



Bridging the Gap: Creating Income Restricted Housing through Inclusionary Development

2019 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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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 several 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,

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	

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

Because of the IDP, developers have created 2,917 units of stable, income restricted housing, and their contributions to the IDP Fund have, when combined with other affordable housing resources, supported the completion or preservation of 1,847 additional units of income restricted housing. As a result, 4,764 income restricted units have been created because of the IDP.

Before the year 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 780 per year over the last five years.

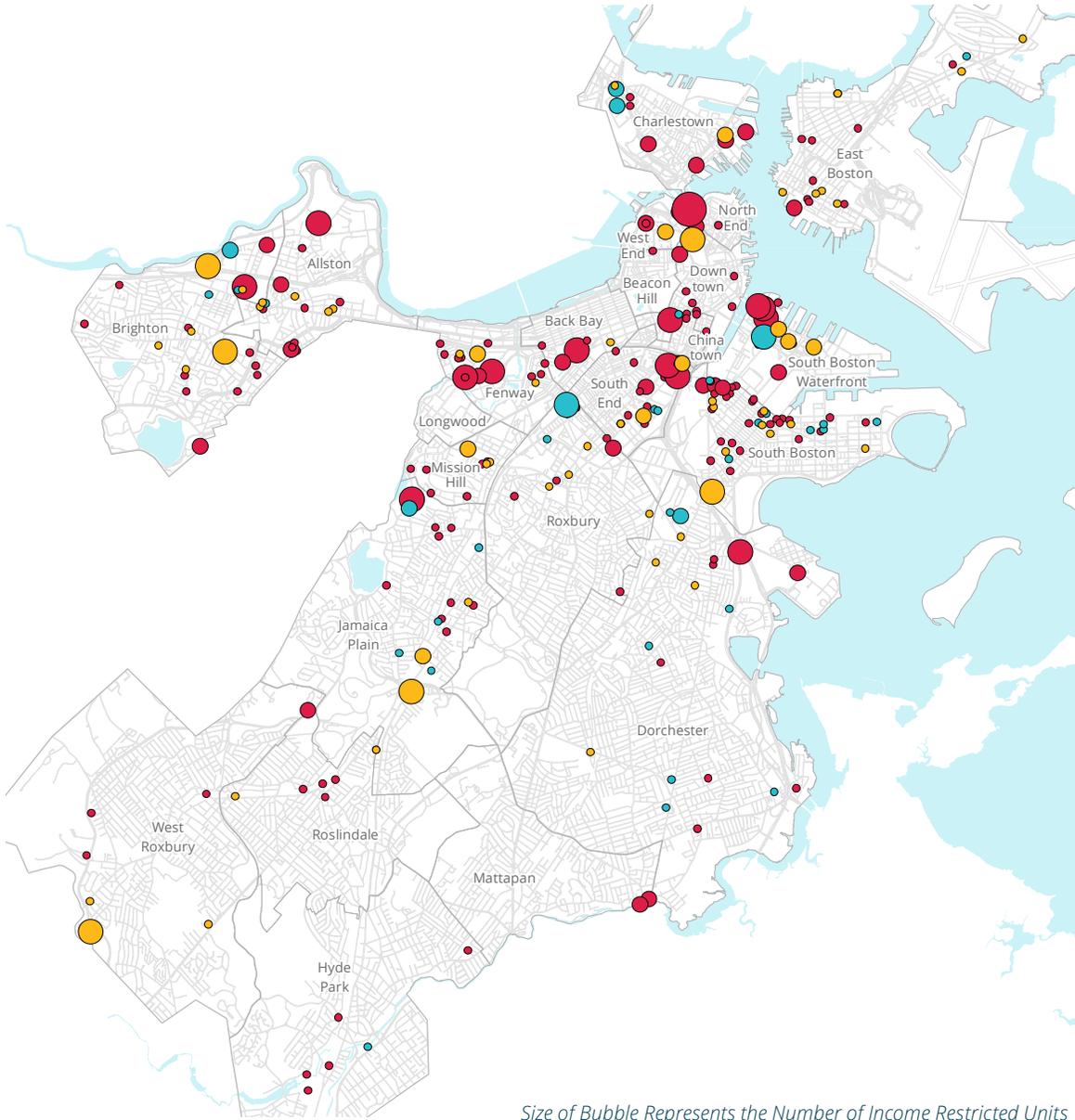
How Does Inclusionary Development Work?

