



Bridging the Gap: Creating Income Restricted Housing through Inclusionary Development

2018 Annual Report

With its long history of offering opportunity to its residents at all income levels, the City of Boston is proof that an economically inclusive city not only provides employers with the diverse workforce they need to build and maintain a strong economy, but also that providing opportunity across income levels leads to strong, healthy neighborhoods. Maintaining a strong middle class is critical to ensuring that Boston continues to be a thriving, diverse city where people want to live and employers want to locate. -- Housing a Changing City: Boston 2030



The Pierce, located in the Fenway, includes 41 IDP Units, and is paying \$4.7 million to the IDP Fund.

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Contents

01	Bridging the Gap: Creating Income Restricted Housing through Inclusionary Development
02	How Does Inclusionary Development Work?
02	On-Site and Off-Site Unit Creation
05	The Inclusionary Development Policy Contributes to Creating New Affordable Housing in Central Boston Neighborhoods
05	The Inclusionary Development Policy Expands the Availability of Housing Affordable to a Range of Incomes
07	IDP Fund Commitments and Completions and Finding Creative Solutions to Today's Problems
08	Beyond Development Approval: Marketing and Monitoring IDP Units
11	Project Highlights



Bridging the Gap: Creating Income Restricted Housing through Inclusionary Development

Introduction

As rents and sales prices have increased in Boston, it has become more and more challenging for individuals and families to find housing that is affordable. As a result, under Mayor Martin J. Walsh's leadership, the City of Boston has formulated a number of strategies to address affordability, which were outlined in the 2014 report *Housing a Changing City: Boston 2030* and updated in 2018. Boston's affordable housing needs are addressed through a number of City agencies and programs. Each program targets a range of Boston's household incomes, with the goal of meeting the needs of a diverse workforce. As a result, the City of Boston is committing considerable resources to preserving existing and creating new housing for low-income households, while simultaneously addressing the fact that moderate- and middle-income households also find it difficult to locate

housing they can afford. To address these needs, the City is committed to innovative ways of increasing the overall supply of housing and finding a way to bridge the gap for households making too much for subsidized housing, but who still find it hard to find a place to live in Boston.

Boston's Inclusionary Development Policy (also known as "IDP") bridges this affordability gap through private funds. Developers seeking zoning relief are required to make a commitment to support affordable housing, through the inclusion of income-restricted units within their buildings, the creation of units at another location, by contributing to a citywide affordable housing fund, known as the IDP Fund, or through a combination of these options. When the policy was introduced in 2000, few cities had a similar policy. Today, Boston is often highlighted for the success of its program, and

TABLE 1 Different City of Boston Agencies Serve a Range of Incomes, in Order to Meet the Needs of a Wide Range of Households

Household Income	Boston Housing Authority	City of Boston Department of Neighborhood Development	BPDA
<\$25k	Public Housing, Vouchers	Homelessness Set Aside	
\$25k-\$50k	Public Housing, Vouchers	Affordable Housing Production	
\$50k-\$80k			IDP Rental
\$80k-\$100k		Downpayment Assistance	IDP Homeownership
\$100k-\$120k		Downpayment Assistance	

towns and cities across the country are using inclusionary development programs to meet affordable housing needs.

Because of the IDP, developers have created 2,599 units of stable housing affordable to moderate- and middle-income families, and contributed \$137.1 million to the IDP Fund, which, when combined with other affordable housing resources, has supported the completion or preservation of 1,414 additional units of housing, affordable to very low-, low-, and moderate-income households.

Before the 2000 creation of the IDP, there was no requirement that private housing developers address affordability in their developments. Affordable/income restricted housing was only created through a combination of multiple funding sources from Federal, State, and City resources. With limited funds, the City of Boston struggled to create large numbers of income restricted units. The IDP opened the door to an entirely new source of income restricted housing. The IDP has leveraged private development for income restricted housing, expanded the availability of housing affordable to a range of incomes, created much needed income restricted units in central Boston neighborhoods, and provided funds for more deeply affordable housing. As a result of this program and other efforts, the City of Boston has been able to increase affordable/income restricted housing production from an average of 290 units per year before the introduction of IDP, to an average of over 650 per year over the last five years.

How Does Inclusionary Development Work?

