

# Unlocking Housing Production & Filling Lab Space

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# Housing Production Issues

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## High cost of capital

Financing costs and rates remain high

Attracting equity investors is a challenge



## High construction costs

Rate of increase has slowed, but costs continue to rise



## Rents flattening



# Housing Production Issues

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## **Credit tightening**

Banks are scrutinizing deals and tightening terms for construction & permanent financing



## **Land costs remain high**

stubborn property owners

# Unlocking Housing Production: Ideas

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## Zoning relief

By-right upper story residential in MR zones

Clarify standards for ground floor commercial on non-pedestrian streets (% or depth of commercial)

Eliminate upper story setbacks for 4-6 story buildings on wide streets



## Permit relief

Reduce or delay payment of building permit fees



## Tax Relief

Urban Center Housing Tax Increment Financing (UCH-TIF)

# Unlocking Housing Production: Ideas

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## Temporarily Change Inclusionary

20% floor area instead of 20% of units

Phase in 20% inclusionary by 10<sup>th</sup> year



## Adjust Commercial Linkage

Exempt first floor commercial in mixed-use developments



## Increased Use of Project-based Vouchers

Apply vouchers to inclusionary units to support project economics

# Unlocking Housing Production: Ideas

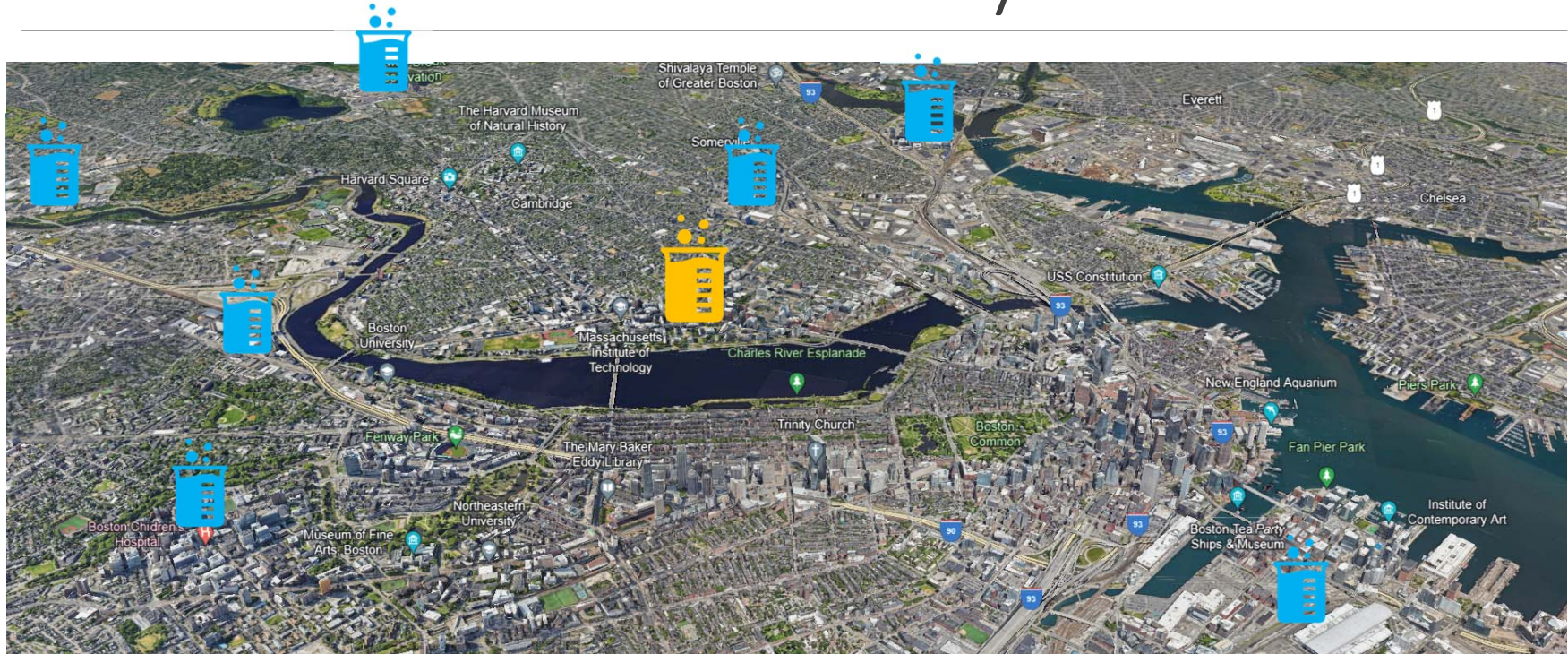
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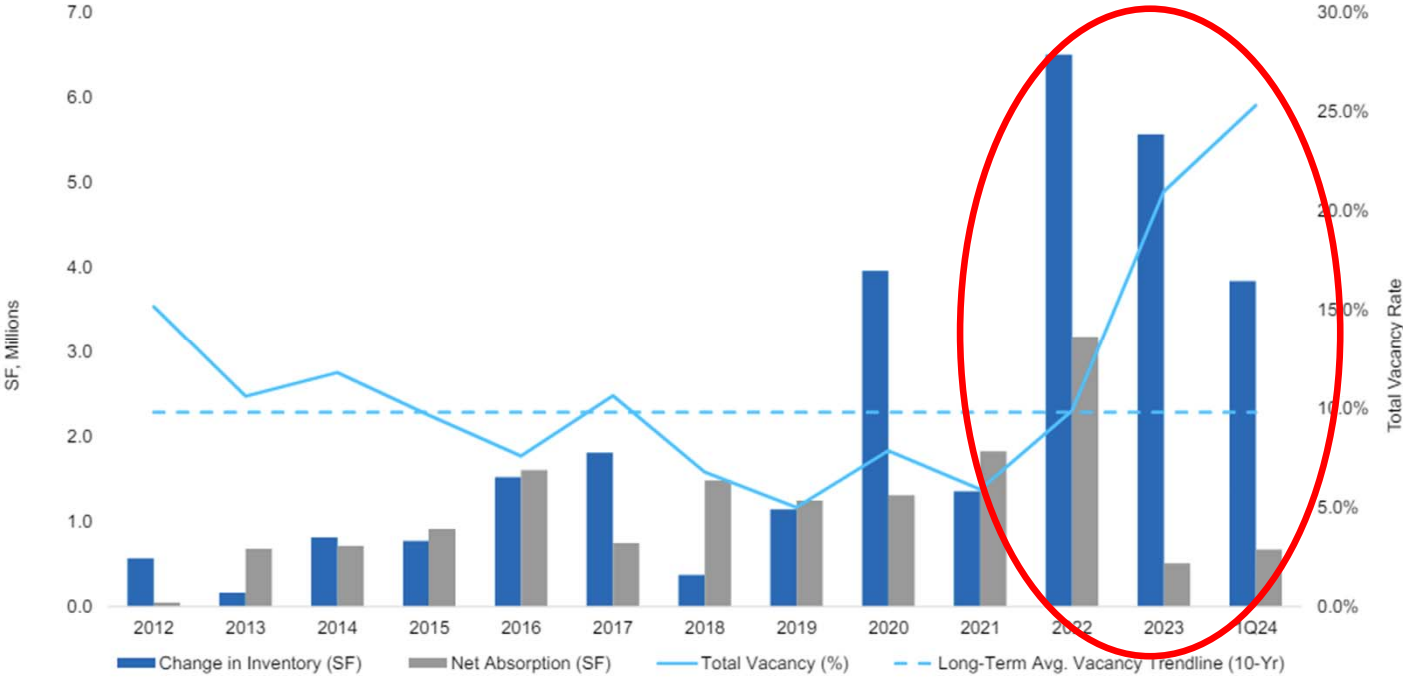
## **Explore new financing approaches**

