



To: Yi-An Huang, City Manager

From: Melissa Peters, Assistant City Manager for Community Development
Chris Cotter, Director of Housing

Date: March 9, 2026

Re: **2026-2027 Housing and Zoning Priorities**

As we begin the 2026-2027 Council term, CDD looks forward to working with the Council to advance the Council's housing and zoning priorities. The need for affordable housing, and more housing in general, was consistently raised as a high priority in the Envision Cambridge process. Envision Cambridge set a housing vision for the City that people of all backgrounds, stages of life, and socioeconomic levels can live here in safe and affordable housing, and that the City will be actively involved in providing housing and serve as a leader in advancing innovative and effective housing policies.

The City of Cambridge has been committed to confronting the housing crisis through significant policy changes and the allocation of City resources. Cambridge was one of the first communities to establish an affordable housing trust and linkage fees for commercial development in 1989, and an early adopter of inclusionary zoning in 1998. In recent years Cambridge has strengthened efforts to optimize these strategies to assist with current housing challenges. Since 2015, the City has significantly expanded the incentive zoning (linkage) requirements for non-residential development to generate funding for affordable housing, increased the inclusionary housing requirements, increased annual City funding for the Affordable Housing Trust by more than 300%, and adopted the Affordable Housing Overlay (AHO) to facilitate 100% affordable housing developments. With more than \$40 million allocated annually to the Trust and the benefits of the AHO, the pipeline of City-funded affordable housing has never been more robust.

More recently the City has prioritized increasing capacity and removing barriers for market rate housing. This includes removing parking requirements, allowing for multifamily housing to be built as-of-right anywhere in the city (with more development allowed when

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inclusionary housing is provided), and rezoning key areas such as the Alewife Quadrangle, and Mass Ave and Cambridge Street corridors to allow for more housing.

Housing development is driven largely by macroeconomic factors outside of the City's control. In recent years, large multifamily projects have struggled due to growing labor and materials costs, higher interest rates and tightening lending standards, and uncertainty around tariffs. However, the progressive actions taken by both the City Council and the City administration have allowed for increased production of affordable housing through Affordable Housing Trust funds and zoning incentives at a time when market rate development has stalled.

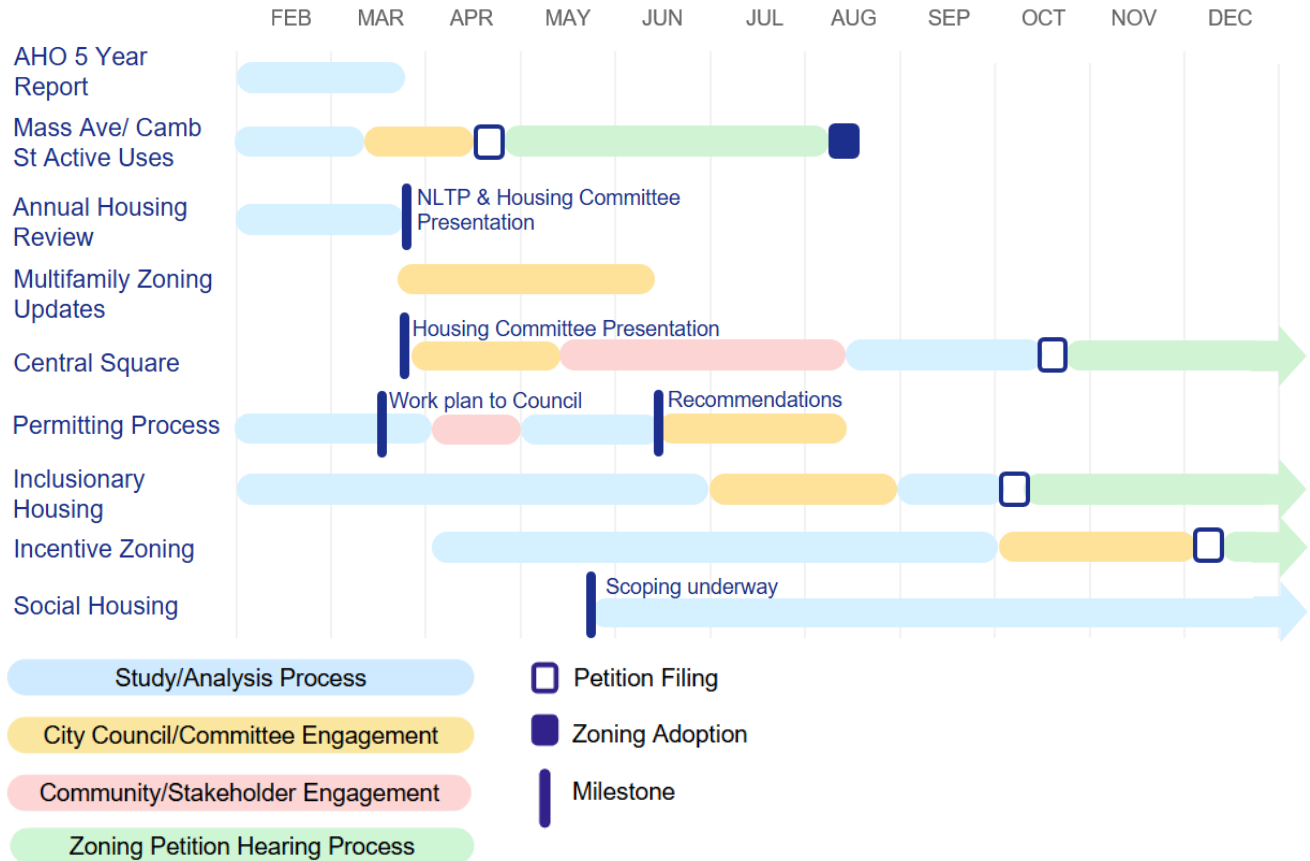
Work in recent years has accomplished many of the key tasks identified in Envision Cambridge's Housing Plan. These include streamlining the approval process for affordable housing, changing zoning to allow more affordable housing along major streets, squares, and areas well-served by transit, allowing multifamily housing citywide, and increasing funding for affordable housing production.

