

**Join the
Affordable Housing
Conversation!**

**Exploring an
Affordable Housing
Overlay in Arlington**

November 7, 2024

Town of Arlington, Department of Planning and Community Development

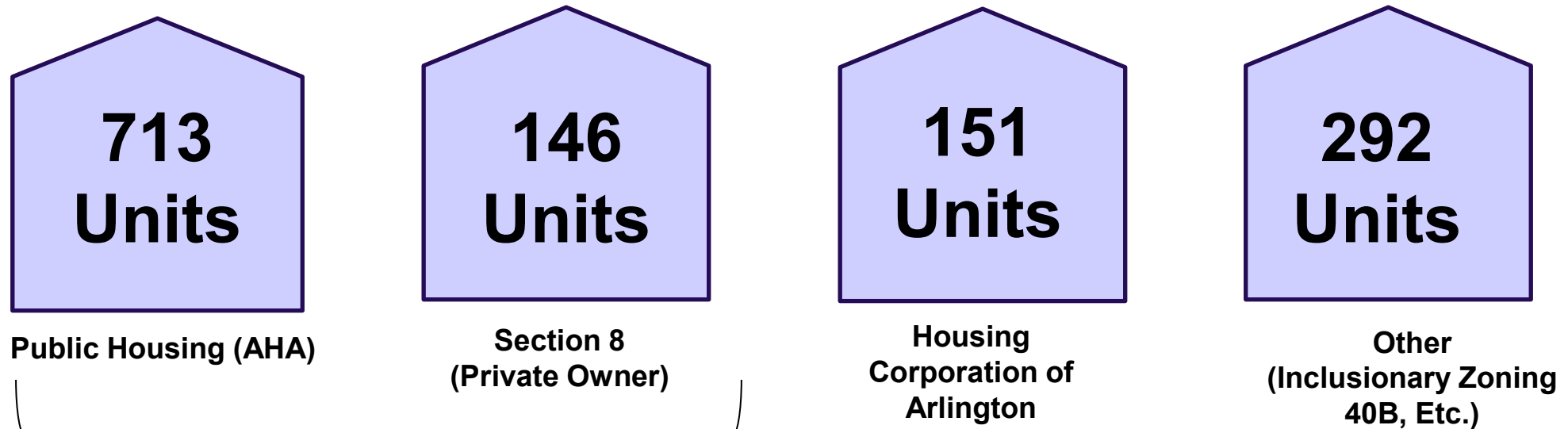


Agenda

- Review
 - Affordable Housing In Arlington
 - How does an Affordable Housing Overlay line up with our existing plans and expressed desires
 - How does affordable housing get built?
- Proposal for an Affordable Housing Overlay
- Discussion
 - Questions and Comments

Arlington's Current Affordable Housing

Arlington currently has an affordable housing stock of approximately 1,302 units. But more than 5700 Arlington residents need deed restricted units. We are only meeting 20% of the need.



These types of housing, built between 1940 and 1983, are affordable to very low and extremely low-income households, because the federal government provides operating subsidy to pay most of the rent. The government does not fund new projects of this type.

HCA has projects in development that will add at least 43 more units to its inventory.

Additional affordable units will be added by 40B projects already under development.

Arlington needs more affordable housing.

Nearly one quarter of our population needs affordable housing we are not providing. Many Arlingtonians are struggling with housing costs and are at risk of displacement, especially elderly households.

- Nearly 1 in 3 Arlington households have low or moderate incomes (< 80% AMI). **More than 5700 households need deed restricted affordable housing.** More than 10% of Arlington households have extremely low incomes (< 30% AMI).
- More than one quarter of all households are housing cost burdened, which means they pay 30% or more of their income on housing costs. More than a third of senior households spend more than 30% of their income on housing and are considered cost burdened.
- There are long waiting lists for affordable housing units and mobile vouchers in Arlington. Many who receive vouchers are unable to use them here, because few Arlington apartments have rents low enough to be paid by the voucher, and many landlords will not accept them.

Town Plans: More Affordable Housing

Many plans developed and adopted by the Redevelopment Board and Select Board have incorporated plans for more affordable housing, including clear permitting for affordable housing.

Plan for Affordable Housing and use Local Resources for Affordable Housing

2015 Master Plan

Reform zoning to encourage development that increases fair housing choice. Consider specific zoning flexibility for 100% affordable housing.

