

Planning Board Meeting 11/19/24 –

Title: The CDD's Estimate of the Shortfall in Cambridge New Housing by 2030 is Significantly Overstated. It Makes a Big Difference in the Multifamily City-wide and the Avenue and Corridor Zoning Petitions

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Housing Unit Projections in Meeting the 2030 Target

In 2019 the city council adopted the Envision report, which set targets of an additional 12,500 residential units including 3175 affordable housing units by 2030. This represented a 25% increase in Cambridge's residential housing units. This was an ambitious goal, with the underlying expectation that this level of development would make more affordable housing available.

The City's own very recent (2024) five-year report (and the Dashboard) on Envision's progress showed excellent development on meeting all of its targets, including process changes and actual housing unit development. Nevertheless, in last week's Planning Board meeting, the CDD now claims that the city will have a 5500 housing unit deficit from its 12,500 goal for 2030, falling short of its target by almost half. The new zoning petitions being considered are intended to close that gap.

This dire projection is significantly overstated. There is a basic mistake in the methodology the CDD has used to project the number of housing units in 2030. Analysis of CDD's own data reveals that the Cambridge residential market is growing much more briskly than portrayed in the initial CDD report.

The projected shortfall is significantly overstated because it has a simple error in it. The mistake is using a straight-line extrapolation of the rate of unit development since 2019 without factoring in the headwinds facing developers between 2019 and 2024 from Covid, market downturn, hyperinflation, and high interest rates as well as a startup cycle time delay of 3-4 years for the standalone affordable, low-income housing.

The CDD calculation error is serious. By overstating the shortfall, the CDD is putting its thumb on the scale to favor the forces of development. The greater the amount we are actually falling short of Envision's market development target, the

more likely we are to conclude that our zoning interventions have to be stronger and more widespread stimuli. Therefore, an accurate 2030 projection is important in prescribing the right kind of zoning we need to tailor the zoning stimulus to achieve our 12,500-unit goal and to avoid irreversible overstimulation of market forces.

Correcting the Market adjusted projections

To get a correct estimation of underlying growth, I have gone back and roughly calculated the number of projected residential units in 2030 with our current zoning unchanged. In these calculations, shown below, we see the trend lines projecting what 2030 housing units should be if we actually added 3050 units of additional housing between 2019 and 2024 in a market depressed by 15, 30, and 38%. This correction gives a very different planning assumption about how strong a zoning stimulus is needed to meet our target. If the projected shortfall calculated factored in the down real estate market and development headwinds, we see that we are doing much better than the CDD analysis shows.

In the analysis, I used a recent report on the market that stated that Boston real estate was among the slowest in the country, down by 38% in 2024.

<https://www.cnn.com/2024/09/30/economy/housing-market-home-sales-redfin-report>

Assuming this to be the case, I went back and roughly calculated what the number of projected residential units in 2030 would be without any further zoning changes. In these calculations, shown below, I show the trend lines and what 2030 housing units would be if the 3050 documented new units for 2024 was achieved in a market depressed by 15, 30, and 38% .

In this still rough calculation, at 38% depression from 2019 to 2024, the growth of residential units would be about 10,000 in 2030 without changing any of the existing Cambridge zoning. This calculation shows a gap of 2500 units rather than the report's figure of 5500 and would require far less stimulatory zoning to achieve the Envision target.

