities and rights, the potential benefits/challenges of home ownership, and First-Time Homebuyer Training Courses.

Selected comments:

- *"I believe this program to be the most important to come out of this Working Group. It directly addresses one of the most important community concerns that has led to the formation of this Working Group – the displacements of residents living in rental units as they undergo condominium conversions."*
- *"I am not convinced this should go to a Task Force, which would delay the process of implementing recommendations by at least 9 months. If the SNWG supports this, and since there is a precedent in DC that can serve as a model, and since the Policies Committee has already vetted this thoroughly, why not just have the Housing Department work with the City Solicitor's office to draft a proposed ordinance based on the SNWG recommendations? If people*

19 Note: Tenants right to should take precedence over the City or affordable housing developer right to purchase.

disagree, they could weigh in then as part of the discussion of the proposed ordinance.”

- *“As with former rent control laws, this focuses efforts on small property owners, putting a burden on them to do what the government wants done but doesn’t have the resources to accomplish. I understand it is the option available, but it puts small property owners at a disadvantage. I feel the best and most fair way to address the problem of affordable housing in the long term is to encourage and assist renters in owning property and keeping some of it deed-restricted as affordable.”*
- *“Many of the properties that go on the market are sub-standard and it is important for reasons of health, safety and energy use that upgrades be done. Some reasonable mechanism needs to be put in place that would not prevent upgrades on first-refusal properties.”*
- *“I think this will need to be explained very clearly and carefully especially to owner-occupied and long-term residents. Real estate is often a person’s largest asset and this is potentially impacting (negatively) their bottom line (retirement, inheritance etc.)”*

Policy Initiative: Revisions to the Condominium Conversion Ordinance

Massachusetts state law governing condominium conversions law allows municipalities to adopt local condominium conversion ordinances. Somerville is one of a small number of cities and towns that has enacted a local condominium conversion ordinance. Somerville’s existing ordinance, which was enacted in 1985, regulates condo conversion more broadly than the state statute.

The local ordinance applies to all sizes of rental property (state law only applies to properties with four or more units) being converted to condominiums and requires that the owner notify any tenants residing in the property one year in advance of their intent to convert and two years in advance for elderly, handicapped, or low/moderate income tenants. Owners who wish to convert their property must apply for a permit from the Condominium Review Board, which ensures that the owner is complying with all provisions of the local ordinance. Tenants are also given a 30-day right to purchase the property after a permit is issued by the Condo Review Board. Additionally tenants have a right to reimbursement for relocation of up to \$300 or one month’s rent, whichever is higher.

The City has undertaken two efforts to study and rewrite the Condo Conversion ordinance in the past 10 years. Both efforts – occurring in 2006 and in 2008 – involved considerable work by committees representing different stakeholder views. Neither effort, however, resulted in revisions to the law, largely due to concerns from constituencies both within Somerville and interests expressed from outside the City. Though no revision effort to date has been successful, some SNWG members have expressed interest in a renewed effort, both to increase tenant protections and to bring Somerville’s law into alignment with State law.

The following are selected areas that previous ordinance revision efforts have targeted and that could be part of the focus of future revision efforts:

- *The size of units covered by the law:* The current ordinance’s guidelines treat 4+ units and 2- and 3-family dwellings the same. The 2008 proposal, in contrast, established different requirements for 4+ units and 2/3 family dwellings.
- *Intent to convert:* The current ordinance specifies that the condo conversion requirements go into effect if there is intent to convert to condo. A new ordinance could provide more clarity on what an ‘intent to convert’ means.
- *Length of notice:* The current ordinance matches State law, which requires a two-year notice for “elderly, handicapped, and low/ moderate income tenants” and one-year notice for all other tenants. In contrast, the 2006 proposal required a four year notice for more vulnerable populations and a two year notice for all other tenants in housing with 4+ units.
- *Length tenant has for right to purchase:* The current ordinance requires a 30-day right to purchase period. Some members felt that 30 days is an insufficient amount of time to obtain financing, get a property inspection, sign a purchase and sale agreement, and complete other necessary tasks to purchase a property. Both the 2006 and 2008 proposal suggested extending that period to 90 days.
- *Ability of non-profit affordable housing developer to execute right:* The 2008 proposal suggested giving the right to purchase to non-profit affordable housing developers in addition to the tenants. Another possible option could be to assign the first right to the City or its designee.

