

Affordable Housing in Boston

A closer look at the role of a transportation agency in community building

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The author accepts full responsibility of the information presented herein. The observations and conclusions do not reflect either official Massport policy or the policies of the Metropolitan Boston Housing Partnership and are entirely the observations and conclusions of the author.

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Key Findings

- Massport’s voluntary cooperation with the City of Boston and the Boston Redevelopment Authority has resulted in ensuring developers of Massport property contribute to the city’s supply of affordable housing. Massport’s residential property developments (Park Lane Seaport, Waterside Place, and Portside at Pier One) contribute to affordable housing through either a cash-out payment to the BRA’s Inclusionary Development Fund, or by production of on-site affordable units.
- Massport currently keeps no formal record of developers’ contributions to affordable housing, on-site, off-site, or in the form of a cash-out payment.
- To date, Massport has not exerted formal influence on the disbursement of the developers’ contribution in terms of what form it takes (on-site, off-site or monetary).
- Boston’s Inclusionary Development Fund, to which cash-out fees are paid, lacks transparency. Greater transparency would be beneficial to developers in the process of applying for and receiving funding. Currently, the BRA is developing a report that will shed light on the allocation of funding and will add transparency to the fund.

Introduction

One of the major issues facing many U.S. cities today is a lack of affordable housing. Not only is an adequate stock of affordable housing an integral part of a successful city, it is ultimately a key component of a sustainable city. Boston is a leading example of housing developers and community programs that contribute to affordable housing with one of the best linkage programs in the country. The linkage program raises funds for affordable housing creation and encourages continued economic growth. With a strong network of Community Development Corporations and a city government that is a leader in residential real estate development there is recognition of the long-term benefits of mixed-income neighborhoods and development. The programs and policies implemented in Boston provide evidence of the city's strong leadership in this area. The cost of development in a city, specifically in Boston, is very high, consequently impacting affordable housing and the approach that developers take to contributing to affordable housing.

The Massachusetts Port Authority (Massport) is becoming a pillar of community building in Boston through its cooperation with the City of Boston on recent residential development, a relatively new sphere of development for Massport. This role in community building stems from Massport owning a great deal of land in South Boston and East Boston of historically maritime industry-based uses, as well as owning and operating Logan International Airport, Conley Container Terminal and the Black Falcon Cruise Terminal in South Boston. South Boston's waterfront area was seen as a "logical extension of development in the city of Boston"¹ because of its unique urban condition (large parcels of underutilized waterfront land) with its proximity to downtown and to Logan International Airport. South Boston became more easily accessible both to downtown and to Logan Airport following completion of the Big Dig, a \$15 billion highway improvement project completed in 2006.

East Boston, likewise, presented opportunities for development in the underused waterfront area with a shipyard, marina, and multiple piers, also very close to downtown and to the airport. Both communities expressed a desire for more housing and development of the waterfront, foreseeing that many opportunities would come from new investment.

Massport's overarching goal in real estate development is to use Massport land to generate revenue to support maritime activity. Nonetheless, Massport is also making a meaningful contribution to the stocks of both market-rate and affordable housing in the City of Boston by making its underutilized property available to housing developers through competitive ground leases. Production of multifamily housing in any location is based on the costs to construct as against anticipated demand for housing at a given price. A developer must demonstrate to potential equity partners and to construction lenders that a proposed project will deliver economic returns to support both the long-term financing costs and the construction loan. In a location such as the City of Boston, relatively high construction costs (of both

¹ Commonwealth Flats Strategic Plan, Massport Business Development Department, May 2000

labor and materials) and high land costs mean that a project will need to ensure a steady stream of significant rent revenue to support the development. By structuring financial (ground lease) terms with a developer that permits inclusion of a number of affordable (non-market rate) units in an otherwise market-rate project, Massport facilitates developer contributions to affordable housing in the City of Boston. At the same time, Massport is able to generate revenue from these developments to support its maritime mission. As will be discussed below, developer contributions to affordable housing may take several forms: on-site affordable units, off-site affordable units, and/or a cash pay-out, or some combination of these.

Recently, Massport has overseen the development of luxury apartments on its properties in South Boston and East Boston. Each new development brings new opportunities for renters, home buyers and job-seekers. It is a pivotal moment for Massport to build on its involvement in its “impacted communities.” In order to maintain a positive and strong image, and the support and trust of the community, it would behoove Massport to review its future course of influence and to consider what further role it should have in the inclusion of affordable units on Massport property and the contributions it can make to the city’s redevelopment.

This report is intended to review the affordable housing program in Boston and to analyze affordable housing agreements between developers and Massport, to assess the various options available to developers to fulfill their affordable housing obligations, to evaluate the efficacy of each, and finally to suggest a future course for Massport. The report may serve as an assessment for Massport of the existing developments on its property as well as a source of recommendations for the agency to consider its role in the affordable housing contributions made to the city going forward. The report will look closely at three developments on Massport property: Waterside Place in South Boston, Park Lane Seaport in South Boston and Portside at Pier One in East Boston, all shown in Table 1, below.

This analysis is focused on the economic issues of producing affordable housing, including the options of housing developers: providing on-site units, off-site units, cash payments in lieu of units, or a combination of these. Note that the report does not address the social issues of whether and how affordable housing should be provided (affordable on-site units integrated with market rate units, off-site units separated from market rate units, or cash payments that would be utilized by other developers-such as Community Development Corporations-to provide affordable housing at a location of their choosing).

Table 1: Developments and compliance measures for Massport property development

Development/Site	Affordable Housing Compliance Measure	Status
Park Lane Seaport Apartments South Boston	On-site (15 units) and monetary contribution (\$1,853,800)	Construction completed 2006
Waterside Place South Boston	On-site (5 units) and monetary contribution (\$2,813,000)	Under construction; opens January 2014
Portside at Pier One Phase I East Boston	On-site (26 units)	Under construction; opens October 2014

Affordable Housing

What is affordable housing?

“Affordable housing” has come to mean many things to different people and often leads to questions such as: affordable to whom? Affordable to rent or affordable to buy? For how long will it be affordable? According to the U.S. Department of Housing and Urban Development (HUD), affordable housing is housing for which the occupant(s) is/are paying no more than 30% of his or her income for gross housing costs: rent plus utilities or mortgage, tax and insurance payments.² It is worth noting that some jurisdictions may define affordable housing based on other, locally determined criteria, but the most widely accepted definition is that used by the federal government. Affordable housing can be implemented in many different ways targeting different income levels.

Today’s cities and towns are facing increasing difficulty in housing their middle income households. People earning more than 80% of the Area Median Income (the income constituting the middle class) are the majority of households today.³ This has led many state housing funds to allow community housing assistance programs to serve higher income populations, as opposed to focusing solely on low and moderate income populations. Historically, affordable housing advocates and public agencies served predominantly lower income households. This newer focus has given a somewhat new face to affordable housing and has impacted far more households than before.

How affordable housing works

There are a variety of state and local approaches to affordable housing. Most affordable housing is intended to be affordable for lower to middle income families of a given jurisdiction. Local governments influence housing tenure and affordability with certain regulations and expenditures. There are specific

² U.S. Department of Housing and Urban Development

³ Center for Urban Pedagogy (CUP NYC)

eligibility criteria for prospective tenants and buyers with income limits and residency requirements. In order to qualify for affordable housing a household must fit within the income limits as determined by the local jurisdiction, and in accordance with the Area Median Income (AMI). Housing costs and household income can vary considerably both by regional geography and proximity to urban areas. Consequently, the federal government divides the country into over a thousand areas and calculates a unique Area Median Income for each.⁴ The Area Median Income is also referred to as the Family Median Income. A household's eligible income level is assessed based on what percentage of the Area Median Income it earns and the size of the household. Income level ranges from extremely low (0% to 30% of the AMI) to high (250% or more of the AMI). Table 2, below, shows the various income levels and the respective percentage of the AMI that determines this.

Table 2: Income levels and Percentage of Area Median Income

Household Income	Percentage of Area Median Income
Extremely Low Income	0% to 30% of AMI
Very Low Income	30% to 50% of AMI
Low Income	50% to 80% of AMI
Moderate Income	80% to 120% of AMI
Middle Income	120% to 250% of AMI
High Income	250% or more of AMI

Rent paid under affordable housing is calculated according to local governmental authority criteria and usually reflects a value that is no more than 30% of a household's monthly income, depending on the number of people in the household and the number of bedrooms in the unit. Determining affordable rent levels also depends on the type of affordable housing in question. For privately owned affordable housing, calculation of rent is based on a designated percentage of the AMI, the unit size and the number of bedrooms. The maximum affordable rent cost and sales price differ across areas and regions in the country and are highest in the areas with the highest median income. For example: all affordable 2 bedroom apartments in Boston would be the same rental price for households of 4 persons earning 50% of the AMI; the rental price would increase for households of 4 persons earning 60% of the AMI.