When a land owner seeks to develop a piece of property, the uses and size of the building are restricted by the zoning code. Under Boston's IDP, whenever a developer of a project with ten or more units seeks to deviate from what is allowed

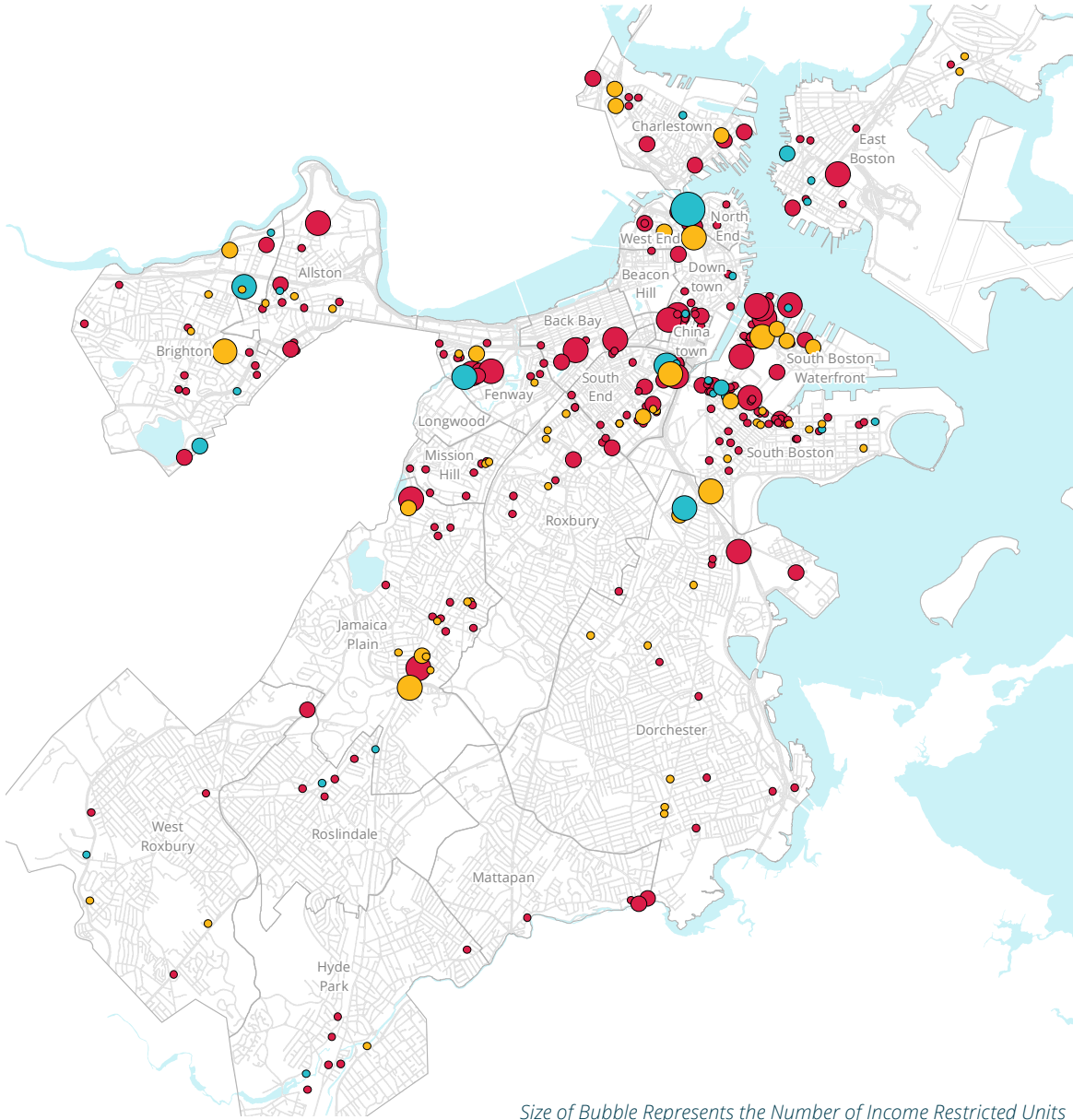
by the zoning code (this is referred to as a "zoning variance" or "zoning relief"), the IDP applies to the project. Under the current, citywide policy, a developer is required to commit to income restricting 13 percent of their on-site units. In some instances, the developer is allowed to create the units off-site, make a contribution to the IDP Fund, or provide a combination of the options. For some projects, the feasibility of a project is improved and/or the outcome for the City affordable housing goals improves if the off-site or contribution option (or a combination) is undertaken. The requirements for these options vary, depending on the neighborhood. The current requirements are outlined in the Appendix.