2021 Fair Housing Plan

Integrate affordable homes in all neighborhoods through reuse of existing structures and redevelopment of underutilized properties, .

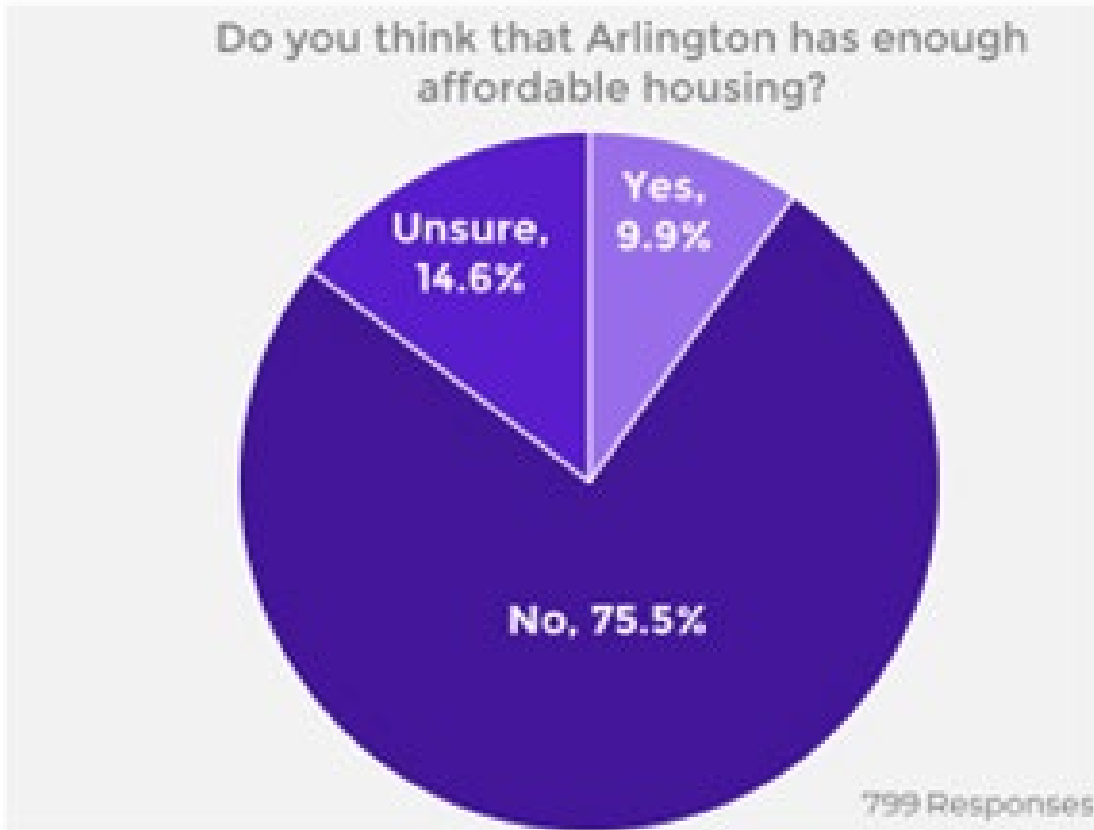
2022 Housing Plan

Catalyzing affordable housing development will require the Town to provide a clear path for permitting the affordable housing Arlington wishes to create.

2022 AHTF Action Plan

Residents: More Affordable Housing

Nearly 800 residents responded to an affordable housing survey in 2022.



75.5% of respondents said Arlington does not have enough affordable housing.

The most popular strategy to help Arlington create and preserve more affordable housing?

Policy change to incentivize the development of affordable or multifamily housing

“Housing costs currently take 57% of my income. I do not believe I will still be in Arlington in another two years.”

Leaders: More Affordable Housing

Our elected officials have voted for more affordable housing many times.

