



Zoning & Planning Committee Agenda

City of Newton In City Council

Wednesday, September 12, 2018

7:00PM
Room 205

Items Scheduled for Discussion:

- #437-18** **Appointment of Lakshmi Kadambi to the Commission on Disability**
HER HONOR THE MAYOR appointing LAKSHMI KADAMBI, 55 Staniford Street, Auburndale as a member of the COMMISSION ON DISABILITY for a term to expire September 30, 2021. (60 days: 10/12/18)
- #434-18** **Re-appointment of Lucille Chansky to the Commission on Disability**
HER HONOR THE MAYOR re-appointing LUCILLE CHANSKY, 259 Jackson Street, Newton Centre as a member of the COMMISSION ON DISABILITY for a term to expire July 31, 2021. (60 days: 10/12/18)
- #435-18** **Re-appointment of Rosemary Larking to the Commission on Disability**
HER HONOR THE MAYOR re-appointing ROSEMARY LARKING, 1600 Washington Street, Apartment 117, West Newton as a member of the COMMISSION ON DISABILITY for a term to expire July 31, 2021. (60 days: 10/12/18)
- #436-18** **Re-appointment of Barbara Lischinsky to the Commission on Disability**
HER HONOR THE MAYOR re-appointing BARBARA LISCHINSKY, 1942 Washington Street, #142, Auburndale, as a member of the COMMISSION ON DISABILITY for a term to expire July 31, 2021. (60 days: 10/12/18)
- #433-18** **Discussion regarding landmark preservation**
COUNCILOR ALBRIGHT requesting a discussion regarding landmark preservation that includes definitions, eligibility for designation, process for designation and determination, implications once a site is landmarked, and the process for making alterations to a landmarked site.

The location of this meeting is accessible and reasonable accommodations will be provided to persons with disabilities who require assistance. If you need a reasonable accommodation, please contact the city of Newton's ADA Coordinator, Jini Fairley, at least two business days in advance of the meeting: jfairley@newtonma.gov or (617) 796-1253. The city's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.

#220-18 **Discussion relative to the Washington Street Corridor Action Plan**
DIRECTOR OF PLANNING requesting monthly progress discussions on the Washington Street Corridor action plan.

Public Hearing assigned for September 24:

#408-18 **Discussion and adoption of Economic Development Strategy Plan**
DIRECTOR OF PLANNING requesting discussion and adoption of the Economic Development Strategy Plan as an amendment to the 2007 Newton Comprehensive Plan.

#187-18 **Zoning Amendment for Inclusionary Zoning**
DIRECTOR OF PLANNING requesting amendments to the Inclusionary Housing provisions of Chapter 30, Newton Zoning Ordinance, to increase the required percentage of affordable units; to require that some affordable units be designated for middle income households; to create a new formula for calculating payments in lieu of affordable units; and to clarify and improve the ordinance with other changes as necessary.

Respectfully Submitted,

Susan S. Albright, Chair



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

#437-18
Telephone
(617) 796-1100
Fax
(617) 796-1113
TDD/TTY
(617) 796-1089
Email
rfuller@newtonma.gov

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

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Newton City Clerk
2018 JUL 25 AM 9:38
David A. Oison, CMC
July 18, 2018
Newton, MA 02459

To the honorable City Councilors:

I am pleased to appoint Lakshmi Kadambi of 55 Staniford Street, Newton as a member of the Commission on Disability. Her term of office shall expire on September 30, 2021 and her appointment is subject to your confirmation.

Thank you for your attention to this matter.

Warmly,

Ruthanne Fuller
Mayor

LAKSHMI NARAYAN KADAMBI

Summary of Qualifications

Creative problem-solver with independent initiative; strong interpersonal skills, including ability to identify and develop others' untapped skills and strengths; collaborative style. Extensive experience in research, documentation, design development, project and delivery management, cultural entrepreneurship specializing in textiles and folk arts of India. Strong team manager with demonstrated ability to build effective teams and manage projects across cross-functional areas in arts and culture.

Professional Experience

Community building through the Arts and Advocacy & Alternative marketing : *Thinkfolk*, 2016-present, Founder

- Conceptualized unique community arts collaboratives and interactive activities.
- Design and develop unique products in collaboration with Indian craft people for the global market
- Coach and mentor folk artists and indigenous crafts persons
- Work on alternative marketing strategies and test market products for artisan and craft groups

Artist, West Newton Fabrication Piano, Festival of the Arts, Newton, MA, 2017.

Worked with Lambani women embroiderers to design wall panel for display at "Color and Light" exhibition in Textile Museum of Canada, Toronto (2007)

Festival of Indian Arts and Culture, Newton, MA, Chair, 2012, 2013, 2014 (*all voluntary*)

Academic Presentations:

Artist Talk and demonstration, Art Institute, UW Madison, October, 2016

- Story of the Sari, history and draping styles and a interactive demonstration of draping styles.
- Three Classroom sessions on Indian textiles in the course on "Tactile Textiles – From 2D to 3D"
- Decay and Resilience in the Indian Arts and Crafts sector, Panel session in South Asia Conference. 2016

Weaving the colors of her dreams, Wellesley College, South Asia Studies Program, presentation on Indian textiles.

Field visit to Peabody Essex Museum and classroom presentations on Kalamkari textiles. Lasell College, Fashion and Art history program.

Stories of tribal women in India: Micro-Economic Empowerment as a Solution for VAW, Study Group on The Global Movement to end violence against women, Kennedy School of Government, Harvard University, Cambridge, MA. April 23rd, 2014.

Retention, Invention, and Transformations as seen in the works of Matra Bai and Shanthi Bai, 2014 Ray Smith Symposium, College of Arts and Sciences, Syracuse University, Syracuse, NY, March, 1st 2014].

The Lambani Experience, 1999, Seminar Maker and Meaning, Madras Craft Foundation, Dakshin Chitra, Chennai, India, proceedings published, pages 127-138.

Social Entrepreneurship

Village India Arts, Boston, MA, Co-founder and Director, 2004-2007

Created socially conscious fair-trade venture to build global marketplace for embroidered textiles of "Lambani" women, nomadic artisans from southern India.

Design and Project consultancy

Sandur Kushala Kala Kendra and Dastkar, India, 1989-2001,

Project and Design Consultant

Created distinctive "SANDUR" brand image for variety of embroidered products based on traditions of "Lambani" embroiderers.

Publications

Research and documentation Co- author, Chapter: *Tamilnadu,, Saris: Tradition and Beyond*, pages 243-267, ed. Marthand Singh and Rta Kapoor Chisti,. New Delhi, Rolli Books, 2010

Co- Author, *Life Passages in Embroidery: The Lambani women artisans, in Threads and Voices*, pages 88-95, ed. Laila Tyabji. New Delhi, a "Marg Publication", 2007.

Fellowships and Grants

Travel Grant, **Aid to Artisans**, 2003., Small Study and Research Grant, **Nehru Trust (India)**, 1997. Research grant to study Illikal Saris of Karnataka. Travel Grant, Nehru Trust for the Indian Collections at the **Victoria and Albert Museum**, 1996. Grant awarded to study the Forbes Watson Volumes. Grant to study and document the block makers and the prints of Farrukhabad, UP, India, **National handicraft and Handloom Museum**, New Delhi, India, 1986

Exhibition Team: Vishwakarma 2, Festival of India in USSR and Saris of India, Demark and France

Board member: Committee member Festival of the arts, Newton, MA. Newton Community Pride (Board of Advisors), a non-profit volunteer organization, has been enriching the cultural life and community in Newton, Massachusetts. Kadambari, India, A society for promotion of Indian art and crafts, Bangalore, India.

Why are you interested in serving on a board or commission?

Hi I am an Auburndale resident. I would love to get involved in boards or commission as I think I can make a contribution and work alongside fellow citizens to make change where necessary. I am a mother to a young adult with disabilities for whom I moved to Newton city from India, hence have been through the system and felt the need for more interaction in this regard. I have a passion for the arts and have recently started a program to connect communities to International and indigenous folk, vernacular and street arts and artists. I have worked in the arts for over three decades.

Resume 2017.pdf

Upload a Resume



Ruthanne Fuller
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To the honorable City Councilors:

I am pleased to reappoint Lucille Chansky of 259 Jackson Street, Newton as a member of the Commission on Disability. Her term of office shall expire on July 31, 2021 and her appointment is subject to your confirmation.

Thank you for your attention to this matter.

Warmly,

Ruthanne Fuller
Mayor

Lucie Chansky
259 Jackson Street
Newton Centre, Massachusetts 02459

May 2, 2018

TO Whom It May Concern

I would like to serve a subsequent term(s) on the **Newton Commission on Disability**. I have served on that Committee for many years, I have been a very active, knowledgeable and involved member

I feel I have the correct qualifications and experience to continue to be a valued member of this Committee.

I have lived in Newton for more than 60 years. I know so many aspects of the City, its organizations, needs and its demographics.

I have a degree in psychology from Boston University.

I have a son who has profound disabilities, both cognitive and physical who lives in a community residence in Auburndale.

I am an active advocate politically; federally, statewide and locally for issues that involve disability and human services.

My experience is outlined below.

My current activities

I currently practice as a special education advocate, working with public schools to ensure that students with special needs receive the services which both state and federal laws and regulations entitle them.

I am chairperson of two citizen advisory committees of the Massachusetts Department of Developmental Services; the Metro Regional Citizen's Advisory Committee and the Newton South Norfolk Citizen's Advisory Committee.

I am a member of the state wide Coalition for Special Education; the Newton Parent Advisory Committee for Special Education; the Newton Commission on Disability; former chair of the Newton Human Services Advisory Committee and the Governmental Affairs Committee of the ARC of Massachusetts, a statewide advocacy organization for individuals with intellectual disabilities. I recently served on the Olmstead Review Committee a task force sponsored by the Massachusetts Executive Office of Health and Human Services. I am very familiar with many of the laws and regulations that impact the rights of persons with disabilities.

My past experiences include

Presented the Dybwad Award from the Massachusetts Department of Development Services for exemplary service to individuals with intellectual disabilities, and other awards for dedicated services to the committees to which I have provided many years of service.

I founded the NWW Committee which established, in Newton, one of the earliest group homes for individuals leaving state institutions.

Served as Chair, for many years, of the Newton Parent Advisory Committee for Special Education and was a founding member.

Served on the Governor's Commission for Disability Policy as well as the Massachusetts Development Disability Council, and the Board of Directors of the ARC of Massachusetts.

Was a founder of the Newton Chapter of the Greater Boston Association for Retarded (this word no longer used) Citizens.

Helped establish the first public pre-school in Newton for students with profound disabilities.

I do a great deal of reading on the internet on issues that pertain to all aspects of Human Service and Disability

I have enjoyed working on the Commission On Disability and am very interested in being re-appointed. I believe I am a very active and vocal member of the Commission.

Thank you for your consideration

Lucie Chansky



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To the honorable City Councilors:

I am pleased to reappoint Rosemary Larking of 1600 Washington Street, Apt. 117, West Newton as a member of the Commission on Disability. Her term of office shall expire on July 31, 2021 and her appointment is subject to your confirmation.

Thank you for your attention to this matter.

Warmly,

Ruthanne Fuller
Mayor

Rosemary Larking
P O Box 620066
Newton, MA. 02462

WORK EXPERIENCE

Consultant, self-employed. Provide information and referral on issues of independent living of disabled persons; conduct workshops in job placement techniques, recreation, legal rights, and adaptive equipment for disabled. June 1, 1982 – present.

Computer Information Specialist, Newton-Wellesley Hospital. Set up database and spreadsheets; input data. August 17, 1992 – Sept.1,2003

Community Advocacy Coordinator, Boston Center for Independent Living, Inc. Developed an active recreation program that was utilized to organize consumers and raise consciousness concerning issues of access, civil rights, and programmatic supports; worked with commissions on disability to organize consumers around state and local issues; represented the agency at numerous meetings; prepared written reports. August 17, 1988 – July 13, 1990.

Project Director, “Access to the Best Music” program of the ProArte Chamber Orchestra of Boston. Administered program of outreach designed to make ProArte’s concerts available to elderly and disabled; served as liaison for the Orchestra and agencies whose constituencies are elderly and disabled; coordinated ticket requests and transportation to concerts; supervised volunteers; performed research and writing to meet publicity and fundraising needs of Program. October 3, 1984 – June 30, 1985.

Assistant Staff Psychologist, Belchertown State School, Belchertown, MA. Counseled adolescent retarded and physically disabled residents; prepared written reports; acted as resource person to program coordinator. September 13, 1976 – June 25, 1977.

Consultant, Regional Advisory Council, Title Iv, E.S.E.A. Advocated for disabled in Massachusetts. June 1975 – July 1979.

EDUCATION

American International College, Springfield, MA. Bachelor of Arts degree;
Major: sociology, psychology, political science; Minor: English

OTHER TRAINING

SBI training in Microsoft WORD,OUTLOOK,EXCEL and
POWERPOINT,Dragon Naturally Speaking,Toolbox,and Web Site Design

Lotus Corporation – sponsored training in basic functions of LOTUS 1,2,3,
November 1986 – July 1987.

Fourth annual conference on adaptive environments, Adaptive Environment
Center, Boston, MA. March 30 and 31, 1982.

American Coalition of Citizens with Disabilities educational workshop,
“Public Transportation for Disabled Persons” in Danvers, MA. December 12
and 3, 1981.

Philosophy Foundation, Boston, MA. Completed course in principles of
philosophy, September – December, 1981.

Family Service Association, Boston, MA. Completed course in assertiveness
training in April, 1981.

AWARDS

1991 – 1992 Pilot International Club Northeast-Potomac District “Disabled
Professional Woman of the Year” Award in May, 1992

Certificate of Appreciation from Partners for Disabled Youth, on August 20,
1990.

1988-1989 Pilot International Club’s “Professional Disabled Woman of the
Year” Award in May 1989.

Certificate of Appreciation from Massachusetts Department of Mental Health, May 1987.

Governor's Citation for outstanding contribution to bringing Music to citizens with special needs. April 3, 1985.

Nominee for National Hall of Fame for Persons with Disabilities, July 1981.

Certificate of Appreciation from Mass. Association of Paraplegics in 1972.

WRITING EXPERIENCE

Winner, Governor's Litter Olympics Award for winning essay, "Don't Give Litter a Sporting Chance!" June 1977.

Winner, Bicentennial Essay Contest, July 1976; Winner, National Arbor Day Essay Contest, April 1974.

"Equal Rights for the Handicapped", article in WOMAN'S DAY MAGAZINE, February, 1974.

Author of bills passed by Mass. Legislature:

-S.1416: a bill calling on the governor each year to issue a proclamation naming the first Sunday in October as "Independent Living Center Day". Signed into law in 1989.

-H.3423: a bill calling for investigation into the needs of physically handicapped. Signed into law on July 9, 1972.

-H.5716: a bill prohibiting discrimination in admission of blind students to state colleges and universities. Signed into law on June 1, 1972.

-H.5050: a bill eliminating medical verification of disability each time a permanently disabled person votes by absentee ballot; verify disability only once. Signed into law on June 2, 1971.

PUBLIC SPEAKING EXPERIENCE

Guest Speaker, Ward School, Newton, MA. Nov. 5, 2009

Guest Speaker, Cabot School, Newton, MA. Nov. 8, 2007

Guest Speaker, "Understanding Handicaps" Program, Newton Public Schools, Newton, MA. 1985 - 1989.

Conducted sensitivity training for Stavis Company chaircar drivers. December 16, 1987.

Speaker, Horace Mann School, March 26, 1987; Speaker, Bowen School, February 10 and 13, 1987; Speaker, Burr School, February 6, 1987; Speaker, SAR Seminar, University Hospital Boston, MA. April 27, 1986; Speaker Horace Mann School, March 27, 1986; Speaker, Burr School, February 14, 1986; Speaker 7th and 8th grade, Noble and Greenough School, Dedham, MA. November 18 and 19, 1985
Speaker, Heath School, Brookline, A. October 23, 1985.

LEADERSHIP EXPERIENCE

Vice-chairperson, MAYOR'S COMMITTEE ON ENVIRONMENT OF THE HANDICAPPED, Newton, MA. 1989 – 1993

President, NEWTON-WELLELEY AREA BOARD FOR MENTAL HEALTH AND MENTAL HEALTH AND MENTAL RETARDATION, 1986 to 1987.

Vice-President, NEWTON-WELLESLEY AREA BOARD FOR MENTAL HEALTH AND MENTAL RETARDATION, 1985 TO 1986.

Legislative chairperson, NEWTON-WELLESLEY AREA BOARD FOR MENTAL HEALTH AND MENTAL RETARDATION, 1984 TO 1985.

Vice-chairperson, LUDLOW COUCIL ON THE HANDICAPPED, 1978 TO 1980

Founder and president, WHEELS AGAINST RESTRICTIONS, now known as DISABLED OF WESTERN MASS. INC. 1972 TO 1973.

