

Inclusionary Development Program Guidance for Developers

Background

The Inclusionary Development Program ("IDP") requires developers of proposed residential developments of ten (10) or more units that seek relief from the Boston Zoning Code, to sell or rent a certain percentage of the units at a below-market price that is affordable to moderate-income households. With the Boston Redevelopment Authority's ("BRA") approval, developers may meet their affordable housing obligation by creating affordable units at an off-site location or by making a payment into the IDP Fund.

The IDP Program is governed by Mayor Thomas M. Menino's Executive Order entitled *An Order Relative to Affordable Housing* dated February 29, 2000, and later modified with *An Order Relative to the Affordable Housing Cost Factor* dated February 3, 2005, *An Order Relative to the Inclusionary Development Policy* dated May 16, 2006, and *An Order Relative to the Inclusionary Development Policy's Income Policy* dated September 27, 2007.

Guidance for Homeownership Developments

Developing Affordable Homeownership Units On-Site

The number of on-site affordable units shall not be less than fifteen percent (15%) of the total number of market-rate units, which translates into thirteen percent (13%) of the total number of residential units.

No less than fifty percent (50%) of the affordable on-site units shall be affordable to households earning less than or equal to eighty percent (80%) of the Area Median Income (AMI). No more than fifty percent (50%) of the affordable units shall be affordable to households earning more than eighty percent (80%) but less than 100% of the AMI. Income levels and sale prices for the affordable units are set when the affordable units are marketed and advertised. Each year the BRA posts the applicable incomes and sale prices on its website. (Provide Link)

If it is determined that there is not enough of a price differential between the price of the affordable units and the market-rate units to ensure that the affordable units can be sold with a deed restriction, the BRA will work with the developer to determine the appropriate pricing.

The affordability term for the affordable homeownership units shall be fifty (50) years, broken down into the statutory 30 + 20 meaning the initial term is thirty (30) years with an option to extend for an additional twenty (20) years prior to the expiration of the initial thirty (30) year term. The BRA will maintain an option to extend the term of the affordability by an additional twenty (20) years. The affordability restriction will dictate the resale restrictions. Resale restrictions typically allow for a five percent (5%) per year price appreciation and require that the affordable unit be sold to a buyer from the same income category as the previous buyer.

The BRA will require that the affordable units being created be comparable in size and quality to the market-rate units being produced. The BRA has developed design guidelines: *Guidance on Building Affordable Units On-Site*. The design guidelines are available at the BRA website. (Provide Link)

Developing Affordable Homeownership Units Off-Site

Developers may propose to achieve their affordable housing obligations by the acquisition and/or construction of affordable units off-site in a number equal to fifteen percent (15%) of the total number of residential units in the market-rate development.

No less than fifty percent (50%) of the off-site affordable units shall be affordable to households earning less than or equal to eighty percent (80%) of the AMI. No more than fifty percent (50%) of the affordable units shall be affordable to household earning more than eighty percent (80%) but less than one hundred percent (100%) of the AMI. Income levels and sale prices for the affordable units are set when the affordable units are marketed and advertised. Each year the BRA posts the applicable incomes and sale prices on its website. (Provide Link)

The BRA prefers that the off-site units being produced be located in the same general neighborhood as the subject property. When this is not possible, the BRA will request that if the market-rate property is located in a neighborhood where the percentage of affordable housing is less than the City-wide average, the affordable units being created should also be in a neighborhood where the percentage of affordable units is below the City-wide average or in a neighborhood with a demonstrated need for affordable housing.

The BRA will require that any affordable units created off-site be comparable in size and quality to the market-rate units being produced. The BRA has developed design guidelines: *Guidance on Building Affordable Units On-Site*. The design guidelines are available at the BRA website. (Provide Link)

Fee-In-Lieu Payment for Homeownership Developments

The BRA may allow a developer to meet their affordable housing obligation by providing a cash contribution to the IDP Fund. The funds collected will be used by the BRA to create and preserve affordable housing.

The per-unit cash contribution shall be the greater of 1) one-half the *difference* between the average price of the market-rate unit and what would be the average price of an on-site affordable unit as determined by the BRA, or 2) \$200,000 per unit. To determine the total cash contribution for a development, the BRA will multiply the per unit cash contribution requirement by a number equal to 15% of the market-rate units in the subject development.