- *Relocation assistance:* The current ordinance requires relocation assistance of \$300 or one month's rent, whichever is greater. The 2006 and 2008 proposals suggested increasing that amount to better reflect the actual costs of relocation and also suggested adjusting payments based on tenant income and elderly/handicapped status.

Recommendation: Include Condo Conversion Ordinance Discussion in Considering Right-to-Offer Program

The Working Group recommends that further discussion on amendments to the condo conversion ordinance should be pursued by the task force convened to discuss the Right-to-Offer program. While there was support for strengthening the City's existing condominium conversion ordinance, the Working Group did not reach consensus on specific amendments. Generally, members thought that the task force should consider adjustments to the following components:

- The timeframe of right to purchase;
- Relocation costs;
- The granting of the right to purchase to both the tenant and the City or its designee (i.e., a third party non-profit affordable housing developer).

Selected comments:

- *"I don't support it (the condo conversion ordinance). The biggest problem that faces the City, as I see it, is the number of investor-owned rentals by non-resident landlords. They are not affordable and the turnover is high, which has a negative effect on community stability and safety. Owner-occupied condos are better for the community. If you discourage them, you encourage more of these non-resident, profiteering landlords."*
- *"This is a lightning rod issue, with intense and well-organized opposition to any proposals that provide greater protections for tenants and constraints on an owner's right to convert. Any effort to undertake this should develop a parallel political strategy, learning from earlier aborted efforts."*
- *"I think the onerous lengthy notice requirements are a great disincentive for compliance with this law and actually drives property owners to sell their property vacant, thereby nullifying tenants' rights entirely."*

Policy Initiative: **Housing-related Zoning Ordinance Changes**

Over the past year the City's Office of Strategic Planning and Community Development (OSPCD) Planning and Zoning Division has led efforts to comprehensively overhaul Somerville's zoning ordinances. After reviewing extensive comments from the public, the Board of Aldermen (BOA) did not act by a June 2015 deadline on the ordinance changes proposed in January 2015. The City is in the process of revising its proposal, in response to community feedback and BOA requests for further study of several areas of the proposal. SNWG members studied the recently proposed zoning ordinance with a particular focus on its potential impact on the availability of affordable housing.

The Working Group provided the following recommendations regarding sections of the law.

Recommendation: Suggested Changes for Revised Zoning Proposal

SNWG recommends the following elements for inclusion in the revised zoning proposal that the City expects to submit to the Board of Aldermen and public in 2016:

Percent Inclusionary Units Required: SNWG members discussed recommending an increased percentage requirement for inclusionary units. SNWG recommends a minimum 20 percent requirement, which would come closest to meeting projected housing demand levels. A requested analysis on what inclusionary percentages different sized projects can sustain is presently underway; those findings may be taken into account with this recommendation. Additional recommendations include:

- *Size of Properties - Small:* Reduce the threshold for triggering inclusionary housing requirement from eight to six units.
- *Size of Properties - Large:* Set a higher percent inclusionary housing requirement for developments greater than 100 units.
- *Incentives:* Consider how incentives can be used to generate even higher inclusionary unit percent designations and to give developers some flexibility.

Density bonuses: The proposed zoning ordinance contemplated this year would have required developers of new housing to build units of at least 900 square feet.

Developers may, however, build smaller units through a “density bonus” which is based on their implementation of other prioritized elements in the development.

SNWG recommends differentiating the weights given to different elements in order to incent certain practices and recommends adding an additional density bonus for provision of green space on site. Specifically, SNWG recommends assigning weights to help prioritize the different elements as follows:

- *Highest priority:* Affordable housing, unit size diversity (creating units for families)
- *Second highest priority:* Senior/disabled housing
- *Lowest priority:* Artist housing, Arts and creative enterprise space, Co-working space, Public art;
- *Additional recommended density bonus element:* Green space creation. SNWG recommends that Green Space be weighted in the second highest priority category.

Accessory structures: The 2015 zoning overhaul proposal would have allowed for the development of accessory basement units in a two-family, owner-occupied unit, as long as the new unit meets all applicable building and sanitary codes. SNWG generally agrees with this proposal but adds that basement units should be allowed in three-family homes as well as two-families.

