



Bridging the Gap:

Creating Middle Income Housing through Inclusionary Development

2017 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 Citation



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Bridging the Gap: Creating Middle Income 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 are outlined in the 2014 report *Housing a Changing City: Boston 2030*.

Boston’s affordable housing needs are addressed through a number of agencies and programs, with each program targeting a range of Boston’s incomes, with the goal of meeting the needs of a diverse workforce. As a result, the City of Boston is committing considerable resources to 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

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	

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 2,072 units of stable housing for moderate- and middle-income families, and contributed \$123.5 million to the IDP Fund. This \$123.5 million, when combined with other affordable housing resources, has supported the completion of 1,140 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 800 per year over the last four years.

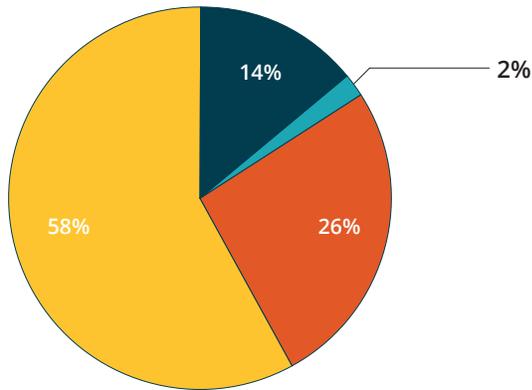
How Does Inclusionary Development Work?

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

2,072 on-site and off-site units, otherwise known as "IDP Units," have been created by the IDP since 2000, of which 325 (16 percent of the total) were completed during 2017. Of all IDP Units, 28 percent are homeownership units (condominiums), and 72 percent are rental units. In addition, a substantial number of new IDP Units are anticipated to be completed over the next few years: 961 units are under construction or have been permitted, and there are 1,428 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 well over 4,000.

CHART 1 Inclusionary Development Units
by Tenure and Completion Period



■ Rental Units Prior to 2017
 ■ Owner Units Prior to 2017
 ■ Owner Units 2017
 ■ Rental Units 2017

Source: BPDA Housing Compliance

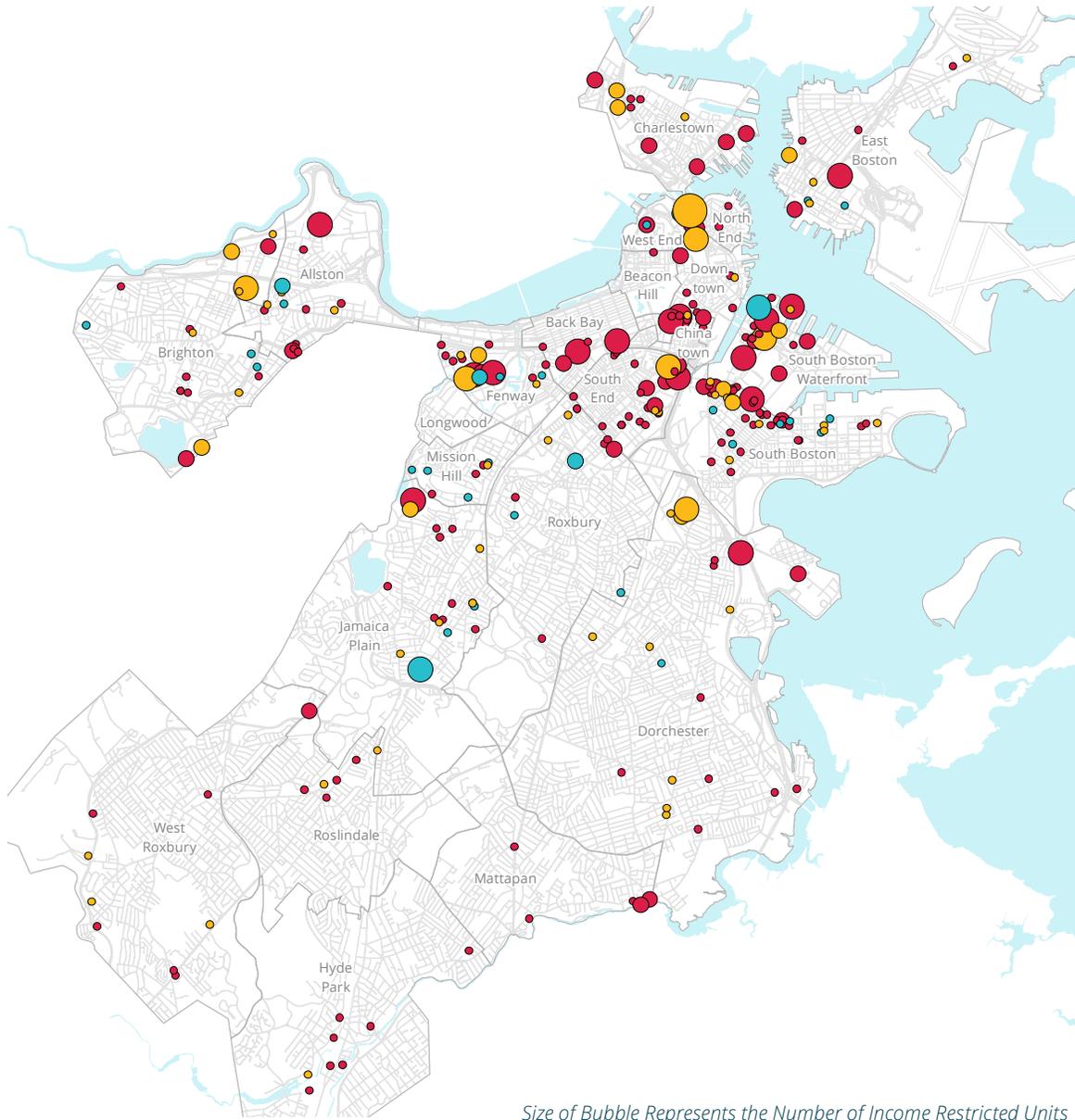
**The Inclusionary Development Policy
Contributes to Creating New Affordable
Housing in Central Boston Neighborhoods**