When a landowner 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, contribute 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 2,917 on-site and off-site units, otherwise known as "IDP Units," since 2000, of which 321 (11 percent of the total) were completed during 2019. Of all on-site and off-site IDP Units created by private developers, 30 percent are homeownership units (condominiums), and 70 percent are rental units. In addition, a substantial number of new IDP units are anticipated to be completed over the next few years: 791 units are under construction or have been permitted, and there are 1,373 units that are in projects that have been approved by the BPDA in the last five years, 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 could grow to over 5,000.

Inclusionary Development Policy Unit Locations



Completed and In Construction or Permitted Development Projects

- Completed prior to 2019
- Completed in 2019
- 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	77	3%
Back Bay	118	4%
Bay Village	-	0%
Beacon Hill	20	1%
Brighton	204	7%
Charlestown	140	5%
Chinatown	65	2%
Dorchester	140	5%
Downtown	409	14%
East Boston	118	4%
Fenway	212	7%
Hyde Park	34	1%
Jamaica Plain	144	5%
Leather District	19	1%
Longwood Medical Area	-	0%
Mattapan	40	1%
Mission Hill	28	1%
North End	8	<1%
Roslindale	17	1%
Roxbury	95	3%
South Boston	254	9%
South Boston Waterfront	402	14%
South End	289	10%
West End	20	1%
West Roxbury	34	1%
Total	2,917	100%

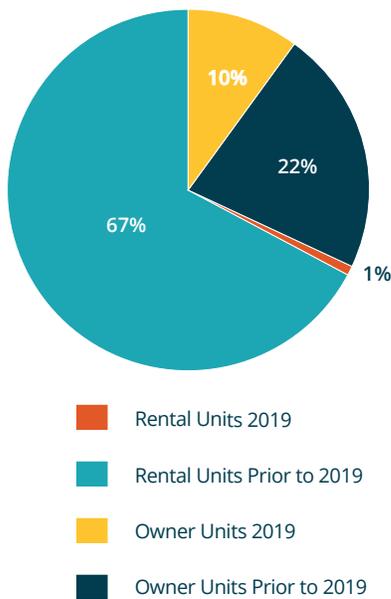
The Inclusionary Development Policy Contributes to Creating New Affordable Housing in Central Boston Neighborhoods

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 percentages (14 percent) in Downtown and the fast growing South Boston Waterfront (the Seaport District). In total 54 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, \$54,400 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 \$63,450 for a two person household), and homeownership units are mostly set at 80 percent of AMI (up to \$72,550 for a two person household) and 100 percent of AMI (up to \$90,650 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 46 percent of homeownership units have a maximum income of 80 percent of AMI, and 55 percent of the rental units have a maximum income of 70 percent of AMI.

CHART 1 Inclusionary Development Units by Tenure and Completion Period

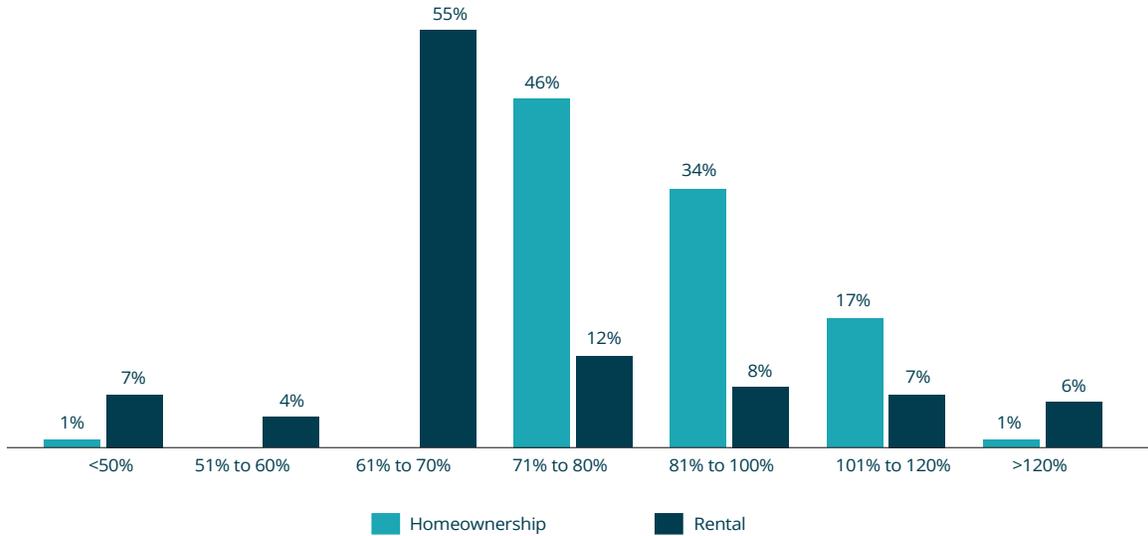


Source: IDP Program Data

Units monitored by the BPDA serve households with a wide range of incomes. For condominiums monitored by the BPDA, three percent of current owners had incomes of less than \$25,000 when