As we focus on the 2026-27 term, CDD and Housing staff propose completing the major zoning reforms by advancing zoning for Central Square and then allowing the market to reset following the series of significant zoning changes of the past few years. Staff will also focus on more nuanced policies to support housing of all kinds, such as streamlining the permitting process, reviewing inclusionary housing requirements, and exploring social housing and various tax incentives.

Below is a proposed timeline of the housing and zoning initiatives currently underway or anticipated that CDD recommends prioritizing over the next year along with a brief description of each item for discussion.

CDD Initiatives - 2026 Timeline

Approximate - Subject to Change



CDD anticipates work on the following initiatives in the near term:

- Affordable Housing Overlay Five-Year Report:** The AHO includes a provision for annual reports and a five-year progress review. The five-year report assesses the effectiveness of the AHO in increasing affordable housing in the city and of the advisory consultation process. The five-year progress review is being completed and will be shared with the Council in the coming weeks.
- Active Uses in Corridors:** Council submitted a Policy Order during review of the Mass Ave and Cambridge Street zoning petitions to consider further changes that would provide a stronger mandate for active ground floor uses. CDD is prepared to discuss recommendations with Council and draft zoning changes that can be referred as a follow-up petition.
- Annual Housing Review:** The Multifamily Housing Zoning Amendments in 2025 included a provision for an annual review of the state of housing production. The first review is being prepared for March and will be presented at a joint meeting of the Housing and Neighborhood and Long Term Planning Committees.

- **Multifamily Housing Zoning Updates:** Following the presentation of the Annual Housing Review, CDD anticipates a discussion with the Council regarding the effects of the Multifamily Housing zoning, one year after adoption. There are no active Policy Orders at this time; however, this discussion may lead to consideration of changes to better accomplish City goals and mitigate potential impacts.
- **Central Square:** Council submitted a Policy Order early in the 2024 term to recommend zoning changes for Central Square based on past planning. CDD undertook a focused community engagement process in 2024 and presented recommendations to Council. In 2025, Council submitted a Policy Order to prioritize the Mass Ave and Cambridge Street rezoning efforts before proceeding with the Central Square initiative. CDD expects to restart this initiative in early Spring and anticipates zoning adoption in the first quarter of 2027.
- **Permitting Process and Regulatory Environment:** Council submitted a Policy Order in December 2025 requesting CDD and ISD staff work to streamline the permitting process. Staff are currently conducting a comprehensive review of development regulations and permitting processes and expect to report back to Council in late spring with recommendations. Recommendations may include updates to internal processes and/or changes to City ordinances.
- **Inclusionary Housing:** CDD has engaged with a consultant who is working on a new nexus study and feasibility assessment in order to evaluate the inclusionary housing requirement and recommend possible changes. The results of that study are expected in late spring 2026. Zoning changes would then need to be drafted after discussion of the study with the Council to advance any recommendations.
- **Incentive Zoning Study:** CDD is engaging a consultant to conduct a new study of the nexus between new non-residential development and demand for affordable housing as well as job training services and provide recommendations for possible updates to the housing contributions and potential to create a jobs linkage requirement. We are now contracting with a consultant and expect the study to take 6 months once started. Recommended changes to the Incentive Zoning Ordinance would then be discussed with the Council before drafting zoning changes for consideration.
- **Social Housing:** Council submitted a Policy Order in September 2025 directing the City to explore steps towards advancing social housing in Cambridge. In December 2025 the Housing Committee held a public hearing and recommended a social housing task force be established and charged with producing recommendations to solve the remaining core issues: financing, desired development entities, desired affordability mix, tenant governance, and a long-term scaling strategy for a public developer. CDD