As [Table 1](#) 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 (17 percent) in the fast growing South Boston Waterfront (the Seaport District). In addition, another 39 percent of IDP Units can be found in the central Boston neighborhoods, stretching from the North End to the South End, and from Downtown 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, more than nineteen percent of Boston’s housing stock is income restricted. 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 less than one percent of Boston’s total housing stock. 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

Inclusionary Development Policy Unit Locations



Completed and In Construction or Permitted Development Projects

- Completed prior to 2017
- Completed in 2017
- In construction or permitted

Number of Income Restricted Units

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

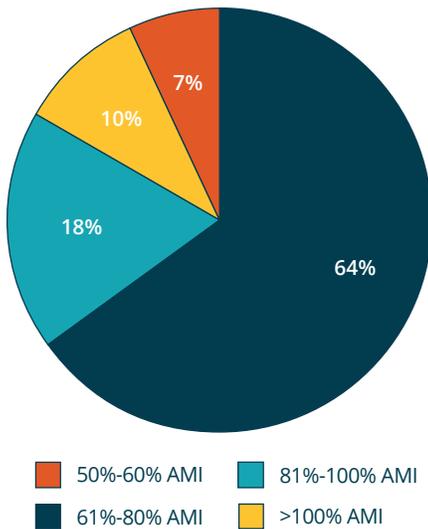
TABLE 2

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

Neighborhood	IDP On-Site and Off-Site Units	Percent of Units
Allston	68	3%
Back Bay	118	6%
Bay Village	-	0%
Beacon Hill	20	1%
Brighton	118	6%
Charlestown	89	4%
Chinatown	58	3%
Dorchester	85	4%
Downtown	165	8%
East Boston	83	4%
Fenway	178	9%
Hyde Park	25	1%
Jamaica Plain	105	5%
Leather District	19	1%
Longwood Medical Area	-	0%
Mattapan	47	2%
Mission Hill	28	1%
North End	8	0%
Roslindale	12	1%
Roxbury	45	2%
South Boston	196	9%
South Boston Waterfront	342	17%
South End	215	10%
West End	20	1%
West Roxbury	28	1%
Total	2,072	100%

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 mostly set 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 53 percent of the rental units have a maximum income of 70 percent of AMI.