All money shall be due prior to the issuance of a building permit or a payment schedule approved by the BRA.

Guidance for Rental Developments

Developing Affordable Rental Units On-Site

The number of on-site affordable units shall not be less than fifteen percent (15%) of the total number of market units being built, or thirteen percent (13%) of the total number of residential units in the development.

The rents for the on-site affordable units shall be affordable to households earning less than or equal to seventy (70%) of the AMI. Final pricing is set when the affordable units are marketed and advertised. Each year the BRA posts the applicable incomes and rents on its website. (Provide Link)

The affordable rental units shall be affordable for not less than fifty (50) years.

The BRA requires that the affordable units be comparable in size and quality to the market-rate units being produced. The BRA has developed design guidelines: *Guidance on Building Affordable Units On-Site*. The design guidelines are available at the BRA website. (Provide Link)

Developing Affordable Rental Units Off-Site

Developers may propose to achieve their affordable housing obligation by locating affordable rental units at an alternative site. The off-site number of affordable units required must equal fifteen percent (15%) of the total residential number of units being constructed at the proposed market-rate development.

The rents for the affordable off-site rental units shall be affordable to households earning less than or equal to seventy percent (70%) of the AMI. Final pricing is set when the affordable units are marketed and advertised. Each year the BRA posts the applicable incomes and rents on its website. (Provide Link)

The BRA prefers that the off-site units being produced be located in the same general neighborhood as the subject property. When this is not possible, the BRA will request that if the market-rate property is located in a neighborhood where the percentage of affordable housing is less than the City-wide average, the affordable units being created should also be in a neighborhood where the percentage of affordable units is below the City-wide average or in a neighborhood with a demonstrated need for affordable housing.

Affordable rental units created at an off-site location should be comparable in size and quality to the market-rate units being produced. The BRA has developed design guidelines: *Guidance on Building Affordable Units On-Site*. The design guidelines are available on the BRA website. (Provide Link)

Fee-In-Lieu Payment for Rental Developments

The BRA may allow a developer to meet their affordable housing obligation by providing a cash contribution to the IDP Fund. The funds collected will be used by the BRA to create and preserve affordable housing.

The per unit cash contribution shall be \$200,000. The per unit cash contribution shall be multiplied to a number that represents fifteen percent (15%) of the total number of residential units in the market-rate development.

The fee-in-lieu payment can be made in seven (7) equal annual installments, with the first payment required prior to receiving a building permit. If however, the property is sold, all money due the BRA must be paid prior to the transfer. Likewise, if an owner refinances the property for an amount greater than the original mortgage, then all money due to the BRA will be due and payable. If an owner refinances the existing

mortgage to obtain a more advantageous rate and term and no additional proceeds are received, then full repayment will not be required.

IDP Requirements and Project Changes

A project's IDP requirements are generally agreed upon when a project receives Article 80 Board Approval. The requirements are then documented in the Affordable Housing Agreement or the Affordable Housing Contribution Agreement. It is not uncommon for plans for residential projects to be revised prior to beginning construction. Developers should work with the BRA to understand the approvals required for the anticipated project changes. The following section offers general guidance on how project changes affect IDP requirements:

If a Notice of Project Change (NPC) is required for minor or insignificant changes arising from the design review process, the number of affordable units and levels of affordability shall continue to be calculated according to the same IDP requirements that were in effect when the project was first approved.

If an approved project changes from rental to homeownership, the number of IDP units will remain the same. The developer should use the most current income and sale price requirements for IDP homeownership units. If an affordable rental unit has been occupied, the developer must comply with the City of Boston's Condominium Conversion Ordinance. In addition, the developer should inspect the affordable unit to ensure that it is in suitable condition prior to marketing.

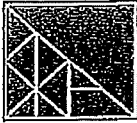
If an approved project changes from homeownership to rental, the number of IDP units required will remain the same. The developer should use the most current income and rent requirements for IDP rental units. However, if a developer can demonstrate that the current IDP rent levels negatively affect financial feasibility, the developer may request that they be allowed to use rent levels that are affordable to households earning 80% or less of the median income.

If the total number of residential units in an approved project decreases, the number of affordable units shall also decrease. To calculate the number of affordable units required, affordability levels or the amount of IDP funding to be contributed, the developer should use the IDP requirements that were in effect when the project was first approved.