and Housing staff are working to define the scope and decision-making process to proceed with studying further.

Note that outside zoning petitions from residents or property owners, or additional Policy Orders, may affect the list of priorities and timeline for advancement.

Ongoing and Future Initiatives

New initiatives must be balanced with ongoing work efforts. In addition to the priorities described above, staff continue the day-to-day work of implementing housing programs and zoning policies. Zoning changes, such as the AHO, along with market shifts and increased City investment directed towards affordable housing require substantial staff time to advance the current affordable housing pipeline while also continuing to work on new site acquisitions for affordable housing. Staff continue to focus on the following efforts related to multifamily housing development after the 2025 zoning amendment and affordable housing development pursuant to the Affordable Housing Overlay (AHO):

- **Affordable Housing Development:** the combination of the AHO and substantial City funding for affordable housing continues to facilitate a deep pipeline of new affordable housing development. Staff are now working with affordable housing providers on 20 new affordable housing developments with more than 1,000 new or preserved affordable units, with more new affordable units to be proposed as development plans for recently funded acquisitions come together. Staff are also continuing work to finance acquisition of other new properties this year where other new affordable housing development will be proposed in future years. Staff are now working with development sponsors to move new developments from conception and initial funding requests and acquisition loan closings, through the AHO community and advisory design review processes, to construction and permanent financing commitments and loan closings, to construction and leasing or sales to eligible applicants.
- **Development review:** The Multifamily Housing and Affordable Housing Overlay zoning changes made it so fewer housing developments require special permits or variances, but new advisory review procedures apply to many housing proposals. Staff and the Planning Board have been implementing those advisory consultation procedures as well as certifying compliance with requirements like inclusionary zoning and standards for sustainability and resilience.
- **Recent zoning amendment implementation:** Following recent zoning amendments, CDD staff have focused on updating application materials, communicating about current policies with the building community and City staff, monitoring applications, and identifying areas for future updates or clarifications.

Future efforts that will be further explored in 2027 include:

- **Payment in lieu of tax (PILOT) agreements under M.G.L. 121B:** This could offer favorable tax advantages through PILOT agreements to projects willing to partner with a public agency like the Cambridge Redevelopment Authority (CRA) to reduce taxes and improve development financial feasibility.
- **Home Rule petition for City-specific tax incentives:** With approval from the state legislature the City could develop property tax incentives for multifamily housing that are specific to Cambridge.
- **Temporary building permit fee waivers:** The City could provide temporary exemptions to building permit fees for multifamily housing projects to reduce taxes and improve development financial feasibility; lost revenue could be offset to some extent by raising other building permit fees to be on par with neighboring communities. On its own this is unlikely to have a significant impact on production, but this would be a straightforward change that could have an incremental impact on new housing development by reducing the cost of new residential development.
- **Institutional Zoning updates:** The Ordinance Committee recently held a public hearing on a zoning petition to amend the zoning ordinance in order to permit religious, educational, and childcare uses as-of-right in all zoning districts in order to make the zoning consistent with state law following the elimination of density restrictions as part of the Multifamily Housing zoning. As part of this conversation and following the Town-Gown presentation, the Planning Board suggested revisiting the goals from *Envision Cambridge* for education uses, including concentrating institutional growth within existing campus boundaries and providing housing for affiliates.

This proposed work plan is intended to focus on high impact initiatives that are most likely to move the needle for production of new mixed-income and affordable housing while balancing Council and community priorities such as active ground floor uses and evaluation of both the Multifamily Housing Zoning and AHO. Additional priorities may emerge, requiring this work plan to be revisited. CDD looks forward to feedback from the Council on the identified priorities and proposed timeline.