



# COMMERCIAL REAL ESTATE INSIGHT & NEWS

The Bowditch & Dewey Real Estate Blog

## Mayor Walsh Updates Boston's Inclusionary Development Policy, More Changes Likely to Come

BY CHRISTOPHER MERCURIO • JANUARY 24, 2016

On December 9, 2015 Mayor Walsh signed an [Executive Order Relative to Inclusionary Development](#) updating the city's policy on affordable housing development. The Order builds on the city's longstanding [Inclusionary Development Policy](#) which applies to virtually all developments within the City of Boston with at least ten residential units and mandates that developers either set aside thirteen percent of new units as affordable housing or make cash payments to support the construction of affordable housing off-site. The Order is likely a first step in Mayor Walsh's comprehensive plan to improve the quality and affordability of housing in Boston.

Taking what the Mayor calls a “[compromise](#)” position between developers and affordable housing advocates, the Order increases the fees developers may be required to pay while keeping the required percentage of affordable units steady at thirteen percent. This approach is intended to discourage developers from “buying out” of the affordable housing requirement and encourage onsite construction of affordable residential units. The Order also divides the city into three zones based on the relative strength of each housing market and sets developer's fees accordingly. In the highest end markets designated as Zone A (including Back Bay, Fenway, South End and Waterfront) developers will pay the highest amount—at least \$380,000—per unit. The corresponding rate in Zone B (South Boston, Jamaica Plain, Brighton and Charlestown) is \$300,000, while the rate for projects in Zone C (Roxbury, Dorchester and East Boston) is \$200,000 per unit. These new rates only apply to projects submitted on or after January 1, 2016. Accordingly, the Boston Redevelopment Authority saw a [flurry of activity](#) at the end of 2015 as developers sought to avoid the fee increase.

Updating the city's Inclusionary Development Policy is only one of the initiatives outlined in Mayor Walsh's broad 2014 report entitled [Housing a Changing City](#). In that report, the Mayor establishes a goal of producing 53,000 new units of housing by year 2030, with 30,000 of those units set aside as low and middle income units. To achieve this goal, the Mayor relies on colleges and universities to produce 16,000 new dormitory units which will presumably ease demand on the rental markets. He also plans to develop alternative financing arrangements for affordable housing that rely less heavily on the 9% Low Income Housing Tax Credit. Developers in Boston should keep up-to-date on Mayor Walsh's

revisions to the city's housing policies intended to implement his housing initiative, as changing fee, tax and incentive structures may significantly impact project economics.