A number of members expressed concern about how accessory structure bylaws could impact tenants who currently live in affordable basement units. Other members, however, were concerned about the health and safety of non-compliant basement units, and believed that a new zoning ordinance could help relieve the issue by potentially incentivizing landlords to covert illegal basement units into legal affordable units. (At least 1 SNWG member expressed opposition to allowing basement units, based on concerns regarding potential negative health impacts) As a result of this discussion, the Working Group came to the following conclusion:

- *Tenant safety:* The City may be able to use a revised zoning ordinance to incent landlords who currently have tenants in basement apartments to bring those apartments up to code. The City may consider reaching out to these landlords to be sure they know of City resources that provide discounted loans and grants in exchange for keeping units affordable. However, to balance the need to reduce health and safety hazards of illegal basement units

with the risk of displacing many households in the event of greater enforcement, tenants in these units should be given information about their rights and, if displacement does occur, should be provided with information about alternative housing options and other tenant services that may be available to them.

- *Other accessory structures:* A revised zoning ordinance should permit development of housing in other above-ground accessory structures, such as garages and carriage houses, as these spaces do not present the same displacement and health concerns. As with basement units, the City should work to reduce or help address displacement of any people living in accessory units.

“Cash-in-Lieu” Payments: The 2015 zoning overhaul proposal would have allowed a developer to submit a special permit to the Planning Board for permission to pay into the Affordable Housing Trust Fund (AHTF) a cash sum in lieu of the requirement to build an affordable unit on site or off site. The SNWG endorses this concept, but recommends the following:

- *Special permitting:* The City should maintain a requirement of special permitting for a cash-in-lieu transaction, requiring developers to provide a compelling reason for this option as opposed to on-site provision of the units required.
- *Cash pay-out ratio:* The City should increase the cash pay-out ratio from the current one-to-one to a higher ratio that captures the true cost of developing a unit, including land acquisition.
- *Consideration of funding needs:* Whether or not the City wants to incent cash-in-lieu payments may depend on the extent to which there are other opportunities to preserve or create housing that require funding. The special permitting process can be used to enhance flexibility in this area.

Housing types: SNWG favors zoning provisions that require or incent construction of a range of unit sizes to ensure that family sized units are built along with smaller units. Also, the proposed zoning law spells out types of housing, including a “student housing” type. The SNWG found the ordinance to be clear and very well written, and suggests just one edit to it. SNWG members noted that group/student housing should include “students and their families” to allow for student family housing.

Inclusionary housing priorities and program administration:

The City's Housing division is funded this fiscal year to access consulting services for creation of a consolidated waitlist for City-managed inclusionary housing units. Currently the City gives preference only to people who live or work in Somerville. SNWG recommends that the City further refine priorities and also recommends that the City add staff as needed to manage the verification process for this more "granular" priority system.

Given the potential challenges and complexities involved with verifying housing candidates using these criteria, SNWG prefers that the City make a final determination about how to incorporate these priorities into a waitlist management system. With these qualifications, SNWG recommends the following criteria.

Tier 1:

Current Somerville Residents

First Priority:

- Those in emergency shelter (homeless shelter or on the street)
- Victims of a natural disaster (e.g. fire, flood)
- People with a disability that their current residence cannot accommodate
- Residents who live in a unit recently deemed uninhabitable due to code violations
- Residents at risk of continuing domestic abuse in their current homes or who have been displaced from their Somerville home as a result of domestic abuse.
- Families with children in Somerville Public Schools classified as homeless and in temporary out-of-district placements.
- Doubled up families, who are considered homeless according to the McKinney-Vento definition.

Second Priority:

- People at imminent risk of displacement through no fault of their own including those with (a) no fault notices to quit or summary process complaints or (b) notices to quit or summary process complaints for non-payment of rent where rent and utilities exceeds 50% of income.
- Households with children under 18

Tier 2:

- Currently working in Somerville full time, with the same priorities as above
- Recently displaced Somerville residents (up to one year)

Tier 3:

- Not working or living in Somerville, with the same priorities as above.

Additionally, SNWG recommends that residents living in an 80 percent AMI inclusionary unit who experience a loss of income get the first opportunity to move into a 50 percent AMI unit. Whenever possible, this unit should be in the same development. If it is in a larger building with multiple affordable units, ideally the unit should change in status to a 50 percent AMI unit itself and then the next available unit should be marketed at the 80 percent AMI level.