VOLUNTEER EXPERIENCE

NEWTON ELDERLY AND DISABLED TAXATION AID COMMITTEE- 2008-present

GOVERNOR'S COUNCIL ON DISABILITY POLICY-1999-Present

MAYOR'S COMMITTEE FOR PERSONS WITH DISABILITIES, Newton, MA. 1988- Present.

WEST-NEWTON NEIGHBORHOOD ADVISORY COMMITTEE- 1993 – 2004

MASSACHUSETTS DEVELOPMENTAL DISABILITIES COUNCIL, 1991 –1995

NEWTON-WELLESLEY-NEEDHAM-SOUTH NORFOLK AREA BOARD FOR MENTAL RETARDATION, 1989 – 1992

REGIONAL ADVISORY BOARD, VERY SPECIAL ARTS, 1988 – 1990.

NEWTON-WELLESLEY AREA BOARD FOR MENTAL HEALTH AND
MENTAL RETARDATION, 1983 – 1989.

BOARD OF TRUSTEES, BOSTON CENTER FOR INDEPENDENT
LIVING, INC., 1982 – 1988.

LUDLOW COUNCIL ON THE HANDICAPPED, 1978 – 1980.

MENTAL HEALTH ASSOCIATION OF GREATER SPRINGFIELD,
1975 – 1981.

REGIONAL ADVISORY COUNCIL, SPECIAL EDUCATION, associate
member, 1975 – 1978

MASS COMMISSION TO INVESTIGATE THE NEEDS OF
PHYSICALLY HANDICAPPED, 1972 – 1976.



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Thank you for your attention to this matter.

Warmly,

Ruthanne Fuller
Mayor

Why are you interested in serving on a board or commission?

I would like to continue my work on the COD as I have for many, many years. I hope this will serve as my statement of interest in continuing as a member of the COD. I have found my years as a member rewarding on many levels. I enjoy learning and I also enjoy helping others navigate their way through their personal journey with a disability. Whether it is helping them get a curb cut installed near their home or an HP space near their residence to helping to educate them about their rights under the ADA and Fair Housing. I have personally benefitted from my knowledge of Fair Housing Laws with my Landlord to successfully achieve a reasonable accommodation in my apartment. I look forward to continuing as a member of the Commission On Disability here in Newton. If there is any additional information you need from me please let me know. Sincerely, Barbara Lischinsky

Upload a Resume

BARBARA LISCHINSKY
1942 Washington St. #424
Newton, MA 02466

PROFESSIONAL EXPERIENCE

Disability Advocate/Educator, self-employed. 2008 – Present

- Provide education and assistance to persons with disabilities regarding Federal and State entitlements.
- Worked with the Newton Housing Authority on Section 8 application procedures to insure that individual Privacy Laws are protected.
- Worked with Policy Analyst at MassHealth to expand the definition of “financial hardship” in the CommonHealth Premium Waiver Process allowing more people with exorbitant out-of-pocket medical expenses to qualify for waivers.
- Assist individuals in all facets of the application process for MassHealth, SSDI, Food Stamps, Fuel Assistance, Transportation and more.
- Educate individuals about reasonable accommodation with regard to application procedures and insure that agencies comply with the law allowing accommodation.
- Help individuals with documentation collection to insure timely processing of applications and proper benefit levels.
- Research new regulations to insure compliance for individuals and organizations.
- Provide education and outreach regarding rights and responsibilities of entitlements.

Motivational Speaker and Fundraiser, Massachusetts Association for the Blind, Brookline, MA 2001- 2008

- Seven time Boston Marathon entrant and Visually Impaired division winner, National 5K Blind Champion representing MAB at fundraising events, newspaper and television opportunities.
- Sponsored by Saucony Athletic Company to represent Newton in the 2006 Boston Marathon.
- Featured on Channel 5's television show “Chronicle” for performance as a Saucony athlete in “Every Runner Has a Story”, April 2006.
- Kick-Off Speaker National Blind 5K Championships Boston, MA 2006, 2007
- Guest Speaker at the Perkins School for the Blind with Marla Runyan and Bill Rodgers promoting the importance of physical education in the life of blind children, 2003.
- Featured in Running Times and in many Boston Globe, Boston Herald, Newton Tab and other articles.

Consultant, St. Joseph Nursing Care Center, Dorchester, MA 1998-1999.

- Developed new clerical system to facilitate office communication.
- Performed accounting functions, data entry and resident account management.

Administrative Assistant to the Administrator and the Director of Nursing, St. Joseph Nursing Care Center Dorchester, MA 1997-1998

- Replied to all correspondence for the Administrator and the Director of Nursing.
- Drafted Monthly Board of Trustee agendas and minutes.
- Liaison between Administrator and personnel.
- Handled record keeping duties for Director of Nursing.
- Handled all mail directed to Administrator and Director of Nursing.

Assistant Director of Financial Aid Harvard University Graduate School of Education, Cambridge, MA 1986 – 1990

- Responsible for counseling HGSE graduate students in the application process for financial aid.
- Processed State and Federal Grant applications for potential incoming students and current students.
- Developed a computer program to calculate financial aid based on students application data.
- Monitored trends in applicant pool for racial and ethnic diversity to insure the proper administration of restricted University grants.
- Made final decisions on aid packages to incoming and current students based on application data and funds available from the Federal and State government as well as University Scholarship monies.
- Supervised support staff

Laboratory Science Coordinator, Department of Biology, Suffolk University Boston, MA 1982 – 1986

- Developed new curriculum for all undergraduate biology laboratory courses in order to better prepare faculty, teaching fellows, and students.
- Teach thirteen laboratory sections of undergraduate Biology.
- Train all department teaching assistants in laboratory protocol and prepare them for each laboratory course.
- Prepare and maintain all necessary laboratory equipment for classrooms.
- Stock supplies for Biology classrooms.
- Order all biologic and support supplies for the Department of Biology.
- Reconcile invoices with received orders for all incoming biologic and support supplies.
- Contact chemical company vendors to obtain quotes for chemicals purchased in bulk and make decision about what company would supply the University.
- Oversee departmental compliance with OSHA regulations.
- Maintain work-study logs for all teaching assistants and submit to central university financial aid office.

VOLUNTEER ACTIVITIES

- **Mayor's Committee for People with Disabilities** 2004 – Present
Involved in the Mission of the Committee.

- **Understanding Our Differences** Speaker 2005 – Present
Speak to Third Grade students about visual impairments. Since 2008, these visits include the role of Seeing-Eye dogs in the life of a blind person.
- **Guiding Eyes for the Blind Ambassador** 2008 – Present.
Developed educational lectures and materials about the role of Seeing-Eye dogs tailored to the needs of various church and civic groups.
- **Fair Housing Task Force** – 2005 – 2007
One of the original members of the Fair Housing Task Force. Involved in the two audits done by the City of Newton demonstrating discrimination against protected classes.
- **Literacy Tutor** – 2005- 2006
Taught conversational English to a Korean student. Met weekly, developed lesson plans.

EDUCATION

Ed.M Harvard Graduate School of Education, Cambridge, MA
B.S. Suffolk University, Boston, MA

commission to remediate such violation.

(g) Exemptions

- (1) The owner may request exemption from this ordinance if the owner can prove to the commission that maintenance of the landmark will cause substantial hardship according to the standards set forth in Section 22-40(f)(10); provided, however, that the owner's self-created hardship shall not qualify as a basis for a hardship exemption.
- (2) In situations where, in the commission's view, it is impracticable to immediately repair an architectural feature, or prohibitively expensive to replace it, then the owner shall remove and store such architectural feature safely, until such time as it becomes financially possible to recreate the feature from the original pieces. The owner shall make temporary repairs in its place to protect the structure and/or provide for the safe use of the landmarked premises. (Ord. No. X-179, 12-19-2006)

Secs. 22-52—22-59. Reserved.

DIVISION 3. LANDMARKS

Sec. 22-60. Landmark Preservation—enactment and purpose.

This division is enacted pursuant to the authority derived from section 6 of the Home Rule Amendment to the Constitution of the Commonwealth of Massachusetts, and Charter of the City of Newton.

The purpose of this enactment is to promote the educational, cultural, economic and general welfare of the public through the preservation and protection of the distinctive architecture and other characteristics of buildings, structures, landscapes, and places significant in the history and prehistory of the Commonwealth of Massachusetts and the City of Newton and through the maintenance and improvement of settings for such buildings, structures, landscapes, and places and through the encouragement of compatible development and the discouragement of destruction of or damage to such resources. (Ord. T-288, 9-9-93)

Sec. 22-61. Definitions.

For purposes of this section, the following words shall be defined as follows:

Altered: changed in exterior color, otherwise changed, rebuilt, reconstructed, restored, removed, or remodeled.

Building: a combination of materials forming a shelter for persons, animals, or property.

Commission: the Newton Historical Commission or particular Historic District Commission acting under the provisions hereof.

Constructed: built, erected, installed, enlarged, or moved.

Demolished: destroyed or altered in such a substantial manner as to constitute destruction.

Exterior architectural feature: such portion of the exterior of a building or structure as is open to view from a public or private street, way, park, or body of water which is identified for preservation by its designation by the commission as a landmark, including but not limited to the architectural style and general arrangement and setting thereof, the kind, color, and texture of exterior building materials, the color of paint or other materials applied to exterior surfaces and the type and style of windows, doors, lights, signs, and other appurtenant exterior fixtures.

Historic district: any area containing distinctive buildings, structures, landscapes, and places as established in accordance with G.L. c. 40, s. 8D and chapter 22 of the Revised Ordinances.

Landmark: any building, structure, landscape or place which has been designated for preservation for reasons of its historic significance.

Landscape: a streetscape or an arrangement of land for human use and enjoyment, including placement of structures, vehicular and pedestrian ways and plantings.

Person aggrieved: the applicant, an owner of adjoining property, an owner of property within the same historic district or of property within one hundred feet of the property lines of the property subject to the application, and any charitable corporation having as one of its purposes the preservation of historic buildings or places.

Structure: a combination of materials other than a building, including, but not limited to, a bridge, tower or other engineering work, sign, fence, wall, terrace, walk or driveway. (Ord. No. T-288, 9-9-93)

Sec. 22-62. Eligibility for designation.

All buildings, structures, landscapes and places currently listed on the National Register of Historic Places as individual sites or otherwise listed as eligible for said National Register as individual sites shall be eligible for landmark designation and preservation. No additional investigation and report on the historical and architectural significance of the buildings, structures, landscapes or places to be designated as a landmark shall be required for such sites.

Buildings, structures, landscapes, and places listed on the National Register of Historic Places as part of an historic district, but not individually, or which are eligible for said National Register as part of an historic district, but not individually, may be eligible for landmark designation and preservation if the commission determines that such building, structure, landscape or place is a contributing element of such National Register historic district and possesses one or more of the National Register criteria. The commission may reject the nomination of any such building, structure, landscape or place if it determines that such property lacks sufficient historical or architectural significance for landmark designation. Buildings which are eligible for the National Register either individually or as part of a district may be nominated for landmark designation if they possess historic characteristics sufficient to qualify for listing on the National Register as certified by the Massachusetts Historic Commission.

Any land which, as of August 9, 1993, is contained in the same lot upon which a building or structure eligible for landmark designation is located regardless of whether such lot is later divided, subdivided or redrawn, or any land which, as of August 9, 1993, is contained in an adjoining or surrounding lot(s) held in common ownership or control or used in connection with the lot upon which the building or structure eligible for landmark designation is located, shall be subject to inclusion in the landmark designation as a Newton Landmark Preservation Site, where the preservation and maintenance of such land is necessarily and reasonably related to the stated legislative goal of landmark preservation. Any such designation of land shall include a statement of the reason(s) for the inclusion of the land in the landmark designation pursuant to the legislative standards established herein.

Should any owner, subsequent owner, lessee, heir or assign seek to place a new building or structure on a lot which has been included in a designation as a landmark, the design, size, shape and location of said new building or structure shall be subject to the full review authority of the commission as set out in sections 22-65 and 22-66 as a condition to any building permit to insure that such new building or structure is not detrimental to the landmark status of any pre-existing building or structure, and does not undermine the purpose and intent of this division of the preservation of any building, structure, landscape or place of historic significance. (Ord. No. T-288, 9-9-93; Ord.

No. U-25, 9-7-94; Ord. No. X-159, 07-11-05; Ord. No. X-240, 11-6-06)

Sec. 22-63. Designation.

(a) Members of the board of aldermen, the mayor, the director of planning and development or the commissioner of inspectional services may, in addition to the commission, nominate properties for designation by the commission as Newton Landmark Preservation Sites, through a written nomination to the commission. The commission shall notify the owner of the property upon receipt of the written nomination.

(b) The commission by three-quarters (3/4) vote may, after public hearing, designate as a landmark any property within the city being or containing a structure or landscape which it determines to be either (1) importantly associated with one or more historic persons or events, or with the broad architectural, aesthetic, cultural, political, economic, or social history of the city or the commonwealth or (2) historically or architecturally significant (in terms of period, style, method of construction, or association with a famous architect or builder) either by itself or in the context of a group of structures and may order amendments to any designation of landmark theretofore made. Designation of a landmark or amendment or rescission of previous designation shall include a statement of the reasons for such designation pursuant to the legislative standards established herein.

(c) The commission shall consider the following conditions:

(1) that the location and setting is compatible with future preservation and use;

(2) that the distinguishing characteristics of significance are for the most part original and intact or capable of restoration;

(3) that the existing or proposed use is compatible with the preservation and maintenance of the site.

(d) The commission shall hold a public hearing prior to any designation of landmarks. The commission shall give not less than fourteen days notice of such public hearing by publication in a newspaper of general circulation in Newton and by mailing notice thereof to the owner of the proposed landmark and to every property owner abutting the proposed landmark (each such owner to be determined from the then current records of the assessing department), and to the mayor, the planning board, and the city clerk.

Prior to the public hearing, the commission shall transmit copies of the agenda to the planning board for its consideration and recommendation.

(e) The Newton Landmark Preservation Sites shall be recorded as follows:

(1) The office of the city clerk shall record with the Middlesex County recorder the legal description of all buildings, lands, sites or areas designated as Newton Landmark Preservation Sites by the board, and shall send a copy to the commissioner of inspectional services. In addition, the same may be made available to the public in form and fashion as the commission or board deems appropriate.

(2) Newton Landmark Preservation records.

a) The commission shall keep current and public a list of all properties designated as Newton Landmark Preservation Sites, or included in the State or National Register of Historic Places and make the same available to the public in form and fashion as the commission or board of aldermen deems appropriate.

b) The commission will provide the commissioner of inspectional services and the director of planning and development with current lists and maps showing Newton Landmark Preservation Sites and Districts for

their use in referring applications to the commission. (Ord. No. T-288, 9-9-93; Ord. No. X-228, 9-18-06).

Sec. 22-64. Additional powers and duties of the commission.

The commission shall have the following powers and duties in addition to those otherwise specified herein:

(a) The commission shall have the authority to provide general preservation plans and guidelines to owners of Newton Landmark Preservation Sites regarding maintenance, restoration, and rehabilitation.

(b) The commission shall have the authority to promote public recognition and appreciation for Newton Landmark Preservation Sites. It shall periodically publish a register of designated and potential Newton Landmark Preservation Sites, along with guidelines and preservation programs available at that time.

(c) The commission shall have the authority to initiate solicitation of gifts and contributions to be made to the city to support the activities and purposes of the commission. The commission shall assist the city staff in the preparation of applications for grant funds made by the city to outside funding sources for the purpose of city landmark preservation. (Ord. No. T-288, 9-9-93)

Sec. 22-65. Review authority.

(a) Except as this division may otherwise provide, unless the commission shall first have issued a certificate of appropriateness, a certificate of non-applicability, or a certificate of hardship, no building, structure, exterior architectural feature or landscape of a landmark shall be altered or demolished nor any building or demolition permit issued therefor by the city or any department thereof.

(b) Any person who desires to obtain a certificate from the commission shall file with the commission an application for a certificate of appropriateness, a certificate of non-applicability, or a certificate of hardship, as the case may be, in such form as the commission may reasonably determine, together with such plans, elevations, specifications, materials, or other information the commission deems necessary to enable it to make a determination on the application. When such an application involves the proposed alteration to or demolition of a Newton Landmark Preservation Site that is located within a local Historic District, the commission shall have the option of delegating its review authority to the local Historic District Commission which has the review authority over that local historic district.

(c) The commission shall issue a certificate of appropriateness to the applicant:

- (1) if the commission determines that the construction, alteration or demolition for which an application of appropriateness has been filed will be appropriate for or compatible with the preservation or protection of the landmark, or
- (2) if prior to the issuance of any disapproval, the commission, as it may, notifies the applicant of the commission's proposed action and includes, as it may, recommendations for changes in the applicant's proposal, which may include recommendations as to appropriateness of design, arrangement, texture, material and similar features, that, if made, would make the application acceptable to the commission and within fourteen days of the receipt of such notice, the applicant files a written modification of his application in conformity with the recommended changes of the commission.

(d) The commission shall issue a certificate of non-applicability to the applicant if the commission determines that an application for a certificate of appropriateness or for a certificate of non-applicability:

- (1) does not involve any exterior architectural feature or landscape of a landmark, or (2) involves an exterior architectural feature or landscape of a landmark that is not then subject to review by the commission in accordance with the provisions hereof.