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

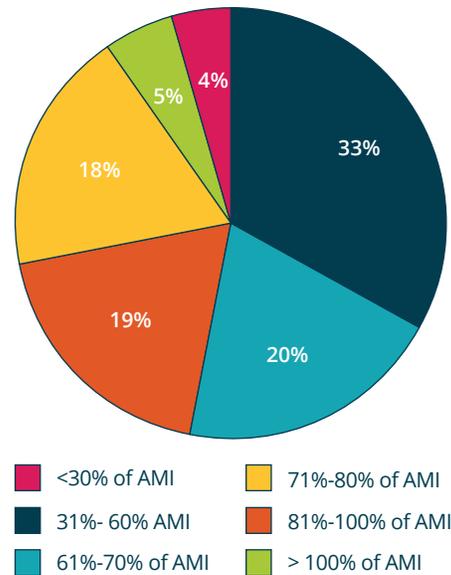


Source: BPDA Housing Compliance

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. As renters can choose to spend a higher percentage of their income towards rent, or have a Federally or State funded housing

voucher (e.g., Section 8, MRVP, VASH, etc.), the income profile of IDP renters is very diverse: 17 percent have incomes of less than 30 percent of AMI (\$25,900 for a household of two); 44 percent have incomes between 30 percent and 60 percent of AMI (\$51,800 for a household of two); and 18 percent have incomes between 60 percent and 70 percent of AMI (\$60,400 for a household of two).

CHART 3 Completed On-Site & Off-Site IDP Rental Units by Tenant Income (AMI)



Source: BPDA Housing Compliance

The IDP Fund: 2017 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 2017, developers have made \$123.5 million in IDP contributions, with \$16 million (13 percent of the total) paid in 2017 alone. In addition, \$22.4 million in new funds were committed to the fund in connection with 2017 BPDA Board approved projects. 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.

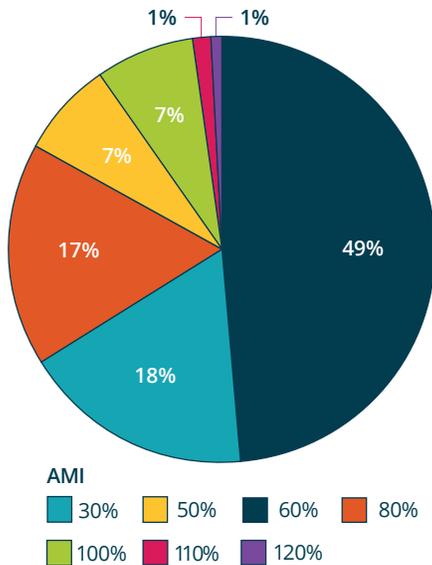
Through 2017, 1,140 income restricted/affordable units have been completed with IDP funds, and are located across the city. An additional 599 units have been permitted or are under construction. **Map 2** identifies the locations of both the developer commitments, and the location of new affordable housing units created with IDP funds.

Since IDP Funds are paired with other public subsidies, which are often targeted to lower income households, 73 percent of the units completed with IDP funds have maximum income limits that are less than IDP guidelines. Forty-seven percent of the units have a maximum income of 60 percent of AMI (\$49,650 for a household of two), while 18 percent of the units have a maximum income

of 30 percent of AMI (\$24,800 for a household of two). The provision of units at this very low income helps to meet Mayor Walsh’s goal of addressing homelessness, as many of these very low income units are tied to a preference for individuals and families experiencing homelessness.

