

# Citizens' Petitions on Housing and Jobs Linkage

## 1. What is linkage? How does the Citizens' Petition differ from the Mayor's proposed legislation?

**Housing Linkage:** Housing linkage is a statutorily authorized payment to the City by developers of new commercial property -- office, lab, and retail space -- to mitigate the impact of that development on the affordable housing crisis. The fee is assessed upon completion of the commercial development project and paid to the City in five annual installments. The money is deposited in the City's Affordable Housing Trust and allocated by City-appointed Trustees to help fund projects that create or preserve affordable housing, like the City's 100 Homes program.

The housing linkage program has been in place since 1990. The rate and terms are set by the Board of Aldermen, based on periodic **Nexus studies**, which assess the impact of commercial development on affordable housing, and the cost of creating the affordable housing needed to mitigate that impact. Currently, the fee is \$5.15 per square foot, excluding the first 30,000 sq. ft. of the development. A [just-completed Nexus study](#) reported that a linkage rate in excess of \$19.73 would be needed to fill the financing gap to create that affordable housing. To protect Somerville's competitive position, the study recommended a housing linkage rate between \$8 and 10 per sq. ft., and recommended a three-year payment schedule, instead of the five-year payment schedule currently in effect.

The Mayor's proposed legislation calls for adoption of the low end of the Nexus study recommendation, and retains the five-year payment schedule. The Citizens' Petition proposes adoption of a rate at the high end of the recommended range, and proposes adoption of the Nexus study's recommended three-year payment schedule.

**Jobs Linkage:** Recognizing that helping existing residents train and more successfully compete for good jobs was an essential component of efforts to prevent displacement, the City of Somerville submitted a Home Rule petition, which the State Legislature approved, authorizing the City to assess a **Jobs Creation and Retention Linkage Fee**. The jobs linkage fee paid by developers of commercial property will help fund training and employment services that could give Somerville residents a leg up in competing for the kinds of jobs created by such new development.

The aforementioned [Nexus study](#) recommended an initial jobs linkage rate of between \$2 and 2.50 per sq. ft., applied to new commercial development, excluding the first 15,000 square feet, and recommended that developers be required to make the full payment when they receive their building permit.

The Mayor's proposed legislation calls for adoption of the low end of the Nexus study recommendation, and proposes a two-year payment schedule, beginning at award of a Certificate of Occupancy. The Citizens' Petition proposes adoption of a rate at the high end of the recommended range, and proposes adoption of the Nexus study's recommendation of full payment upon receipt of the building permit, so that residents can be trained in time to successfully compete for jobs linked to the development.

	Mayor's Proposal	Citizens' Petitions
Overall:	<ul style="list-style-type: none"> <li>Adopts <b>low end</b> of Nexus study recommendations for fee amounts.</li> <li><b>Ignores</b> Nexus study recommendation for compressing payment timeframe.</li> </ul>	<ul style="list-style-type: none"> <li>Adopts <b>high end</b> of Nexus study recommendations for fee amounts.</li> <li><b>Adopts</b> Nexus study recommendation for compressing payment timeframe.</li> </ul>
<b>Housing Linkage:</b>		
Rate/Threshold	• <b>\$8.15</b> /square foot above 30,000 s.f.	• <b>\$10</b> /square foot above 30,000 s.f.
COLA Adjustment	• Annual	• Annual
Payment Schedule	• <b>Five equal payments</b> : first payment at Certificate of Occupancy, then on 1-, 2-, 3-, and 4-year anniversaries.	• <b>Three equal payments</b> : first payment at Certificate of Occupancy, then on one- and two-year anniversaries of first payment.
<b>Jobs Linkage:</b>		
Rate/Threshold	• <b>\$2.00</b> /square foot above 15,000 s.f.	• <b>\$2.46</b> /square foot above 15,000 s.f.
COLA Adjustment	• <b>None</b>	• <b>Annual</b>
Payment Schedule	• <b>Two</b> equal payments: first payment at <b>Certificate of Occupancy</b> , second payment one year later.	• <b>Full payment at issuance of Building Permit</b> (so employment assistance can begin <b>before</b> hiring process triggered by building completion)