(e) If a certificate of hardship has been applied for, or if the commission determines that the construction or alteration for which a certificate of appropriateness has been applied for is inappropriate, the commission shall issue a certificate of hardship to the applicant if the commission determines that:

- (1) owing to conditions especially affecting the building, structure, landscape, or place involved, but not affecting the landmark's general historic qualities, failure to approve an application will involve a substantial hardship, financial or otherwise, to the applicant;
- (2) such application may be approved without substantial derogation from the intent and purpose of this ordinance; and
- (3) the application may be approved without substantial detriment to the public welfare.

(f) The commission shall issue a certificate of appropriateness to the applicant if the commission fails to make a determination on an application within the time specified in paragraph three of section 22-67. (Ord. No. T-288, 9-9-93; Ord. No. X-240, 11-6-06)

Sec. 22-66. Factors to be considered by the commission.

In passing upon matters before it, the commission shall consider, among other things:

(a) *In general:*

- (1) the historical and architectural value, and significance of the building, structure, landscape, or place;
- (2) the general design, arrangement, texture, material, and color of the features involved; and
- (3) the relation of such features to similar features of buildings and structures in the surrounding area.

(b) *In the case of new construction or additions to existing buildings or structures:* the appropriateness of the size, shape, and location of the building or structure, both in relation to the land area upon which the building or structure is situated and to buildings and structures in the vicinity.

(c) *In the case of demolition or removal:*

- (1) whether the demolition or removal of a building or structure of such architectural or historic significance would impair the public interest and the general welfare of the people of the city, town, or state;
- (2) whether the demolition or removal of the building or structure would undermine the purpose and intent of this division and the objectives of local preservation plans;
- (3) whether the building or structure has so deteriorated that preservation or restoration is not structurally or economically feasible, provided that the owner's self-created hardship or failure to maintain the property in good repair shall not qualify as a basis for the issuance of a certificate of hardship.

The commission shall not make any recommendations or requirements except for the purpose of preventing developments incongruous to the historical or architectural characteristics of a building, structure, landscape or site,

or their surroundings.

The commission may impose dimensional and set-back requirements in addition to those required by the applicable ordinance or by-law. (Ord. No. T-288, 9-9-93)

Sec. 22-67. Determination.

The commission shall determine promptly, and in all events within forty-five (45) days after the filing of an application for a certificate of appropriateness, a certificate of non-applicability or a certificate of hardship, as the case may be, whether the application involves any exterior architectural features, or landscapes that are subject to approval by the commission. If the commission determines that such application involves any such features or landscapes, the commission shall hold a public hearing on such application, unless such hearing is dispensed with as hereinafter provided in paragraph four of this section.

The commission shall fix a reasonable time for the hearing on any application and shall give public notice of the time, place, and purposes thereof at least fourteen days before said hearing in such manner as it may determine, and shall give notice by mailing, postage prepaid, a copy of said notice to: (a) the applicant, (b) the owners of all adjoining property and other property deemed by the commission to be materially affected thereby as they appear on the most recent real estate tax list of the board of assessors; (c) the planning board; (d) any person filing a written request for notice of hearings, such request to be renewed yearly in December, and (e) such other persons as the commission shall deem entitled to notice.

As soon as convenient after such public hearing but in any event within sixty days after the filing of the application, or within such further time as the applicant may allow in writing, the commission shall make a determination on the application. If the commission fails to make a determination within such period of time, the commission shall thereupon issue a certificate of appropriateness.

A public hearing on an application need not be held if such a hearing is waived in writing by all persons entitled to notice thereof. In addition, a public hearing on an application may be waived by the commission if the commission determines that the exterior architectural feature, landscape or archeological feature of the landmark is so insubstantial in its effect on the landmark that it may be reviewed by the commission without a public hearing on the application, provided, however, that if the commission dispenses with a public hearing on an application, notice of the application shall be given to the owners of all adjoining property and other property deemed by the commission to be materially affected thereby as above provided, and ten days shall elapse after the mailing of such notice before the commission may act upon such application.

A certificate of appropriateness, a certificate of non-applicability or a certificate of hardship shall be issued upon majority vote of the members of the commission, except in the case of inaction by the commission within the time specified in this section, in which case a certificate of appropriateness shall be automatically issued.

Each certificate of appropriateness, non-applicability or hardship issued by the commission shall be dated and signed by its chairman, vice chairman, secretary, or such other person designated by the commission to sign such certificates on its behalf.

The commission shall file with the city clerk, and with any department of the city having authority to issue building or demolition permits, a copy of notice of all certificates and determinations of disapproval issued by the commission. (Ord. No. T-288, 9-9-93)

Sec. 22-68. Ordinary maintenance.

Nothing in this division shall be construed to prevent: (a) the ordinary maintenance or repair of any building,

structure or landscape; (b) the ordinary maintenance, repair or replacement of any exterior architectural feature of a landmark that, with respect to either (a) or (b), does not involve a change in design or material, or the appearance thereof; if such features have been included in the findings of the Landmark Commission at the time of designation; (c) landscaping with plants, trees or shrubs, provided that such landscaping does not affect any significant landscape feature; (d) meeting of requirements certified by a duly authorized public officer to be necessary for public safety because of an unsafe or dangerous condition; (e) any construction or alteration under a permit duly issued prior to the effective date of the landmark ordinances, except as provided herein. (Ord. No. T-288, 9-9-93)

Sec. 22-69. Administrative review.

There shall be a review procedure whereby any person aggrieved by a determination of the commission may, within twenty days after the filing of the notice of such determination with the city clerk, file a written request with the commission for a review by a person or persons of competence and experience in such matters, designated by the Metropolitan Area Planning Council (MAPC).

The finding of the person or persons making such review shall be filed with the city clerk within forty-five days after the request, and shall be binding on the applicant and the commission, unless a further appeal is sought in the superior court as provided herein. (Ord. No. T-288, 9-9-93)

Sec. 22-70. Judicial review.

Any person aggrieved by a determination of the commission, or by the finding of a person or persons making an administrative review as provided herein, may, within twenty days after the filing of the notice of the aforesaid determination or finding with the city clerk, appeal to the superior court sitting in equity for Middlesex County. The court shall hear all pertinent evidence and shall uphold the determination of the commission if the court finds the decision of the commission to be supported by substantial evidence and within the authority of the commission, or may remand the case for further action by the commission, or make such other decree as justice and equity may require. The burden of proof shall be on the aggrieved person. The remedy provided by this section shall be exclusive, but the parties shall have all other rights of appeal and exception as in other equity cases. Costs shall not be allowed against the party appealing such determination of the commission unless it shall appear to the court that the appellant acted in bad faith or with malice in making the appeal to the court. (Ord. No. T-288, 9-9-93)

Sec. 22-71. Enforcement.

Middlesex Superior Court sitting in equity shall have jurisdiction to enforce the provisions of this division and any regulations enacted hereunder and the determinations, rulings, and regulations issued pursuant thereto and may, upon the petition of the mayor or of the board of aldermen or of the commission, restrain by injunction violations thereof; and, without limitation, such court may order the removal of any building, structure, or exterior architectural feature constructed in violation thereof, or the substantial restoration of any building, structure, exterior architectural feature or landscape of a landmark altered or demolished in violation thereof, and may issue such other orders for relief as may be equitable.

Whoever violates any of the provisions of this division shall be punished by a fine of three hundred dollars (\$300.00). Each day during any portion of which a violation continues to exist shall constitute a separate offense. (Ord. No. T-288, 9-9-93)

Sec. 22-72. Advisory review.

The review process set out in section 22-65 shall be advisory only for properties containing from one through four family dwellings which continue to be owned and occupied by the legal owner-occupants of record as of August 9, 1993, unless full review as set out in section 22-65 is voluntarily agreed to by said owner-occupants. Such advisory

review shall cease, and the commission shall have authority to impose the full review set out in section 22-65 when and if such occupancy ceases or when legal or equitable ownership is transferred, whether by sale, an agreement to sell, or a transfer in trust, but excluding the grant of a mortgage. (Ord. No. T-288, 9-9-93; Ord. No. U-1, 2-7-94)

Sec. 22-73. Severability.

The provisions of this division shall be severable. If any of its provisions shall be held to be invalid or unconstitutional by any court of competent jurisdiction, the remaining provisions shall continue in full force and effect. (Ord. No. T-288, 9-9-93; Ord. No. T-288, 8-9-93)

Secs. 22-74—22-75. Reserved.

DIVISION 4. CITY-OWNED BUILDINGS

Sec. 22-76. Preservation of city-owned properties subject to funding under the Community Preservation Act.

(a) Purpose and Intent:

The purpose of this section is to encourage (1) the preservation and protection of city-owned buildings, structures and properties (2) the maintenance and improvement of landscapes, grounds and settings of such buildings and structures and (3) compatible development to preclude destruction or damage of such resources

(b) Definitions:

For the purpose of this division, the following words and phrases shall be defined as follows:

Alter/alteration: Rebuilding, reconstructing, restoring, removing, demolishing or similar actions relating to regulated buildings, structures and properties including a change to the exterior paint color or colors.

Building: A combination of materials including a roof forming a shelter for persons, animals or property.

Certificate of Appropriateness: The certificate issued by the commission if it determines that the construction or alteration for which an application for a certificate of appropriateness has been filed will be appropriate for or compatible with the preservation or protection of the city-owned building or structure.

Certificate of hardship: The certificate issued by the commission if it determines that owing to the conditions especially affecting the building or structure involve failure to approve an application will involve a substantial hardship to a city department or agency and that such application may be approved without substantial detriment to the public welfare and without substantial derogation from the intent and purpose of this section.

Certificate of non-applicability: The certificate issued by the commission or its designee if it determines that the construction or alteration for which a certificate of appropriateness or a certificate of non-applicability has been filed does not involve any exterior architectural feature, any interior primary space, or involves an exterior architectural feature which is not subject to review by the commission.

City: The City of Newton.

Commission: The Newton Historical Commission.

Commissioner: The Commissioner of the Newton Inspectional Services Department.



Setti D. Warren
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

#433-18
Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Barney Heath
Director

MEMORANDUM

DATE: September 7, 2018

TO: Councilor Susan Albright, Chairman
Members of the Zoning and Planning Committee

FROM: Barney Heath, Director, Department of Planning and Development
James Freas, Deputy Director
Katy Hax Holmes, Chief of Preservation Planning

RE: **#433-18 Discussion regarding landmark preservation**
COUNCILOR ALBRIGHT requesting a discussion regarding landmark preservation that includes definitions, eligibility for designation, process for designation and determination, implications once a site is landmarked, and the process for making alterations to a landmarked site.

MEETING DATE: September 12, 2018

CC: City Council
Planning and Development Board
Ouida Young, City Solicitor

#

Local Landmarks are historically significant properties in Newton that are saved from demolition permanently. The City currently has 22 designated landmark properties. In accordance with Section 22-60 of Newton's Local Landmark Ordinance, the Newton Historical Commission (NHC) is authorized to establish a local landmark when a property is nominated by a city councilor, a member of the NHC, or the department heads of Planning and/or ISD.

The process by which a historic property is established as a landmark varies depending on its documented level of significance when the property is nominated. If a property is already listed on the National Register of Historic Places, either individually or as contributing to a district, then the NHC may designate the property without involvement by the Massachusetts Historical Commission (MHC). If the nominated historic property has no prior historical designation, then the NHC must vote to send a report to the Massachusetts Historical Commission requesting its review and opinion on whether it would be eligible for listing on the National Register. If the MHC believes the nominated property is eligible for listing, then the NHC may proceed with a recommendation for landmarking. If the MHC does not believe the nominated property meets the NR eligibility criteria, then the process ends.

Once established, local landmarks become deed-restricted properties in perpetuity, and all changes to the exterior of the buildings come under review by the Newton Historical Commission. In this way, the review process is the same as that for a property included in a local historic district in Newton. Most importantly, the Demolition Delay ordinance no longer applies to a local-landmark property.



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

#220-18
Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Barney S. Heath
Director

MEMORANDUM

DATE: September 7, 2018

TO: Councilor Susan Albright, Chair
Members of the Zoning and Planning Committee

FROM: Barney Heath, Director of Planning & Development
James Freas, Deputy Director of Planning & Development
Lily Canan Reynolds, Community Engagement Manager

MEETING DATE: September 12, 2018

SUBJECT: **#220-18 Discussion relative to the Washington Street Corridor Action Plan**
DIRECTOR OF PLANNING requesting monthly progress discussions on the Washington Street Corridor action plan.

CC: Planning & Development Board
City Council

Members of the planning team will provide a brief update to the Committee on September 12, 2018, focusing on the process resulting from the June 2018 Public Design Week and leading into the Plan Open House event for October 24, 2018.



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Barney S. Heath
Director

MEMORANDUM

DATE: September 7, 2018

TO: Councilor Albright, Chair
Members of the Zoning and Planning Committee

FROM: Barney S. Heath, Director of Planning and Development
Kathryn Ellis, Economic Development Director

RE: **#408-18, Economic Development Strategy Plan Discussion (Continued)**

MEETING DATE: September 12, 2018

CC: Jonathan Yeo, Chief Operating Officer
Economic Development Commission
Planning and Development Board

We had the chance to introduce the 135-page Economic Development Action Plan (attached electronic version) prepared for the City of Newton by Camoin Associates at the July 30th Zoning and Planning Committee meeting. There is a lot of information to digest in the report which we are happy to discuss. A public hearing on the matter has been scheduled for the September 24th Zoning and Planning Committee meeting.

For the upcoming September 12th Zoning and Planning Committee meeting, one approach might be to center discussion around the specific goals and objectives set-out in the attached Action Plan Matrix. Joyce Plotkin, EDC Chair, will be joining us for the discussion.

Attachments

Action Plan Matrix

Draft Economic Development Action Plan, July 2018 (electronic memo only)

DRAFT - City of Newton Action Plan Matrix - DRAFT

Goal 1: Take steps to pursue development types that make Newton both commercially successful and a great place to live, work, and play.

Rationale: For Newton to successfully move towards the desired future there are specific steps that Newton can take to encourage development of specific use-

	Objective	Actions	Lead and Partners	Priority Level and Timeframe	Resource Level	Measures for Progress and Success
1.A.	Increase lab space in Newton to capitalize on highly skilled workforce with science background and regional economic trends.	i. Identify a corridor or collection of parcels that will be geared towards lab space and rezone as necessary to encourage development to that area. Look to areas with high market demand such as Nonantum, Wells Ave, and Riverside. Concentrate the lab space to encourage synergies between the businesses and employees. ii. Use City of Newton resources to invest in transportation infrastructure (bike and pedestrian assets, public transportation, van or car sharing options), technical infrastructure (financing pools, professional service provider inventory, business planning guidance), permitting (fast track, generic review and approvals), etc. to make it easy and attractive for a business to establish a space. iii. Promote the potential opportunities of Newton to existing lab space developers and operators, including affordability, parking, and community support. Conduct targeted marketing including improved web presence, conferences, and other networking events.	City of Newton, EDC	High, Short Term	Staff Time and High Level of Capital Investment	Total square feet of lab space, Number of related jobs in Newton, Number of related companies in the city.
1.B.	Increase office space in Newton including coworking space to attract and retain companies and increase the commercial tax base.	i. Add office space by allowing appropriately scaled additional stories in the zoning redesign in targeted areas with demand for office space such as Riverside, Wells Avenue, Nonantum, and village centers.	City of Newton	High, Short Term	Staff Time	Total square feet of occupied office space
1.C.	Encourage mixed-use projects in villages and commercial corridors, especially those with mass transit.	i. Redo zoning to make sure that market driven mixed-use developments are allowed in village centers and along commercial corridors. Allow for additional development around commuter rail, T stations, and other multi-modal assets to create mixed-use nodes with increased economic activity, customer base, and vibrancy. ii. Evaluate proposed mixed-use projects in terms of the proportion of workforce housing to create skills match between housing and employment options. iii. Encourage development of housing geared towards young professionals and low to middle income families to attract more people to serve business growth. iv. Encourage housing in villages and commercial corridors with mass transit to create "built in" customers for businesses who need less access to private automobiles.	City of Newton	Medium, Short Term	Staff Time	Total square feet of occupied space within .25 miles of multi-modal assets, Number of residential units considered affordable for the workforce

1.D.	Take advantage of economic development tools	<p>i. Use Tax Increment Financing (TIF), if necessary, to incentivize commercial development and attract businesses. Develop guidelines for evaluating TIF applications that establish Newton's desired outcomes from TIF-incentivized projects (e.g. quality job creation, sizeable capital investment, attraction of specific industry sectors, etc.) and specify targeted investment areas within the city, including Needham Street, Washington Street, Wells Avenue, the Charles River Mill District, and Newton Centre.</p> <p>ii. Utilize District Improvement Financing (DIF) for funding traffic and infrastructure improvements, parking structures, and other public projects needed to stimulate private investment in targeted areas within Newton, if necessary. Identify DIF goals and establish a Development District and Development Program for one or more areas within Newton</p> <p>iii. Assess the potential for using District Improvement Financing (DIF) revenues for Newton to acquire and lease out affordable retail space to local retailers in retail districts including Washington Street and Newton Centre.</p>	City of Newton	Medium, Mid-Term	Staff Time	New development induced
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Goal 2: Focus redevelopment efforts on key parcels and corridors in Newton.