If the total number of units in a residential project is increased from what was originally approved by the BRA Board, the following policy applies: the original number of units approved will be subject to the IDP requirements in effect at the time of BRA Board approval; any additional units proposed will be subject to the current IDP requirements. For example, if in 2006 a developer received BRA Board approval to build 100 units and then modified the program to include 120 units in 2010, the developer would be subject to the IDP requirements that were in place in 2006 for the approved 100 units and subject to the IDP requirements that were in place in 2010 for the additional 20 units.

Other

Variances from these guidelines are at the sole discretion of the BRA and all changes must be approved by the BRA Board.



BRA INCLUSIONARY DEVELOPMENT PROGRAM
Guidance on Building Affordable Units On-Site

The goal of the Inclusionary Development Policy (IDP) is to create quality affordable units in vibrant, mixed income neighborhoods. The following standards have been established to provide guidance to developers.

Placement of the Affordable Units

The affordable units should be scattered throughout the larger development. Concentration of the affordable units in any one area should be avoided. For example, affordable units should not all be on the same floor or stacked in the same location. However, the BRA recognizes that placing affordable units on top (penthouse) floor may not be economically viable.

Unit Type

The number of bedrooms in the affordable units should reflect the larger development. For example, if all of the market rate units in the development are 2-BR units, then the affordable units should be 2-BR units. If 50% of the market rate units in a development have 1-BR and 50% have 2-BRs, then 50% of the affordable units should have 1-BR and 50% of the affordable units should have 2-BRs.

In addition to any and all other building code requirements, the BRA encourages bedrooms to have a closet and a window.

If the affordable unit is a three bedroom unit, the BRA is making the assumption that it will house a family. To accommodate a family, the unit should have appropriate common and storage space. In addition, units that have three or more bedrooms should be placed in areas of the building that promote easy access to outdoor space.

There may be developments where the community, or the BRA, has encouraged that the affordable units be artist live/work units. In these instances, the issue regarding comparability and location to the market rate units may not apply. The BRA has developed separate design standards for artist live-work units. These design standards can be found at http://www.cityofboston.gov/bra/pdf/documents/design_final.pdf.

Unit Size

The affordable units should, at a minimum, meet the minimum square footage guidelines adopted and used by the BRA. Developers should note that the BRA has a separate size policy for units located under the Downtown IPD; the area bounded by the Charles River, Boston Harbor, Fort Point channel, Mass Turnpike, and Mass Ave.

Downtown:

Studios	450 sq ft
1BR	625 sq ft
2BR	850 sq ft
3BR	1,200 sq ft

Neighborhoods:

Studios	500 sq ft
1BR	750 sq ft
2BR	900 sq ft
3BR	1,200 sq ft

Interior Standards for Affordable Housing Units

The design, quality and materials of the affordable housing units must be indistinguishable from the market rate units. This does not mean that the affordable must be identical to the market rate units, but instead the affordable units must not be noticeably different from the market rate units.

Affordable units must include the following:

Kitchen

Refrigerator
Stove or separate cook top and oven
Sink Disposal

Cabinets
Range Hood
Microwave (If provided in Market Rate units)
Washer Dryer (If provided in Market Rate units)
Countertop: Minimum Counter Space not including sink and stove
Studio - 4 linear feet
1BR - 6 linear feet
2BR - 8 linear feet
3BR - 10 linear feet

Bathroom

Medicine Cabinet with Mirror
Shower Curtain Rod

Flooring

All living space and storage areas shall have a finished floor. The affordable units should have the same or comparable floor finishes to the market rate units. However, in order to promote respiratory health, living and dining areas and at least one bedroom should have a surface other than carpet.

Closets

All units should have adequate storage and all closets shall have a shelf and pole.

Sustainability

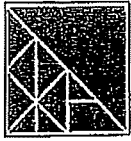
All residential buildings reviewed and approved by the BRA must, at a minimum, be LEED certifiable. In order to assist middle income buyers and renters keep pace with rising utility costs, the BRA is encouraging developers to:

- Provide Energy Star appliances;
- Provide heating and cooling systems that meet or exceed Energy Star ratings;
- Provide efficient plumbing fixtures such as low-flow toilets, faucets and shower heads;
- Provide efficient electric and lighting fixtures - such as Energy Star.