Development and Financing of Affordable Housing

The development and construction of new affordable housing is financed in many ways, often combining affordable housing program funding with other programs and funding sources, thus enhancing a potential project's financial feasibility. The federal government provides grants, tax credits

⁴ Ibid.

and other funding to private for-profit, or private non-profit housing developers in return for their development of affordable housing. Community Development Corporations (CDCs) are non-profit and community controlled real estate development organizations whose focus is the revitalization of poor neighborhoods. CDCs play a major role in the development, preservation, and rehabilitation of affordable housing. CDCs also take on economic development projects and social services, recognizing that physical revitalization would not be sufficient to revitalize target neighborhoods.⁵ Once a new development is built, it is typical for a lottery to be held by the developer or marketing agent in conjunction with a city's housing commission (or equivalent) to determine who will be eligible to live in the affordable housing units to ensure a fair chance is given to those who qualify.

Affordable housing is financed in a number of ways, varying in types of funders and types of assistance. Funders can include the federal, state or local government, financial institutions, intermediaries (non-profit organizations) and foundations. Funds can be allocated for the creation of new affordable housing, the rehabilitation of existing affordable housing, or for renter and homeowner assistance. Assistance can go to tenants, to homeowners, to developers, and to landowners. Assistance can come in the form of subsidized loans, rental assistance, mortgage insurance, development grants, forgivable loans, equity, tax exemptions (in some cases), and developer incentives. Developer incentives are intended to offset the cost of building affordable units for developers and can include density bonuses, fee waivers, permit fast-tracking, government subsidies and development design flexibility.⁶ Some jurisdictions make inclusionary zoning mandatory where there is permit fast-tracking or density bonus is compensation, while others make programs voluntary, with the incentive serving as motivation or encouragement.

Affordable Housing in Boston

Background: History, evolution and structure

Boston has a long history in the evolution of affordable housing, beginning with the construction of the first public housing in the nation in 1938 at Old Harbor in South Boston. Nearly all of the public housing in Boston was constructed in two waves (the first in 1938 and the second from 1949 to 1954 – the periods before and after World War II) but it was put together quickly with poor design and careless management.⁷ The Brooke amendment of 1969 put a cap on the rent that housing authorities could collect from its tenants in public housing in an effort to make housing more affordable.⁸ The effect of these actions ultimately led to poorly maintained units and severely under-funded housing authorities in

⁵ Center for Urban Pedagogy (CUP NYC)

⁶ Policylink.org

⁷ planningboston.com (Web.mit.edu)

⁸ Ibid.

the metro area. Eventually citizens' involvement and community activism fueled a major change in affordable housing.

The first successful example of the citizens' increasingly active role in advancing the quality and quantity of the city's housing came in 1968 when some residents in the South End were able to thwart development of an urban renewal project. Ultimately the residents won the right instead to develop Villa Victoria which became a very successful mixed-income community.⁹ In another example, Fenway residents in the 1970s stopped another urban renewal project and created more suitable affordable housing and also founded the Fenway Community Development Corporation. Groups like these succeeded in gaining control over the development that occurred in their neighborhoods. They quickly emerged as the city's earliest CDCs which continue today to have a vital presence in affordable housing, economic development, and educational and community services. State and city governments eventually were able to fund CDCs and other non-profit organizations with the passage of the 1974 Housing and Community Development Act.¹⁰ New ventures in fulfilling the need for affordable housing emerged with the involvement of private companies, the first one in Boston being the Winn Companies in 1971. This new model completely changed the face of affordable housing because private companies began investing in the development of affordable housing, taking some of the burden off the state while remaining attentive to the particular needs of the host city. Non-profits became the dominant producers of affordable housing from 1980 on, with mixed sources of funding, trying to serve a larger population in need of affordable housing. By this time, people earning the median income needed assistance to stay in Boston.

In the early eighties many more CDCs were created. Their scope and influence increased greatly in the 1990s.¹¹ CDCs had increasing influence over neighborhood markets, expanded development, and adopted more comprehensive approaches to community improvement. This was made possible by large new inflows of federal money in the early 1990s. The National Community Development Initiative, launched in 1991, was vital to advancing CDCs over the decade.¹² Increasing income inequality, an unstable housing market, an economic recession and gentrifying neighborhoods are all defining characteristics of this era in Boston and are all issues that CDCs continue working to alleviate today. "Counted together, Greater Boston's CDCs are perhaps the city's most productive and important source of affordable housing. Boston stands out among US metro areas for its unusually high density of CDCs and for their high capacity."¹³ The firms utilize tax credits, subsidies, local inclusionary zoning mechanisms, and the Massachusetts comprehensive permit to create mixed-income communities.

⁹ Ibid.

¹⁰ Portal.hud.gov

¹¹ "Community Development Corporations and their Changing Support Systems," Christopher Walker, The Urban Institute, Urban.org

¹² Ibid.

¹³ Planningboston.org (web.mit.edu)

Today, more than 20% of the city's housing stock is affordable housing, comprising 22% of the state's overall affordable housing units.¹⁴

The Boston Redevelopment Authority's Role

The Boston Redevelopment Authority (BRA) works to improve the city of Boston through “physical, social and economic changes” and has a commitment to creating affordable rental and ownership housing opportunities in Boston. Since 1957, the BRA has assumed all of the responsibilities of development that were previously carried out by the Boston Housing Authority. In 1960, it took on the additional powers of the city planning board.¹⁵ The BRA is accountable for administering the Inclusionary Development Program (IDP) pursuant to an Executive Order issued in 2000. The BRA's responsibility includes developing and revising the regulations within the framework set forth by the Executive Order of the Mayor. Private, third-party development projects undertaken on Massport land are reviewed by the BRA through a cooperative process between Massport and the City of Boston.¹⁶ The BRA is involved in negotiating an affordable housing agreement with the developer. The BRA also works with other agencies and for profit and non-profit organizations that are developing affordable housing projects. It reviews projects and selects those that are not feasible without additional funding from inclusionary zoning and distributes funding that comes from cash-out payments that developers make as a part of their affordable housing obligation. The responsibilities of the BRA to inclusionary units are as follows: Setting annually the maximum initial sales and rental prices by unit size; determining case-by-case the maximum permitted resale price by unit size; determining case-by-case the maximum permitted resale price; validating the eligibility of the potential buyers and renters; vetting the sales agreements and financing arrangements; monitoring the occupancy of the units; and enforcing regulations.¹⁷

Inclusionary Zoning – program/policy

Inclusionary zoning programs initially came about in the 1970s in the U.S. to combat the lack of affordable housing by mandating the incorporation of affordable housing in otherwise market-rate housing developments. Some programs offer developers the opportunity to pay fees instead of including units in a particular development on-site. Often, there is a density bonus or tax exemption to compensate for an affordable housing mandate to ensure that providing affordable housing is not unfairly burdening the developer. Boston's Inclusionary Zoning Policy was one of the earliest to adopt a

¹⁴ <http://bostonredevelopmentauthority.com/PDF/ResearchPublications//BBNLandAreaUse.pdf>

¹⁵ Bostonredevelopmentauthority.com

¹⁶ Massport is not subject to city zoning laws and enters this cooperation on a voluntary basis, acknowledging that the developer may obtain land use permits and/or approvals under the City of Boston Zoning Code. Massport coordinates its Design Review Process with that of the BRA to ensure efficiency in the design process for projects on Massport land

¹⁷ Ibid.

mandatory policy. Boston's IDP is a dynamic process and may have a slightly new face when the city elects a new mayor, but it is hard to tell at this point what changes will be made in the coming months.¹⁸

While every state and jurisdiction has its own approach to inclusionary zoning, there are five basic components of an inclusionary zoning program: an inclusionary percentage, an income target, alternatives to on-site development, developer incentives and an affordability period.¹⁹ The inclusionary percentage is the percentage of units that are set aside for affordable housing in a new development. In Boston, for example, all developments with over 10 units currently must set aside 15% of their units for affordable housing. The income target is the income level that is the maximum a household can earn to be eligible for affordable housing. Alternatives to on-site development include off-site development (at another location, usually nearby) and cash-out payment fees made to the BRA. The most typical development incentives in Boston are density bonuses approved by the BRA. The affordability period ensures that the units deemed "affordable" will remain as such indefinitely and will never be rented or sold for market value under the terms of the affordable housing agreement.