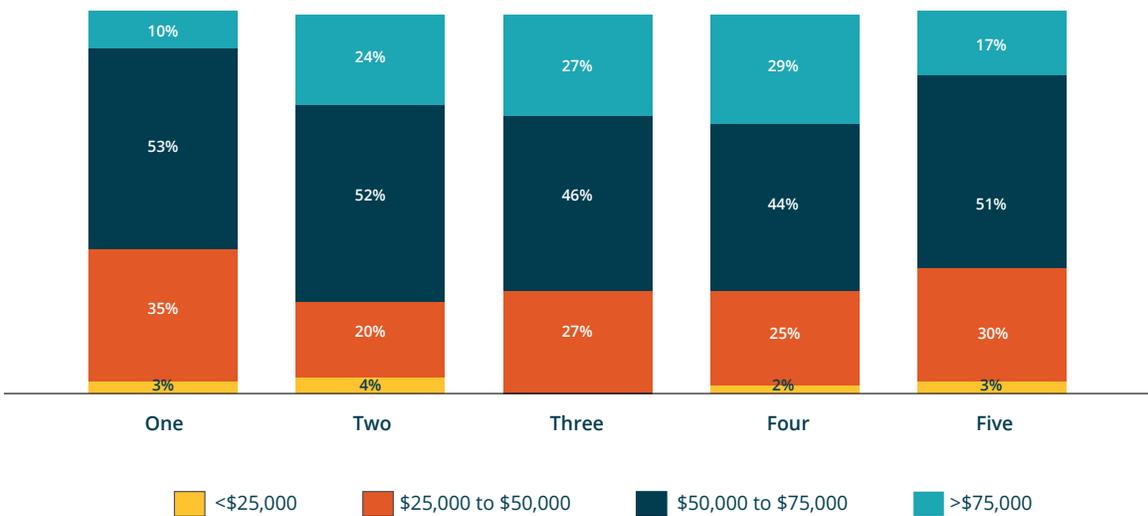
they purchased, 30 percent had incomes between \$25,000 and \$50,000, 51 percent had incomes between \$50,000 and \$75,000, and 17 percent had incomes greater than \$75,000.

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



Source: IDP Program Data

CHART 3 Incomes of Owners at Time of Purchase, by Household Size



Data: BPDA monitored condominium units. Households with more than four persons make up one percent of all monitored units, so are not broken out separately in this chart, but are included in the totals.

Incomes of Owners at Time of Initial Rental, by Household Size



Data: BPDA monitored condominium units. Households with more than four persons make up one percent of all monitored units, so are not broken out separately in this chart, but are included in the totals.

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; 46 percent had incomes between \$25,000 and \$50,000; 30 percent had incomes between \$50,000 and \$75,000, and eight percent had incomes greater than \$75,000.

The IDP Fund: 2019 Completions and Finding Creative Solutions to Today's Problems