Rationale: There are a number of corridors and areas of Newton that are especially well positioned for economic development opportunities.

	Objective	Actions	Lead and Partners	Priority Level and Timeframe	Resources	Measures for Progress and Success
2.A.	Continue to revitalize Needham Street	<ul style="list-style-type: none"> i. Complete the Needham Street visioning process and implement recommendations. ii. Improve the physical environment of Needham Street corridor to make it more pedestrian friendly, implement traffic calming measures, and enhance the appearance. iii. Work collaboratively with Needham to implement N2 Innovation District initiatives. iv. Work with the developers of the Northland property to create an appropriately scaled project that will have positive economic benefits for the community creating a mixed-use project that will provide housing, Class A office, retail, and other amenities and will offer new transportation options, types of housing, and more vibrancy. 	City of Newton, EDC	High, Short Term	Moderate Staff Time	Number of community engagement sessions, Total number of commercial square footage
2.B.	Pursue development of Riverside	<ul style="list-style-type: none"> i. Engage neighbors and community in project discussions. Assist with facilitation of conversations with local, regional, and statewide agencies. Highlight the potential of the site resulting from its location along the 128 belt and access to the MBTA station. ii. Encourage uses that align with the goals of Newton in terms of building out co-working space/office space, diversity of housing types, and diversifying and growing the tax base. iii. Determine the right mix of uses and size/scale/building height so it works for Newton. iv. Build transportation infrastructure to serve the Riverside development to enhance multi-modal offerings and ability to move from the site to other places in Newton. Specifically, consider connecting the green line at Riverside to the commuter rail at Auburndale, creating safer walking and biking connections throughout, and creating a connected network of streets within Riverside that also connects at multiple points to the surrounding areas including Recreation Road to avoid overloading Grove Street. 	City of Newton, EDC	High, Short Term	Minimal Staff Time	Number of community engagement sessions, Total number of commercial square footage
2.C.	Build out the Charles River Mill District	<ul style="list-style-type: none"> i. Align zoning with goals to be a mixed-use neighborhood with opportunities for lab space and support services. ii. Build the brand of the Charles River Mills District. Inventory the assets and strengths of the area and incorporate into promotion material as a good option for those companies looking for a moderate cost and industrial/urban setting. iii. Develop lab space in this district, an emerging opportunity. iv. Encourage the proper mix of services (eg - Restaurants, coffee shops, day care, etc.) to serve residents, businesses, and employees. 	City of Newton, EDC, City of Watertown	Medium, Mid-Term	Staff Time	Total commercial square feet in Charles River Mill District.
2.D.	Realign the Wells Avenue Business Park	<ul style="list-style-type: none"> i. Implement the recommendations from the Wells Ave Vision plan including creating a secondary entrance/exit. ii. Increase the height restrictions to allow for additional growth. iii. Allow for a variety of non-housing (gyms, restaurants, cafes, personal services, etc.) and create additional amenities for businesses and workers. iv. Improve the quality of the roads, sidewalks, lighting, seating, signage, and general appearance of the Wells Avenue Business Park for all users. 	City of Newton, EDC	Medium, Mid-Term	Minimal Staff Time	Occupancy in Wells Ave Business Park
2.E.	Revitalize Washington Street	<ul style="list-style-type: none"> i. Continue to engage the community in the Washington Avenue Corridor Visioning and Zoning process and direct development to align with community vision. ii. Make physical improvements and transportation related improvements that align with the vision identified. 	City of Newton, EDC	Medium, Mid-Term	Moderate Staff Time	Number of community engagement sessions, Total number of commercial square footage

DRAFT - City of Newton Economic Development Strategy Updated 9-7-18

2.F.	Develop a vision plan for Newton Centre	<ul style="list-style-type: none"> i. Complete a full market analysis to identify the specific opportunities for Newton Centre, including community infrastructure. ii. Engage community and neighbors in the process to allow for feedback on potential growth, use types, new projects, and investments. iii. Amend zoning to be consistent with vision. iv. Limit the number of banking institutions to diversify mix of business. v. Encourage building second and third floors on existing building for office and residential. vi. Encourage more co-working space. 	City of Newton, EDC	Medium, Mid-Term	Minimal Staff Time	Completion of market analysis, Zoning review complete
2.G.	Focus development of larger villages as regional centers for business and retail	<ul style="list-style-type: none"> i. Focus on creating a vibrant environment in the larger villages, especially those with mass transit, through attraction of restaurants, retail, housing, and office/co-working space. Review all zoning regulations to ensure they accommodate an increase in square footage of development that is in line with the community goals for each village. ii. Design parking recommendations to ease congestion and make it easier for businesses and residents. 	City of Newton	High, Mid-Term and ongoing	Minimal Staff Time	Square feet of commercial use within village districts

Goal 3: Support the start-up, growth, stability, and vitality of businesses and entrepreneurs in Newton.

Rationale: By supporting entrepreneurs and businesses, Newton will grow its tax base, create new economic opportunities for all, and build vibrancy of villages and commercial corridors.

	Objective	Actions	Lead and Partners	Priority and Timeframe	Resources	Measures for Progress and Success
3.A.	Create a business environment in Newton that provides more support for small and local businesses	i. Create a regular communication system to ensure easy access of information related to business resources, training programs, and support that is available digitally and in hard copy. ii. Establish land use policies that encourage or require affordable rent for locally-owned retail establishments in targeted locations throughout Newton. iii. Partner with the Chamber, higher education, and other organizations to offer networking events for small businesses and entrepreneurs for both partnership development and to create a support system. Use events to highlight service providers that are well versed in the challenges facing small businesses in Newton. iv. Make changes to zoning code to ensure co-working, incubator, and makers spaces are allowed as a right within targeted areas. v. Continue to engage with the N2 Innovation District and collaborate on efforts that will highlight Newton as attractive and open for business. vi. Identify funding sources for businesses and property owners to work with enforcement officials around improvements to bring buildings up to code. vii. Ensure zoning code allows home based businesses with appropriate regulations to preserve neighborhood character.	City of Newton, EDC, Chamber of Commerce	High, Short Term and ongoing	Moderate Staff Time	Number of businesses in Newton
3.B.	Leverage the Economic Development Commission	i. Use the Economic Development Commission as a partner in implementation of the Economic Development Action Plan. ii. Continue to have the EDC weigh in on City of Newton matters related to or impacting business and economic development. iii. Use the EDC to communicate and work with the village and corridor stakeholders to understand and plan for how their goals and objectives fit into the Economic Development Action Plan.	EDC	High, Short Term and ongoing	Minimal Staff Time	Number of actions implemented.
3.C.	Improve the external marketing of Newton's business environment	i. Create a more professional economic development website with web-based applications and GIS platforms. ii. Update the economic development website to make it easier to access. Include targeted demographic, economic and workforce data, infrastructure availability, and contact information. iii. Create a targeted bio/life sciences landing page that has marketing material targeted towards developers and businesses that highlight the workforce skills and qualifications of residents, available space and any shovel ready sites, Gold Bio-Ready Rating, and the ease of the process. iv. Create a workforce landing page that describes the workforce and why Newton is a good place to do business. v. Create a retail/demographic landing page that describes why Newton is a good place to open a store. vi. Enhance the City of Newton's commercial real estate connection services through use of MLS listing, tracking of available space, development of web-based applications, and redesign of the Commercial Real Estate Connection page. vii. Increase the marketing budget as resources and demand allows.	City of Newton, EDC, Consultant	High, Immediate and ongoing	\$50,000 for initial website upgrade plus \$10,000 per year for maintenance	Number of visits to the websites

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3.D.	Better understand and provide more support to existing businesses by expanding Newton's business visitation program.	<p>i. Implement a formal Business Retention and Expansion program, and partner with an organization such as the Regional Chamber. Work with partner organizations to create a base list of questions for all contacts and a central point for documentation of the visit to make sure all information is shared and follow-up conducted.</p> <p>ii. Continue to create a schedule and priority list for what companies to conduct visitation with. Focus efforts on the larger businesses first with regular integration of the smaller businesses that have potential to grow.</p> <p>iii. Review the pre-visit survey to identify topics for discussion, conduct visit, track information and issues, and follow-up site visits with responses back to the business. Input all data and information in a digital system or platform to keep track of any necessary follow-up. Use information to address immediate issues through referral or immediate action and/or identify themes and provide recommendations to the City of Newton.</p>	City of Newton, EDC, Chamber of Commerce	High, Short Term and ongoing	Moderate Staff Time	Number of businesses visited each year
3.E.	Implement policies to support small retailers and improve their ability to remain viable.	<p>i. Recognize historic businesses as special Newton assets by creating a registry of long-established small retail businesses and evaluate using this information to design a financial assistance program.</p> <p>ii. Consider employing small business friendly zoning that preserves and increases supply of small retail spaces, and includes a business diversity ordinance.</p> <p>iii. Work to engage landlords in discussions around economic development issues in villages and the role that they play in supporting small retail.</p> <p>iv. Create opportunity for local Newton businesses in government properties when appropriate.</p>	City of Newton, EDC, Chamber of Commerce, Neighborhood Area Councils	High, Immediate and ongoing	Extensive Staff Time	Number of locally owned small retail establishments in Newton.
3.F.	Expand capacity of Newton Innovation Center (NIC)	<p>i. Clarify the purpose and focus of the Center, including who it is trying to serve and why, and what goals and objectives Newton is trying to accomplish. Focus on entrepreneurs and businesses with employees who live and work in Newton or at least have expressed interest in growing in Newton outside of the NIC.</p> <p>ii. Actively look for a larger building closer to more restaurants, coffee shops, entertainment, small offices, and mass transit.</p> <p>iii. Establish guidelines for accepting and graduating clients/tenants connected to the purpose, goals and objectives. Make clients and tenants apply and then base acceptance on a case-by-case basis using the guidelines.</p> <p>iv. Develop and implement a more formal evaluation and metric system specifically to show progress towards meeting goals and objectives. Report results annually to the EDC and City of Newton.</p> <p>v. Expand the focus to include small business services (regardless of sector) for existing Newton businesses.</p> <p>vi. Increase visibility through social media, stories, and the Website.</p>	City of Newton, EDC, Chamber	High, Immediate	Extensive Staff Time	Number of companies in NIC, Number of companies leaving NIC and staying in Newton
3.G.	Implement regular opportunities for feedback from businesses in the villages and corridors	<p>i. Run a series of round-table discussions in each of the villages to gather information from landlords, property owners, business owners and residents about what they want for their village. Use these conversations to focus on identifying priority projects, specific improvements, opportunities to establish a unique village, and what business owners need. Assess what citizens and businesses are interested in committing their time and efforts to.</p> <p>ii. Identify what is needed from the City of Newton to make priority projects happen in terms of funding, support, and education, and provide this information to village representatives following round-table discussions.</p>	Mayor, City of Newton, EDC, Neighborhood Councils	High, Short Term and ongoing	Staff and volunteer time	Number of events held, Number of attendants
3.H.	Target growth sectors based on Newton's strengths - bio/life sciences; healthtech; professional and technical services (including IT)	<p>i. Integrate tactics geared specifically towards these sector opportunities into business expansion and attraction efforts. Identify Stage 1 and 2 companies (1-10 employees) looking to grow but not necessarily wanting a City of Boston location.</p> <p>ii. Update website to reflect information on economic development related to these targets and tactics. Identify, highlight, and promote success stories of companies in Newton in these targeted sectors through social media, press releases, and newsletter communications.</p> <p>iii. Work with Newton North High School and Newton South High School to create internships, career pathways, and other workforce development systems to prepare students for potential careers or business opportunities.</p> <p>iv. Work with Chamber and regional partners on coordinating attraction efforts.</p>	City of Newton, EDC, School District	Medium, Short Term	Moderate Staff Time	Number of businesses in targeted industries

3.I.	Create an inventory of funding sources and financing tools	<p>i. Inventory all the funding sources and resources available to businesses in Newton for a variety of issues including mentoring, capital costs, training, retaining, retraining, etc. Make this information available on the website and update regularly. Look to inventory Small Business Assistance programs, low interest loan options, grant programs, and other alternative financing tools. Consider having EDC play a role in this effort.</p> <p>ii. Reach out to residents of Newton to consider establishment of a Newton-specific angel investment fund to support entrepreneurs and start-ups who want to stay and grow in Newton. Engage existing investors and businesses in Newton and highlight the benefits of growing and keeping successful businesses local. Align this effort with the strategies and efforts for the NIC.</p>	City of Newton	Medium, Mid-Term	Minimal Staff Time	Inventory of financial tools, Creation of a DIF or TIF district
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Goal 4: Make the development process more predictable and efficient including community consensus and refinement of the review process.

Rationale: Enhancing the efficiency of the development process, while at the same time respecting the wishes of the community, will create a more positive business environment and attract additional development to Newton.

	Objective	Actions	Lead and Partners	Priority and Timeframe	Resources	Measures for Progress and Success
4.A.	Create positive, community-based conversations around the future of Newton	<ul style="list-style-type: none"> i. Engage villages residents around what they want for their local area. Include a citywide discussion around the future of Newton, and the role of "village" within the larger city as it pertains to the future. ii. Find ways to engage the residents of Newton in regular positive, open discussions around the core issues facing Newton including diversity, affordability, residential growth, inclusion, local initiatives and funding for projects. Make these conversations ongoing through multiple channels and use the information gathered to guide economic development in the direction desired by the community. 	City of Newton, EDC, Neighborhood Area Councils	High, Immediate and ongoing	Moderate Staff Time	Number of events and sessions held
4.B.	Improve the development review process	<ul style="list-style-type: none"> i. Create two tracks for zoning review (smaller vs larger commercial projects) to allow for a more efficient process. ii. Improve the existing one stop shop within Newton to assist with larger projects and act as a liaison through the review process. iii. Improve and possibly streamline procedures for engaging the community around large projects that are being proposed. Engage developers early in community discussions to identify issues and have fewer delays. iv. Implement a customer service survey for applicants to identify areas for improvement. Implement recommended changes as appropriate. 	City of Newton, EDC	High, Immediate and ongoing	Moderate Staff Time and Salary	Development review process time,
4.C.	Review all land use regulations and development policies	<ul style="list-style-type: none"> i. Complete the zoning redesign project and ensure regulations are predictable and align with stated goals of the community around economic development, livability, diversity, density, and inclusion. Create guidelines for when and where to increase height and square footage allowed in commercial areas to growth the commercial tax base and have vibrancy. Focus on core commercial areas and village centers, particularly those areas with multi-modal transportation options and existing infrastructure. ii. Focus zoning redesign on reducing the need for special use permits to make development more predictable and easier in places where it is appropriate. iii. Reduce or eliminate parking requirements for ground floor uses in village centers. iv. Provide the public and decision makers better information about the fiscal impact of land use decisions. Prepare an impact analysis guide that outlines the cost of different types of development on Newton including types of residential, commercial, retail, open space, etc. Use this as a tool to guide policy, decision making, and public education. 	City of Newton	High, Immediate	Moderate Staff Time	Complete the re-zoning project
4.D.	Improve development review process to create more walkable developments in areas close to Newton's transit assets	<ul style="list-style-type: none"> i. Use zoning update process to clarify regulations for more walkable villages and commercial corridors and to consider parking requirements in context. ii. Require analysis of transportation options as part of development analysis to understand impacts. iii. Streamline design review process to make it predictable and efficient for applicants. iv. Create a transportation fund, where developers can pay for site context improvements or for specific elements to be implemented in the capital improvement program. 	City of Newton	Medium, Short Term	Moderate Staff Time	Zoning update

Goal 5: Maintain and enhance the special qualities of Newton while improving transportation throughout Newton for residents, businesses, and visitors.

Rationale: Quality of place is an important factor for economic development and specifically business and talent attraction. The City of Newton offers residents and businesses a high quality of place. In order to maintain and enhance this quality of place, there are some improvements that can be made in village centers and throughout Newton.