- ✓ **94% of Town Meeting members** voted in November of 2020 to establish the Arlington Affordable Housing Trust Fund to support the preservation and creation of low- and moderate-income housing in Arlington.
- ✓ **79% of Town Meeting members** voted in 2021 to pursue a home rule petition to impose a real estate Transfer Fee to fund the Affordable Housing Trust Fund.
- ✓ The **Affordable Housing Trust's** 5-Year Action Plan includes a plan for creating more affordable housing. **Predictable permitting** for affordable housing is the first of five planned actions. This plan was reviewed and commented on by the public and **unanimously approved by the Select Board in 2022**, with the support of the **Redevelopment Board**.
- ✓ In 2023, **Town Meeting** passed a resolution in support of an affordable housing overlay. **74% of Town Meeting Members** voted in favor.



**Predictable
permitting
is part of the
Town's plan.**

Be it resolved, that Arlington affirms the affordable housing overlay district as a means to mitigate the worst of Arlington's affordable housing crisis.

PASSED by Town Meeting on May 15, 2023
129 to 45 (74% in favor)

“The Select Board supports this resolution affirming an important recommendation of the Arlington Housing Production Plan, previously approved by this Board and the Arlington Redevelopment Board. Among the potential tools available to address the Town's commitment to creating affordable housing, the Affordable Housing Overlay District is an effect[ive] measure [to] encourage the development of affordable housing within identified areas in Town. The specific details of an overlay ordinance are expected to be discussed and debated in future town meetings, but the Board recommends this resolution as a means of affirming that this tool is important for achieving the Town's goals.”

Select Board Report, Voted 5-0 in Favor

Adding a Tool to Our Affordable Housing Toolkit

The challenges to creating affordable housing are substantial. To increase our supply, Arlington will need to better use the tools in our affordable housing toolbox and add some new ones. The focus of this session is a proposed new tool to provide a predictable permitting path for deeply affordable, subsidized affordable housing.

Local Housing
Authority

Inclusionary
Zoning and
Chapter 40B

Community
Preservation Act
(CPA) and
CDBG Funds

Housing
Corporation of
Arlington

Affordable
Housing Trust
Fund

Accessory
Dwelling Units

Real Estate
Transfer Fee??

Affordable
Housing Zoning
Overlay

Affordable Housing Developers: Remove Uncertainty

The Arlington Affordable Housing Trust asked experienced affordable housing developers who know how to secure state and federal subsidies, what would cause them to create affordable housing here. Their responses were very consistent.

“It’s easy—projects where Town players can help to fast-track: land + financing + community support + permitting and transparency have our interest.”

— Affordable Housing Developer

Identify & offer public sites for redevelopment, such as underutilized commercial sites. ID and negotiate or purchase other acquisitions.

Sites

Funding

Early local financing commitments, affordable ADU funding, subsidy for small acquisitions for conversion to affordable.

Affordable housing overlay, friendly 40B, permitted site disposition, MBTA Communities opportunities.

Permits

Alignment

Clear, consistent indication of what community wants, the resources & will it offers to support the development (i.e., RFQ).

The Realities of Financial Feasibility

Affordable housing is, at core, a math problem. The rents or home prices affordable to low income households are simply not enough to cover the cost of building and operating the housing. **Affordable housing requires subsidy to be financially feasible**. As much as \$400K - \$500K of subsidy can be required per unit.

**The Town can't
independently
subsidize
affordable
housing at scale.
How can we
make it
financially
feasible?**

Leveraging State & Federal Subsidies

State and federal subsidy is limited and competitive, but multiple projects move forward regularly in other communities attracting affordable housing developers with regulatory and financial expertise.

HCA has effectively leveraged these subsidies three times in the last 15 years. There are limits on how much subsidy will flow to one developer or one town, but **we can leverage more if we smooth the way for HCA and AHA and attract more developers who know how to secure it and use it.**

HCA Leveraging State and Federal Subsidy

Average. Per-Unit Subsidy

Town	\$28,000
State/Fed	\$428,000

Only 3 projects in Arlington have sought or received federal and state low income housing tax credits and other state subsidies. These projects have been developed by HCA over approximately 15 years.

Capitol Square 32 Affordable Units



Downing Square Broadway 48 Affordable Units (16 Extremely Low Income)



10 Sunnyside 43 Affordable Units



Town Subsidies	\$900,000	\$1.395 Million	\$1.25 Million
State and Federal Subsidies Awarded	\$7.4 Million 2011	\$20.5 Million 2019	\$24.75 Million 2024
Total Development Cost	\$14.3 Million	\$27.2 Million	\$33.5 Million
Town Percent of TDC	6.3%	5.1%	3.7%
Leverage	16X	19X	25X

Sources (provided by HCA): Capitol Square Final One Stop; Downing Square Broadway Initiative Cost Certification; 10 Sunnyside current sources and uses. All numbers are rounded for simplicity.