Boston's "inclusionary development" policy establishes obligations of developers to create or contribute to affordable housing in Boston. The policy was necessary because developers alone do not typically provide so-called Affordable housing. There is less incentive for developers to invest in the creation of affordable housing because the return on that investment is usually lower than what can be achieved in a development that does not include an affordable housing element.²⁰ The inclusionary zoning policy has alleviated the shortage of Affordable housing. The original executive order in 2000 required any project undertaken or funded by any agency of the city or developed on land owned by the city that proposes a project with 10 or more units to make at least 10 percent of those units affordable to moderate-income and middle-income households. A developer could meet this obligation by creating affordable units within their development, creating affordable units at an off-site location, or making a cash contribution to the BRA. This cash contribution is then awarded by the BRA to developers that create or preserve affordable housing and meet certain eligibility requirements and evaluation criteria.

The 'Order Relative to Affordable Housing' has been amended several times since 2000 to adjust the income levels, the percentage contributions, and the cost per unit. The 2007 amendment, 'An Order Relative to the Inclusionary Development Policy's Income Policy,' stipulates that 50% of the on-site and off-site affordable homeownership units, required in the projects subject to the IDP, be made affordable to households earning less than or equal to 80% of the AMI and 50% be made affordable to households earning greater than or equal to 80% of the AMI. The rental units must be made affordable to people

¹⁸ The Massachusetts Association of Community Development Corporations has published a position paper, "A Community Development Agenda for the next Mayor of Boston," written by Joe Kriesberg, the CEO. This agenda includes recommendations for the next Mayor to continue the collaborative relationship they have had with current Mayor Thomas Menino. Access to this document can be found in the appendix.

¹⁹ "On Inclusionary Zoning: The Economics," David McCarthy, design.upenn.edu

²⁰ Geoffrey H. Smith, The Commercial Real Estate Insider Report, March 26, 2012

earning at or below 70% of the AMI. The program today applies to all residential developments with 10 or more units that also fall into these two categories: 1) Developments requiring zoning relief and 2) Developments financed by the city or one of its agencies, or developed on land owned by the city or one of its agencies. Boston is the only major city in the nation to adopt this policy through an executive order rather than an ordinance. The Mayor's order also leaves out a specification of the grounds permitting alternatives to on-site construction to allow flexibility between the developer and the BRA.

Although the BRA prefers to see affordable housing included on-site, it permits alternatives to on-site development which include constructing inclusionary units off-site in a number equal to the units on-site or paying a cash-out fee to the BRA. The developer must pay \$200,000 per unit for 15% of the market-rate units.²¹ Cash-out fees (or monetary contributions) are seen by the BRA as a last resort.²² The money is placed in an inclusionary development fund (which is managed by the BRA) and is then either distributed to various BRA programs for the creation or preservation of affordable housing or put towards individual housing projects that are managed by non-profit or for-profit developers. When the cash-out payments are distributed, they are intended to target exclusively moderate income households in the projects and developments that they fund.

Developer Perspective

Developers have expressed the view that constructing units on-site is sometimes not financially feasible. For every new unit that is constructed and placed in the inventory of affordable units, it represents an opportunity cost to the developer of a unit that could be rented at a market rate. Developers may find that it is both easier and less costly for them to contribute to the stock of affordable housing with a cash-out payment rather than to build the physical units. At a recent NAIOP conference (May 23, 2012) developers opined that new housing is too expensive to develop; they suggested that resources and funding should be focused on preservation of existing affordable housing, adaptive uses and rehabilitation of old buildings and mills, and keeping rents below market-rate.²³

Developers of property in East Boston, specifically, have explained that the cost of development is generally the same across the city (except for minor differences in land value), and this adds a burden to those developing in areas with overall lower rents because the revenue potential for the whole project is less than would be the case in an area with higher average rents. Further, Mr. Shea observed that special challenges accrue to condominium units in any part of the city. Because of peculiarities in the way the current formula works it is hard to find eligible tenants who can afford the "affordable" units. Finally, he noted that the cost of rent is already relatively low and the community feels there is enough low-income and "affordable" housing already.²⁴ There is a certain amount of political pressure weighing

²¹ BMRB.org, 2006

²² Heather Campisano, Boston Redevelopment Authority, August 7, 2013

²³ NAIOP Conference: Affordable Housing Challenges and Initiatives, May 23, 2012

²⁴ Conversation with Joe Shea, Roseland Property Company, August 22, 2013

against providing more affordable housing. There is pressure to develop market-rate and higher apartments at the same time there are strict BRA regulations requiring the inclusion of below-market rate units that will generally be available only to people earning close to (and often, more than) area median income in a community that may be opposed to these units. The Executive Order makes it hard for developers to contribute solely monetarily, through a cash-out payment, because \$200,000 per unit is not financially feasible, and the resulting contribution is often a combination of on-site units, half being rented to households with incomes less than 80% of the AMI and half being rented to households with a percentage of the AMI (below 150%) that the developer decides, often 100%-130%. This combination may not be the most effective way to provide the city with affordable housing in the way that it is needed.

Jamie Fay, a local expert in affordable housing issues, explained the uniqueness of each project's affordable housing program despite a clear and specific set of guidelines for providing affordable housing. "Each project's affordable housing agreement is project specific and timing specific," says Jamie. It is clear that the economic climate and the real estate market conditions at the time of development has an impact on the form of contributions that developers are able to make to affordable housing.

Linkage

"Linkage fees 'link' other forms of development with a community's needs for affordable housing."²⁵ Linkage fees help meet a housing need that may be produced when new development occurs. Community groups and advocates began pushing for a linkage program in Boston in 1983. Officially established in 1986, Boston's linkage program parallels its Inclusionary Development Program in many ways. Linkage targets a lower income bracket than IDP funds and distributes exactions differently. In a Bureau Update produced by the Boston Municipal Research Bureau, linkage is defined as requiring large scale commercial developers in need of zoning approval to make an exaction²⁶ to the City. These exactions, when in the form of monetary contribution, are distributed via two trusts: the Neighborhood Housing Trust and the Neighborhood Jobs Trust. Developers are required to pay \$9.44 per square foot after the first 100,000 square feet of development, with \$7.87 per square foot designated for housing. Developers can alternatively create affordable housing in an amount equal to the exaction fee.²⁷ Boston's linkage program is generally considered one of the best two in the nation, along with that of San Francisco, contributing to job training programs and the creation and preservation of affordable housing.²⁸ The fund is managed by the Department of Neighborhood Development (DND) which, as a

²⁵ Mixed-Income Transit Oriented Development Action Guide, mitod.org

²⁶ Exactions are financial obligations that must be met by either a payment to the City or, with BRA approval, an equivalent amount of housing creation. (BMRB, July 2012).

²⁷ BMRB.org, July 2012

²⁸ http://www.bostonredevelopmentauthority.org/pdf/ResearchPublications/pdr_534.pdf

sister agency of the BRA, collects and distributes funds from developers through the linkage program. The funds are distributed mainly to lower and moderate income affordable housing. Between its creation in 1986 and 2012, 7,385 units have been created with \$106 million in linkage funds.²⁹ One observation made about linkage is that it is very transparent as a program. Organizations understand the funding they are receiving and how much will come and when it will come.³⁰ While the linkage program provides only part of the funding necessary to construct affordable housing, it is well organized and there is dollar for dollar accountability.

Affordable Housing on Massport Land

Developers building residential projects on Massport land are either contributing to the city's affordable housing fund or including affordable units in their projects, consistent with the Mayor's Executive Order. Massport, as the landowner, can negotiate a ground lease under which it accept less in rent from the tenant (developer) so that affordable housing creation is not a financial burden to the developer that might hinder or preclude development. This is a small but important investment in affordable housing and suggests the opportunity for Massport to have a role in the negotiation of a developer's contribution. At present, Massport oversees the development on its land, but has traditionally left the oversight of the affordable housing component of development to the BRA. The BRA works with developers to ensure that affordable housing agreements are in accordance with the City's policies and the capacity of the developer. The responsibilities of all parties involved are set forth in the affordable housing agreements and the lease agreements between the developer and Massport. Within the three developments on Massport land discussed in this report, 46 units total will be considered on-site "affordable" units once development is complete.