On-Site and Off-Site Unit Creation

The IDP has created 2,599 on-site and off-site units, otherwise known as "IDP Units," since 2000, of which 546 (21 percent of the total) were completed during 2018. In particular, 2018 saw the completion of the 239 unit Beverly project, located near North Station. All of the units in the Beverly are income restricted, ranging from 30 percent of AMI, all the way up to 165 percent of AMI, and was funded as off-site units for the Hub on Causeway project, and by a voluntary contribution from the Lovejoy Wharf project.

Of all on-site and off-site IDP Units created by private developers, 25 percent are homeownership units (condominiums), and 75 percent are rental units. In addition, a substantial number of new IDP units are anticipated to be completed over the next few years: 834 units are under construction or have been permitted, and there are 1,285 units that are in projects that have been approved by the BPDA, but have not yet pulled a building permit. When you combine the completed units with all those expected to be created over the next few years, the number of IDP Units will grow to over 4,700.

Inclusionary Development Policy Unit Locations



Completed and In Construction or Permitted Development Projects

- Completed prior to 2018
- Completed in 2018
- In construction or permitted

Number of Income Restricted Units

- 1 - 10
- 11 - 30
- 31 - 100
- 101 - 239

TABLE 2

Completed On-Site and Off-Site IDP Units by BPDA Neighborhood

Neighborhood	IDP On-Site and Off-Site Units	Percent of Units
Allston	74	3%
Back Bay	118	5%
Bay Village	-	0%
Beacon Hill	20	1%
Brighton	180	7%
Charlestown	94	4%
Chinatown	65	3%
Dorchester	118	5%
Downtown	409	16%
East Boston	116	4%
Fenway	212	8%
Hyde Park	28	1%
Jamaica Plain	105	4%
Leather District	19	1%
Longwood Medical Area	-	0%
Mattapan	46	2%
Mission Hill	28	1%
North End	8	<1%
Roslindale	17	1%
Roxbury	42	2%
South Boston	225	9%
South Boston Waterfront	346	13%
South End	275	11%
West End	20	1%
West Roxbury	34	1%
Total	2,599	100%

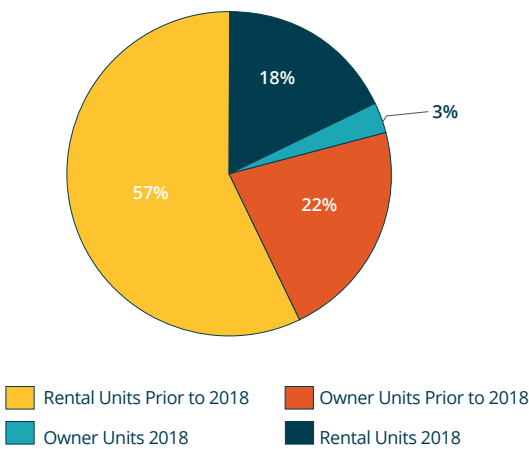
The Inclusionary Development Policy Contributes to Creating New Affordable Housing in Central Boston Neighborhoods

As [Table 2](#) and [Map 1](#) show, IDP Units are located across Boston, but units are concentrated in the areas where new, private housing production is occurring most, with the highest percentage (16 percent) in Downtown, with the fast growing South Boston Waterfront (the Seaport District), following close behind, with 13 percent. In total 57 percent of IDP Units can be found in central Boston neighborhoods, stretching from the North End to the South End, and from the Seaport to the Fenway. Since the City of Boston has few available parcels in these neighborhoods, and land prices are out of reach of affordable housing developers, the IDP is a critical tool in creating income restricted housing in downtown neighborhoods, and assuring that households with a range of incomes can continue to live in the center of the city.