	Objective	Actions	Lead and Partners	Priority and Timeframe	Resources	Measures for Progress and Success
5.A.	Promote multimodal transportation safety and comfort in villages and neighborhoods	i. Enhance sidewalks, crossings, and add bike parking to increase safety, attractiveness, and usability and to support a "park once" environment to reduce extra driving in village centers. ii. Expand placemaking and beautification measures at street level to promote walkability. iii. Implement slow traffic zones where needed. iv. Invest in transit and cycling networks and services to serve younger workforces that want alternatives to commuting by car. Specifically, focus on linking gaps between mass transit services and bike paths and employment centers.	City of Newton	High, Short Term and ongoing	Capital Investment	Number of improvements made
5.B.	Use shared parking to reduce parking footprint in village centers	i. Update zoning policy to enable shared parking exceptions. ii. Assist willing property owners in drawing up and implementing joint agreements that would allow for shared parking opportunities. iii. Establish and adopt a parking availability goal (could be village-wide or sub areas) iv. Regularly evaluate supply and demand of public and private parking use to evaluate needs and compliance with goal. v. Use supply and utilization data to examine the right amount of parking as part of future developments. vi. Use parking technology to encourage motorists to park in the most appropriate places.	City of Newton	High, Short Term and ongoing	Minimal Staff Time	Number of shared parking agreements
5.C.	Comprehensively evaluate private shuttle routes that operate to create a more inclusive and comprehensive community transit	i. Partner with operators to develop a mutually-beneficial system between private and institutional shuttles while also filling needed gaps in service. ii. Partner with adjacent municipalities to create sub-regional service. iii. Promote and incentivize ridership.	City of Newton, Operators	Medium, Mid-Term	Minimal Staff Time	Number of partnerships established, Number of riders
5.D.	Focus on maintaining the character and unique feeling of the villages while supporting economic vibrancy	i. City of Newton representatives should continue to regularly visit businesses and attend neighborhood meetings to identify concerns and challenges to the business environment and how small businesses can be supported. Work with residents to identify any issues or concerns that impact their quality of life and their ability to interact at the neighborhood level. ii. Invest in public infrastructure, streetscape improvements, street furniture, parks, and green space to create opportunities for increased interactions among neighbors and walkability. iii. Work cooperatively with businesses and residents to create small scale community gathering places (playgrounds, street furniture, etc.) events and opportunities for place making and neighborhood scale networking.	City of Newton, Chamber of Commerce	Medium, Mid-Term	Staff Time	Number of commercial businesses in smaller village centers

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5.E.	Enhance Newton's thriving arts community	<ul style="list-style-type: none"> i. Support the Newton Cultural Alliance and Newton Pride and engage the arts community in identifying and addressing what issues or challenges they are facing. ii. Develop a Newton Cultural Plan that outlines needs, opportunities, and specific strategies for implementation. iii. Review permitting process for art events and other events in the community. Make adjustments as appropriate to streamline requirements and make it more accessible. iv. Incorporate art into new projects such as space for artists to live or work, commissioning of pieces, and more community art experiences. v. Continue to provide matching funds to support Newton's participation in the Mass Cultural Council. vi. Work with the Chamber and the Economic Development Planner to continue to connect developers with the art community for engagement and strategizing. 	Newton Cultural Alliance, Chamber of Commerce	Medium, Mid-Term	Minimal Staff Time and Financial Resources	Completion of a Newton Cultural Plan
5.F.	Create initiatives that highlight and promote the unique aspects and quality of life of Newton	<ul style="list-style-type: none"> i. Enhance the use, appreciation, and protection of the Charles River by attracting water enhanced and water based businesses. Implement recommendations identified in the N2 Innovation District Plan to develop trail connections along the Charles River to create a "river walk." Repurpose the unused rail bridge across the river between Christina Street and the river walk for pedestrian access. Expand infrastructure for canoeing and kayaking in the Charles River, such as additional boat launches. Market these recreational opportunities to residents, employees, and visitors. Highlight access and view points to incorporate the Charles into the day-to-day life of Newton residents and workers. ii. Invest in the gateways at the main "entrances" to Newton including signs, planters, street art, and other techniques to engage those who are passing through and ensure that they know they are arriving in Newton, a special city. iii. Enhance the unique Newton feel of each village and commercial corridor with signage, benches, light fixtures, planters, art, etc. iv. Work cooperatively with business and residents to create small scale community gathering places (playgrounds, street furniture, etc.) events and opportunities for place making and neighborhood scale networking. 	City of Newton, N2	Medium, Mid-Term	Staff Time and Moderate Investment for Gateways	Reuse of the unused rail bridge, Amount of investment in infrastructure for river use, Number of gateway improvements

Economic Development Action Plan for the City of Newton

July 2018

Prepared for:

City of Newton, MA
1000 Commonwealth Ave.,
Newton Centre, MA 02459



120 West Avenue, Suite 303
Saratoga Springs, NY 12866

518.899.2608

www.camoinassociates.com



About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. We specialize in real estate market analysis to evaluate the feasibility and impacts of proposed projects. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in thirty states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in Saratoga Springs, NY, Portland, ME, Boston, MA, and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociate).

The Project Team

Jim Damicis
Project Principal

Rachel Selsky
Senior Project Manager

Tom Dworetzky
Lead Analyst

Chris Forinash, Nelson\Nygaard
Principal

Alyson Fletcher, Nelson\Nygaard
Associate

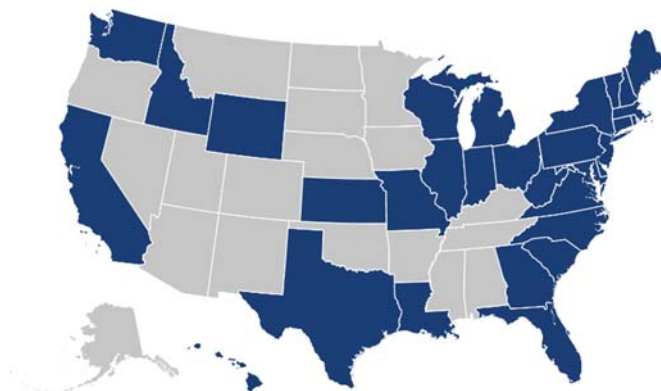


Table of Contents

Executive Summary.....	i
Introduction	2
Work Completed	2
Opportunities and Challenges Assessment.....	5
Emerging Themes	4
Economic Development Action Plan.....	7

Attachment 1: Action Plan Matrix

Attachment 2: Economic Base Analysis

Attachment 3: Market Analysis

Attachment 4: City Capacity Analysis

Attachment 5: Retail Strategy Research

Attachment 6: Acknowledgements



Executive Summary

The City of Newton undertook an economic development planning process with the intent of identifying opportunities to make Newton a great place to live, work and play, to grow the commercial tax base, to enhance existing village centers and commercial corridors, and to build on the momentum of the regional economy. With exciting development proposals in the works, market demand opportunities, and many assets, the City of Newton is well positioned to capitalize on regional growth and grow the tax base. This plan has been prepared through a collaborative approach that combines data collection, stakeholder interviews, public engagement, market research, and meetings with the Mayor, Economic Development Commission, and the City's Department of Planning and Development.

The information collection portion of the planning process found that there were a number of key themes that rose to the top as key issues related to economic development, including:

- The City is essentially fully built out and there are limited parcels available for new development. **Almost all projects will have to be renovations or redevelopment projects.** In order to grow the commercial tax base, it will be **essential to look for opportunities in the villages and commercial corridors.**
- **To support commercial development, it will be necessary to make transportation improvements and to increase both the number and types of residential units** to attract and retain a more diverse population.
- **Improvements in the development review process to make it more predictable and efficient will be critical to attracting more development** to the key areas where the City would like to see increased economic activity.

Recognizing the intersection of transit, housing, and land use policy with economic development, the action plan is holistic and focuses on a wide range of issues that all relate to the goals for the future of Newton. The intent of the process and final plan is to guide the efforts of the city, Economic Development Commission, and partner organizations as they move forward and look to implement specific and strategic initiatives to guide economic development in Newton.

The five main goals identified through this planning process include:

Goal 1: Take steps to pursue development sectors that make Newton both commercially successful and a great place to live, work, and play.

Goal 2: Focus redevelopment efforts on key parcels and corridors in Newton

Goal 3: Support the start-up, growth, stability, and vitality of businesses and entrepreneurs in Newton

Goal 4: Make the development process more predictable and efficient including community consensus and refinement of the review process.

Goal 5: Maintain and enhance the special qualities of Newton while improving transportation throughout the City for residents, businesses, and visitors.



Introduction

Recognizing that the time was right to look for opportunities to grow the commercial tax base and build off of recent regional momentum, the City of Newton decided to undertake the creation of an Economic Development Action Plan. The intent of this economic development action plan is to use data, conversation, research, and analysis to identify action plans and strategies that will lead to increased opportunities and intentional economic growth. Through the planning process and implementation, Newton is looking to identify ways to capitalize on regional growth through attraction of new firms and retention of existing companies, and improved quality of life for residents.

Work Completed

To fully understand, analyze, and strategize the economic prospects for Newton, MA, the Camoin Team completed an economic base analysis and market analysis to identify what makes Newton special. These documents are included as an attachment to this report and the main findings are summarized below in the Economic Conditions section and organized by opportunities and challenges. A series of stakeholder interviews that were conducted to better understand issues facing the business community, residents, and developers added anecdotal and “on-the-ground” information to the data. Finally, three public meetings were held to receive feedback from community members.

As part of the initial research to create an economic development strategy for the City of Newton, Camoin Associates gathered data to fully understand the demographic and existing economic conditions. The City of Newton was compared to the larger Boston Metro region and Massachusetts. The following are some of the key findings, with the full report included as Attachment 2.

Demographic Analysis Findings

- After decades of limited growth, the city’s population has increased 7.5% in the last ten years. Census population estimates for 2016 place Newton’s population at 89,045, its highest point since the 1970s. Much of this growth can be attributed to Gen Xers (those born between 1962 and 1981 who are in their thirties to fifties) moving into Newton with their families.
- **Newton has a high share of seniors** (those 60 years and older) relative to the region and state. **The proportion of residents 60+ has increased from 17.2% in 2006 to 24.5% in 2016, as current residents continue to age.** Meanwhile, the **young adult age groups (20 to 39) shrank** from 25.0% to 20.4%, and continue to be underrepresented in Newton compared to the region. This presents an **opportunity to expand the housing stock geared towards both seniors and young adults.** Both of these groups tend to have similar housing preferences in terms of propensity to rent, smaller amount of space required, desire for walkability, and lower housing budgets.
- **With about a third of residents commuting into Boston,** the City of Boston is the top commute destination of Newton residents. About 85% of Newton residents commute out of Newton daily. Additionally, 89% of employees at Newton establishments commute in from outside Newton. This high degree of cross-commuting indicates a mismatch between housing and job options and presents an opportunity to build housing to meet the needs of the city’s workers, as well as



attracting companies that can take advantage of the skills of existing residents and allow residents to work closer to home.

Economic Base Analysis Findings

- Between 2006 and 2016, the number of establishments in the Boston Metropolitan Statistical Area (MSA)¹ increased by 61.8%, compared to an increase of 63.6% nationally. Small firms are driving the largest proportion of growth in the MSA, growing by 104,000 establishments and accounting for 70% of the overall increase in number of establishments. Small firms also contributed the largest growth in number of jobs over the ten-year period (2006-2016) adding 436,917 jobs and making up over half all job growth. This large increase reflects an **atmosphere of entrepreneurship, self-employment, and small business within the region that can be supported in Newton and enhanced with various economic development initiatives.**
- Job growth in Newton is outpacing the MSA and the state. **From 2007 to 2017 jobs increased by 14%, compared to 8% in Massachusetts and 9% the Boston MSA.** In the next decade, jobs in Newton are expected to increase by 9%, based on regional and national historic trends in the industries present in Newton. Average earnings per job in Newton are about \$71,000, which is lower than both the MSA (\$84,000) and state (\$78,000), due to the high number (and growth) of retail and health care jobs in Newton. **Overall job growth indicates a prosperous economic climate, an ability to support a wide variety of jobs, and an opportunity to attract higher-wage employers to the city.**
- The top five industry sectors by employment in Newton for 2017 include:
 - Educational Services (private) (21,350 jobs or 27% of all jobs)
 - Healthcare and Social Assistance (13,062 jobs 16% of all jobs)
 - Professional, Scientific and Technical Services (7,008 jobs or 9% of all jobs)
 - Retail Trade (5,347 jobs or 7% of all jobs)
 - Government (4,997 jobs or 6% of all jobs)
- The sectors growing the most (and providing the most jobs) in Newton are Health Care and Social Assistance; Educational Services; and Professional, Scientific and Technical Services. Educational Services and Professional Services, in particular, tend to be higher-skills, higher-wage jobs, that are better aligned with the city's resident labor force. The sectors contracting are Wholesale Trade; Finance and Insurance; and Retail Trade.

Market Analysis Findings

As part of the initial research to create an economic development strategy for the City of Newton, Camoin Associates conducted a real estate market analysis to determine development opportunities for different use types throughout the city. These use types include office space, lab space, medical office, industrial, retail, hotel, and residential. This information will be used to ensure economic development strategies are

¹ Metropolitan Statistical Areas (MSA) are defined by the United States Census Bureau as: a geographical region with a relatively high population density at its core and close economic ties throughout the area.



grounded in market realities. Market opportunities are summarized in Table 1 with the full report included as Attachment 3.

Table 1: Newton Market Opportunity Summary

Newton Market Opportunity Summary	
Use Type	Opportunity
Office	High vacancy level and a lack of Class A space limit potential for new development, but opportunities exist to reposition and amenitize current inventory.
Lab	Robust growth and soaring rents in Cambridge/Boston life sciences sector presents an opportunity to create a lab space node in Newton.
Medical Office	An aging population and shifting trends in health care delivery means strong demand for medical office space into the future.
Industrial	Land availability constraints and high land costs limit potential for comparatively low-value industrial development.
Retail	High incomes and significant spending leakage are an opportunity for new retail development in the city, but rising rents are squeezing out existing mom-and-pop shops.
Hotel	Sluggish commercial development in Newton and increased room supply in nearby suburbs limits potential, but differentiated boutique hotels are viable.
Residential	Urgent need for smaller, affordable workforce units to house the talent required to attract commercial development. To be affordable, affordable units are more likely to be multifamily rather than single-family homes.

Source: Camoin Associates



Opportunities and Challenges Assessment

The findings of the interviews, data analysis, capacity assessment, and knowledge of the region were compiled into a list of the City of Newton's opportunities and challenges related to economic development and quality of life. This assessment is used to inform the goals, and actions identified in the Action Plan Matrix. The full list of opportunities and challenges are outlined below.



Newton's Opportunities

- Excellent location and proximity within Boston Metro
- Highly educated workforce
- Well established villages
- Well-known reputation as a great place to live
- High-quality schools
- Undergoing zoning redesign
- High incomes and consumer spending power
- Numerous new development projects in progress
- Strong demand for lab space in the region
- Boston College Schiller Institute and UMass Amherst developments
- Three commuter rail and seven MBTA Green Line stops
- Access to the Charles River
- Lower commercial property tax rate than Boston and neighboring communities



Newton's Challenges

- Limited space/sites for development
- Inadequate transportation infrastructure, traffic congestion, and parking challenges
- Limited diversity of housing options
- Negative perception related to predictability and ease of development
- Limited resources for economic development
- Zoning regulations restricting development
- Tension within community around the vision for the future of Newton
- Heavy reliance on residential values for tax base
- Difficulty attracting and retaining entrepreneurial and innovative businesses

What is Constraining the Commercial Component in Mixed-Use Development?

A number of recent mixed-use development proposals with significant residential components have raised questions about why developers are not proposing more commercial development. While the proposals coming forth may seem lopsided, it is important to keep in mind that there is no “typical” balance of residential and commercial programming in a mixed-use property. The mix of uses that a developer pursues depends largely on market demand and the financial return associated with each use type. Market conditions driving development include:

- Newton is a highly desirable place to live and housing commands high prices and rents. As a result, **residential is among the highest-value development types for real estate developers.**
- **There is weak demand in the suburban office market** overall and limited site availability and transportation access.
- **Newton currently has considerable existing vacancies**, over 475,000 square feet, to satisfy small to mid-sized office space requirements.
- There is strong demand for large Class-A office space within the region but **tenants require direct highway or public transit access**, and ideally both. Newton simply does not have many sizable sites that offer this level of access.²
- **Many properties are owned by family trusts** which are less likely to make the investment necessary for redevelopment such as adding floors or revamping older buildings.
- Retail and restaurant demand in Newton is strong, but **retail tenants in a mixed-use development typically cannot survive on spending by on-site residents alone.**
- For a mixed-use development to have a successful retail component, it must be well-located along a major corridor or within an existing commercial area with substantial vehicle or pedestrian traffic.

Tax Base Composition

The tax base composition is an important consideration of this Economic Development Action Plan with one of the goals being to grow the commercial base. The following are some key points related to the tax base in Newton.

- Commercial properties in Newton currently make up 8.7% of total real property value, a share that has remained flat since 2008.
- Limited available parcels and the ratio of demand for residential development compared to commercial development account for this stable percentage over the last ten years.
- All but one of the Newton’s seven neighboring communities have a higher share of commercial property value.
- In Watertown, the share is nearly 18%, and in Boston and Waltham, these property types represent over 30% of value.
- The City maintains a commercial tax rate that is competitive compared to its neighbors. Boston, Waltham, and Watertown all

Commercial & Industrial Share of New Construction Value, 2008-2018	
Waltham	48.3%
Boston	33.8%
Watertown	28.1%
Needham	20.2%
Newton	16.1%
Weston	7.6%
Brookline	7.4%
Wellesley	7.0%

Source: MA Division of Local Services

² Note: There are two key areas in Newton with transportation access including Riverside and Needham Street. Riverside has access to the Green Line and 128 and Northland has access to Interstate 95. These two parcels are the exception in Newton.

have higher commercial tax rates than Newton even though those communities have a significantly higher commercial base as a share of their total real property value.