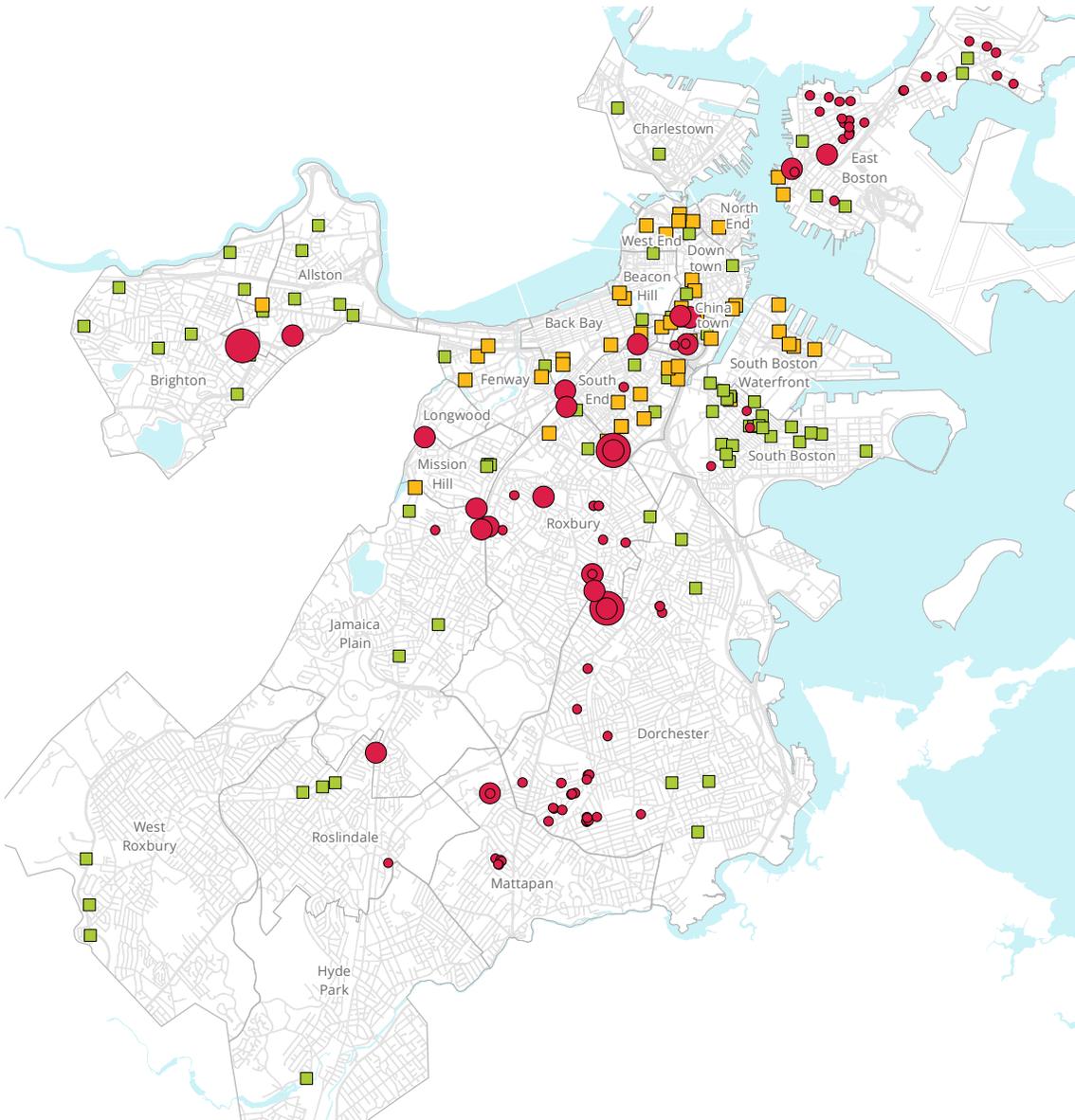
Developers can also meet their IDP commitment by making a monetary contribution towards the creation of affordable housing. Through 2019, developers have made \$158.5 million in IDP contributions, with \$20.9 million paid in 2019 alone. The City of Boston Department of Neighborhood Development (“DND”) 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 2019, 1,847 income restricted/affordable units have been completed or preserved with IDP funds and are located across the city. Of these, 421 were completed in 2019. An additional 345 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. Of the rental units, 25 percent have a maximum income of 30 percent of AMI (\$27,200 for a household of two), seven percent have a maximum income of 50 percent of AMI (\$45,350 for a household

