

memo

To: Members of the Arlington Redevelopment Board
Jennifer Raitt, Director of Planning and Community Development

From: Karen E. Kelleher

Date: March 15, 2021

Re: Warrant Articles 43 and 45

I write to provide comments on warrant Articles 43 and 45. I am a member of the Housing Plan Implementation Committee, and I have 20 plus years of experience developing, preserving and financing affordable housing. I am currently the Executive Director of LISC Boston, a nonprofit that provides comprehensive community development support to low-income communities, including affordable housing financing, training and thought leadership. I have previously served as the Deputy Director and General Counsel of the Massachusetts Housing Finance Agency, and as Senior Vice President and General Counsel of The Community Builders, Inc., a large, nonprofit, mission-driven developer of affordable housing in Massachusetts and several other states. The vast majority of housing I have worked on in each such capacity has included a high percentage of deed restricted affordable housing units. I offer this background because my experience and long commitment to housing affordability inform my comments.

It is exciting to see so much interest in creating affordable housing in Arlington. I applaud the proactive and creative efforts of the proponents of these articles, and look forward to working with them over the coming years to increase the affordability and diversity of housing in Arlington.

At the risk of pointing out the obvious, creating affordable housing requires us to work against an economy that produces inequitable outcomes. Quite simply, the amount that households with very low, low and moderate incomes can pay to rent or buy a home in a high cost market like Greater Boston is not enough to pay for the cost of creating and maintaining a decent home. Creating affordable housing in our current housing market (deed-restricted or not) generally requires us to bridge that financing gap. There are two primary ways that is typically accomplished: (1) by providing local, state and federal subsidies to cover the cost difference between the rents or home prices that can be paid by low income households and the cost of providing housing; and/or (2) where the market is robust enough to make it financially feasible, to incent developers or owners to use a portion of the profits from market rate housing to cross-subsidize affordable units. Notwithstanding Arlington's development constraints, it has opportunities to do both, and I hope we will maximize both opportunities. However, most strategies involve costs and compromises – there are few easy solutions. Wanting, or even demanding, more affordability won't make it happen. We need to create, attract and incentivize those who want to buy or build, own and operate it. The private Housing Corporation of Arlington is one such actor, and the public Arlington Housing Authority is

another, but there are many private non-profit and for-profit developers with the desire and expertise to do it as well. If we create (or allow them to create) a path to financial feasibility.

I was a proponent of the affordable housing trust fund last fall, and I also strongly support the transfer fee home rule petition proposed under Article 27. While legislative approval is uncertain and may take many months, a transfer fee could provide a sustained source of subsidy to fuel a long-term strategy to accelerate affordable housing creation and preservation in Arlington through a variety of strategies and could increase our ability to leverage state and federal subsidies. But there are opportunities to act in the meantime, including options contemplated by Articles 43 and 45.

Article 43 – Accessory Dwelling Units. I encourage you to act favorably on Article 43, which amends the zoning bylaw to allow accessory dwelling units (ADUs). ADUs offer homeowners the ability to age in place, create independent living space for family or household members, downsize, or earn supplemental income in order to continue to live in their own homes while offsetting rising Arlington property taxes. ADUs are supported by the AARP, and are considered indicative of an age-friendly community.

Article 43 responds directly to the need, identified in the Housing Production Plan, for a broader range of housing for persons of all income levels and ages, and to the Plan's finding that elderly households in Arlington experience the highest housing cost burden. Thus, Article 43 responds to two of the plan's six stated goals, including "Integrate affordable units in a range of housing types into the fabric of Arlington's existing neighborhoods through redevelopment of certain underutilized properties and reuse of existing buildings," and "foster an aging-supportive community via housing choices that enable older adults to thrive in Arlington as they age." While ADUs would not require subsidy or be rent-restricted by law, they would provide small units (900 square feet or less as proposed) that would likely have modest rents. While modest additional density would be permissible, the tradeoffs are negligible, especially since no public subsidy is required, most ADUs would be invisible, and they would be highly dispersed across neighborhoods.

Article 45 – Boosting Inclusionary Zoning. With respect to Article 45, I share the proponents' desire for our inclusionary zoning bylaw to incent the creation of more affordable housing units. When effective, inclusionary zoning causes developers to cross-subsidize affordable units with excess profits on market rate units, with little or no public subsidy. However, municipalities typically carefully analyze the impact of inclusionary zoning bylaws in their market, since it is possible to require so high a percentage of affordable housing that the cost of building it exceeds the developer's profit, making development financially infeasible. When this happens, the impact of the change can be to chill housing production subject to the bylaw altogether, which in turn reduces the amount of affordable housing produced as a result of the bylaw. Examples can be found in [this report](#) of how some well-intentioned local zoning requirements have had the impact of limiting production of affordable housing and exacerbating our regional housing affordability crisis.

At 25%, our inclusionary zoning requirement would be one of the highest in the state. While driven by ambition for more affordability, it's possible that this change might not have that impact. For example, I understand that Dover has adopted a 25% inclusionary requirement, but the report cited in the paragraph above indicates that it has not produced a single affordable unit. In any event, the state's Subsidized Housing Inventory indicates that Dover has less than 1% of its total housing inventory affordable. (We have 5.7% of a much larger number). I would

hope we will take a closer look before we follow their lead. Our neighboring communities of Cambridge and Somerville have aggressive inclusionary requirements that reach 20% for certain projects and may present models we can draw upon. However, they both permit substantially more housing than we do, which is a necessary element of an effective inclusionary zoning bylaw, because it supplies the denominator the requirement is applied to. Finally, I note that a 25% inclusionary bylaw would impose the same affordability requirement as chapter 40B, without allowing any additional density or zoning flexibility that might otherwise be available under 40B. There are many variables and market factors in play that should be considered, but I wonder if the effect of the proposed bylaw change could be to increase 40B proposals.

Relatively little affordable housing is being produced by our inclusionary zoning bylaw, and the proponents of Article 45 are right to question how we can better shape this bylaw to harness the power of the market to create more affordable units. But for the reasons indicated above, I hope the ARB will consider the interplay between such regulation and the market, and will seek to tailor the requirement to the opportunities in our community. I encourage you to conduct or obtain a study of the impact of our current inclusionary zoning bylaw, the likely impact of the change proposed by Article 45, and related recommendations regarding our options for increasing affordable housing produced as a result of the inclusionary zoning bylaw in Arlington. It would be great to be in a position to have such a report well in advance of the anticipated special town meeting next fall, so that the ARB and affordable housing advocates could consider what regulatory changes might be considered to deliver what the proponents of Article 45 and many

Many thanks for your consideration.



Karen E. Kelleher

Town Meeting Member, Precinct 5
Member, Housing Plan Implementation Committee