

Data-Driven Analysis Needed to Inform Development Policy

Testimony of the Boston Municipal Research Bureau

Before the

Boston City Council's Committee on Government Operations

March 26, 2019

Regarding: Docket #0106, petition for a special law re: An Act to Further Leverage Commercial Development to Build Housing, Create Jobs, and Preserve Inclusionary Development

Submitted as follow-up to testimony at the hearing:

As President of the Boston Municipal Research Bureau, I submit this written testimony in addition to my comments at the Government Operations Committee hearing this morning.

We understand this Home Rule Petition before you allows the Zoning Commission to formalize the City's Inclusionary Development Policy (IDP) into the zoning code and gives the Zoning Commission authority for more flexibility in the Linkage program, in part to respond to market forces.

If the Legislature and Governor approve this Home Rule Petition, we are concerned about how that flexibility will be used; we will monitor closely Administration and Council evaluation of potential changes to these programs.

IDP is one of the most impactful tools the City has to leverage the private residential development market to increase the stock of income-restricted housing in Boston.

Through Linkage, commercial development generates additional revenue for affordable housing and for jobs, job training, and related services, throughout the city of Boston, for Boston residents.

Retaining these programs' positive impact and opportunities for residents requires thoughtful consideration of economic dynamics in the City of Boston and a commitment to balance private development market viability with need for the housing and job resources it produces.

Rather than deciding on specific changes to the programs now, we emphasize that any potential changes merit through study and market analysis: this work should be data-driven, analyzing the viability and impact of possible adjustments given the range of project sizes,

income and development dynamics in different neighborhoods, predictability of exaction changes, and the current climate of increased cost of project funding, construction materials and labor, and other factors.

Thoughtful city policies are key to development success - including the capacity for development to continue to provide income-restricted housing and job opportunities.

The City's business climate is important to the ability of City government to provide services for its residents.

- 70% of city revenues in the fiscal year 2019 budget are from the property tax.
- In each of the past four years (fiscal 2014 – fiscal 2019) the new construction activity across all property classes allowed Boston to generate as much or more in new property tax revenue from new growth as it gained from the 2.5% allowable annual increase in the base property tax levy.
- The housing shortage is being addressed in part by developers through the IDP and Linkage programs.
- This comes at a time when the federal government has been walking away from a commitment to affordable housing.
- Under these conditions, the City's fiscal health, its ability to balance the budget and finance programs or initiatives relies, in part, on new growth: – new development, major rehabilitation, and personal property tax growth.

Addressing Boston's housing affordability challenges and job training needs are critical for the City and its residents.

As the City seeks to continue to rely, in part, on the development-funded IDP and Linkage programs, we must be thoughtful about requirements and exactions from market-rate development project to ensure a functional balance that continues allowing for both viable development projects and the resources those projects produce, through IDP and Linkage, for affordable housing and jobs and job training.

At the hearing, Councilor Edwards expressed an interest in specifying a minimum Linkage fee in the Home Rule Petition which would require state approval for any changes to that minimum. Such action would reduce the City's flexibility to design the details of the Linkage program and make the City further beholden to the State. The Research Bureau strongly believes it is in the City's best interest to retain the authority it has on such matters and not voluntarily cede local control to the State.

We appreciate the opportunity for stakeholder engagement through this City Council hearing, and we look forward to further engagement through any Committee working sessions.



Pam Kocher, President