## 2. Do other cities assess a linkage fee? If so, how do they compare with Somerville's?

	Per Square Foot	Threshold	Exempt	Payment Schedule
<b>Somerville Current</b>	Housing: \$5.15	30,000 s.f.	30,000 s.f.	Five annual payments, starting at date Certificate of Occupancy (CoO) awarded
<b>Somerville Proposed</b>	Housing: \$10 Jobs: \$2.46	30,000 s.f. 15,000 s.f.	30,000 s.f. 15,000 s.f.	Three annual payments, starting at CoO One payment at building permit date
<b>Cambridge Current</b>	Housing: <ul style="list-style-type: none"><li>As of Sept. 2017: \$14.50</li><li>As of Sept. 2018: \$15.50</li></ul>	30,000 s.f.	2,500 s.f.	One payment at CoO date
<b>Boston Current</b>	Housing: \$8.34 Jobs: \$1.76	100,000 s.f. 100,000 s.f.	100,000 s.f. 100,000 s.f.	Seven annual payments, starting at CoO Two annual payments, starting at CoO

## 3. How bad is Somerville's affordable housing crisis?

As documented in the [December 2015 Recommendations Report by the Sustainable Neighborhoods Working Group](#), Somerville housing prices have risen dramatically, so that large percentages of current residents can no longer afford to purchase or rent an appropriate-sized apartment, condo, or house, resulting in high rates of displacement and population instability. Data used for the December 2015 study painted a grim picture that has only gotten worse:

- 38.8% of renters and 38.4% of homeowners were spending more than 30% of their income on housing-related expenses, about half of whom were unsustainably paying over 50% of their income for housing
- Only 26.2% of "current" Somerville households would be able to afford the average-priced rental property if they were to move "today" (i.e., when the analysis was done in 2015).
- Only 17.5% of "current" Somerville residents could afford the average-priced condominium and only 11.1% of "current" residents could afford the average-priced single family home at "current" costs (i.e., in 2015).

## 4. How will the higher linkage rates in the Citizens' Petition make a difference?

For every 100,000 sq. ft. of commercial development subject to linkage, the rates proposed in the Citizens' Petition will generate an extra \$185,000 in housing linkage and \$46,000 in jobs linkage. **Housing Impact:** The cost of a subsidy to make housing affordable depends on the unit size, the income range targeted for the unit, and depth of subsidy. The extra \$185,000 is probably a little less than what's needed to pay for an "average" subsidy. Based on [Nexus Study](#) 10-year projections, the higher rate could enable development of 15-20 extra units of affordable housing.

**Employment Impact:** Based on [Nexus Study](#) data, the added \$46,000 could fund training for ten extra residents, or 200 residents over the ten-year projection. Alternately, it could be used to help fund employment services for dozens of at-risk residents each year who need more individualized help with job search than is otherwise available.

## 5. Why is it urgent to act quickly on passage of the linkage ordinance?

Although the [Union Square Overlay District zoning](#) ensures that development with an **already-awarded Coordinated Development Special Permit (CDSP)** will be subject to periodically increased linkage rates (as well as certain other "Increased Obligations"), Article 29 of the [Covenant between the Mayor and US2](#) states that in response to such increased obligations, "the parties [to the Covenant] agree to negotiate an amendment to this Covenant to reduce the amounts of other contributions remaining to be paid by US2 under this Covenant [i.e., contributions to GLX costs, infrastructure, and community benefits], or if applicable, to reduce the purchase prices of any City-owned Disposition Parcels, to account for the Increased Obligation."

**Prompt action on the proposed increase in linkage rates would help avoid triggering that clause in Article 29, and would ensure that taxpayers are not left having to cover the contributions to essential costs that the developer was supposed to make.** The developer's CDSP application is now being reviewed by the Planning Board. At the first hearing on November 20, residents argued that the CDSP should not be awarded until the application was amended to address a number of weaknesses. However, there is no knowing when and how the process will conclude.