2018 Commercial Property Tax Rate - Rate per \$1,000 of Assessed Value	
Newton	\$20.62
Boston	\$25.20
Waltham	\$27.97
Watertown	\$24.63

Source: Camoin Associates

Given the fact that commercial development typically has a net positive impact on a community’s fiscal resources, especially compared to residential development, many in Newton see increased commercial development as a way to pay for City expenditures and shift the property tax burden away from residents. However, to “move the needle” on the balance between commercial and residential value, an extraordinary amount of commercial development would be required. Newton’s high number of residential properties and the high values of these properties contribute to this challenge.

To reach a commercial share of 10%, Newton would need over \$400 million in new commercial value, equivalent to more than two Wells Avenue Business Parks or more than three of The Street Chestnut Hill retail developments. If new residential development over the next ten years continues at the pace it has maintained over the last ten years, an additional development equivalent to Wells Avenue Business Park will be needed just to preserve the current commercial/residential balance. Moreover, a huge amount of commercial development would be needed to impact residential property tax bills. If Newton added another Wells Avenue today, it would decrease the average property tax bill for a single-family home by 1.5%, which assumes no additional expenses were incurred to the City as a result.

While it will be difficult to meaningfully increase the percent of the tax base from commercial services, it is essential to keep working towards this goal. **Every dollar of new commercial value is worth almost double (1.9x) the residential value in terms of tax revenue generated.** Annual public expenses, and thus the net fiscal impact, associated with commercial development is almost always lower than residential development, as well. As a result, new commercial development will positively impact the City budget, even if the effect is small. Additionally, **new jobs and investment associated with commercial development create employment opportunities for Newton residents within the City limits, creating ripple effects in the city’s economy.**

Market Potential by Location

The following matrix (Table 2) compares the potential use types to the different locations throughout Newton to identify areas of greatest potential.

Table 2: City of Newton Uses & Location Opportunity Matrix

City of Newton Uses & Locations Opportunity Matrix							
Use Type	Market Potential	Target Locations (applicable districts in <i>italics</i> , 13 villages in bold)					
		Needham Street Corridor	Washington Street Corridor	Charles River Mill District	Major Office Centers	Major Retail Centers	Village Centers
		<i>N-Squared Innovation District</i>	West Newton, Newtonville, Newton Corner	Nonantum	<i>Wells Ave, Riverside</i>	Chestnut Hill, Route 9, Newton Centre	Auburndale, Highlands, Upper Falls, Lower Falls, Waban, Oak Hill, Thompsonville
Office	High vacancy level and a lack of Class A space limit potential for new development, but opportunities exist to reposition and amenitize current inventory.	●	●	●	●	◐	○
Lab	Robust growth and soaring rents in Cambridge/Boston life sciences sector presents an opportunity to create a lab space node in Newton.	◐	◐	●	●	○	○
Medical Office	An aging population and shifting trends in health care delivery means strong demand for medical office space into the future.	◐	◐	◐	◐	●	◐
Industrial	Land availability constraints and high land costs limit potential for comparatively low-value industrial development.	◐	○	◐	◐	○	○
Retail	High incomes and significant spending leakage are an opportunity for new retail development in the city, but rising rents are squeezing out existing mom-and-pop shops.	●	●	◐	◐	●	●
Hotel	Sluggish commercial development in Newton and increased room supply in nearby suburbs limits potential, but differentiated boutique hotels are viable.	◐	●	○	◐	●	○
Multifamily Residential	Urgent need for smaller, affordable workforce units to house the talent required to attract commercial development. To be affordable, affordable units are more likely to be multifamily rather than single-family	●	●	●	◐	◐	◐

Source: Camoin Associates

Key

High Potential ●	Some Potential ◐	Limited Potential ○
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Emerging Themes

There were a number of core economic development related themes that kept coming up throughout the planning process. These themes drove the development of the specific goals and objectives and guided the conversation about how best to move forward with the City's economic development initiatives. The core concepts and areas for focus included:

- **Business Development, Entrepreneurial Ecosystem, and Workforce Development:** The current assessed value of the City of Newton is heavily weighted towards residential properties, resulting from a high number of very high value homes in the city. With over 85% of the city's assessed value coming from residential properties, there is interest in finding ways to diversify the tax base. **Diversifying the tax base will require attracting, retaining, and expanding the businesses in Newton** through specific business support programs, workforce development initiatives, and innovation and entrepreneurship development. With so much development momentum throughout the Boston Metro, it has been difficult for Newton to compete when business owners are considering relocating due to the city's constraints related to transportation, available space, and incentives. However, Newton does have specific strengths that can be leveraged to attract commercial development including *location, more affordable space options, and a highly educated workforce*. Strategies related to this theme will require identifying targeted industries and locations for development as well as ensuring the proper programs are being offered to support business enterprises and keep innovation in the city.

Why A Diverse Tax Base in Newton is Important -

The City of Newton's tax base is heavily concentrated in residential assessed value, and it would take significant commercial development to ease the tax burden off of residential property owners. However, even though the ratio of residential to non-residential assessed value is unlikely to shift substantially in the near future, there is a lot of value in commercial development, including: *increased job opportunities for local residents, increased vibrancy and vitality, improved quality of life for residents, a more inclusive environment, and an overall healthier and larger tax base*. Instead of focusing on the percent of residential versus non-residential assessed value, other metrics for understanding the growth of commercial development in Newton include:

- Amount of commercial construction occurring year over year;
- Amount of property tax revenue coming from commercial properties and whether that is increasing or decreasing year over year; and
- Percent of total square footage for residential versus non-residential properties in Newton.

Newton's ability to attract commercial development is closely tied to the core issues of:

- *Significant transportation-related issues* that are limiting accessibility of workers and customers as well as diminishing quality of life for residents;
- *Shortage of available land* or space for development and limited economic development resources like funding for staff, attraction, and incentives;
- Local and regional reputation as a place with a challenging development review process and difficulty of prospective businesses working with neighbors and community members; and
- Local and regional reputation as being a bedroom community.

- Planning and Development Process and Role of the City of Newton:** The City’s current planning and development review process has resulted in significant delays and increased costs for developers looking to do projects in Newton compared to other Massachusetts cities and towns. Unfortunately, Newton is well-known for being particularly difficult for developers. Some challenges include extensive community pushback, city process delays and unpredictability, and lengthy review and discussion periods. There are a number of large-scale proposals on the table that would have positive effects on the city; however, the current process makes it difficult for a developer to have any success moving forward. A crucial recommendation outlined in the Action Plan Matrix is to update the development review process and land use policies to ensure that they align with Newton’s goals and are streamlined and predictable.
- Neighborhoods, Corridors, and Transportation:** Within the City of Newton, there are 13 unique villages ranging from small neighborhood-serving ones like Waban to major commercial hubs like Newton Centre. These villages, along with the commercial corridors of the City including Needham Street, Washington Street, and Route 9, all have varying degrees of development and community engagement. The economic development strategy must address the varying needs of the villages and corridors within the city to ensure all are able to attract and retain suitable development that supports small businesses, diversity in population and real estate product, and aligns with the community’s vision for quality of life here.

The issue of transportation related to economic development was discussed in numerous interviews, public engagement sessions, and within previous research. Transportation issues of congestion, insufficient public transportation options, lack of parking in some areas, and areas of unsafe bike and pedestrian infrastructure came up as a barrier to workforce and customer attraction and ultimately a barrier to business attraction. When businesses struggle to attract and retain their employees because of transportation cost and time, they will look to locate elsewhere, in particular, where employees can travel by bike, public transportation, or walk. Talent attraction is one of the most important factors businesses consider when they are making location decisions. Newton struggles to compete with other nearby localities who have

City of Newton Zoning Code

The City of Newton is undergoing a significant update of the zoning code and related land use regulations. This zoning re-write will address some of the major issues related to economic development, including bringing parcels into conformity with their current use to minimize appeals and amendments, reviewing parking requirements, and ensuring the types of uses that are desired are allowed in the villages and corridors.

Review of the zoning regulations and associated policies will also include considering ways to make the overall process more predictable and faster; this review aligns with the City’s goal of growing the commercial tax base.

Housing Diversity

Although not always seen as a typical economic development concern, having a diversity of housing options in Newton is vital to having a range of both employees and commercial sectors. Allowing increased variety of housing in targeted locations, different types of housing options, and different price points ensures that Newton can be home to a range of people and that the businesses are able to get the workers they need, all of which impacts economic development.

invested in necessary infrastructure and other systems to deal with transportation issues. Recommendations in the Action Plan offer guidance on priority infrastructure investments.

Small Businesses

Small, locally owned businesses play an important role in any city, but especially in the villages of Newton. Small businesses have a great impact on the local economy and add flavor, uniqueness, and character to downtowns and village centers. The small businesses in Newton are struggling to remain viable due to high rent for space, parking challenges for customers and employees, and declining spending due to online sales.

Economic Development Action Plan

The Economic Development Action Plan for the City of Newton has been developed to address the primary issues, themes, and opportunities identified. The intent of the plan is to outline specific strategies that the City of Newton and partners can implement that will grow the commercial tax base and improve the City for living, working, and playing. Tactics for wide-ranging strategies and objectives have been included with both short- and long-term steps and priority levels.

Some of the initiatives described on the following pages are already in progress within the City of Newton or have been suggested previously as part of prior planning efforts, while others have been developed based on economic development best practices, an understanding of the issues facing the region and Newton, and potential capacity of City staff. This plan is designed to grow the commercial tax base in an effort to maintain the high level of services that residents currently enjoy while being inclusive to a wide range of residents. The plan was developed around existing and potential staff capacity, yet the objectives in the plan are ambitious to help the City meet ambitious economic development goals.

These initiatives are intended to act as a work plan for the City of Newton and task status should be reviewed regularly for progress-to-completion or a need to change course. While these are important goals and objectives right now, the ever-changing economy, as well as fluctuating state and national priorities, are likely to dictate adjustments to the plan.

The following is a narrative description of the Action Plan Matrix. More detail is provided immediately following in the Action Plan Matrix itself.

Priority First Steps

While all the strategies are important and have been included for a reason, the following should be implemented as soon as possible as they will have the greatest impact and result in momentum for the overall effort.

- 1) **Complete the review of the zoning code to align it with the goals of the community** to grow the commercial tax base and make village centers and commercial corridors with mass transit thriving with successful retail, restaurants, and residences. Use this time to also review the development review process to find ways to make it faster and more predictable. Complete press releases, developer informational sessions, and other promotional activities to make people aware of the improvements being proposed to improve the perception of Newton's review process and relationship with development. The intention is not to make it easy for developers but rather to make it predictable and not overly onerous in a way that blocks good development from happening.
- 2) **Update the City of Newton's Economic Development website** to include more information about the strengths of the city, available space, major project happenings, and other tools for businesses looking to potentially locate in the area. Highlight the workforce, high quality of life, and affordable space options as reasons why a business should locate in Newton. Create target landing pages

- 3) **Continue to reevaluate the Newton Innovation Center** to identify the next steps of the initiative. Find a larger building in a location with restaurants, coffee shops, and other amenities while re-aligning or re-reconfirming the purpose and focus of the Center to clarify who it is trying to serve and why, what goals and objectives the City is trying to accomplish.
- 4) **Improve the land use policies and development review process to encourage appropriately scaled transit oriented development and walkability.** Use the zoning update to allow for walkable villages and corridors with appropriate parking requirements.

Action Plan

Goal 1 Take steps to pursue development types that make Newton both commercially successful and a great place to live, work, and play.

Objective #1.A. - Increase lab space in Newton to capitalize on highly skilled workforce with science background and regional economic trends.

- i. Identify a corridor or collection of parcels that will be geared towards lab space and rezone as necessary to encourage development to that area. Look to areas with high market demand such as Nonantum, Wells Ave, and Riverside. Concentrate the lab space to encourage synergies between the businesses and employees.
- ii. Use City of Newton resources to invest in transportation infrastructure (bike and pedestrian assets, public transportation, van or car sharing options), technical infrastructure (financing pools, professional service provider inventory, business planning guidance), permitting (fast track, generic review and approvals), etc. to make it easy and attractive for a business to establish a space.
- iii. Promote the potential opportunities of Newton to existing lab space developers and operators, including affordability, parking, and community support. Conduct targeted marketing including improved web presence, conferences, and other networking events.

Objective #1.B. - Increase office space in Newton including coworking space to attract and retain companies and increase the commercial tax base.

- i. Add office space by allowing appropriately scaled additional stories in the zoning redesign in targeted areas with demand for office space such as Riverside, Wells Avenue, Nonantum, and village centers.

Objective #1.C. - Encourage mixed-use projects in villages and commercial corridors, especially those with mass transit.

- i. Redo zoning to make sure that market driven mixed-use developments are allowed in village centers and along commercial corridors. Allow for additional development around commuter rail,

T stations, and other multi-modal assets to create mixed-use nodes with increased economic activity, customer base, and vibrancy.

- ii. Evaluate proposed mixed-use projects in terms of the proportion of workforce housing to create skills match between housing and employment options.
- iii. Encourage development of housing geared towards young professionals and low to middle income families to attract more people to serve business growth.
- iv. Encourage housing in villages and commercial corridors with mass transit to create "built in" customers for businesses who need less access to private automobiles.

Objective #1.D. - Take advantage of economic development tools

- i. Use Tax Increment Financing (TIF), if necessary, to incentivize commercial development and attract businesses. Develop guidelines for evaluating TIF applications that establish Newton's desired outcomes from TIF-incentivized projects (e.g. quality job creation, sizeable capital investment, attraction of specific industry sectors, etc.) and specify targeted investment areas within the city, including Needham Street, Washington Street, Wells Avenue, the Charles River Mill District, and Newton Centre.
- ii. Utilize District Improvement Financing (DIF) for funding traffic and infrastructure improvements, parking structures, and other public projects needed to stimulate private investment in targeted areas within Newton, if necessary. Identify DIF goals and establish a Development District and Development Program for one or more areas within Newton
- iii. Assess the potential for using District Improvement Financing (DIF) revenues for Newton to acquire and lease out affordable retail space to local retailers in retail districts including Washington Street and Newton Centre.



About Tax Increment Financing (TIF)

Tax Increment Financing ("TIF"), which enables a municipality to enter into an agreement to reduce taxes on Real Property, is a method that, like District Improvement Financing (DIF), offers incentives for investment in a targeted area. Unlike DIF, TIF requires approval by the state's Economic Assistance Coordinating Council. Municipalities may apply for permission to enter into TIF Agreements through the Economic Development Incentive Program.

Under this TIF legislation, landowners may be granted property tax exemptions of up to 100% of the tax increment. A municipality may enter into a TIF Agreement with a landowner for a maximum term of 20 years. A TIF Zone must be in an area approved by the EACC as an Economic Opportunity Area (EOA) or found to be an area "presenting exceptional opportunities for economic development" by the Director of Economic Development.

TIFs are often approved in conjunction with state tax credits and often have a job creation/retention requirement attached.

- Needham and Boston are the only two neighboring communities of Newton to approve TIF agreements over the last several years.
- In Needham, TIFs were approved for TripAdvisor in 2012 and NBCUniversal in 2017
- In Boston, a TIF was approved for LogMeIn in 2014

Some communities have TIF guidelines on their website that lay out the TIF application process for a potential development. Newton should consider assembling its own set of guidelines.

- <https://www.mma.org/shelburne-develops-tif-guidelines-0>
- <http://www.town.barnstable.ma.us/economicdevelopment/TIF%20Application%20Checklist.pdf>
- <http://southhadleyma.gov/258/Tax-Increment-Finance-Plan>
- <https://www.northamptonma.gov/DocumentCenter/View/878>



Goal 2 Focus redevelopment efforts on key parcels and corridors in Newton.

Objective #2.A. - Continue to revitalize Needham Street

- i. Complete the Needham Street visioning process and implement recommendations.
- ii. Improve the physical environment of Needham Street corridor to make it more pedestrian friendly, implement traffic calming measures, and enhance the appearance.
- iii. Work collaboratively with Needham to implement N2 Innovation District initiatives.
- iv. Work with the developers of the Northland property to create an appropriately scaled project that will have positive economic benefits for the community creating a mixed-use project that will provide housing, Class A office, retail, and other amenities and will offer new transportation options, types of housing, and more vibrancy.

Objective #2.B. - Pursue development of Riverside

- i. Engage neighbors and community in project discussions. Assist with facilitation of conversations with local, regional, and statewide agencies. Highlight the potential of the site resulting from its location along the 128 belt and access to the MBTA station.
- ii. Encourage uses that align with the goals of Newton in terms of building out co-working space/office space, diversity of housing types, and diversifying and growing the tax base.
- iii. Determine the right mix of uses and size/scale/building height so it works for Newton.
- iv. Build transportation infrastructure to serve the Riverside development to enhance multi-modal offerings and ability to move from the site to other places in Newton. Specifically, consider connecting the green line at Riverside to the commuter rail at Auburndale, creating safer walking and biking connections throughout, and creating a connected network of streets within Riverside that also connects at multiple points to the surrounding areas including Recreation Road to avoid overloading Grove Street.



