

## Crane, Paula

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**From:** Carl Nagy-Koechlin <carlnagy-koechlin@justastart.org>  
**Sent:** Thursday, May 4, 2023 11:59 AM  
**To:** Susan Connelly  
**Cc:** Mike Johnston; Farooq, Iram; Cotter, Chris; sbarcan@homeownersrehab.org; yhung@cambridgema.gov; citymanager@cambridgema.gov; City Clerk; City Council; DavidESullivan77@gmail.com  
**Subject:** Re: AHO, Community Process and Data - it's long, but please read, I promise you won't fall asleep and I'm not mean or rude.

Wow, Susan. This is an impressive piece of work. I'll have to read it again but for now let me say how much I appreciate that you've shared your wisdom, grounded in the hard work you've done on the topic over recent years.

Carl

On Thu, May 4, 2023 at 11:32 AM Susan Connelly <[sconnelly@housingopportunities.com](mailto:sconnelly@housingopportunities.com)> wrote:

Cambridge City Councilors, Cambridge Housing Authority, Housing Resource, Inc., Just A Start and Cambridge Affordable Housing Trust Fund;

I am writing to all of you at once because a) I know many of you b) I have tremendous respect and many aligning life/work experiences and goals with our community's non-profit affordable housing partners and advocates c) I am saddened and frustrated at the current conversation that is happening. I have not written prior to this because I am married to Councilor Paul Toner and attempt to keep some space in our lives that doesn't involve politics (big and small "p"). I've also hesitated because the tone of policy conversations in Cambridge now echo the national tenor and like many citizens I'm exhausted by the polarization, entrenchment of opinions, and lack of openness to additional information and diversity of opinions. Important policy conversations (both local and nationally) are lacking lessons learned from similar policies in other places, data and details. We can't commit and promise to policies (current AHO) and then those promises are scrapped without transparency and data. This erodes trust in our policy and political processes.

For those of you I don't know, I've spent all of my 36 working years in the affordable housing field, my first job, in high school, was mowing lawns at the HUD 202 development Keystone in Dorchester which you drive by on 93 going south. I've worked for for-profit, non-profit, and state governments in the management, construction, development, finance and policy of affordable housing locally, nationally and briefly across the Atlantic\*. As with any complicated and expensive system it's the alignment of many pieces (like a Rubik's cube) that make affordable housing feasible. Local zoning is without a doubt the most important piece to align first.

(\*A policy note - there is a lot to be learned from Dublin's rent control efforts and experiences)

About 4 years ago, Larry Field, a Cambridge resident, and a professional colleague and friend, reached out to me while I was working at Massachusetts Housing Partnership, to participate in assessing the feasibility of the city's proposed AHO language. Now hang in here with me for a 2 minute background/context explanation.

In my role at MHP I had just finished a project providing a grant and working with the City of Somerville assessing their proposed inclusionary zoning by-law. We hired a third party to create a fiscal analysis tool that, with careful input of variables, could provide the city with feasibility analysis. Along with others at MHP, I was spending a lot of time looking at national examples of language, use of FAR, parking requirements, TOD, proformas and data tools for analysis of feasibility for inclusionary housing. Also as part of my work at MHP we were diving deep into the weeds of the cost of constructing affordable housing in Massachusetts. We ran multiple analyses using the then current construction costs (open shop, Davis-Bacon, prevailing wage and union these are actually all different although they get confused),

different density levels, heights (higher buildings trigger different building code requirements it's not just about steel vs timber) and the realities (and possible adjustments needed) of limited public resources both on the capital and operating sides. A note - in our analyses we used limiting developer profits per MGL 40B regulatory guidelines. Any time we could use an existing, tried regulation that pinned a moving data piece we would. We invited a range of builders (open shop and union), developers (for profit and nonprofit) and consultants for "cone of silence" discussions on what they were seeing in the field and what they thought the issues driving costs were. This led to multiple other efforts including creating alignment and more transparency in design requirements and guidelines (two very different things) for publicly funded affordable rental housing between City of Boston, DHCD and the public funding agencies. It also later led to another project under the Baker Administration assessing why modular housing was not more prevalently used for residential development. I share all of this to lend credibility to the following thoughts.

The uniqueness of the above experiences is they were being conducted to support state level public policy based on the actual experiences, costs and data of the outcome we were working to achieve; the production of more affordable rental housing state wide. It was details up, not theory down. Why? Because we had too many examples of policy efforts that didn't have successful outcomes. Also policies take a lot of time, effort and these days animosity, to create and also a lot of time to actually create impact. The built environment can take years to respond to changes. This work, and the work of many others, including our affordable housing partners on this email, has led to many regulatory and legal changes including the changes in MGL Ch 149A and required file-sub-bid process and the state's recent TOD law which affordable housing advocates together advocated for, for over a decade, using data and community specific analysis provided by MHP and MAPC. I am NOT saying we have to wait a decade to create change, we don't. But change agents such as zoning should be based in data and analysis. What I respect about the small but mighty Somerville Community Development Department is they are structured to collect and use data to inform policy every step of the way. And you can see the outcomes as the most dense municipality in the Commonwealth continues to increase density in a way that improves its cityscapes. (George Proakis was the Somerville planning director at the time and is one of the best professionals in the field, \*<https://www.somervision2040.com>)

When I spent time working at DHCD helping create the state public housing program Partnership To Expand Affordable Housing, we would have developers come in and run through proformas, live, so staff could ask "what if..." questions and see the project cost and scale impacts (often denser buildings are the answer) These were fun and informative and transparent. These exercises informed the program which has been revised each year accordingly. I think it's safe for me to assume that our affordable housing partners would do this with the housing committee and other community groups. We are home to some of the best non-profit affordable housing development organizations in the country, and the number 1 public housing authority.