Housing Corporation of Arlington

What kind of housing gets state and federal funding?

The Executive Office of Housing and Livable Communities awards state and federal funding, imposing quality and sustainability standards and prioritizing equity and those with the greatest needs. Funding is competitive, but more than \$300MM has been awarded to 50 mostly rental developments this year.

Rent & Income Mixing	Low income housing tax credits require funded units to be available to and affordable to households with incomes at or below 60% of area median income (AMI). Of those, at least 13% must be for Extremely Low Income (30% AMI) units. The use restriction will apply for 30-50 years. Projects that include both affordable and workforce or market units are prioritized.
Targeting Greatest Needs	All funded projects must fall into one of 5 priority categories: (1) house at least 20% Extremely Low Income (ELI) households (2) be in a distressed or at-risk community; (3) preserve existing affordable housing; (4) provide family housing in opportunity communities; OR (5) be in communities where less than 12% of housing is affordable. Priority for housing formerly homeless, advancing fair housing and incorporating enhanced accessibility.

It is challenging to make a high percentage of affordability financially feasible without these resources – most notably low income housing tax credits.

What kind of housing gets state and federal funding?

The Executive Office of Housing and Livable Communities awards state and federal funding, imposing many quality and sustainability standards and prioritizing equity.

Readiness, Local Support	Project must be permitted and have no funding gaps, with points for local support and funding..
Quality	Site quality, Housing quality standards, design guidelines, minimum unit size apply.
Sustainability	All projects comply with Sustainable Development Principles.Green, sustainable, and climate resilient design are needed to be competitive, such as Passive House design, Enterprise Green Communities, LEED Gold or Platinum, universal design, solar PV readiness, proximity to transit, electrification, on site clean energy, reduced embodied carbon building materials.
Size	Projects funded tend to be at least 30-40 units due to the complexity of financing. The average size is about 75 units.
Developers	Experience and financial strength required. Points awarded for nonprofits and teams that include M/WBEs as partners and subcontractors.
Costs & Fees	Costs must be reasonable and projects with lower costs are preferred. Developer fees are regulated and capped.

How would more streamlined permitting help?

Speed

EOHLC will not fund a deal that is not permitted. The sooner we have permits, the more chance we have of being funded.

Cost Savings

Lengthy permitting processes can cost millions of dollars for architects, lawyers, engineers, consultants, and interest. This matters, since subsidy is scarce and budgets are tight.

Certainty

A predictable permit process reduces risk and helps to line projects up with tricky deadlines, avoiding year-long delays caused by missing a funding round.

HCA will develop in Arlington no matter what, but we are small with limited (but growing) capacity. Arlington has not attracted other affordable developers. A change like this will help HCA, but will also encourage others. It may also help HCA more easily bring in a partner, which may help us expand our capacity.

*Erica Schwarz,
HCA Executive Director*

Considering an Affordable Housing Overlay for Arlington

Topics

- What can an AHO do?
- Guiding Principles
- Proposal Details
 - Requirements
 - Locations
 - Community Input
- Questions and Discussion

Who developed this proposal?

A working group with housing, zoning and legal experience came together to develop a proposed affordable housing overlay, with pro bono legal support from Goulston & Storrs.

The participants have contributed in their individual capacities, though some serve on public bodies. We have spoken with public officials for feedback, but this proposal is offered for public discussion by the following in our personal capacity:

Beth Elliott, Karen Kelleher, Carol Kowalski, Sanjay Newton, Steve Revilak, Erica Schwarz.

What would an Affordable Housing Overlay do?

- Make it simpler for affordable housing developments to get permits, so that affordable housing can be built more quickly.
- Reduce the cost to build affordable housing.
- Give more certainty to affordable housing developers, so that they will acquire sites to build new affordable housing or convert existing housing.
- Create opportunities for affordable housing in more parts of Arlington.