Existing Projects, currently under construction and future plans

Massport owns a great deal of land in South and East Boston and has developed multiple properties: residential, commercial, parks, a shipyard and marinas; See Figure 1. As shown in the Tables 3 and 4 below, three properties belonging to Massport are currently being developed. The developments listed will be a combination of residential and retail space. Park Lane Seaport Apartments, located in South Boston, includes 465 units in total and has been developed in two phases involving parcels G and J in the Seaport district of Boston. The first apartment building with 157 rental units opened in August 2005 and the second with 308 units opened in 2006. Waterside Place, a nearby development also in the Seaport district of South Boston, is under construction and scheduled to open in January, 2014. The apartment building will include 236 apartment units. Portside at Pier One, a residential development with multiple buildings in East Boston, is in the beginning stages of construction and the first building, featuring 176 apartment units, is scheduled to open in 2014. Other buildings are still in the design phase and will include an additional 260 or so residential units with ground-floor space for retail and public uses.

²⁹ BMRB.org, July, 2012

³⁰ Conversation with Phil Giffie, Executive Director of Neighborhood of Affordable Housing, July 24, 2013

Massport property developments in South and East Boston

Table 3: Development Sites on Massport Property

Site	Developer	Cost	Status	Schedule	Expansion Parcels	Comment
South Boston: Park Lane Seaport Apartments	Fallon Co.	\$130 million	constructed	Parcel G opened August 2005, Parcel J opened 2006		
South Boston: Waterside Place	The Drew Co. and JP Morgan	\$120 million	Under construction	Opens January 2014	Phase II in planning	
East Boston: Portside at Pier 1	Roseland Property Co.	\$65.8 million	Under construction	Opens Fall 2014	Bldg. 5/6	+/-260 units (with 10%= affordable housing)

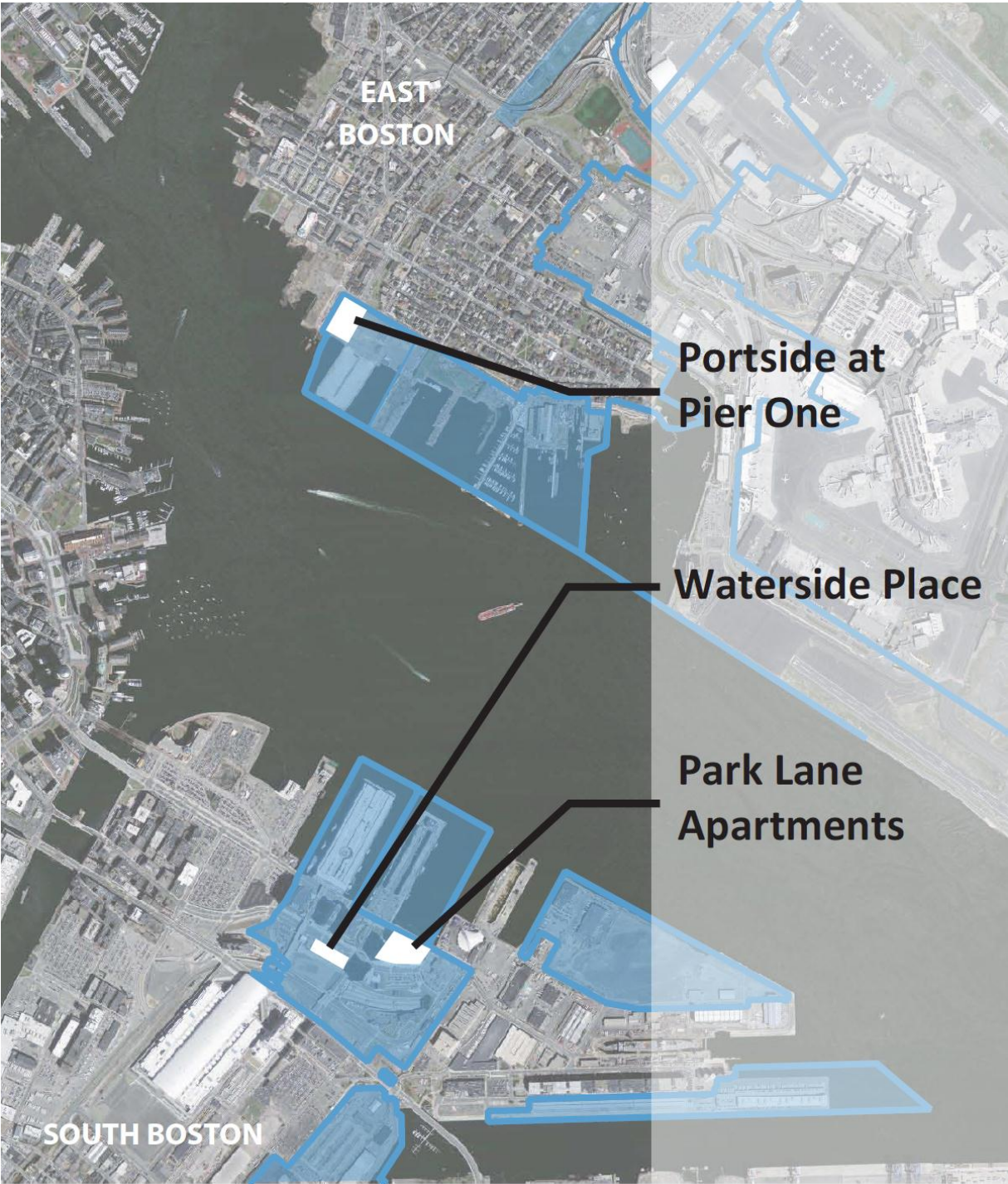
Table 4: Affordable Housing Units in Developments on Massport Property

Site	Developer:	Total # of Units	Affordable On-site units	Comment	Monetary Contribution Component	Comment
South Boston: Park Lane Seaport Apartments	Fallon Co.	465	15	3% of total units= "Affordable" Units	\$1,853,800 →	Paid prior to receiving building permit
South Boston: Waterside Place	The Drew Co. and JP Morgan	236	5	2% of total units = "Affordable" Units	\$2,813,000 for "IDP Fund" ³¹ →	To be paid annually over 7 years
East Boston: Portside at Pier One	Roseland Property Co.	176	26	15% of total units = "Affordable" Units	n/a	No Additional Affordable Housing Requirement

³¹ \$2.15 million will be distributed from the IDP Fund to South Boston Neighborhood Development Corporation for the construction of 24 affordable units for military veterans in South Boston

Figure 1

Residential Developments on Massport Property



 Massport Property

Analysis

On-site, Off-site and Cash-Out Payments

As described in the previous section, developers may fulfill their housing obligation in three ways: with on-site affordable units, off-site affordable units, or a cash-out payment made to the BRA's Inclusionary Development Program Fund. This obligation is equivalent to 15% of their market rate units.

When developers include affordable units on-site, a specific number of units are rented or sold below market rate and will remain designated "affordable" units for a length of time determined in the affordable housing agreement. The term of affordability is set at 30 years, with a subsequent additional 20 years if extended by the BRA. After this 50-year period of affordability, the units can be sold or rented at market rate. On-site affordable units are required to be comparable in quality and size to market rate units and to offer equal benefits to tenants. In terms of improving the amount of affordable housing in Boston with developer contributions, on-site units are the most efficient way of achieving this.³² Units constructed on-site are, in essence, the physical evidence of a developer fulfilling an affordable housing obligation. In addition, the construction of on-site units results in a mixed-income development which is important in creating a balance in the community. To be eligible for inclusionary units, the renters/buyers must earn less than the permitted household income along with having less than \$100,000 in assets. Through a lottery selection, preference is given to households displaced by urban renewal, to city residents and to first time homebuyers. If a homeowner of an affordable unit wishes to sell the unit, he or she can do so with a maximum resale price based on its initial sales price at an increase of 5% per year.

Off-site units are another option developers have to fulfill this affordable housing obligation. If a developer chooses to create off-site units, a proposal is made to the BRA. A number of off-site units equal to 15% of the total number of units are constructed at a different location. In terms of success, off-site units are not a very dependable source of affordable housing units. Often, space availability changes, or a developer's plans and/or capabilities change. Even though the intention is to create physical units of affordable housing, this rarely occurs. From a developer's perspective, off-site units may save them money, but it comes at the cost of time.³³ Proposing off-site units involves a lot of added effort on the part of the developer in addition to their main development. It is a complex and difficult undertaking that a lot of developers cannot afford to carry out. The developer often ends up instead paying the BRA a fee that is approximately equal to the construction cost of off-site units; this is described below.