So, back to 2019 and Larry's working group. - In addition to multiple other sources, including a third party, that were testing feasibility of the proposed AHO language, along with others, I ran numbers and different scenarios to support the density and inclusionary requirements that would be feasible. All of these efforts provided the Council and others the data they needed to strongly support the AHO.

Fast forward three years - two of them spent in a pandemic - and here we are again. But this time there hasn't been a real analysis or process and what has been proposed is not fiscally feasible (more below). And, I think we're here because a project at Mass Ave and Walden proposed by Capstone did not align with the then recently enacted AHO. The developers (who I have great respect for) said the project wasn't feasible. Why? Do we know? Was there a "lessons learned" session with the affordable housing committee and CDD so SPECIFIC information could be brought back to the council? Sometimes specific and proprietary information can't be shared in a public forum but can be brought to a public forum in a way that provides insight and supports policy tweaks. This type of data, if collected and provided in the aggregate, for all publicly supported projects, starts to create a data base that can further public policy in multiple ways, not just zoning.

The recently proposed height changes are not tweaks, they feel dramatic and random and its unclear what they are based on except we need more housing Yes we do. But, the tweaks are not feasible. Are we responding to a "not feasible project size" problem interpreted by the Capstone project with another proposal that is not feasible and is

churning bitterness unnecessarily? I understand that the zoning doesn't mean that developers will build to that height, it gives them the option to. But it could also create a cityscape that has random building "mullets" (short in the front, disproportionately long i.e. tall in the back). Why are we just ignoring good planning practices? You can achieve both - increasing density and good planning.

These buildings are not feasible as 100% affordable housing up to 80% of AMI because of construction costs (which will be increasing, see further below) and will not be solved by using one or two new construction technologies (especially if union labor is a mandate, which is not the same as living wage or even prevailing wage) and because in addition to local resources we depend on state resources to support our affordable housing and the state has a mandate to spread those resources, as they should, across the state and therefore have some project limits for subsidy sources.

To make these projects work we need both capital subsidies (cost of construction) and operating subsidies (cost of operating). I've run multiple proformas (because for some of us on this email, that's actually fun). I've used a range of construction costs assumptions and per unit TDC's (total development costs from land purchase to the couch in the lobby) from hopeful through current based on project data provided by public sources. I've assumed 50% of the units having project based Section 8 (also very hopeful given the reality of limited voucher supply). I played with bedroom sizes (affects the amount of section 8 dollars) and total square footage. I ignored all of DHCD's project limits (as much tax credits as you need!) and stuck to the per unit limits for other subsidies (but used every soft debt source). I included \$200,000/per unit from the CAHTF. I used a range of total units (45 at a minimum, the tax credit sweet spot) up to 250 units. Beyond the 45/60 units, the bigger the building (at 100% affordable up to 80% AMI) the bigger the gap.

Then I had real fun and this is where some of our city policy discussions may want to focus on:

- 1) I mixed in middle income units (up to 120%) using the state's current program subsidy numbers (this isn't really feasible at large scale given the project limited, but again just reaching out as far as I could think to).
- 2) Assumed Congress passes the middle income tax credit (MIHTC) - not out of the realm of possibility
- 3) Then assumed the city in partnership with our AHTF, floats city bonds to support both capital and operating subsidy programs.

Of course we want as much flexibility in zoning as possible to support affordable housing production. But we are not just creating housing, we are creating community and there needs to be planning guidance that supports cohesiveness NOT to protect our city's "character" but to CHANGE the character in a way that continues to grow our housing stock and the city's livability. Streetscapes with building "mullets" can be and should be avoided. Start with the TOD areas, leveraging the state's law as a moment to tweak the AHO, and increase density there for buildings that can be up to something in the range of possible feasibility based on the most hopeful assumptions of public financing and allow a greater diversity of incomes (we need the other middle income housing too, it's part of the puzzle, not mandated but allowed). In the case the federal Middle Income Housing Tax Credit (currently drafted at 120% of AMI, but could go as high as 160% of AMI) passes or other middle income subsidy becomes available in the next couple of years, or the city supports an affordable housing bond (yes, please). And give the AHO the time the community was promised to see its impacts on the rest of the city.

Two other notes of importance.

- 1) One data source we need and can be easily obtained is to learn from our neighbors who do live in tall and dense communities. What works? What doesn't? What would they have liked to have seen done differently? There's a lot to learn from our neighbors in Rindge Apartments and the failure of the development in the 80's and the saving of this important rental housing resource, by our affordable housing partners. This is the type of information we should have to help inform our policies.
- 2) Biden's Build America, Buy America Act requires that all of the iron, steel, manufactured products and construction materials used in infrastructure projects are produced in the US. According to Nixon Peabody, the administration is now looking at housing as infrastructure and may decide as early as 8/2023. This would be disastrous for affordable housing. Current production of many construction materials and parts of materials, such as switch gears for electrical building systems, are made abroad. I'm working with Dynamic US in NYC, a construction company that

specializes in the electrification of historic and existing buildings, on a proposal for the adaptation of a 500+ unit public housing community. They are experiencing 9 month delays on electrical switching equipment from oversea manufacturers. Our country's manufacturing capacity would not be able to handle the demand and we do not have manufacturing facilities to produce some of our building system components. And here's the real kicker - this will apply to nonprofits and public agencies only. Not to private developers using public funds. Scream.

If you got through all of that, truly THANK YOU for taking the time.

Best,  
Susan Connelly

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