Selected comments:

Regarding accessory units:

- *"I don't think that the City can wink at and ignore significant habitability issues in basement units. Regardless of where the unit is, it should meet important code requirements."*
- *"I don't fully understand the difference, from building and sanitary code perspective, between 'accessory' basement units and any other units. I tend to think that a unit either complies or it doesn't and, if it complies, it should be no more restricted from condo conversion than any other units."*
- *"I place high priority in having the City identify existing non-code basement (and attic) units and move to close them and/or help owners bring them into compliance. They are prevalent in the community and are unhealthy and unsafe."*
- *"I think that small, exterior dwelling accessory units (converted garages, for example) should also be allowed in the new zoning. In my opinion, these provide better (healthier, above grade) living options."*

Regarding cash-in-lieu payments:

- *"The higher buyout cost should be adequate to allow development of the multi-bedroom affordable units that the City needs, and not just adequate to build a comparable unit if the rest of the units in the affected building are smaller."*

- “Not really in favor of another way for developers to opt out of developing affordable units.”

Regarding housing types:

- “I think that one of the most important things that City zoning can do is to prescribe a targeted mix of bedroom sizes (in addition to building sizes, e.g., duplex, triplex, four-plex, etc.). The only way we will get to the mix of bedroom sizes that we need is if there are requirements/targets that drive production. Otherwise, market forces will lead to the creation of lots of small expensive units that don’t meet Somerville’s needs.”
- “The housing market is changing—new and innovative housing forms are being tendered. It is important that the by-law not preclude a developer from trying innovative models, such as group homes, micro-units, semi-autonomous dormitories and so forth.”

Regarding inclusionary housing priorities:

- “This seems excessively granular, difficult to administer, and inevitably arbitrary. While some prioritization could be welcome, this seems to be walking a thin line with my understanding of the intent of the Fair Housing Law regarding limiting criteria for who can and cannot live in a place.”
- “This is a tough question. Some of the households in the first tier are likely not to have an adequate income for even a 50% inclusionary unit. The numbers of households that will be eligible after all factors are taken into consideration will still exceed the number of units. Inclusionary units aren’t always accessible; persons needing an accessible unit should have top priority for inclusionary units that are accessible. If certain categories of people always move to the top of the list (e.g., homeless, facing displacement due to no-fault eviction or rent exceeds 50% of income), and there are always new people falling into those categories, the other people on the waitlist will always be runners-up in the competition for inclusionary units, and we might as well not even list some of those categories. If we want to make inclusive priorities, it may be better to simply have a lottery among each of the tiers, and not establish within-tier weighting (other than prioritizing folks with disabilities for accessible units).”

Policy Initiative: Housing for the Lowest Income Households

As mentioned in other report sections, the Working Group spent considerable time discussing the needs of different sub-groups in Somerville. SNWG members, in particular, who work with low-income individuals and families pointed out the increasing challenges households below 50 percent AMI have in finding housing, even when they have a Section 8 voucher or an inclusionary housing opportunity.

SNWG considered the feasibility of developing a funding target for Somerville’s Affordable Housing Trust Fund (AHTF). At present, the Trust Ordinance states that the Trust funds shall be used to create or preserve housing that is affordable to households with incomes of no more than 110 percent of AMI. The Declaration of Trust specifies the more detailed allocation minimums as follows:

- at least 20 percent of the funds serve households between 0 and 50 percent AMI
- at least 20 percent serve those with incomes between 51 and 80 percent AMI
- at least 10 percent serve those with incomes between 81 and 110 percent AMI

The other 50 percent of the Trust funds are discretionary and can be allocated to any of these three target income categories. The Trust regularly reviews its allocation of funds by income category, to ensure that the income requirements of the Trust are met. In addition, the Trust encourages deeper affordability where possible, consistent with project feasibility. Many housing development loans and grant-funded programs serve households with incomes below 30 percent of AMI. The Trust also seeks to encourage projects and programs that serve homeless households. With regard to HOME and CDBG funds, while they don’t have percent set-aside requirements for lower-income households, they do have requirements regarding assisting households with up to 80 percent AMI.

Recommendation: Create Section 8 Usability Incentives and Establish Target Funding Levels

SNWG recommends the following for the purpose of helping to address needs of the lowest income households:

Increase Usability of Section 8 Vouchers: SNWG recommends that the City collaborate with the Somerville Housing Authority (SHA) for the purpose of increasing the usability of Section 8 vouchers. SHA recently increased its payment standards to 100 percent of FMR (Fair Market Rent, as determined by the federal Department of Housing and Urban Development). However, SHA officials have reported that it is still at risk of having to terminate subsidies (due to inability of tenants to find units within FMR limits). Options to consider for increasing the usability of Section 8 vouchers include:

- Using a payment standard of 120 percent of FMR;
- Providing a month's "incentive fee" to property owners;
- Providing a month's holding fee to owners to allow for time for the SHA inspection; and/or
- Provide some project-based vouchers in inclusionary housing units to reach more depth of affordability.
- Note funding for some of these efforts would need to come from City sources.