A cash-out payment is essentially a sum of money, considered an exaction; it is equivalent to what would have been spent constructing physical units, which is paid to the BRA's IDP Fund. The Mayor's current amended Executive Order stipulates that the payment should be equivalent to \$200,000 per

³² Conversation with Heather Campisano, Boston Redevelopment Authority, August 7, 2013

³³ Jamie Fay, President of Fort Point Associates, August, 22, 2013

unit if it is to fund development off-site or \$200,000 per unit for 15% of the market-rate units. Since this is the least effective alternative of the three options in producing affordable housing, the standards for paying a cash-out fee are often strict and it is seen as a last resort.³⁴ The BRA negotiates with the developer before a building permit is obtained, in the initial planning stages of the development. Once an agreement is reached, an affordable housing agreement is drafted and signed and the first payment is made. The BRA prioritizes the production of on-site affordable units; however, the Executive Order leaves room for flexibility. Frequently ad hoc negotiations occur between the developer and the BRA that result in some combination of on-site, off-site and cash-out fees. The negotiation is on a case-by-case basis and the BRA may allow for more flexibility depending on the nature and location of the development, the current real estate market and the economy.³⁵ Often, the agreement results in a combination of as many on-site units as is economically feasible for the developer and a cash-out fee fulfilling the remaining percentage of obligation. Cash-out payments, after being paid to the IDP Fund, will then be distributed by the BRA to developers who create or preserve affordable housing and meet the Eligibility Requirements and Evaluation Criteria. (See appendix B for Eligibility Requirements and Evaluation Criteria). The challenge of having a cash-out payment instead of on-site units is that there is little transparency once the payments have been made to the IDP Fund. There is also a sense that the cash-out fee is not very effective in producing affordable housing units because the IDP funds a combination of development of low, moderate and middle income housing; it is not guaranteed that IDP funds will contribute solely to lower-income housing development.³⁶ Developers pay the sum of money with little idea of where it is going or what exactly it is funding. Since the transaction is carried out between the developer and the BRA, Massport at present keeps no record of these payments.

Affordable Housing Agreements for Massport Residential Projects

Each residential development on Massport land requires an affordable housing agreement similar to what is required for other residential developments in Boston. The agreement is between the developer (or owner and grantor) and the Boston Redevelopment Authority (the authority and grantee) and is the result of a negotiation between both parties, to determine what the developer's form of contribution to affordable housing will be. The affordable housing agreement includes the terms of the agreement and obligations of the owner along with exhibits of the description of the premises, a list of units and maximum rents, an affidavit of eligibility, and a principal residence affidavit. The agreement stipulates what rents will be, how long a unit must remain affordable, restrictions that may exist (restricting the use and occupancy of the units) and the location of the affordable units located on-site. If off-site units are to be built or a monetary contribution is to be made, this is also specified in the affordable housing agreement. The rent levels of an affordable unit are controlled for 30 years with a subsequent extension of 20 years if approved by the BRA, totaling an affordability period of 50 years. Rent is calculated based

³⁴ Ibid.

³⁵ Heather Campisano, BRA, August 7, 2013

³⁶ Conversation with Phil Giffey, Neighborhood of Affordable Housing, July 22, 2013

on the BRA Inclusionary Development Policy 2013 Income limits, maximum affordable sales prices, and maximum affordable rents. (See appendix C).

Waterside Place

Under the terms of the affordable housing agreement, Waterside Place (Phase 1A), with 236 units, will include five on-site “affordable” units (2% of their total units). In accordance with the developer’s affordable housing agreement, the five on-site affordable units will be leased and rented or made available to eligible households, earning no more than 80% of the Area Median Income. The developer, The Drew Company, will fulfill its remaining obligation to affordable housing with a monetary contribution of \$2,813,000. The agreement stipulates that this will be paid to the BRA’s IDP Fund for approximately seven years in the amount of \$401,857.14 per year with the first payment being made prior to receiving a building permit.³⁷ The agreement includes the list of affordable units and maximum affordable rents for 2012, based on HUD 2012 guidelines.

The project site is located in the Commonwealth Flats Development Area (“CFDA”) in South Boston’s waterfront area. The Drew Company is ground leasing Core Block North (approximately 8.4 acres) from Massport for the development of Phase I of Waterside Place project. Originally the developer planned to create off-site “affordable” housing units at the Gates of Heaven convent building in South Boston. After the development project was put on hold during the recent economic downturn, the development team changed and the convent space was no longer available. The new development team members then decided to go forward with the project without the creation off-site units as it had planned originally to do.³⁸ The developer’s contribution in this case, therefore, is the inclusion of 5 on-site units plus a monetary contribution paid to the BRA. The monetary contribution reflects a hybrid of the \$97,000 per unit originally stated in the Mayor’s 2000 Executive Order and the \$200,000 per unit in the amendment to the order. \$2.15 million of the monetary contribution will be distributed from the IDP fund to the South Boston Neighborhood Corporation for the construction of 24 affordable units for military veterans in South Boston, targeting those with incomes 30%-60% below Boston’s AMI. This monetary contribution will cover a portion of the total cost of development for the \$9 million dollar project. There is no record of this with the developer of Waterside Place, or with Massport, which would be useful information for both parties. The monetary contribution represents an approximation of what it would have cost to build physical affordable units on or off-site.

Park Lane Seaport Apartments

The Park Lane Seaport Apartments Affordable Housing Agreement stipulates that fifteen of the total 465 units shall be “affordable” and indicates that there will be 5 units in the first building on parcel G (3 one-bedroom and 2 two-bedroom units) and 10 units in the second building on Parcel J (7 one-bedroom and 3 two-bedroom units). This number of units reflects 3% of the total units. The property manager for Park

³⁷ To date, two payments have been made to the BRA’s Inclusionary Development Program Fund

³⁸ Conversation with Susan Allen, Vice President, Drew Co., July 25, 2013

Lane Seaport Apartments confirmed this – stating that there are 5 affordable housing units in the first building and 10 affordable units in the second building and all are currently occupied. In accordance with the Affordable Housing Agreement, the units will be provided in the following proportions: eight of the Affordable Units will be leased and rented or made available to moderate-income households (earning an income of 80% of the AMI); four of the Affordable Units will be leased and rented or made available to middle-income households (earning an income of 100% of the AMI); three will be leased and rented or made available to upper-middle-income households (earning 120% of the AMI).³⁹ The remaining obligation of the developer, Fallon Company, was paid to the BRA prior to receiving the building permit. This amounted to \$1,853,800 million. Since the project was approved in 2002, the affordable housing obligation fulfilled by Fallon is in accordance with the original Executive Order of 2000. In accordance with this order, the developer was required to make 10% of the total units affordable; Fallon met this obligation by combining an on-site contribution with a monetary contribution: 15 (3% of the total) units on-site with a monetary contribution that reflects a \$52,000/unit. The Fallon Company is ground leasing Parcel G (approximately 30,160 square feet) and Parcel J (approximately 48,851 square feet) with Street Parcels for parking up to 520 vehicles. A table in appendix D shows the location and details of the affordable units included on-site.

Portside at Pier One

The Portside at Pier One Affordable Housing Agreement for the first apartment building states that the developer, Roseland, will fulfill its affordable housing obligation for Phase I of their development with 26 on-site affordable units, with no additional contribution required. This number reflects 15% of the total number of units, and will be leased and rented or made available to Eligible Households. The units will be provided in the following proportions: nine of the Affordable Units (5 one-bedroom and 4 two-bedroom) will be leased and rented or made available to Moderate-Income Households (households earning an income of 80% of the AMI); nine of the Affordable Units (5 one-bedroom and 4 two-bedroom) will be leased and rented or made available to Lower-Middle Income Households (households earning an income of 100% of the AMI); four of the Affordable Units (2 one-bedroom, 1 two-bedroom) will be leased and rented or made available to Middle Income Households (households earning an income of 120% of the AMI); Four of the Affordable Units (2 one-bedroom, 1 two-bedroom) will be leased and rented or made available to Upper Middle Income Households (households earning an income of 150% of the AMI).