Objective #2.C. – Build out the Charles River Mill District

- i. Align zoning with goals to be a mixed-use neighborhood with opportunities for lab space and support services.
- ii. Build the brand of the Charles River Mills District. Inventory the assets and strengths of the area and incorporate into promotion material as a good option for those companies looking for a moderate cost and industrial/urban setting.
- iii. Develop lab space in this district, an emerging opportunity.
- iv. Encourage the proper mix of services (eg - Restaurants, coffee shops, day care, etc.) to serve residents, businesses, and employees.

Objective #2.D. - Realign the Wells Avenue Business Park

- i. Implement the recommendations from the Wells Ave Vision plan including creating a secondary entrance/exit.
- ii. Increase the height restrictions to allow for additional growth.
- iii. Allow for a variety of non-housing (gyms, restaurants, cafes, personal services, etc.) and create additional amenities for businesses and workers.
- iv. Improve the quality of the roads, sidewalks, lighting, seating, signage, and general appearance of the Wells Avenue Business Park for all users.

Objective #2.E. - Revitalize Washington Street

- i. Continue to engage the community in the Washington Avenue Corridor Visioning and Zoning process and direct development to align with community vision.
- ii. Make physical improvements and transportation related improvements that align with the vision identified.

Objective #2.F. - Develop a vision plan for Newton Centre

- i. Complete a full market analysis to identify the specific opportunities for Newton Centre, including community infrastructure.
- ii. Engage community and neighbors in the process to allow for feedback on potential growth, use types, new projects, and investments.
- iii. Amend zoning to be consistent with vision.
- iv. Limit the number of banking institutions to diversify mix of business.
- v. Encourage building second and third floors on existing building for office and residential.
- vi. Encourage more co-working space.



Objective #2.G. - Focus development of larger villages as regional centers for business and retail

- i. Focus on creating a vibrant environment in the larger villages, especially those with mass transit, through attraction of restaurants, retail, housing, and office/co-working space. Review all zoning regulations to ensure they accommodate an increase in square footage of development that is in line with the community goals for each village.
- ii. Design parking recommendations to ease congestion and make it easier for businesses and residents.

Goal 3 Support the start-up, growth, stability, and vitality of businesses and entrepreneurs in Newton.

Objective #3.A. - Create a business environment in Newton that provides more support for small and local businesses

- i. Create a regular communication system to ensure easy access of information related to business resources, training programs, and support that is available digitally and in hard copy.
- ii. Establish land use policies that encourage or require affordable rent for locally-owned retail establishments in targeted locations throughout Newton.
- iii. Partner with the Chamber, higher education, and other organizations to offer networking events for small businesses and entrepreneurs for both partnership development and to create a support system. Use events to highlight service providers that are well versed in the challenges facing small businesses in Newton.
- iv. Make changes to zoning code to ensure co-working, incubator, and makers spaces are allowed as a right within targeted areas.
- v. Continue to engage with the N2 Innovation District and collaborate on efforts that will highlight Newton as attractive and open for business.
- vi. Identify funding sources for businesses and property owners to work with enforcement officials around improvements to bring buildings up to code.
- vii. Ensure zoning code allows home based businesses with appropriate regulations to preserve neighborhood character.

Objective #3.B. – Leverage the Economic Development Commission

- i. Use the Economic Development Commission as a partner in implementation of the Economic Development Action Plan.



- ii. Continue to have the EDC weigh in on City of Newton matters related to or impacting business and economic development.
- iii. Use the EDC to communicate and work with the village and corridor stakeholders to understand and plan for how their goals and objectives fit into the Economic Development Action Plan.

Role of the Economic Development Commission

From *City Capacity Assessment* by Camoin (Attachment 4)- The Economic Development Commission was established by City ordinance with a mission to promote and develop business and industry for the purpose of strengthening the local economy, providing jobs, and expanding the City's tax base. The Commission promotes, assists, and encourages existing and new business, industry, and commerce in Newton and advises and makes recommendations to City officials and staff.

Recommendations

Success in Newton and regional economic development requires an ongoing commitment to understand, plan, implement, and measure policies and actions. While the EDC is not a policy-making or an independent body that can take or implement action, they can and should play a critical role in economic development. Based on the work completed for the Economic Development Action Plan, we recommend the following as it relates to the EDC's role:

1. With support from staff, be the primary overseer of Economic Development Action Plan including communicating its results, briefing the Mayor, Council, and relevant committees, businesses and the public; regularly reviewing progress using the action plan matrix, reporting progress, and making recommendations for any course-adjustments. This should be done at least annually.
2. Objectively weigh in on City matters related to business and economic development. Specifically focus on impacts or implications of City policies and actions on the business environment, economic growth and development.
3. Communicate and work with the Chamber, Neighborhood Councils, and village or corridor groups to understand and plan for how their goals and objectives can fit within the City's overall Economic Development Action Plan.



Objective #3.C. - Improve the external marketing of Newton's business environment

- i. Create a more professional economic development website with web-based applications and GIS platforms.
- ii. Update the economic development website to make it easier to access. Include targeted demographic, economic and workforce data, infrastructure availability, and contact information.
- iii. Create a targeted bio/life sciences landing page that has marketing material targeted towards developers and businesses that highlight the workforce skills and qualifications of residents, available space and any shovel ready sites, Gold Bio-Ready Rating, and the ease of the process.
- iv. Create a workforce landing page that describes the workforce and why Newton is a good place to do business.
- v. Create a retail/demographic landing page that describes why Newton is a good place to open a store.
- vi. Enhance the City of Newton's commercial real estate connection services through use of MLS listing, tracking of available space, development of web-based applications, and redesign of the Commercial Real Estate Connection page.
- vii. Increase the marketing budget as resources and demand allows.

Objective #3.D. - Better understand and provide more support to existing businesses by expanding Newton's business visitation program.

- i. Implement a formal Business Retention and Expansion program, and partner with an organization such as the Regional Chamber. Work with partner organizations to create a base list of questions for all contacts and a central point for documentation of the visit to make sure all information is shared and follow-up conducted.
- ii. Continue to create a schedule and priority list for what companies to conduct visitation with. Focus efforts on the larger businesses first with regular integration of the smaller businesses that have potential to grow.
- iii. Review the pre-visit survey to identify topics for discussion, conduct visit, track information and issues, and follow-up site visits with responses back to the business. Input all data and information in a digital system or platform to keep track of any necessary follow-up. Use information to address immediate issues through referral or immediate action and/or identify themes and provide recommendations to the City of Newton.



Objective #3.E. – Implement policies to support small retailers and improve their ability to remain viable.

- i. Recognize historic businesses as special Newton assets by creating a registry of long-established small retail businesses and evaluate using this information to design a financial assistance program.
- ii. Consider employing small business friendly zoning that preserves and increases supply of small retail spaces, and includes a business diversity ordinance.
- iii. Work to engage landlords in discussions around economic development issues in villages and the role that they play in supporting small retail.
- iv. Create opportunity for local Newton businesses in government properties when appropriate.

City of Newton Retail Strategies

Newton's thirteen villages each have their own unique mix of local businesses, historic assets, and public amenities. They are under increasing rent pressure from the booming regional real estate market:

The core retail markets inside and along Route 128 have seen record-setting rents as of late, and are expected to remain steady. In this area, average rents of \$50-\$55 per square foot NNN for small shop space and \$25-\$30 per square foot NNN for larger spaces are common. For every operator that comes into this area aggressively but cannot sustain sales sufficient to cover high rents, there are strong tenants ready to backfill that space. Recent successful retail developments in Newton include The Street Chestnut Hill and Newton Nexus.

While these trends are great for the tax base, property owners, and developers, the spike in commercial rents is outpacing sales growth for Newton's small businesses. Combined with the need to adapt quickly to eCommerce trends in the industry, competition from national chains, and a limited supply of affordable space, Newton's long-established independent businesses are under threat; some have already shuttered their storefronts. As small local businesses are forced to leave, Newton's sense of place is diminished.

See Attachment 5 for more information on strategies to preserve local retail establishments.



Objective #3.E. - Expand capacity of Newton Innovation Center (NIC)

- i. Clarify the purpose and focus of the Center, including who it is trying to serve and why, and what goals and objectives Newton is trying to accomplish. Focus on entrepreneurs and businesses with employees who live and work in Newton or at least have expressed interest in growing in Newton outside of the NIC.
- ii. Actively look for a larger building closer to more restaurants, coffee shops, entertainment, small offices, and mass transit.
- iii. Establish guidelines for accepting and graduating clients/tenants connected to the purpose, goals and objectives. Make clients and tenants apply and then base acceptance on a case-by-case basis using the guidelines.
- iv. Develop and implement a more formal evaluation and metric system specifically to show progress towards meeting goals and objectives. Report results annually to the EDC and City of Newton.
- v. Expand the focus to include small business services (regardless of sector) for existing Newton businesses.
- vi. Increase visibility through social media, stories, and the Website.

Newton Innovation Center

The City of Newton works in collaboration with the Regional Chamber and the Cambridge Innovation Center to run the Newton Innovation Center (NIC), a center based in a municipal building.

The Center has served 126 clients since it began (40 since last June) in 2016. Less than ten of these have been Newton companies. Of clients served, only 1 company has left (graduated from the Center) and that company is moving to Rhode Island; none have graduated and stayed within Newton.

Clients/tenants pay monthly rent of \$175 for co-working space and \$350 for dedicated office space which is significantly below market value rates in Newton. Initial investment by the City of Newton was the building itself which is a City owned building. The City provides building maintenance and care but beyond that there are no other annual costs to the City. The City receives annual revenues from the Center in the amount of \$8,500 (\$6000 license fee, \$2400 cleaning fee) for a net fiscal benefit of \$6,000 annually.

There are no specific criteria for accepting clients other than space limitations. Thus far the Center has had to turn away about eight companies due to space availability. There is also no policy or criteria for graduating clients. They can stay as long as they wish as long as they pay the rent. In terms of evaluation and tracking results, the Center sends out a survey to the tenants each year when their license agreement is renewed to track results on number of companies using the space but there is no broader evaluation based on meeting economic objectives or outcomes overall for the Center.



Targeted Industries

Based on our analysis (data and findings for which is presented in the Base Analysis), we recommend the following industry targets. These were based on historic and projected trends in Newton and the surrounding region related to industry size, concentration, growth, and earnings along with our knowledge of emerging industry trends. They are also recommended based on the existing labor force, education levels and demographics.

- Healthcare – large and small providers, companies within the supply chain or needing to partner with healthcare providers, health care practices seeking real estate/office space, home health networks, entrepreneurs within the health care space, and health-tech (healthcare and IT)
- Educational services – including private training, online businesses, business that can benefit from access to education institutions, high education levels, enrichment training and learning including the arts, education technology
- Professional, scientific and technical – particularly computer systems design which is a regional and local strength, management and consulting, science and technology
- FIRE – finance, insurance, and real estate – though experiencing some declines in sub sector, overall a good match for the City and region with leading real estate knowledge forms, strong workforce skills in analytics, management, and IT
- Possible emerging opportunity – life sciences, biotech – strong in Greater Boston Region is an opportunity for companies looking to move out of start-up phase to a corporate home if lab space can be developed (see real estate section).

In terms of business retention, expansion and attraction tactics for the City of Newton

- 1. Focus on retention and expansion as the top priority – assisting with planning, codes, licenses, customer service, connecting business to solve problems of business already there. Help any and all businesses for retention and expansion regardless of sector.**
2. Work with Chamber and regional partners on coordinating attraction efforts – effort will require business intelligence, lead generation, and building networks nationally and globally which will require resources beyond which can be provided by the City alone.
3. Key selling points – Boston metro – globally recognized metro, safety, education levels/workforce, education institutions, technology intensive region, neighborhoods and villages outside of downtown Boston but near to it, high quality services (school system, parks recreation, library etc....); and, lower price real estate than parts of Boston.
4. Update website to reflect information on economic development specifically related to these targets and tactics.



Objective #3.G. - Implement regular opportunities for feedback from businesses in the villages and corridors

- i. Run a series of round-table discussions in each of the villages to gather information from landlords, property owners, business owners and residents about what they want for their village. Use these conversations to focus on identifying priority projects, specific improvements, opportunities to establish a unique village, and what business owners need. Assess what citizens and businesses are interested in committing their time and efforts to.
- ii. Identify what is needed from the City of Newton to make priority projects happen in terms of funding, support, and education, and provide this information to village representatives following round-table discussions.

Objective #3.H. - Target growth sectors based on Newton's strengths - bio/life sciences; healthtech; professional and technical services (including IT)

- i. Integrate tactics geared specifically towards these sector opportunities into business expansion and attraction efforts. Identify Stage 1 and 2 companies (1-10 employees) looking to grow but not necessarily wanting a City of Boston location.
- ii. Update website to reflect information on economic development related to these targets and tactics. Identify, highlight, and promote success stories of companies in Newton in these targeted sectors through social media, press releases, and newsletter communications.
- iii. Work with Newton North High School and Newton South High School to create internships, career pathways, and other workforce development systems to prepare students for potential careers or business opportunities.
- iv. Work with Chamber and regional partners on coordinating attraction efforts.

Objective #3.G. - Create an inventory of funding sources and financing tools

- i. Inventory all the funding sources and resources available to businesses in Newton for a variety of issues including mentoring, capital costs, training, retaining, retraining, etc. Make this information available on the website and update regularly. Look to inventory Small Business Assistance programs, low interest loan options, grant programs, and other alternative financing tools. Consider having EDC play a role in this effort.
- ii. Reach out to residents of Newton to consider establishment of a Newton-specific angel investment fund to support entrepreneurs and start-ups who want to stay and grow in Newton. Engage existing investors and businesses in Newton and highlight the benefits of growing and keeping successful businesses local. Align this effort with the strategies and efforts for the NIC.



Goal 4 | Make the development process more predictable and efficient including community consensus and refinement of the review process.

Objective #4.A. - Create positive, community-based conversations around the future of Newton

- i. Engage village residents around what they want for their local area. Include a citywide discussion around the future of Newton, and the role of "village" within the larger city as it pertains to the future.
- ii. Find ways to engage the residents of Newton in regular positive, open discussions around the core issues facing Newton including diversity, affordability, residential growth, inclusion, local initiatives and funding for projects. Make these conversations ongoing through multiple channels and use the information gathered to guide economic development in the direction desired by the community.

Objective #4.B. - Improve the development review process

- i. Create two tracks for zoning review (smaller vs larger commercial projects) to allow for a more efficient process.
- ii. Improve the existing one stop shop within Newton to assist with larger projects and act as a liaison through the review process.
- iii. Improve and possibly streamline procedures for engaging the community around large projects that are being proposed. Engage developers early in community discussions to identify issues and have fewer delays.
- iv. Implement a customer service survey for applicants to identify areas for improvement. Implement recommended changes as appropriate.

Objective #4.C. - Review all land use regulations and development policies

- i. Complete the zoning redesign project and ensure regulations are predictable and align with stated goals of the community around economic development, livability, diversity, density, and inclusion. Create guidelines for when and where to increase height and square footage allowed in commercial areas to grow the commercial tax base and have vibrancy. Focus on core



commercial areas and village centers, particularly those areas with multi-modal transportation options and existing infrastructure.

- ii. Focus zoning redesign on reducing the need for special use permits to make development more predictable and easier in places where it is appropriate.
- iii. Reduce or eliminate parking requirements for ground floor uses in village centers.
- iv. Provide the public and decision makers better information about the fiscal impact of land use decisions. Prepare an impact analysis guide that outlines the cost of different types of development on Newton including types of residential, commercial, retail, open space, etc. Use this as a tool to guide policy, decision making, and public education.

Objective #4.D. - Improve development review process to create more walkable developments in areas close to Newton's transit assets

- i. Use zoning update process to clarify regulations for more walkable villages and commercial corridors and to consider parking requirements in context.
- ii. Require analysis of transportation options as part of development analysis to understand impacts.
- iii. Streamline design review process to make it predictable and efficient for applicants.
- iv. Create a transportation fund, where developers can pay for site context improvements or for specific elements to be implemented in the capital improvement program.

Goal 5 Maintain and enhance the special qualities of Newton while improving transportation throughout Newton for residents, businesses, and visitors.

Objective #5.A. - Promote multimodal transportation safety and comfort in villages and neighborhoods

- i. Enhance sidewalks, crossings, and add bike parking to increase safety, attractiveness, and usability and to support a "park once" environment to reduce extra driving in village centers.



- ii. Expand placemaking and beautification measures at street level to promote walkability.
- iii. Implement slow traffic zones where needed.
- iv. Invest in transit and cycling networks and services to serve younger workforces that want alternatives to commuting by car. Specifically, focus on linking gaps between mass transit services and bike paths and employment centers.