Submission of unit descriptions

Proponents shall submit to the BRA for review and approval drawings showing the location of the affordable units. A corresponding table should list unit #, unit sq ft, unit type, % of AMI, floor. Proponents shall also submit to the BRA for review and approval specification of the interior finishes, appliances, and fixtures for both the market and affordable units.

The provision of this guidance notwithstanding, the Director of the BRA may modify any provision herein, which modification is deemed necessary and appropriate and in the best interest of the BRA.



BRA INCLUSIONARY DEVELOPMENT PROGRAM
Inclusionary Development Funding (IDP) Policy Guidelines

Background

In February 2000, Mayor Thomas M. Menino and the Boston Redevelopment Authority (BRA) established the Inclusionary Development Policy ("IDP") in order to promote the production of affordable housing in Boston. Under the program, developers can meet their obligations by creating affordable units within their proposed developments, create affordable units at an off-site location, or make a cash contribution for the creation or preservation of affordable housing. Cash contributions follow a prescribed formula and are paid to the BRA. The IDP funding is then awarded to developers that create or preserve affordable housing and meet the Eligibility Requirements and Evaluation Criteria listed below.

Eligibility Requirements for Funding

Eligible Entities: Private, public, non-profit and for-profit development entities or private individuals are eligible applicants for IDP funding. Applicants must be current in taxes with no record of arson, fair housing violations or other defaults with the City or the BRA.

Eligible Projects: Projects may be homeownership, rental, cooperative or other forms of permanent housing. The projects may be new construction, rehabilitation of existing affordable housing, or a conversion of a non-residential property. To be eligible for consideration, projects must meet the following requirements:

- I. The projects must meet a "but for" test - that is, without IDP funding, the project would not be feasible;
- II. IDP funds will assist only "affordable units" as defined in the applicable IDP Executive Order.
- III. Homeownership and rental units must be affordable for a minimum of 50 years (30 years, with a 20 year renewal option);
- IV. The developer must have site control and be able to demonstrate that the proposed project is financially feasible;
- V. The proposed project must meet the requirements of the state sanitary and building codes;
- VI. The development will be subject to the Boston Residents Job Policy and construction will be monitored by the BRA or another City of Boston agency that is satisfactory to the BRA. In addition, the developer must comply with the guidelines put forth by the City of Boston's Fair Housing Commission and other applicable fair housing and equal opportunity requirements;
- VII. The developer must be able to provide all information requested by the BRA.

Evaluation Criteria

If a project is considered eligible, it will then be evaluated further using the following evaluation criteria:

- I. The project is requesting a reasonable amount of IDP resources per affordable unit and leveraging all other appropriate sources;
- II. The proposed project must be of a satisfactory quality. This evaluation would include, but not be limited to, the design and/or rehabilitation standards, and plan for long-term ownership and management;
- III. The project should result in low energy costs, promote the health and well-being of residents, and minimize the environmental impacts of development. At a minimum, the project should meet the LEED certifiable;
- IV. The developer and the development team have the proven capacity and track record to complete the project;
- V. The project can demonstrate readiness to proceed or can provide a clear and acceptable development timetable;
- VI. The project is located in an area of the City with less than the citywide average of affordable housing or in areas of the City that demonstrate a need for producing and/or preserving affordable housing;
- VII. The project is consistent with the BRA's planning and economic initiatives.

Proposal Process

The BRA will accept funding proposals on a rolling basis as well as through competitive requests for proposals. Competitive funding rounds may have additional funding requirements or preferences.

In order to be considered for IDP funding, developers should submit a narrative that describes the development being proposed, the development team, and the need for IDP funding. The developer should also submit a development pro forma, which includes both a development and the operating budget. Development budgets should provide itemized detail on development costs and proposed funding sources. The BRA reserves the right to request additional information to evaluate the request.

All funding awards must be approved by the BRA Board of Directors. If a developer is awarded IDP funding, the developer will be required to enter into the appropriate loan or grant documents with the BRA.

These guidelines notwithstanding, the Director of the BRA may modify any provision herein which is deemed necessary and appropriate and in the best interest of the BRA.

Last updated July 2009