Target Funding Levels for Lowest-Income

Households: With regard to the AHTE, SNWG recommends that the Affordable Housing Trust and City direct funds in a way that targets extremely low income households (i.e. below 30% AMI), without creating policies that in turn mandate excessive specificity that can delay projects. Among the benefits cited in establishing set-asides were helping to ensure that those with lowest incomes are adequately served, and providing a process by which projects which support these households receive funding priority.

This benefit, however, must be balanced with other factors. Because deeper subsidies may be needed, increased spending on the lowest-income households may result in fewer households overall being served. Also, other state and/or federal funding sources may have additional income restrictions and availability which make it difficult to comply with recommended restrictions.

Policy Initiative: Alternative Home Ownership Models and Housing Assistance Center

The Policies Committee also explored the potential of alternative homeownership and occupancy models, to foster access to affordable housing through nontraditional forms of ownership.

Alternative homeownership models emerged as a priority out of concern that conventional models of purchasing a single family, condominium, or multi-family property are increasingly out of reach for many first-time homebuyers. While understanding that homeownership is not feasible for all households, the Committee also recognizes that it can provide stability of housing costs, and potentially mitigate displacement associated with rising housing costs.

Recommendation: Establish Housing Assistance Center and Support Alternative Home Ownership

SNWG recommends that the City expand its housing assistance role to offer technical assistance to potential buyers and current renters or home-owners. As part of this technical assistance program, it should enhance capacity and expertise to create a "tool kit" of resources to support the following types of purchases:

- *Joint Purchase:* In this model, multiple individuals/ households purchase a multi-family together at a lower cost than purchasing individual units once a property has been renovated and converted to condos.
- *Co-operative Housing:* In this model, individuals/ households purchase a share in a larger development and get use of an individual unit as a result, plus access to shared spaces.

In both cases, potential buyers may need help with finding partner buyers, with figuring out financing terms, and with crafting an agreement with fellow buyers that would spell out terms of property transfer/ sale, use of common areas, etc.

Policy Initiative: University Housing

Housing for university student was initially identified by the Policies Committee as a topic to consider, but the Committee eventually opted to focus on other highly prioritized initiatives due to time constraints. While no formal recommendation was made in regard to university housing, the significance of universities and their student populations in and around Somerville demand at least brief identification as an area for continued attention. This point was reiterated toward the conclusion of SNWG's work, when The Boston Foundation and Northeastern University issued their annual "Greater Boston Housing Report Card", whose author has called for increased efforts on the part of academic institutions to house their students on campus.

As of 2013 the undergraduate and graduate student population in Somerville totaled over 12,000, or more than 16% of the City's population. The number of students living in the City has grown steadily in recent decades, increasing from around 5% in 1970 to about 10% in 1980, to nearly 15% in 2000. While Tufts University, which straddles the Somerville-Medford line, is the largest and only property-owning school in Somerville, substantial numbers of students from Harvard, MIT, and Lesley also live in the City.

Greater Boston, with its 76 universities, has experienced an expansion in student enrollment that reflects national trends. From 2000 to 2010, the student population in greater Boston increased from about 290,000 to nearly 340,000. Overall, this expansion in post-secondary enrollment has not been coupled with matching expansion of on-campus housing development.

The result is that a large portion of students in the region, and Somerville specifically, live off-campus in rental units that otherwise could be occupied by families or working households. Student tenants often live in multi-bedroom apartments and share rental expenses. Since households of 3 or more college students sharing housing costs and include more rent paying residents



Sophia Gordon Hall at Tufts University was completed in 2006 and provides apartment-style housing for 126 junior and senior students.

than traditional 1-2 income earner families, property owners often charge higher rents to college tenants than they would be able to ask for from family households. This in turn can escalate housing prices in surrounding neighborhoods.