The Inclusionary Development Policy Expands the Availability of Housing Affordable to a Range of Incomes

Beginning with the 1930s completion of New England’s first public housing project (South Boston’s Mary Ellen McCormack housing project), Boston has been a leader in the creation and preservation of affordable/income restricted housing. Boston has taken advantage of the full range of Federal and State programs, and has been willing to add local resources. As a result, nearly twenty percent of Boston’s housing stock is income restricted, a higher percentage than any other large, American city. Given that traditional affordable housing resources are focused on households making less than 60 percent of Greater Boston’s Area Median Income (for example, \$51,800 for a two person household), IDP units are a relatively small proportion of Boston’s income restricted units, making up one percent of Boston’s total housing stock, and only five percent of Boston’s income restricted housing. The IDP is important since it is one of the only resources for addressing moderate to middle-income households being priced out of Boston’s real estate market. In the early years of the policy, units were provided for households at 80 percent, 100 percent, and 120 percent of Area Median Income (“AMI”), but under current policy, IDP rental units are largely provided at 70 percent of AMI (up to \$60,400 for a two person household), and homeownership units are mostly set at 80 percent of AMI (up to \$69,000 for a two person household) and 100 percent of AMI (up to \$97,050 for a two person household). Given that the requirements of the program have changed over time, IDP units have a diverse range of maximum income limits, but 45 percent of homeownership units have a maximum income of 80 percent of AMI, and 52 percent of the rental units have a maximum income of 70 percent of AMI.

CHART 1 Inclusionary Development Units by Tenure and Completion Period

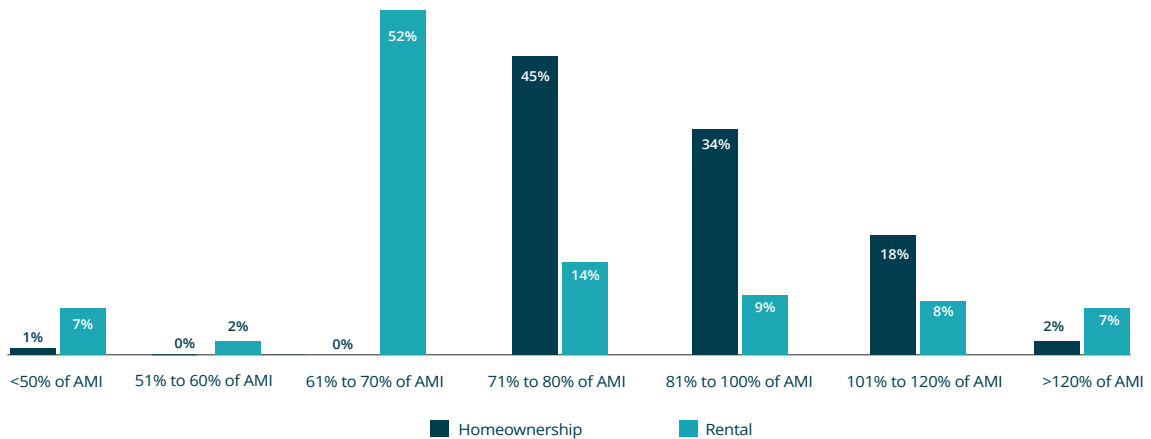


Source: IDP Program Data

For homeowner households, lenders have strict standards about how much of a household's income can be used towards housing. As a result, IDP homebuyers have incomes close to the maximum income limits. Even so, the IDP condominiums meet the needs of a wide range of households. For IDP units monitored by the BPDA, two percent of current owners had incomes of less than \$25,000 when they purchased, 34 percent had incomes between \$25,000 and \$50,000, 50 percent had incomes between \$50,000 and \$75,000, and 14 percent had incomes greater than \$75,000.

Both because IDP rental units are targeted at lower incomes than the homeownership units, and because some renters have a Federally or State funded housing voucher (e.g., Section 8, MRVP, VASH, etc.), the income profile of IDP renters is lower than for the homeownership units: 16 percent of current renters had incomes of less than \$25,000 when they were initially approved; 49 percent had incomes between \$25,000 and \$50,000; 29 percent had incomes between \$50,000 and \$75,000, and 6 percent had incomes greater than \$75,000.

CHART 2 Completed On-Site & Off-Site Units by Tenure and Maximum Income Limits (AMI)



Source: IDP Program Data

CHART 3 Incomes of Owners and Renters in IDP Units,* at Initial Purchase or Rental



Source: BPDA Compliance Data

Units Completed with IDP Funds, by Maximum Income Limits (AMI)

Maximum Income Limits	Number of Units	Percent
<30% of AMI	263	19%
31% to 50% of AMI	99	7%
51% to 60% of AMI	628	44%
61% to 80% of AMI	266	19%
81% to 100% of AMI	133	9%
101% to 120% of AMI	25	2%
Total IDP Funded Units	1,414	100%

Source: IDP Program Data

The IDP Fund: 2018 Completions and Finding Creative Solutions to Today's Problems

Developers can also meet their IDP commitment by making a monetary contribution towards the creation of affordable housing. Through 2018, developers have made \$137.1 million in IDP contributions, with \$13.5 million paid in 2018 alone. The City of Boston Department of Neighborhood Development ("DND") manages these funds, and for completed projects, every \$1 of IDP funds have been matched by over \$5 of additional City, State, and Federal funds.