Originally, the next two buildings were proposed as condominiums. To fulfill the affordable housing obligation for these two buildings Roseland proposed off-site units for this development in accordance with the Mayor's Executive Order of 2000 (current at the time of design proposal) requiring that the number of off-site units reflect 10% of the total on-site units. The plan was to sell the units as "affordable," but the economic downturn in 2008 and the subsequent real estate climate forced the developer to alter their proposed development. The current plan is to construct two added apartment

³⁹ Conversation with Park Lane Building Manager, Robyn Agostino, July 25, 2013

buildings. Phase II of Portside at Pier One will incorporate another contribution of affordable housing in accordance with the BRA's Inclusionary Development Program, for its additional phase of construction. The developer plans on contributing with on-site units. A table in appendix F shows the location and details of the affordable units included on-site in Phase I.

Lease Agreements for Massport Land

The ground leases between Massport and its respective tenants, Roseland, the Fallon Company and the Drew Company state the obligations that Massport has to its tenants and states what obligations the tenant is required to fulfill. The three leases use non-specific language that puts most of the responsibility of keeping track of the affordable housing obligation on the tenant/developer. Massport has no legal responsibility to verify if developers have fulfilled their obligations, or if they are keeping up with their cash-out payments. This leads to a question for Massport. Should Massport be keeping track of a developer's obligations to the city? In order to further Massport's role in the community, it is recommended that Massport put the responsibility on the tenant to report to Massport when payments have been made. This would give Massport a definitive knowledge of the contributions that their properties are making to the city that would be up-to-date. Massport would benefit in knowing, more specifically and confidently, the obligations fulfilled by developers to the BRA.

Reports Completed by the BRA/ MACDC: Recommendations for Program Improvements

The BRA and the Massachusetts Association of Community Development Corporations (MACDC) have produced reports on the Inclusionary Development Program and recommended various ways to improve it. The reports are available online, and access to them can be found in the appendix in this report.

The BRA provides information on the Inclusionary Development Program in its IDP Policy Guidelines, which gives background information on the program as well as eligibility requirements for receiving funding from it and the proposal process. Access to this document can be found in the appendix.

The Building Better, May 2006, MACDC report describes its recommendations for the Inclusionary Development Policy in Boston. The report notes that families are paying more than 30% of their income on rent to stay in Boston and the IDP was created to solve this issue, to make Boston affordable for Bostonians. The Massachusetts Office of Commonwealth Development endorsed inclusionary zoning as a strategy for smart growth and the IDP Fund has had a positive impact on the production of affordable housing with a production rate of 121 units per year⁴⁰. The report also points out the weaknesses in the policy: residents of on-site inclusionary units struggle to pay condo fees and assessment fees; most inclusionary units are 1-2 bedroom, which prevents many families from buying or renting units; and "unclear and ad hoc oversight has made it difficult to leverage subsidies to build affordable housing."⁴¹

⁴⁰ MACDC, Building Better, 2006

⁴¹ Ibid.

A recommendation that MACDC makes about Boston's IDP is an adjustable cash-out fee that is based on a sliding scale. "The current cash-out fee is a fixed fee that does not bear any nexus to the unique financial structures of each development. Developers marketing their units at \$1 million face the same fee as developers marketing their units at \$250,000."⁴² This in turn, creates incentive for developers of luxury units to cash-out because they will lose more by constructing on-site, according to the report. By way of example, the cost to a developer of creating an on-site unit is the revenue foregone from what otherwise would have been a revenue-producing unit. An on-site unit in a building of \$250,000 units loses approximately \$250,000 if he/she builds an affordable unit. A developer of \$1.0 million units foregoes revenue from the sale or rent of a \$1.0 million unit if it is designated affordable. Since the report has been published, the cash-out fee has increased to \$200,000 per unit; a sliding scale as recommended has not been used.

Another recommendation included in the report is to "establish a clear, defined, and consistent process for allocating inclusionary funds."⁴³ Other recommendations called for in the report that have not been adopted include: an increase in targeting to low-income and moderate-income households, codify inclusionary development into a city ordinance instead of an executive order, and to clarify the rules that apply to developers. The MACDC concludes that with simple adjustments to Boston's IDP, the program can be much more effective.

The CEO of MACDC, Joe Kriesberg, has produced a position paper on a proposed agenda for the next Mayor of Boston. "A Community Development Agenda for the Next Mayor of Boston" recognizes that the success of CDCs in building and preserving homes and jobs in Boston is in large part because of the strong partnership between the Mayor and CDCs. MACDC recommends enacting a strong inclusionary development ordinance (replacing the current executive order), strengthening the city's linkage system, continuing the "Lead the Way" initiative started by Mayor Menino, leveraging public land disposition, supporting neighborhood economic development, promoting mixed use and transit oriented development, enacting the community preservation act, partnering with community based organizations, ensuring revenue and jobs from the casino proposed for development in East Boston will benefit Boston residents [sic], and advocating for state and federal resources.⁴⁴ Access to this document can be found in the appendix.

Community Development Corporations

Community Development Corporations (CDCs) have come to be the most effective producers of affordable housing in Boston. CDCs develop housing on often blighted property in poor neighborhoods for under-market rate rents. They are developers of real-estate, of affordable housing, of community facilities; however they differ from for-profit developers in their connection to the community. The

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Kriesburg, Joe, "A Community Development Agenda for the Next Mayor of Boston," July 12, 2013

unique makeup of a CDC allows it to understand the needs and concerns of a particular community. They have advisory committees and board members who are residents of the communities that they serve. They are funded by a variety of sources within the city through various programs (federal and state) and tax credit money. CDCs, in general, develop most of their housing without the aid of the IDP fund. This fact may indicate a larger issue of transparency and accessibility of the fund if it is not reaching many CDCs, but there are also CDCs that have not needed help from the fund. If a CDC can show a need for additional funding in order to make a development feasible, the BRA assesses this need and then allocates a calculated sum of money for that specific development.

The East Boston Community Development Corporation (EBCDC) has recently developed a 27 affordable unit residential development in East Boston, using a combination of funds and tax credit money, but no amount of IDP funding. The EBCDC is aware that the money is “out there” but has never tried to access it. A representative from EBCDC noted that they have never taken advantage of the fund; they turn to the city for help with funding of their projects, but it comes in the form of federal programs and state help.⁴⁵ Neighborhood of Affordable Housing, another CDC in East Boston, reports that they have received funding from the IDP fund, but they tend to rely more heavily on other sources of funding. This is in part because it is not very predictable as a source of funding – a CDC may not be sure what amount they will receive or when the funding will come through.

There are also Neighborhood Development Corporations and Economic Development Corporations, which function similarly to CDCs. The South Boston Neighborhood Development Corporation (SBND) receives funding from both the Linkage Program and the Inclusionary Development Program for specific development projects. The SBND recently received approval for conversion of an old South Boston Police station into affordable housing for military veterans, described previously in the discussion of Waterside Place. The \$9 million dollar project will receive approximately 20% of its funding from the BRA’s IDP fund, a fund into which the developers of Waterside Place will eventually contribute close to \$3 million.

One might logically ask what impact Massport’s new market-rate developments have on CDCs and their development objectives. While there is no direct, identifiable effect on neighborhood CDCs from new development, it can be argued that emerging housing markets such as those on East Boston waterfront bring a new optimism to previously downtrodden areas. In other areas such emerging development might be perceived as “too” gentrifying,” however in East Boston the presence of a strong CDC along with provision of on-site affordable housing units will likely mitigate against the wholesale gentrification of this neighborhood. For an additional point of view, see the discussion of community impacts in South Boston in the next section (based on an interview with Donna Brown of the SBND).

A CDC’s main concern is the community within which they work and develop. As one source of representation of the community’s concerns surrounding development, a CDC’s concerns are valuable. EBCDC representatives have stated that the development in the waterfront area of East Boston is a very

⁴⁵ Conversation with Sal Colombo, EBCDC, July 29, 2013

good thing. The development motivates residents of East Boston to invest in their own properties and keep up with the development they are seeing in their community.

Community Impact

New development impacts the surrounding community in many ways. The more obvious impact of development is the physical change in the landscape of an area. This is often considered a positive aspect of development, because land that has been vacant is finally receiving attention and is seeing new investment. New development also impacts the makeup of a community, the success of local businesses and transportation. In East Boston, the waterfront has seen a major shift in its landscape with five new developments either under construction or planned. The only development that has begun construction, after many years on hold, is Portside at Pier One, the Roseland development on Massport property. In South Boston, the Commonwealth Flats Development Area has completely revitalized the Seaport/Innovation District, bringing new businesses, retail and restaurants. Depending on the community, development holds different value in residents' eyes. A community's concerns will also vary across neighborhoods and across groups with varying socio-economic backgrounds. A less obvious initial impact from an outsider's view is the impact that new development has on an area's rent and affordability and the consequences that new development has for long-time residents. Neighborhood activists may be concerned about new development in terms of the impacts of traffic, parking and gentrification on their community. Others in the community are pleased to see development and are enthusiastic about what benefits it will bring to business, residents, and investment opportunities. Some residents welcome the opportunity for affordable housing; others feel that their particular neighborhood has an adequate supply of affordable housing and wish, instead, for "unaffordable housing."