Understanding and addressing the impact of students on the local housing market first requires determining where students reside and how many live off-campus. This is information that universities have not traditionally shared with municipalities. Following the lead of the City of Boston (which passed an ordinance in August of 2014), Somerville enacted a University Accountability ordinance in January 2015. The ordinance requires universities that own or lease property in Somerville in which students reside to maintain a directory of names and addresses of students. Additionally, the law compels schools to report information on the number of students living

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off-campus and an anonymous breakdown of their addresses, status (i.e. undergraduate, graduate, full-time, or part-time), and expected graduation years.

Fall 2015 was the first semester in which these new ordinance requirements were in effect. At this time, the City is still waiting to receive data from all colleges covered by the law. Data reported under the similar ordinance in Boston was compiled for the 2014-2015 academic year. Among the findings were that about 67% of the 148,402 students enrolled in Boston's higher education institutions (99,869 students) live off-campus. Of these nearly 100,000 students residing off-campus, about 62% (61,637 students) live in communities outside of the City of Boston, including Somerville.

While SNWG was not in a position to make fully informed recommendations on university housing, the City may gain useful information from Boston's recent experience. Boston municipal government is featuring dormitory production as an important piece of its "Housing a Changing City: Boston 2030" plan issued in 2014. Boston has established a goal to create 18,500 new student dormitory beds by 2030. That plan involves accelerating the pace of dormitory production by working with all colleges and universities to create commitments and fixed timetables for the constructions of new on-campus student housing.

Toward that end, Boston Redevelopment Authority officials have met with college representatives to develop realistic goals for dorm production based on enrollment numbers; determine targets for the percentage of students housed on campus; and discuss requirements for on-campus housing for students of certain grade levels. Boston is also exploring ways for private developers to build off-campus dormitories. These strategies offer a framework with which Somerville can evaluate and identify ways to free up rental units currently occupied by college students in the City.

Section 7

CONCLUDING INFORMATION AND IMPLEMENTATION STEPS

The preceding information in this report is not expected or intended to represent a unitary set of recommendations universally accepted by every Working Group member. In other words, overwhelming agreement, which was achieved on recommendations described in preceding pages, does not mean unanimous agreement. Discussions of each of the initiatives considered by the Sustainable Neighborhoods Working Group encompassed a range of views. SNWG staff who prepared the Recommendations Report have attempted to capture the key content of research and discussion, identifying areas of strong consensus, and also acknowledging areas of what Mayor Curtatone has referred to as “constructive disequilibrium”.

It is a privilege to be able to write of the Working Group’s efforts that, even with occasional areas of substantive disagreement on particular initiatives and issues, discussions of those initiatives and recommendations regarding them remained uniformly civil and constructive throughout the 10 months for which the Working Group met. An area of unanimous consensus on the part of the Working Group – and particularly emphasized by the Co-chairs in their letter transmitting SNWG’s Recommendations Report – is that this report is intended to serve as a basis for action.

Toward that end, the Mayor already has directed City staff to engage outside assistance needed to conduct feasibility analyses of recommendations for which it is required. Recommendations for which feasibility or other study (in the case of Linkage Fee ordinance revisions, a nexus study) is necessary include the proposed real estate transfer fee and Right-to-Offer program that encompasses possible revisions to the City’s condominium conversion ordinance. As noted, Mayor Curtatone has called for these analyses to be completed as quickly and as early in the New Year as possible.

Immediate next steps following completion of feasibility analyses will be reengagement with SNWG members – expected to occur in a single meeting in deference to the extensive effort, energy and time already invested this year – to review feasibility and other analyses and inform prioritization work. With

that feedback and input secured, City staff will then be tasked with preparing a detailed implementation plan. That plan will direct ongoing efforts to realize the Mayor’s and Working Committee’s goal of preserving, and indeed improving, Somerville as a community where housing opportunities are available and sustainable for families and individuals of diverse background and economic means.

Opportunities for engagement in these efforts will be numerous and substantive. Certain recommendations will undoubtedly require strong demonstrations of public support to ensure passage. Others already have been identified as being in need of further input and review by resident-led groups. City staff will be conducting outreach intended to yield a combination of some SNWG members, for purposes of continuity and historic context, while also seeking new members with distinct and diverse perspectives to help bring to the implementation plan and monitor progress towards its realization.

Additional information on the Sustainable Neighborhood Working Group’s efforts, including meeting notes, presentations and other materials, will be available on the City’s website, under the homepage for the Mayor’s Office of Strategic Planning and Community Development’s Housing Division.