Through 2018, 1,414 income restricted/affordable units have been completed or preserved with IDP funds, and are located across the city. An additional 669 units have been permitted or are under construction. [Map 2](#) identifies the locations of both the developer commitments, and the location of new affordable housing units created with IDP funds.

Since IDP Funds are paired with other public subsidies, which are often targeted to lower income households, 70 percent of the units completed with IDP funds have maximum income limits that are lower than IDP guidelines. Nineteen percent of the units have a maximum income of 30 percent of AMI (\$24,800 for a household of two), seven percent have a maximum income of 50 percent of AMI (\$43,150 for a household of two), and 44 percent of the units have a maximum income of 60 percent of AMI (\$49,650 for a household of two). The provision of units for very low income households (less than 30 percent of AMI) helps to meet Mayor Walsh's goal of addressing homelessness, as many of these units are tied to a preference for individuals and families experiencing homelessness.

IDP funds are more flexible than State or Federal sources, and have been used for a range of needs including the preservation and/or green-retro-

² American Community Survey, 2013-2017 Five Year Estimates.

fits of existing affordable housing, for homebuyer down payment assistance, and for homeowner repair programs. For several years, however, the IDP Funds were used exclusively for the creation of new, income restricted units. Recently, DND has begun to use some IDP Funds to respond to two challenges: the preservation of existing affordable housing, and rapid neighborhood change. Of the 669 units in construction being supported by IDP funds, 201 are existing units that are being preserved. Jamaica Plain NDC, a non-profit, is purchasing and renovating these units, largely in Roxbury, that would have become unaffordable without IDP funds.



27 Chaucer St in East Boston was purchased with IDP funds under the Acquisition Opportunity Program

With property prices on the increase, speculators are buying properties with the intent of either tearing down the existing homes or flipping the property, sometimes with only minor renovations. Either way, existing tenants are at risk of displacement. While local non-profits would like to intervene, they

lack the cash to do so. As a result, the DND created the Acquisition Opportunity Program (AOP) to overcome this barrier. During 2018, the AOP was used to purchase seven homes, with 20 units, in East Boston. The AOP is now moving from a pilot stage to full implementation. With funds from the IDP as well as from the Community Preservation Act, the City hopes to purchase and income restrict 1,000 units of existing housing in Boston, between 2018 and 2030.