Completed and In Construction or Permitted Development Projects



Completed and In Construction or Permitted Development Projects

■ IDP Fund Contributors
\$200,000 and over

■ Partial Unit Payment
less than \$200,000

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

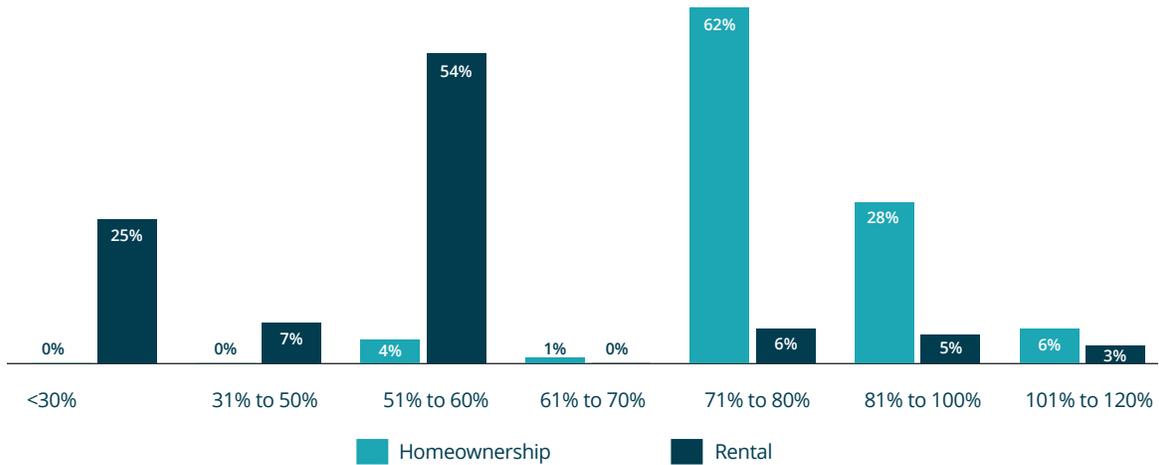
○ 1 - 25

○ 26 - 100

○ 101 - 185

CHART 5

Completed Units Funded by IDP, by Tenure and Maximum Income Limits (AMI)



of two), and 54 percent of the units have a maximum income of 60 percent of AMI (\$54,400 for a household of two). Of the homeownership units, which can include both condominiums and homes 62 percent have a maximum income of 80% of AMI (\$72,550 for a two person household), and 28 percent have a maximum income of 100% of AMI (\$90,650 for a two person household).

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 retrofits 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. For

example, during 2019, IDP Funds were used to help preserve the 97-unit Newcastle/Saranac Apartments in the South End/Lower Roxbury.

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 2019, the AOP was used to purchase ten properties, with 39 units, in Chinatown, East Boston, Hyde Park, and South Boston. 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 2019 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 these agencies are working diligently to improve and streamline processes.

In 2019:

- Fair Housing staff completed 32 lotteries for projects with IDP units.
- BPDA Housing Compliance staff completed 843 reviews of income and assets, a 17 percent increase over 2018.
- To address the ongoing pipeline of projects being reviewed, BPDA hired a Housing Policy Assistant.

**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

2019 Project Highlights Completed



NEMA Boston and the Echelon:

The 414-unit NEMA Boston apartments (on right in the picture) was completed in late 2019 and contains 54 on-site IDP rental units. The neighboring Echelon development (on left in the picture) also started delivering units in late 2019. This building has both rentals and condos, and 2 condos and 24 rentals will be on-site IDP units. This project is also paying \$3.2 million into the IDP Fund and supporting the creation of 74 off-site IDP units in South Boston, including 55 units of new senior housing at the Old Colony development.



9-16 Woodward Street

South Boston NDC purchased two properties containing 15 units, located on South Boston's Woodward Street. Part of the effort to purchase and income restrict existing buildings, three units were paid for by the Echelon development, and the remainder were paid for with the support of the IDP Fund.



A.O. Flats:

A.O. Flats, located adjacent to the Forest Hills MBTA stop, has 78 income-restricted units. The City of Boston assisted the project with several sources of funds, including \$1.25 million in IDP funds.

2019 Project Highlights Under Construction



40 Trinity Place

Located in Back Bay, this project combines a luxury Raffles Hotel with 146 condominiums. There will be seven on-site IDP units and, depending on how much the market-rate condominiums sell for, the project will be contributing around \$13 million to the IDP Fund.



20 West Fifth

Located in South Boston, 20 West Fifth Street will have 54 condominiums, 10 of which will be IDP on-site units. With 17 percent of the units income restricted, the project exceeds the IDP requirement of 13 percent because it is meeting the goals set out in the PLAN: South Boston/Dorchester Avenue planning study.

2019 Project Highlights Acquired



Newcastle/Saranac Apartments

Direct funding from the 60 Kilmarnock Street and the 212 Stuart Street developments was paired with City-controlled IDP Funds so that Fenway CDC and the Schochet Companies could purchase the 97-unit Newcastle/Saranac Apartments. The affordability restrictions ending early in 2019, and this purchase will assure that the buildings can be renovated starting in mid-2020, and the existing tenants will be saved from displacement.

2018 Project Highlights **Approved**



Allston Yards

Located next to the new Boston Landing commuter rail station, Allston yards will include 868 housing units (both condos and rentals), including 149 on-site IDP units (17 percent of the total units). The project is both exceeding IDP requirements and creating a \$4 million fund to promote homeownership in Allston/Brighton.



201 Stuart Street:

More commonly known as the Motor Mart Garage, located in Park Square and adjacent to Bay Village, this project will create 231 condominiums, while preserving the art deco architecture of the parking garage. To meet its IDP obligations, the project will create at least 42 off-site IDP units, and is planning to do so by funding the 85-unit 288 Harrison Avenue project in Chinatown. This site is owned by and immediately adjacent to the Chinese Consolidated Benevolent Association's Tai Tung Village.

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