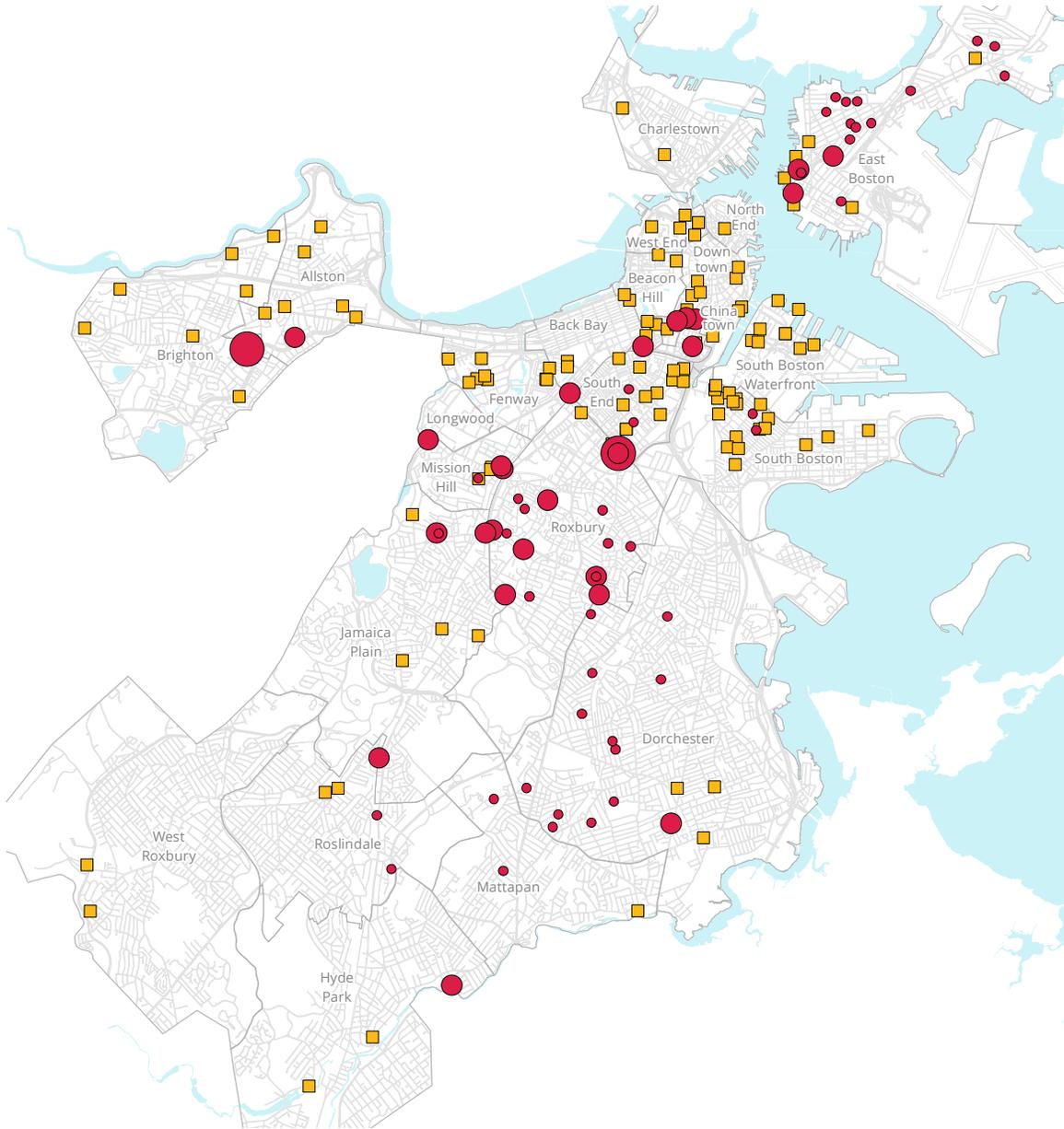
IDP funds are more flexible than State or Federal sources, and have been used for a range of needs including the preservation and/or green-retrofits of existing affordable housing, for homebuyer down payment assistance, and for homeowner repair programs. For several years, however, the IDP Funds were used exclusively for the creation of new, income restricted units. Recently, DND has begun to use some IDP Funds to respond to rapid neighborhood change. 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 2017, the AOP was used to purchase nine homes, with 26 units, in East Boston. See examples on [page 9](#).

CHART 4 New Affordable Units Created by the IDP Fund, by Maximum Income (Percent of Area Median Income)



Source: BPDA Housing Compliance

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

Buildings purchased through the acquisition opportunity program:



230 Bennington Street



400 Bremen Street



6 Glendon Street

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"). Both agencies are working diligently to improve and streamline processes.

In 2017:

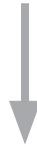
- The BPDA list used to notify people of upcoming lotteries was folded into the City of Boston's "MetroList". MetroList is now the one-stop place to get information about upcoming lotteries, no matter whether the income restricted unit was created with DND/City of Boston funding, or through the IDP.
- OFHE instituted a new on-line application process in order to participate in lotteries, expanding access and immediately tripling the number of people applying for each IDP lottery.
- OFHE staff completed 29 lotteries for projects with IDP Units.
- BPDA Housing Compliance staff completed 375 reviews of income and assets of new buyer/tenant.

