

Article 26: Appropriate for Nexus Studies

Annual Town Meeting 2022

Article 26 Summary

- This article would appropriate funding for consultant services to perform two "nexus" studies needed for the implementation of a residential development and commercial development "linkage" fee (*community housing surcharge*)
- The linkage fees would be enabled by special legislation resulting from STM 2020-2 Article 6 and ATM 2021 Article 36, which are pending in the 192nd session of the Massachusetts General Court
- The article requests \$75,000 to be appropriated to fund the studies, and study costs were derived from discussions with local nexus study experts
- A study would only be funded only after the corresponding special legislation is enacted by the General Court and signed by the Governor

STM 2020-2 Article 6 / Bill H.4314

- Established the link between residential development and the impact on housing supply / demand, and how to mitigate those impacts
- Approved at Special Town Meeting 2020-2 with a 162-21-4 vote
- Home rule petition pending in the legislature as Bill H.4314
 - Bill filed in the House (Feb. 2021), referred to the Committee on House Rules (May 2021)
 - Referred to the committee on Municipalities and Regional Government (Dec. 2021) and joint hearing conducted (Jan. 2022)
 - Report out of committee expected soon (Mar. 2022)

ATM 2021 Article 36 / Bill H.3891

- Established the link between commercial development and the impact on housing supply / demand, and how to mitigate those impacts
- Approved at Annual Town Meeting 2021 with a 134-40-10 vote
- Home rule petition pending in the legislature as Bill H.3891
 - Bill filed in the House (May 2021), referred to the Joint Committee on Housing (Jun. 2021)
 - Joint hearing conducted (Nov. 2021)
 - Reported out of committee as Favorable (Feb. 2022)

Nexus Study Purpose

- Nexus studies are used to characterize the "*linkage*" between new development and its impact on housing demand and needs
 - It is a rigorous data-driven process which defines an impact mitigation fee that is tailored to local trends and conditions
- Two U.S. Supreme Court cases set the legal standard that:
 - A "*rational nexus*" must be established between the mitigation fee and its stated purposes
 - The fee amount must be proportional to the development project's impact that is mitigated or addressed by the fee

Commercial Development Study Process

1. Assess the economic and development trends, and project future commercial development
 2. Assess the housing inventory, trends, and market conditions
 3. Analyze the impact of large scale commercial development on housing supply and demand
 4. Estimate housing creation costs / units needed to mitigate impact
 5. Model the linkage fee impact on local commercial development
 6. Recommend competitive fee structure and related policies
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Example: Somerville Nexus Study

- A 2017 study projected 2.21 million square feet of new commercial development over the next 10 years in Somerville
 - 8,899 new jobs estimated to be generated by this development
 - Projected 591 new affordable housing units needed to mitigate the housing demand generated by these developments and jobs created
 - A linkage fee of \$86.43 per sq-ft on development projects would be needed to finance the \$162.48M gap in housing mitigation funding
 - Impact analysis recommended a \$8-10 per sq-ft fee to be regionally competitive against Cambridge, Waltham, and other suburbs
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Lexington Housing Mitigation Roadmap



Housing mitigation requires a long-term multifaceted approach and acting now will ensure implementation planning can move forward

Additional Benefits: MOU Negotiation

**Cresset Group Life Sciences Property:
XMBLY - Somerville, MA**



- 1,200,000 gross square feet
- \$10.00 per SqFt housing mitigation fee
- \$1,170,000 in mitigation payments

**Cresset Group Life Sciences Proposal:
475 Bedford Street - Lexington, MA**



- 180,000 gross square feet
- \$1.76 per SqFt housing mitigation fee
- \$300,000 in mitigation payments

Having a detailed analysis of the housing impacts from commercial development will help the Town better negotiate MOU mitigation fees

Conclusion

- This article requests funding for consultant services to perform two "*nexus*" studies for the implementation of development "*linkage fees*" to be enabled by special legislation
 - The \$75,000 appropriation is a prudent use of town funds, and the costs were derived from discussions with local nexus study experts
 - A study would only be funded only after the corresponding special legislation is enacted by the General Court and signed by the Governor
 - Study results would have multiple benefits toward informing town decision-making, and housing and development policy matters
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