Considering an Affordable Housing Overlay for Arlington

The principles underlying an Affordable Housing Overlay

- Require a high ratio of affordable homes.
- Set affordability requirements at the lowest level that can reasonably be expected to be financially feasible.
- Allow more projects to “pencil out” by allowing increased height and flexibility on other dimensional requirements, while recognizing the differences in our neighborhoods.
- Prioritize energy efficiency and climate resiliency, plus certain key design standards to the greatest extent consistent with affordable housing production.
- Promote diversity, equity and inclusion in affordable housing development.
- Create opportunities for meaningful public engagement and advisory review within a by-right permission process.

How much affordable housing could we attract?

Currently:

Approximately once every five years Arlington has seen an affordable housing development receive state or federal subsidy. This represents 3 projects (totalling 123 units), all developed by the HCA, over approximately 15 years.

An AHO would help Arlington attract other affordable housing organizations to work in Arlington. Additionally it could allow the HCA or AHA to partner with other organizations to increase their rate of affordable housing production.

Adopting this AHO proposal may result in an affordable housing development in Arlington winning state or federal subsidy every 2 to 3 years. This would be a doubling of the current rate

What would qualify as Affordable Housing?

Projects would only be allowed under this proposal if:

At least 70% of the units will be reserved for and affordable to households with incomes at or below 60% of area median income (rental) or 70% of area median income (homeownership).

	1 Person	2 People	3 People	4 People
30% AMI	\$34,300	\$39,200	\$44,100	\$48,950
60% AMI	\$68,600	\$78,400	\$88,200	\$97,900
70% AMI	\$80,000	\$91,500	\$102,900	\$114,200

- Uses the affordable housing AMI limits currently in our zoning code.
- Rental limit aligns with max incomes for federal and state housing tax credits.
- Uses U.S. Dept. of Housing and Urban Development income limits
- Deeper income targeting than is required by the Community Preservation Act
- Separate from this overlay, state and federal subsidy programs also require at least 13% of units to be at 30% of AMI (extremely low income)

Why require 70% of homes to be affordable?

A high percentage of affordability is fundamental, but we propose to leave room for some income mixing.

1. **Inclusion:** some workforce or market-rate homes can avoid artificial segregation by income, promote equity and get preference for state funding.
2. **Missing Middle:** “Workforce” or middle income residents also struggle to afford Arlington, and affordable developers know how to access limited subsidies that are needed to include these units.
3. **Cross-subsidy:** In some cases, market-rate homes can partially subsidize the cost of affordable homes, reducing the public subsidy needed.
4. **Avoiding displacement:** When existing buildings are converted to affordable, it’s necessary to leave room for over-income residents to stay in their homes.

Where would the Affordable Housing Overlay apply?

Affordable housing can be appropriate in any neighborhood

This proposal would allow Affordable Housing in **all residential, commercial and industrial districts.**

Heights, setbacks and mixed-use would be **based on the underlying zoning.**

e.g. mixed use would not be allowed in current residential zones.

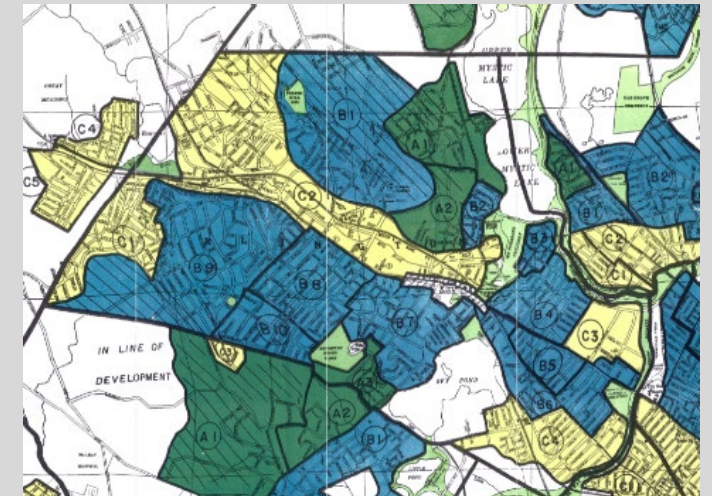
Lots zoned as **Open Space would not be eligible.**

Most American communities have a history of only allowing affordable housing in “less desirable” areas.

The existing inventory of affordable housing in Arlington largely matches this pattern.