Beyond Development Approval: Marketing and Monitoring IDP Units

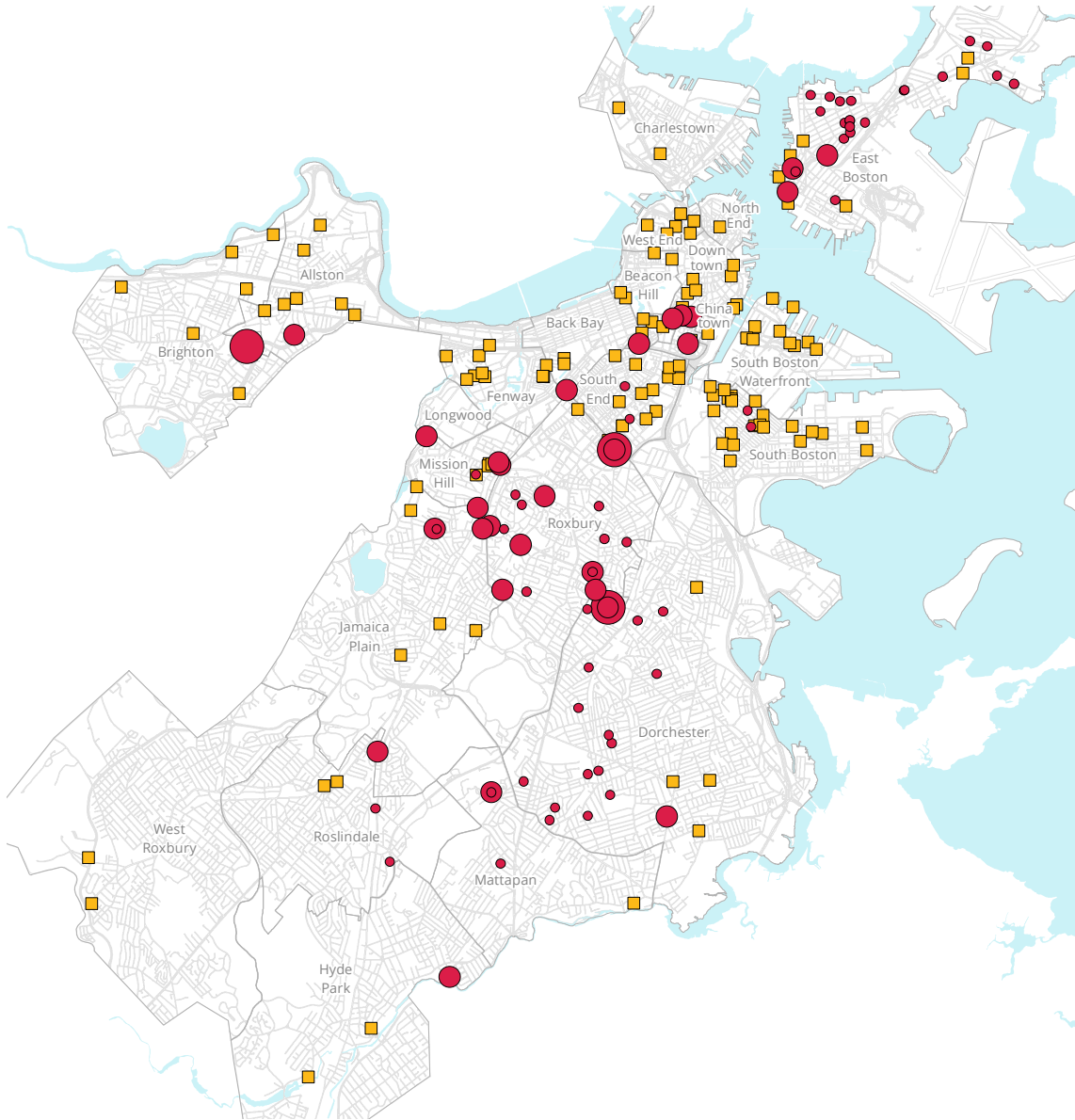
After a development is approved, the public spotlight on a project often fades, but for the BPDA's Legal and Housing Compliance Departments, this is where the work begins on a fifty-year oversight of an income restricted unit. The accompanying graphic provides an overview of the steps in the compliance process, which involves not just the BPDA, but also the Mayor's Office of Fair Housing & Equity ("OFHE") and the Department of Neighborhood Development ("DND"). All of these agencies are working diligently to improve and streamline processes.

In 2018:

The review and implementation of marketing plans for IDP Units was moved from the OFHE to DND in order to provide the staff necessary to address the large volume of projects in both the DND and IDP pipelines.

- Fair Housing staff completed 17 lotteries for projects with IDP units.
- BPDA Housing Compliance staff completed 718 reviews of income and assets, a 98 percent increase over 2017.
- In order to address the ongoing increase in compliance work, BPDA hired an additional staff person.

Inclusionary Development Policy Fund Contributors and Expenditures



Completed and In Construction or Permitted Development Projects

■ IDP Fund Contributors

Note: Some of these projects have on-site IDP units, but are required to make a "partial unit" payment.

● Income restricted units supported through the IDP Fund

Number of Units

- 1 - 25
- 26 - 100
- 101 - 185

**Beyond Development Approval:
BPDA's Continuing Relationship with a Project**

Development Receives BPDA and/or Zoning Approvals

BPDA: Housing Compliance and Legal

- Unit Locations are Confirmed
- Affordable Housing Agreements Created



Developer Secures Building Permit; Building Begins

Mayor's Office of Fair Housing & Equity

- Affirmative Fair Housing Marketing Plan Created
 - Marketing Begins
 - Lottery Held
- Housing Compliance Reviews Applicants for Income and Asset Qualification



Building Complete; Residents Move In

BPDA: Housing Compliance

- Renters' Income Recertified Annually
- All Residents' Occupancy Monitored
- BPDA Can Take Action to Resolve Compliance Problems (Including Legal Action)
- New Buyers'/Renters' Incomes & Assets Certifies on Turnover of Units

2018 Project Highlights Completed



Oak Row Apartments:

Oak Row Apartments was completed in 2018 and is located at 1235 VFW Parkway in West Roxbury. This eighty unit rental project includes 10 on-site IDP units. As there have not been that many projects completed in West Roxbury, these 10 units represent 29 percent of the IDP units located in the neighborhood.