It is important to look closely at the economic composition of a neighborhood where development is occurring in order to understand how the development will impact that community. Massport would benefit from considering how it might, help as a public agency, and help balance the revitalization of the neighborhoods of East and South Boston to reduce the risk of displacement of low-income families. There should be a balance between encouraging revitalization while managing gentrification. It is important to acknowledge that gentrification is sometimes seen as a positive situation, and sometimes seen as a negative. Often, it is a complicated mix of the two.

East Boston

East Boston has seen an increase in development in recent years, especially in the waterfront area. The community's reaction to this development has been mixed. Trinity Financial, in collaboration with the East Boston Community Development Corporation has recently been approved by the BRA to build a 200 unit development on the water which will include 27 affordable rental units.⁴⁶ The original plan for this project was altered multiple times. After a planned development of majority affordable housing was

⁴⁶ <http://www.eastietimes.com/2013/07/24/bra-gives-go-ahead-border-street-project-will-add-200-market-rate-housing-units/>

proposed, the community pushed back with the desire for market-rate housing to bring in households with higher incomes and subsequently the developer changed the plan to market-rate units, with 27 “affordable” units included on-site. East Boston has one of the lowest rent rates in the city, and has a large concentrated stock of the city’s “affordable” and low-income housing. Many residents feel that East Boston is overburdened with affordable housing. In the waterfront area alone, ranging from Chelsea Creek to Piers Park, there are approximately 1000 units out of which 90% are subsidized, the vast majority being Section 8 housing. This means that most of these residents earn less than 60% of the AMI.⁴⁷ In East Boston, 72.5%⁴⁸ of the residents are renters and 50%⁴⁹ of East Boston residents are housing challenged.⁵⁰ Residents are concerned about where their rents are headed as they begin to see more and more development. The Department of Neighborhood Development’s Real Estate Trends of 2012 indicates that rent in East Boston increased 11% between 2011 and 2012, from \$1,350 to \$1,500; by comparison, in South Boston rent increased 4% from \$2,318 to \$2,400⁵¹. With rents increasing, many residents are unsure of how they will be able to afford to stay in their homes.⁵² Developers are facing problems as well; finding it difficult to both meet the community’s needs and adhere to the Mayor’s Executive Order, relative to affordable housing.

Development will impact everyone in East Boston, all incomes and ages. While the community feels it is an exciting time in East Boston to see so much development, it is also hard for some residents to accept all of the changes, especially rent increasing at rates comparable to those of the highest rents in the city in a community that currently has one of the lowest rent rates in the city. It is important to consider the implications of development in communities such as this because if residents can no longer afford to live in impacted communities, this affects local businesses and local jobs. New development presents an opportunity for Massport to play a vital role in these impacted communities and to better the livelihood of the residents. One question that Massport should be asking is, “what can we do to benefit the surrounding community with any development on our property?” One possibility is to consider the job opportunities that new development brings. In order for all residents to feel included in and to benefit from the development that is going on, Massport can inform residents of new businesses, restaurants and retail that will also bring new opportunities for employment. In addition, Massport can recommend the contribution that the developers make to affordable housing, by weighing a community’s need and negotiating with the BRA as well as developers to ensure that the contribution is sensible for both the developer and the community.

⁴⁷ Conversation with Jamie Fay, President, Fort Point Associates, August 22, 2013

⁴⁸ 2010 Census SF1, BRA Research Division Analysis

⁴⁹ Ibid.

⁵⁰ Housing challenged refers to households who are paying more than 30% of their monthly income on rent/housing costs

⁵¹ 2010 Census SF1, BRA Research Division Analysis

⁵² Gloribell Mota, Neighbors United for a Better East Boston, July 26, 2013

South Boston

South Boston is particularly interesting to consider in comparison to East Boston, because it has seen a tremendous amount of waterfront/seaport development transforming from what might have been considered similar conditions to East Boston less than ten years ago. What was a largely undeveloped area is now a booming Innovation District with over 9,000 jobs created on Massport property alone where young professionals and empty nesters are flocking to buy and rent. Today, it is attracting developers, restaurants, businesses and residents who want to be a part of the exciting new development that is taking place. The impact this has had on long-time residents in South Boston is without question. Rents are increasing and a lot of residents are being priced out. It has been particularly tough for neighborhood development corporations, like SBND, to compete with commercial developers. SBND Executive Director, Donna Brown explained that “we are priced out of purchasing real estate to developing new housing”, and there are two problems with the situation, from the NDC’s perspective: it is harder to find properties, and NDCs/CDCs are competing against private developers and speed has become essential. Developers are able to pay in cash, often upfront, and an NDC cannot compete with that. “It’s not an affordable market for families,” said Brown. She said that if you track the real estate trends in South Boston, you will find more young people sharing housing and paying approximately \$3300 per month for a three bedroom apartment.⁵³

Massport – Looking Ahead

After considering the information provided in this report, Massport may consider a course of influence that can be a part of its community building. If Massport kept track of the developments and obligations of developers on Massport property as well as tracking the needs of the community, Massport will have an opportunity for greater input in impacted communities and in ensuring the long-term success of the affordable housing stock within the city. There is also an opportunity for Massport to take a proactive role in ensuring that communities impacted by the new developments on Massport property benefit from the development in their communities. In addition, the very basic responsibility Massport should have to its communities is an understanding of the concerns of residents as well as the awareness of developers’ contributions, so that communication between Massport and its impacted communities is transparent. In addition to this, Massport should consider a more active role in the negotiation process (of a developer’s contribution) that is typically between the developer and the BRA. Massport, as the landowner, could create certain requirements regarding the contributions its developers make. With respect to the potential community benefit of having units included on-site, Massport might consider requiring on-site contributions to take precedence over a monetary contribution, for example. It may be prudent to consider each of these requirements on a case-by-case basis since the development will impact communities in different ways. Under the circumstances that the cost of developing affordable housing on-site for developers and CDCs are under pressure to develop quickly, it may be in both parties’ interests to work together. More of a collaborative approach to developing affordable housing

⁵³Conversation with Donna Brown, Executive Director, South Boston Neighborhood Development Corporation, August 8, 2013

in areas like South Boston would be a benefit to the community and to the developers. In keeping track of developers' obligations to the BRA, Massport will have certainty in knowing what contribution their property is making to affordable housing in Boston and to the surrounding community. A document outlining the obligations of the developer to the city, as well as confirmation that these obligations have been fulfilled and through what option, would be an asset to Massport. This will also give Massport the ability to check in on developers who currently have no obligation to report their contributions to Massport. It will build upon the communication between Massport, the developer and the BRA. The Community Relations department at Massport is currently in the process of creating a 5-year strategic plan for community interaction and communication. The Economic Planning and Development Department would benefit from having input to this plan and from the two departments working in collaboration to understand the needs and concerns of impacted communities.

Conclusion

Boston has seen a significant amount of development commence in recent years, especially in East Boston, along the waterfront and in South Boston's Seaport district. As identified in this report, much of this development is on Massport land. Along with its large presence in Boston neighborhoods comes a responsibility to be a good neighbor to these impacted communities in East and South Boston. Massport strives to take on a proactive role in ensuring that the quality of life of people living near Massport facilities is considered and improved in any way possible through ongoing contact with local communities and officials as well as community outreach projects. The process of development and contributing to affordable housing has proven complex for both developers and communities throughout the negotiation period as well as the construction, with changing markets and an unstable economy along with unique community conditions.

One way of ensuring the success of affordable housing agreements on Massport land is for Massport to track developers' contributions to affordable housing. All cash-out payments from Massport development have been paid to the BRA's Inclusionary Development Program fund. The BRA's upcoming report on the IDP Fund should provide transparency for all parties involved, especially developers seeking to access the funds as well as developers paying cash-out fees to the fund. Massport's increasing involvement in residential projects establishes its stake in the communities surrounding these developments and creates an opportunity for a role in the process of negotiations with developers and the BRA. This report is intended to inform Massport of the specific contributions to affordable housing developers make and provide recommendations for a future course of influence in community building.