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

Development Receives BPDA and/or Zoning Approvals

BPDA: Housing Compliance and Legal

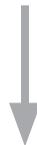
- Unit Locations are Confirmed
- Affordable Housing Agreements Created



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

2017 Project Highlights Completed



Parcel 25, Mission Hill

Parcel 25 is adjacent to Mission Hill's Roxbury Crossing MBTA station, and contains land that had been owned by the City of Boston, the State of Massachusetts, and the MBTA. Through a community planning process, a vision was established to create a mix of uses, incomes, and housing types. During 2017, the first phase was completed by Mission Hill Neighborhood Housing Services, at the corner of Tremont and Gurney Streets, and includes 40 income restricted units for very-low and low income households. The project is also the new home to the offices of Metro Housing|Boston (formerly the Metropolitan Boston Housing Partnership), which serves Boston's low-income families through a number of programs including homelessness intervention and housing voucher programs. In addition to City owned land, the project was supported by a range of public funds, including \$750,000 in IDP funds, and \$1,340,000 in Linkage funds from commercial developments.

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The Via and the Benjamin

Completed in 2017 and located in South Boston Waterfront, the Via and the Benjamin contain 832 apartments of which 96 are income restricted. Developed by the Berkshire Group and WS Development, these two buildings were the largest addition to the IDP program in 2017, and also brings new energy to the area, with a 10 screen cinema, a night club, an upscale bowling alley, and a range of food and dining options.



49 Speedwell and 63 Hartford Street

Creative use of the IDP resulted in the renovation of two foreclosed homes in Dorchester. In a unique arrangement between the developer of the 32 Derne Street project in Beacon Hill and the Coalition for Occupied Homes in Foreclosure (COHIF), five family-sized units in Dorchester were renovated and made income restricted, instead of only two units downtown. Without the nimbleness of the IDP, these homes would have been sold to investors, continuing a cycle of speculation.

2017 Projects Highlights Under Construction



206 West Broadway

206 West Broadway in South Boston is located on an empty lot that had once been occupied by a dry cleaner. In 2014, the City of Boston Department of Neighborhood Development granted the development rights to the South Boston Neighborhood Development Corporation and Caritas Communities, and are building 16 units of housing for low- to moderate-income households. Initially, the project sought City affordable housing

funds, but the developer of the Echelon Seaport stepped in and are the sole funder of this project, meeting a portion of Echelon's commitment to create 62 income restricted units in South Boston. In addition to the housing, the project will clean up a dirty site, fill a gap in West Broadway's streetscape, and create a small retail space.



123 Hamilton Street

123 Hamilton Street in Dorchester is unique among projects with IDP on-site units. While the building will contain 52 studios, of which 7 will be income restricted under IDP, all of the units will house individuals who have experienced homelessness. In a unique private/non-profit venture, Trinity Green Development is building the project, but the Pine Street Inn will master lease all the units for their clients. For Pine Street, this project provides

the opportunity for them to cluster clients with services, rather than being scattered across the City. If at any time Pine Street should leave the building, the 7 IDP Units would remain as a resource for moderate-income individuals.



48 Boylston Street

48 Boylston Street sits at the intersection of Downtown and Chinatown, and was the longtime home of the Boston Young Men's Christian Union. The Planning Office of Urban Affairs and St. Francis House are redeveloping this Victorian building into 46 units that will serve people who have experienced homelessness, and as well as other households with very low incomes. This project has received a commitment of over \$4.6 million in

IDP funds, to be used for this phase, as well as for the anticipated second phase, which would lead to the construction of a new building at the rear of the project, facing Lagrange Street.

2017 Project Highlights Approved



159-201 Washington Street (St Gabriel's Redevelopment)

In 2017, the BPDA Board approved the proposed redevelopment of the former St. Gabriel's Monastery and Church, in Brighton. The project, to be completed by Cabot, Cabot & Forbes, successfully combines historic preservation with new development, while serving renters, homeowners, and a mix of incomes. The project will contain 551 rental units and 101 homeownership units, and will renovate the monastery into housing and the church into amenity space for the project. In addition to providing the required 85 IDP Units, the developer has agreed to provide an additional 13 IDP Units, for middle-income households.



370-380 Harrison Avenue

In 2017, the BPDA Board approved the 370-380 Harrison Avenue, located in the rapidly changing "New York Streets" section of the South End. Once home to the Quinzani's bakery, developer Related Beal agreed to make 20% of the units affordable, in exchange for additional density, as allowed under the Harrison-Albany Corridor rezoning. The project will contain 101 homeownership units and 172 rental units. Of these, 55 units will be income restricted. For Related Beal, this follows on the heels of their successful completion of the Beverly near North Station, where all 229 units are income restricted, to a range of incomes.