The Beverly

The 239 unit Beverly project, located next to North Station, was completed in early 2018. Forty-eight of the units are targeted to households making 30 percent, 40 percent, or 50 percent of AMI, and are off-site units for Boston Properties' adjacent Hub on Causeway project. The other 191 income restricted units were made possible by Related Beal, the developer, through a voluntary contribution from the adjacent Lovejoy Wharf project. These units meet the needs of a variety of middle income households ranging from 110 percent of AMI to 165 percent of AMI.



The Treadmark

The Treadmark, located adjacent to Dorchester's Ashmont subway stop, was near completion in mid-2017 when a fire destroyed the building. Trinity Investments, the developer, worked diligently to get construction started again, and completed the building at the end of 2018. In a unique arrangement, the building has 83 units, of which 51 units are rental and 32 units are condominiums. All 51 rental units are income restricted, and received over \$3 million in IDP funds. Of the 32 condominiums, 28 are market-rate, and 4 are IDP on-site units, receiving no public subsidies.

2018 Project Highlights Under Construction



370-380 Harrison Avenue

Located in the South End, Related Beal broke ground on 370-380 Harrison Avenue during 2018. As part of the Harrison-Albany Corridor Strategic Plan, the developer could seek additional density, as long as the project was at least 20 percent income restricted. Related Beal is meeting this requirement by providing 3 income restricted condominiums, and 52 income restricted rentals, out of this 272 unit, mixed rental and homeownership project.



O'Connor Way Elderly

Developed by South Boston NDC, the O'Connor Way Elderly project began construction on an empty parcel within the existing Mary Ellen McCormack public housing development in South Boston. The building contains 46 income restricted units for seniors making up to 30 percent or 60 percent of AMI, as well as one on-site manager's unit. The income restricted units are off-site IDP units for the 150 Seaport (developed by the Cronin Group)

and the Pier 4 (developed by Tishman & Speyer) projects, both located on the South Boston Waterfront. Given the location next to a public housing project, one goal is to provide new, service enriched housing for seniors who are currently over housed at Mary Ellen McCormack. When a senior chooses to move into O'Connor Way, their previous unit would then become available for a family.



General Heath Square

Developed by Jamaica Plain NDC, the General Heath Square project began construction on Heath Street, where Mission Hill and Jamaica Plain meet, and contains 47 income restricted rental units affordable to a range of low- and moderate-income households at 30 percent, 50 percent, and 60 percent of AMI. The project was made possible, in part, by \$940,000 in IDP funds.

2018 Project Highlights Approved



1550 Soldiers Field Road & 21 Soldiers Field Place

In 2018, the BPDA Board approved the development plan for 1550 Soldiers Field Road & 21 Soldiers Field Place, in Brighton. The project will have 211 rental units at 1550 Soldiers Field Road, and 38 condominiums at the adjacent 21 Soldiers Field Place. In a unique arrangement all 38 of the condominiums will be IDP units, meeting neighborhood requests to increase the availability of affordable homeownership opportunities in the neighborhood.



9th and Mercer Streets

In 2018, the BPDA approved the plan for phase 3 of the redevelopment of the Anne M. Lynch Homes at Old Colony. While the overall goal of the project is to rebuild the existing public housing units at the property, Beacon Communities, working with the Boston Housing Authority, has identified land for 55 new, elderly units, at 9th and Mercer Streets. These units are being funded by Cottonwood Management, developer of Seaport Square Block M1 and M2 ("The Echelon"), as Off-Site IDP units.

TABLE 4

Appendix:

2015 Inclusionary Development Policy Requirements, by Zone

IDP Option	Zone A	Zone B	Zone C
On-Site	13% of total units	13% of total units	13% of total units
Off Site	18% of total in vicinity	18% of total in vicinity	15% of total in vicinity
Cash Out Condo	18% of total at 50% of price differential (\$380,000 minimum)	18% of total at 50% of price differential (\$300,000 minimum)	15% of total at 50% of price differential (\$200,000 minimum)
Cash Out Rental	18% of total at \$380,00	18% of total at \$300,00	15% of total at \$200,00

Requirements in Bold Are "As-Of-Right" and Do Not Require Special BPDA Approval