Much of our affordable housing is concentrated in areas once described as "definitely declining"

areas near town's borders with Somerville, Medford, and Lexington, and along Massachusetts Avenue.



*HOLC Map of Arlington
from the 1930s*

What dimensional flexibility would be available?

Helping Affordable Housing to “pencil out” and secure subsidies

Flexibility for Affordable Housing:

- **Building Height:** two additional stories would be allowed, above the maximum otherwise allowed in the base zoning district.
- **Homes Per Lot:** there would be no limit on the number of homes built
- **Other requirements that limit the number of homes that fit in the same footprint** would be waived, such as floor area ratio, lot area per dwelling unit, usable/landscaped open space, minimum lot area, etc.

No Changes to the following:

- **Minimum Setbacks**
- **Building Facade Stepbacks**
- **All uses previously permitted** are still permitted.
- **No change to environmental regulations** such as: stormwater management, specialized stretch code, fossil fuel free buildings bylaw
- **All building code requirements** remain
- **All accessibility requirements** remain

Enlivening Core Business Districts

Mixed use in our core business districts

Mixed use with first floor commercial, office, studio, or community space would be **required in our core business districts**

B3 and B5 correspond to the Capital Square, Center, and Heights business areas

Mixed use projects would be **allowed in all lots with underlying Business or Industrial zoning.**



Map of Arlington's core business districts: B3 and B5

Sustainability & Climate Resiliency Requirements

Projects created using the overlay would be very energy efficient and climate resilient.

Existing Local Requirements Apply:

- **Street Tree Planting:** requires planting of new street trees where they do not already exist
- **Stormwater Management Bylaw:** requires mitigation of any additional stormwater flow
- **Specialized Stretch Energy Code:** requires high performance standards
- **Fossil Fuel Free Buildings Bylaw:** requires that new construction and major renovations are fossil fuel-free.

State and Federal subsidy programs prioritize these sustainable principles:

- LEED Certification
- Passive House Precertification
- Building Energy Performance
 - Passive House for New Construction
 - EnerPHit for Rehabilitation
- On-Site Clean Energy Systems
 - Solar PV
 - Solar Hot Water
 - Energy Storage
- Reduced Embodied Carbon Building Materials

Parking Requirements

Besides the environmental toll of parking lots, parking also makes affordable housing expensive to develop. Between land costs, structured parking costs, and the loss of units which would otherwise be built, parking requirements can quickly make affordable housing projects infeasible.

The proposal would require **1 parking space for every 2 units**, which is in line with current parking utilization at HCA properties.

Projects would be **allowed to include more than the minimum parking** when it makes sense for individual projects.

Site Plan Review

Opportunity for Community Input

Projects would be subject to site plan review by the Arlington Redevelopment Board.

Site plan review is an administrative process, which provides the ARB and members of the public **an opportunity to review and comment on project proposals.**

Arlington's site plan review is **based on the materials that the ARB also uses for Environmental Design Review**, which include: preservation of landscape, relation of buildings to the environment, open space, traffic and circulation, surface water drainage, utility service, safety, heritage, microclimate, and sustainable building and site design.

Summary

An Affordable Housing Overlay for Arlington

Affordability requirements: at least 70% of rental units restricted as Affordable. For rental, the maximum income would be 60% of area median income; For ownership the maximum income would be 70% of area median income.

Mixed-use: mixed-use projects are allowed in business/industrial districts, and required in commercial centers.

Location: all residential, industrial and business districts.

Added building height: 2 additional stories on top of the height allowed by underlying zoning.

No change to minimum yard/setback requirements

No change in building facade step-back requirements.

Parking: 1 parking space for every 2 dwelling units

AHO Projects are allowed as-of-right, pursuant to Site Plan Review by the ARB

Street Tree and Stormwater Management requirements apply

Specialized Stretch Code and Fossil Fuel Free Buildings Bylaw apply

Discussion

Balancing Objectives

1. Does the proposal prioritize those with the greatest need to the extent feasible, while balancing affordability and inclusion?
1. Do you agree that the overlay should cover the entire Town? If not, where should it be?
2. Given the limited market for commercial space, should we require first floor commercial or community space in the Heights, Center & Capitol Square?
1. Does it strike the right balance between parking for cars and more sustainable transportation options?
1. Does the proposal advance sustainability and climate resiliency while increasing affordability?