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Testimony of the Boston Municipal Research Bureau

Before the

City Council's Committee on Economic Development June 28, 2001

Regarding: On The Special Act To Amend the Linkage Legislation

The Research Bureau is pleased to testify today before the City Council's Committee on Economic Development on the matter of possible changes to the existing linkage legislation. [Docket # 0629 – An Act Authorizing Certain Amendments To The Housing And Employment Exaction Requirements (Linkage) With Respect To Large-Scale Commercial Real Estate Development]

In 1998, the Bureau released a comprehensive report on Boston's linkage program and offered a new approach to manage linkage funds for housing and job training. We have worked closely with the Menino Administration and the Neighborhood Housing Trust and feel confident that some changes can be made to improve the benefits of linkage for housing and job needs in Boston. However, we also believe that linkage should be put in proper perspective and it should be recognized that a balance must be realized to support valuable programs while not negatively affecting commercial and housing development in the City. What that means is that linkage cannot be the sole vehicle for solving the housing crisis that exists in Boston today.

The Bureau believes that the proposal to increase the linkage fees should be tied to improved administration of the linkage program. We are also concerned that this proposal does not address issues that were raised by the State Legislature last year.

Background

The Mayor has submitted to the City Council a home rule petition (Docket #0629) to increase the housing linkage fee from \$5.00 per sq. ft. over 100,000 sq. ft. to \$7.18 per sq. ft., an increase of 44%. The Jobs linkage fee would increase from \$1.00 per sq. ft. to \$1.44 per sq. ft. for a total of \$8.62 per sq. ft. Additionally, the petition requires that all payments of the housing exaction be made in seven years as opposed to the seven and twelve year options currently in place. The Mayor is proposing a home rule petition to amend Chapter 371 of the Acts of 1987, the linkage enabling legislation, because under existing law, the City's Zoning Commission would only be able to approve an increase that did not exceed a combined CPI index over the prior 36 months. That increase would be less than 10%. However, amending Chapter 371 opens the door for other proposed changes that could have far reaching implications if approved.

Recommendations

In response to Docket #0629, the Bureau makes the following recommendations:

1. The Bureau supports the increase in linkage fees and the reduction in the payment period to the seven years proposed in this petition, as an appropriate course of action at this time, provided that management improvements are made in the administration of the linkage program. This increase essentially reflects an inflationary adjustment that could have occurred legally at any time from 1987 forward. Additionally, the Bureau proposes that the Mayor's home rule petition be amended to include language that clearly states that any current development projects already in the pipeline would be exempt from the new requirements. The current legislation (Chapter 371) carries this provision regarding anything over the \$5 increase. However, as a point of clarity, we recommend that the language below be included in the new section 16A and 17A.

No such increase shall apply to any new large-scale commercial real estate development for which an application for a conditional use permit, exception, zoning map or text amendment or variance has been filed with the appropriate governmental authority prior to the effective date of such increase or for which an application for a planned development area has been filed with the BRA prior to the effective date of such increase, whichever occurs first.

- 2. The proposal to increase the linkage fees should be tied to improved administration of the linkage program. In 1998, the Bureau released a report on Boston's linkage program that outlined problems and made recommendations for improvement. The Administration has made improvements in several areas, but more must be done to ensure that the linkage program is efficiently managed. Any increase in fees should be tied to administrative improvements to give confidence that the linkage program is managed efficiently and that all linkage funds are spent responsibility to meet the real housing and job needs of Boston. Recommendations for administrative improvements include:
 - (1) The BRA should assume responsibility for overall management of the linkage program. The BRA should coordinate the linkage work of four key departments, facilitate communication among departments, monitor the Development Impact Project (DIP) agreements and provide assistance to the NHT and NJT and insure they are meeting the requirements
 - (2) A policy manual that clearly delineates the responsibilities of each department involved in the linkage program should be completed in the next 60 days.
 - (3) An improved process for exchanging building and occupancy permit data needs to be established using the City's new financial management system. These dates are key triggers for the payment process.
 - (4) The BRA should be responsible for tracking housing creation projects and deposit any up-front funds in an escrow account in accordance with procedures established by the City's Chief Financial Officer. The BRA should provide the NHT and CFO with quarterly reports specifying all funds received and expended and the purpose of these funds as well as delinquencies or projects that were terminated.
 - (5) The City should push to include in its new computerized financial package a feature to allow for the financial management of the Trusts as well as including mechanisms to facilitate the exchange of linkage data among departments.
 - (6) The Administration should comply with the requirements of Chapter 371 regarding the Council's role in accepting and approving linkage funds.

(7) The City Clerk should be a central depository Agreements and financial reports.	for official records regarding linkage, such as DIP