Summary of Recommendations:

The following recommendations for Massport to consider as part of a future course of influence in community building have been made in this report:

- Track developers' contributions to affordable housing (record of on-site, off-site and cash-out payments);
- Take on more of a proactive role in the negotiating process between developers of Massport property and the BRA in determining the contribution that will be made to affordable housing. Consider having more of an influence in the distribution of the contribution (on-site, off-site, or cash-out, or a combination of these);
- Encourage collaboration of Community/Neighborhood Development Corporations and large scale developers in developing affordable housing;
- Increase agency and developer communication with the impacted communities throughout the development process.

Appendix A

[Funding Guidelines for Inclusionary Development Program.pdf](#)

Appendix B

**BRA Inclusionary Development Policy
2013 Income Limits, Maximum Affordable Sales Prices,
& Maximum Affordable Rents**

Income Limits

Household Size	50% AMI	60% AMI	65% AMI	70% AMI	75% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI
1	\$33,050	\$39,650	\$42,950	\$46,250	\$49,550	\$52,850	\$59,450	\$66,100	\$72,700	\$79,300
2	\$37,750	\$45,300	\$49,100	\$52,850	\$56,650	\$60,400	\$67,950	\$75,500	\$83,050	\$90,600
3	\$42,500	\$51,000	\$55,200	\$59,450	\$63,700	\$67,950	\$76,450	\$84,950	\$93,450	\$101,950
4	\$47,200	\$56,650	\$61,350	\$66,100	\$70,800	\$75,500	\$84,950	\$94,400	\$103,850	\$113,300
5	\$51,000	\$61,150	\$66,250	\$71,350	\$76,450	\$81,550	\$91,750	\$101,950	\$112,150	\$122,350
6	\$54,750	\$65,700	\$71,200	\$76,650	\$82,150	\$87,600	\$98,550	\$109,500	\$120,450	\$131,400
7	\$58,550	\$70,250	\$76,100	\$81,950	\$87,800	\$93,650	\$105,350	\$117,050	\$128,750	\$140,450
8	\$62,300	\$74,750	\$81,000	\$87,250	\$93,450	\$99,700	\$112,150	\$124,600	\$137,050	\$149,550

Maximum Affordable Sales Price

Bedrooms	50% AMI	60% AMI	65% AMI	70% AMI	75% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI
Studio	\$70,500	\$91,600	\$102,000	\$112,600	\$123,200	\$133,600	\$154,700	\$175,700	\$196,700	\$217,600
1	\$88,100	\$112,600	\$124,800	\$137,100	\$149,300	\$161,600	\$186,100	\$210,800	\$235,300	\$259,800
2	\$105,500	\$133,600	\$147,700	\$161,600	\$175,700	\$189,600	\$217,600	\$245,700	\$273,700	\$301,700
3	\$123,200	\$154,700	\$170,300	\$186,100	\$201,900	\$217,600	\$249,200	\$280,700	\$312,300	\$343,900
4	\$140,600	\$175,700	\$193,100	\$210,800	\$228,200	\$245,700	\$280,700	\$315,800	\$350,900	\$386,000

Maximum Affordable Rents

Bedrooms	50% AMI	60% AMI	65% AMI	70% AMI	75% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI
Studio	\$731	\$878	\$950	\$1,024	\$1,097	\$1,170	\$1,317	\$1,463	\$1,609	\$1,755
1	\$853	\$1,024	\$1,109	\$1,194	\$1,280	\$1,365	\$1,535	\$1,707	\$1,878	\$2,048
2	\$975	\$1,170	\$1,268	\$1,365	\$1,463	\$1,560	\$1,755	\$1,950	\$2,145	\$2,340
3	\$1,097	\$1,317	\$1,426	\$1,535	\$1,645	\$1,755	\$1,974	\$2,194	\$2,414	\$2,633
4	\$1,219	\$1,463	\$1,584	\$1,707	\$1,829	\$1,950	\$2,194	\$2,438	\$2,682	\$2,926



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

EXECUTIVE ORDER
OF
MAYOR THOMAS M. MENINO

An Order Relative to the Inclusionary Development Policy's Income Policy

I, Thomas M. Menino, Mayor of Boston, created the Inclusionary Development Program (IDP) through An Order Relative to Affordable Housing dated February 29, 2000, as amended by An Order Relative to Affordable Housing Cost Factor, dated February 3, 2005, and later amended by An Order Relative to the Inclusionary Development Policy, dated May 16, 2006, (collectively the "Order"). To provide further clarification and ease of implementation, the following changes are ordered.

That 50% of the on-site and off-site affordable homeownership units, required in projects subject to the IDP, be made affordable to households earning less than or equal to 80% of the Area Median Income ("AMI") and that 50% of the affordable units be made affordable to households earning greater than 80% and less than or equal to 100% of the Area Median Income. The City of Boston recognizes that these income restrictions are comparable to 130% and 160% of Boston Median Income ("BMP").

That the on-site and off-site affordable rental units, required in projects subject to the IDP, be made affordable to households earning less than or equal to 70% of the AMI. The City of Boston recognizes that these income restrictions are comparable to 100% and 125% of the Boston median Income (BMI).

I request that the Boston Redevelopment Authority adopt the above Order as its policy in connection with proposed projects.

Thomas M. Menino
Mayor of Boston

Dated: 9/27/07

Appendix D

[Affordable Housing Agreement Waterside Place Phase I.pdf](#)

[Affordable Housing Agreement Park Lane Seaport Apartments.pdf](#)

[Affordable Housing Agreement Portside at Pier One Phase I.pdf](#)

Appendix E

[BMRB Linkage Program Update July 2012.pdf](#)

Appendix F – Inventory of Affordable Units on Massport Property

Park Lane Affordable Units

Building G Affordable Units

Unit Number	Type	Square Feet
G-211	1 BR	725
G-311	1BR	725
G-411	1BR	725
G-201	2BR	961
G-301	2BR	961

Building J Affordable Units

Unit Number	Type	Square Feet
J-307	1BR	706
J-407	1BR	706
J-507	1BR	706
J-225	1BR	825
J-325	1BR	825
J-425	1BR	825
J-525	1BR	825
J-503	2BR	987
J-603	2BR	987
J-703	2BR	987

Portside at Pier One Phase I Affordable Units

LIST OF AFFORDABLE UNITS AND RESTRICTED RENTS				
<u>UNIT/ LOCATION</u>	<u>UNIT SIZE</u>	<u>BEDROOMS</u>	<u>AFFORDABILITY</u>	<u>MAXIMUM AFFORDABLE RENT RESTRICTED RENTS*</u>
1st Floor				
103	1083	2	Moderate – 80%	1,617
112	820	1	Lower Middle – 100%	1,768
116	756	1	Moderate – 80%	1,414
2nd Floor				
208	1085	2	Lower Middle – 100%	2,021
210	742	1	Moderate – 80%	1,414
213	730	1	Lower Middle – 100%	1,768
224	1083	2	Moderate – 80%	1,617
226	820	1	Lower Middle – 100%	1,768
236	1123	2	Moderate – 80%	1,617
3rd Floor				
303	1083	2	Upper Middle – 150%	3,031
308	1085	2	Lower Middle – 100%	2,021
311	730	1	Moderate – 80%	1,414
314	730	1	Lower Middle – 100%	1,768
321	756	1	Middle – 120%	2,122
336	1123	2	Lower Middle – 100%	2,021
4th Floor				
402	756	1	Upper Middle – 150%	2,653
406	1059	2	Middle – 120%	2,425
412	1085	2	Moderate – 80%	1,617
413	730	1	Moderate 80%	1,414
424	1083	2	Lower Middle – 100%	2,021
427	820	1	Lower Middle – 100%	1,768
5th Floor				
503	1083	2	Upper Middle – 150%	3,030
508	1059	2	Middle - 120%	2,425
510	730	1	Middle – 120%	2,122
521	756	1	Upper Middle – 150%	2,653
527	820	1	Moderate – 80%	1,414

*See BRA Income Limits and Rents for BRA-Sponsored Affordable Housing

Appendix G

Additional Acknowledgements

Internal/ Massport:

Juan Carlos Loveluck, Senior Project Manager, Economic Planning and Development

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Gloribell Mota, Neighbors United for a Better East Boston

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Jamie Fay, President, Fort Point Associates

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