MassHousing's new program  
Creative uses of US Federal Code  
63-20

# Kendall Square remains the center of the life sciences industry



# Historic Greater Boston Lab Space Glut



**16M square feet of new supply by 2026**

Source: Newmark 1Q24 Boston Life Science Market Overview



# Historic Greater Boston Lab Space Glut



Industry expected to rebound to 'normal' 1.5M square feet of annual absorption

Source: Newmark 1Q24 Boston Life Science Market Overview

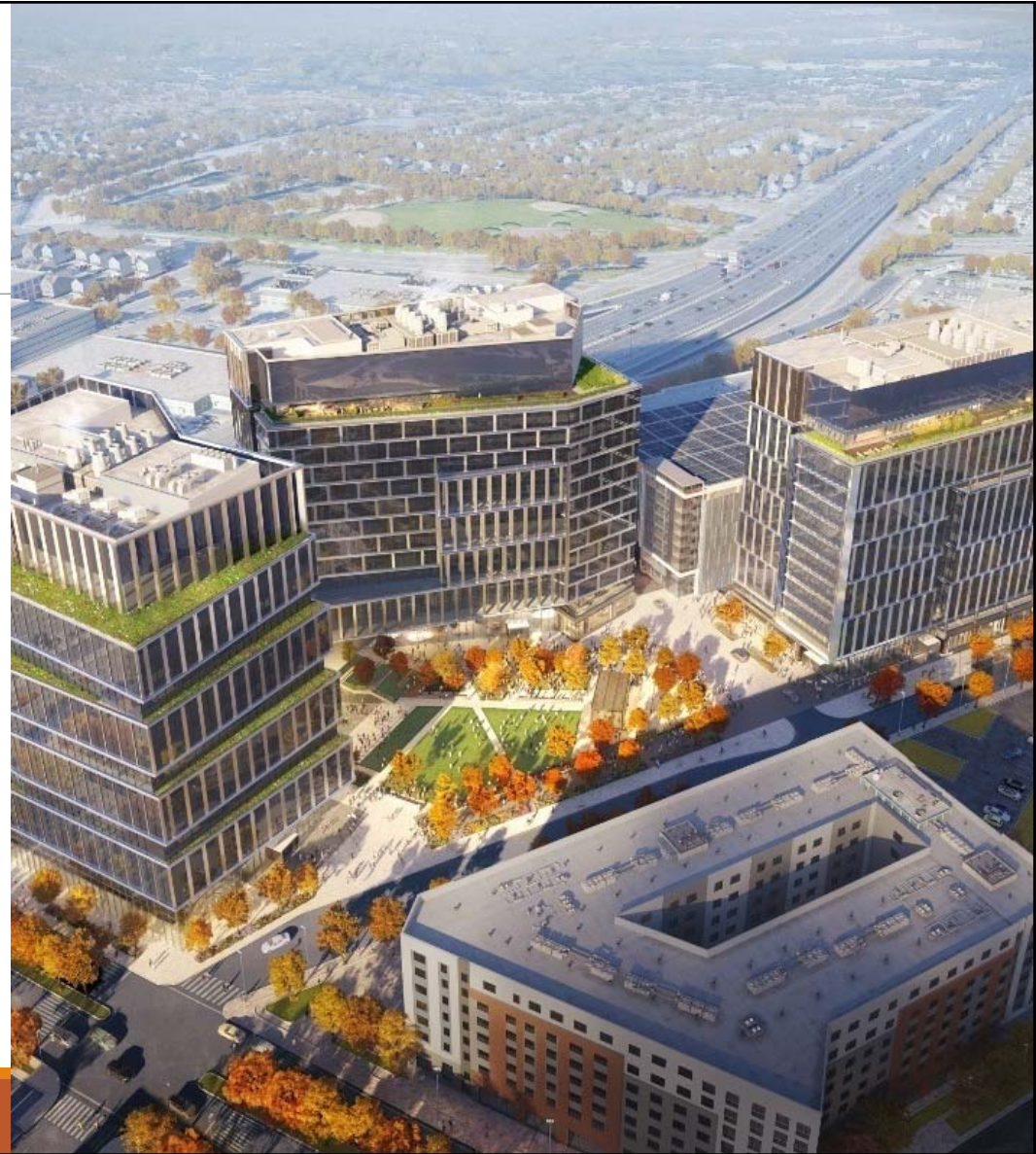
# Other Observations

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Companies are looking to preserve cash;  
are seeking lower cost locations

Somerville's competitive advantage has eroded

- Kendall Square sublease space now priced below Somerville
- Somerville is the high-cost option among sub-market competitors (Watertown, Alewife, Allston, Seaport)
- Price-sensitive existing Somerville tenants have signaled that they might look elsewhere



# Commercial Leasing: Potential Solutions

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## **Address the cost differential**

Consider tax breaks to lure pioneering life science firms



## **Expand marketing to the life sciences industry**

Bio2025 opportunity  
City, landlord collaboration  
Leverage 'Somerville Squares' marketing



## **Explore workforce development collaborations**

# Next steps

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Brief Mayor Ballantyne (complete)

Engagement with City Council

Evaluate and refine ideas

Return to City Council with proposals & opportunities