Objective #5.B. - Use shared parking to reduce parking footprint in village centers

- i. Update zoning policy to enable shared parking exceptions.
- ii. Assist willing property owners in drawing up and implementing joint agreements that would allow for shared parking opportunities.
- iii. Establish and adopt a parking availability goal (could be village-wide or sub areas)
- iv. Regularly evaluate supply and demand of public and private parking use to evaluate needs and compliance with goal.
- v. Use supply and utilization data to examine the right amount of parking as part of future developments.
- vi. Use parking technology to encourage motorists to park in the most appropriate places.

Objective #5.C. - Comprehensively evaluate private shuttle routes that operate to create a more inclusive and comprehensive community transit system

- i. Partner with operators to develop a mutually-beneficial system between private and institutional shuttles while also filling needed gaps in service.
- ii. Partner with adjacent municipalities to create sub-regional service.
- iii. Promote and incentivize ridership.

Objective #5.D. - Focus on maintaining the character and unique feeling of the villages while supporting economic vibrancy

- i. City of Newton representatives should continue to regularly visit businesses and attend neighborhood meetings to identify concerns and challenges to the business environment and



how small businesses can be supported. Work with residents to identify any issues or concerns that impact their quality of life and their ability to interact at the neighborhood level.

ii. Invest in public infrastructure, streetscape improvements, street furniture, parks, and green space to create opportunities for increased interactions among neighbors and walkability.

iii. Work cooperatively with businesses and residents to create small scale community gathering places (playgrounds, street furniture, etc.) events and opportunities for place making and neighborhood scale networking.

Objective #5.E. - Enhance Newton's thriving arts community

i. Support the Newton Cultural Alliance and Newton Pride and engage the arts community in identifying and addressing what issues or challenges they are facing.

ii. Develop a Newton Cultural Plan that outlines needs, opportunities, and specific strategies for implementation.

iii. Review permitting process for art events and other events in the community. Make adjustments as appropriate to streamline requirements and make it more accessible.

iv. Incorporate art into new projects such as space for artists to live or work, commissioning of pieces, and more community art experiences.

v. Continue to provide matching funds to support Newton's participation in the Mass Cultural Council.

vi. Work with the Chamber and the Economic Development Planner to continue to connect developers with the art community for engagement and strategizing.

Objective #5.F. - Create initiatives that highlight and promote the unique aspects and quality of life of Newton

i. Enhance the use, appreciation, and protection of the Charles River by attracting water enhanced and water based businesses. Implement recommendations identified in the N2 Innovation District Plan to develop trail connections along the Charles River to create a "river walk." Repurpose the unused rail bridge across the river between Christina Street and the river walk for pedestrian access. Expand infrastructure for canoeing and kayaking in the Charles River, such as additional boat launches. Market these recreational opportunities to residents, employees, and visitors. Highlight access and view points to incorporate the Charles into the day-to-day life of Newton residents and workers.

ii. Invest in the gateways at the main "entrances" to Newton including signs, planters, street art, and other techniques to engage those who are passing through and ensure that they know they are arriving in Newton, a special city.



- iii. Enhance the unique Newton feel of each village and commercial corridor with signage, benches, light fixtures, planters, art, etc.
- iv. Work cooperatively with business and residents to create small scale community gathering places (playgrounds, street furniture, etc.) events and opportunities for place making and neighborhood scale networking.



Attachment 1: Action Plan Matrix



DRAFT - City of Newton Action Plan Matrix - DRAFT

Goal 1: Take steps to pursue development types that make Newton both commercially successful and a great place to live, work, and play.

Rationale: For Newton to successfully move towards the desired future there are specific steps that Newton can take to encourage development of specific use-

	Objective	Actions	Lead and Partners	Priority Level and Timeframe	Resource Level	Measures for Progress and Success
1.A.	Increase lab space in Newton to capitalize on highly skilled workforce with science background and regional economic trends.	<p>i. Identify a corridor or collection of parcels that will be geared towards lab space and rezone as necessary to encourage development to that area. Look to areas with high market demand such as Nonantum, Wells Ave, and Riverside. Concentrate the lab space to encourage synergies between the businesses and employees.</p> <p>ii. Use City of Newton resources to invest in transportation infrastructure (bike and pedestrian assets, public transportation, van or car sharing options), technical infrastructure (financing pools, professional service provider inventory, business planning guidance), permitting (fast track, generic review and approvals), etc. to make it easy and attractive for a business to establish a space.</p> <p>iii. Promote the potential opportunities of Newton to existing lab space developers and operators, including affordability, parking, and community support. Conduct targeted marketing including improved web presence, conferences, and other networking events.</p>	City of Newton, EDC	High, Short Term	Staff Time and High Level of Capital Investment	Total square feet of lab space, Number of related jobs in Newton, Number of related companies in the city.
1.B.	Increase office space in Newton including coworking space to attract and retain companies and increase the commercial tax base.	<p>i. Add office space by allowing appropriately scaled additional stories in the zoning redesign in targeted areas with demand for office space such as Riverside, Wells Avenue, Nonantum, and village centers.</p>	City of Newton	High, Short Term	Staff Time	Total square feet of occupied office space
1.C.	Encourage mixed-use projects in villages and commercial corridors, especially those with mass transit.	<p>i. Redo zoning to make sure that market driven mixed-use developments are allowed in village centers and along commercial corridors. Allow for additional development around commuter rail, T stations, and other multi-modal assets to create mixed-use nodes with increased economic activity, customer base, and vibrancy.</p> <p>ii. Evaluate proposed mixed-use projects in terms of the proportion of workforce housing to create skills match between housing and employment options.</p> <p>iii. Encourage development of housing geared towards young professionals and low to middle income families to attract more people to serve business growth.</p> <p>iv. Encourage housing in villages and commercial corridors with mass transit to create "built in" customers for businesses who need less access to private automobiles.</p>	City of Newton	Medium, Short Term	Staff Time	Total square feet of occupied space within .25 miles of multi-modal assets, Number of residential units considered affordable for the workforce
1.D.	Take advantage of economic development tools	<p>i. Use Tax Increment Financing (TIF), if necessary, to incentivize commercial development and attract businesses. Develop guidelines for evaluating TIF applications that establish Newton's desired outcomes from TIF-incentivized projects (e.g. quality job creation, sizeable capital investment, attraction of specific industry sectors, etc.) and specify targeted investment areas within the city, including Needham Street, Washington Street, Wells Avenue, the Charles River Mill District, and Newton Centre.</p> <p>ii. Utilize District Improvement Financing (DIF) for funding traffic and infrastructure improvements, parking structures, and other public projects needed to stimulate private investment in targeted areas within Newton, if necessary. Identify DIF goals and establish a Development District and Development Program for one or more areas within Newton</p> <p>iii. Assess the potential for using District Improvement Financing (DIF) revenues for Newton to acquire and lease out affordable retail space to local retailers in retail districts including Washington Street and Newton Centre.</p>	City of Newton	Medium, Mid-Term	Staff Time	New development induced

Goal 2: Focus redevelopment efforts on key parcels and corridors in Newton.

Rationale: There are a number of corridors and areas of Newton that are especially well positioned for economic development opportunities.

	Objective	Actions	Lead and Partners	Priority Level and Timeframe	Resources	Measures for Progress and Success
2.A.	Continue to revitalize Needham Street	<ul style="list-style-type: none"> i. Complete the Needham Street visioning process and implement recommendations. ii. Improve the physical environment of Needham Street corridor to make it more pedestrian friendly, implement traffic calming measures, and enhance the appearance. iii. Work collaboratively with Needham to implement N2 Innovation District initiatives. iv. Work with the developers of the Northland property to create an appropriately scaled project that will have positive economic benefits for the community creating a mixed-use project that will provide housing, Class A office, retail, and other amenities and will offer new transportation options, types of housing, and more vibrancy. 	City of Newton, EDC	High, Short Term	Moderate Staff Time	Number of community engagement sessions, Total number of commercial square footage
2.B.	Pursue development of Riverside	<ul style="list-style-type: none"> i. Engage neighbors and community in project discussions. Assist with facilitation of conversations with local, regional, and statewide agencies. Highlight the potential of the site resulting from its location along the 128 belt and access to the MBTA station. ii. Encourage uses that align with the goals of Newton in terms of building out co-working space/office space, diversity of housing types, and diversifying and growing the tax base. iii. Determine the right mix of uses and size/scale/building height so it works for Newton. iv. Build transportation infrastructure to serve the Riverside development to enhance multi-modal offerings and ability to move from the site to other places in Newton. Specifically, consider connecting the green line at Riverside to the commuter rail at Auburndale, creating safer walking and biking connections throughout, and creating a connected network of streets within Riverside that also connects at multiple points to the surrounding areas including Recreation Road to avoid overloading Grove Street. 	City of Newton, EDC	High, Short Term	Minimal Staff Time	Number of community engagement sessions, Total number of commercial square footage
2.C.	Build out the Charles River Mill District	<ul style="list-style-type: none"> i. Align zoning with goals to be a mixed-use neighborhood with opportunities for lab space and support services. ii. Build the brand of the Charles River Mills District. Inventory the assets and strengths of the area and incorporate into promotion material as a good option for those companies looking for a moderate cost and industrial/urban setting. iii. Develop lab space in this district, an emerging opportunity. iv. Encourage the proper mix of services (eg - Restaurants, coffee shops, day care, etc.) to serve residents, businesses, and employees. 	City of Newton, EDC, City of Watertown	Medium, Mid-Term	Staff Time	Total commercial square feet in Charles River Mill District.
2.D.	Realign the Wells Avenue Business Park	<ul style="list-style-type: none"> i. Implement the recommendations from the Wells Ave Vision plan including creating a secondary entrance/exit. ii. Increase the height restrictions to allow for additional growth. iii. Allow for a variety of non-housing (gyms, restaurants, cafes, personal services, etc.) and create additional amenities for businesses and workers. iv. Improve the quality of the roads, sidewalks, lighting, seating, signage, and general appearance of the Wells Avenue Business Park for all users. 	City of Newton, EDC	Medium, Mid-Term	Minimal Staff Time	Occupancy in Wells Ave Business Park
2.E.	Revitalize Washington Street	<ul style="list-style-type: none"> i. Continue to engage the community in the Washington Avenue Corridor Visioning and Zoning process and direct development to align with community vision. ii. Make physical improvements and transportation related improvements that align with the vision identified. 	City of Newton, EDC	Medium, Mid-Term	Moderate Staff Time	Number of community engagement sessions, Total number of commercial square footage

DRAFT - City of Newton Economic Development Strategy
 7/25/2018

2.F.	Develop a vision plan for Newton Centre	<ul style="list-style-type: none"> i. Complete a full market analysis to identify the specific opportunities for Newton Centre, including community infrastructure. ii. Engage community and neighbors in the process to allow for feedback on potential growth, use types, new projects, and investments. iii. Amend zoning to be consistent with vision. iv. Limit the number of banking institutions to diversify mix of business. v. Encourage building second and third floors on existing building for office and residential. vi. Encourage more co-working space. 	City of Newton, EDC	Medium, Mid-Term	Minimal Staff Time	Completion of market analysis, Zoning review complete
2.G.	Focus development of larger villages as regional centers for business and retail	<ul style="list-style-type: none"> i. Focus on creating a vibrant environment in the larger villages, especially those with mass transit, through attraction of restaurants, retail, housing, and office/co-working space. Review all zoning regulations to ensure they accommodate an increase in square footage of development that is in line with the community goals for each village. ii. Design parking recommendations to ease congestion and make it easier for businesses and residents. 	City of Newton	High, Mid-Term and ongoing	Minimal Staff Time	Square feet of commercial use within village districts

Goal 3: Support the start-up, growth, stability, and vitality of businesses and entrepreneurs in Newton.

Rationale: By supporting entrepreneurs and businesses, Newton will grow its tax base, create new economic opportunities for all, and build vibrancy of villages and commercial corridors.

	Objective	Actions	Lead and Partners	Priority and Timeframe	Resources	Measures for Progress and Success
3.A.	Create a business environment in Newton that provides more support for small and local businesses	<ul style="list-style-type: none"> i. Create a regular communication system to ensure easy access of information related to business resources, training programs, and support that is available digitally and in hard copy. ii. Establish land use policies that encourage or require affordable rent for locally-owned retail establishments in targeted locations throughout Newton. iii. Partner with the Chamber, higher education, and other organizations to offer networking events for small businesses and entrepreneurs for both partnership development and to create a support system. Use events to highlight service providers that are well versed in the challenges facing small businesses in Newton. iv. Make changes to zoning code to ensure co-working, incubator, and makers spaces are allowed as a right within targeted areas. v. Continue to engage with the N2 Innovation District and collaborate on efforts that will highlight Newton as attractive and open for business. vi. Identify funding sources for businesses and property owners to work with enforcement officials around improvements to bring buildings up to code. vii. Ensure zoning code allows home based businesses with appropriate regulations to preserve neighborhood character. 	City of Newton, EDC, Chamber of Commerce	High, Short Term and ongoing	Moderate Staff Time	Number of businesses in Newton
3.B.	Leverage the Economic Development Commission	<ul style="list-style-type: none"> i. Use the Economic Development Commission as a partner in implementation of the Economic Development Action Plan. ii. Continue to have the EDC weigh in on City of Newton matters related to or impacting business and economic development. iii. Use the EDC to communicate and work with the village and corridor stakeholders to understand and plan for how their goals and objectives fit into the Economic Development Action Plan. 	EDC	High, Short Term and ongoing	Minimal Staff Time	Number of actions implemented.
3.C.	Improve the external marketing of Newton's business environment	<ul style="list-style-type: none"> i. Create a more professional economic development website with web-based applications and GIS platforms. ii. Update the economic development website to make it easier to access. Include targeted demographic, economic and workforce data, infrastructure availability, and contact information. iii. Create a targeted bio/life sciences landing page that has marketing material targeted towards developers and businesses that highlight the workforce skills and qualifications of residents, available space and any shovel ready sites, Gold Bio-Ready Rating, and the ease of the process. iv. Create a workforce landing page that describes the workforce and why Newton is a good place to do business. v. Create a retail/demographic landing page that describes why Newton is a good place to open a store. vi. Enhance the City of Newton's commercial real estate connection services through use of MLS listing, tracking of available space, development of web-based applications, and redesign of the Commercial Real Estate Connection page. vii. Increase the marketing budget as resources and demand allows. 	City of Newton, EDC, Consultant	High, Immediate and ongoing	\$50,000 for initial website upgrade plus \$10,000 per year for maintenance	Number of visits to the websites
3.D.	Better understand and provide more support to existing businesses by expanding Newton's business visitation program.	<ul style="list-style-type: none"> i. Implement a formal Business Retention and Expansion program, and partner with an organization such as the Regional Chamber. Work with partner organizations to create a base list of questions for all contacts and a central point for documentation of the visit to make sure all information is shared and follow-up conducted. ii. Continue to create a schedule and priority list for what companies to conduct visitation with. Focus efforts on the larger businesses first with regular integration of the smaller businesses that have potential to grow. iii. Review the pre-visit survey to identify topics for discussion, conduct visit, track information and issues, and follow-up site visits with responses back to the business. Input all data and information in a digital system or platform to keep track of any necessary follow-up. Use information to address immediate issues through referral or immediate action and/or identify themes and provide recommendations to the City of Newton. 	City of Newton, EDC, Chamber of Commerce	High, Short Term and ongoing	Moderate Staff Time	Number of businesses visited each year

DRAFT - City of Newton Economic Development Strategy
7/25/2018

3.E.	Implement policies to support small retailers and improve their ability to remain viable.	<p>i. Recognize historic businesses as special Newton assets by creating a registry of long-established small retail businesses and evaluate using this information to design a financial assistance program.</p> <p>ii. Consider employing small business friendly zoning that preserves and increases supply of small retail spaces, and includes a business diversity ordinance.</p> <p>iii. Work to engage landlords in discussions around economic development issues in villages and the role that they play in supporting small retail.</p> <p>iv. Create opportunity for local Newton businesses in government properties when appropriate.</p>	City of Newton, EDC, Chamber of Commerce	High, Immediate and ongoing	Extensive Staff Time	Number of locally owned small retail establishments in Newton.
3.F.	Expand capacity of Newton Innovation Center (NIC)	<p>i. Clarify the purpose and focus of the Center, including who it is trying to serve and why, and what goals and objectives Newton is trying to accomplish. Focus on entrepreneurs and businesses with employees who live and work in Newton or at least have expressed interest in growing in Newton outside of the NIC.</p> <p>ii. Actively look for a larger building closer to more restaurants, coffee shops, entertainment, small offices, and mass transit.</p> <p>iii. Establish guidelines for accepting and graduating clients/tenants connected to the purpose, goals and objectives. Make clients and tenants apply and then base acceptance on a case-by-case basis using the guidelines.</p> <p>iv. Develop and implement a more formal evaluation and metric system specifically to show progress towards meeting goals and objectives. Report results annually to the EDC and City of Newton.</p> <p>v. Expand the focus to include small business services (regardless of sector) for existing Newton businesses.</p> <p>vi. Increase visibility through social media, stories, and the Website.</p>	City of Newton, EDC, Chamber	High, Immediate	Extensive Staff Time	Number of companies in NIC, Number of companies leaving NIC and staying in Newton
3.G.	Implement regular opportunities for feedback from businesses in the villages and corridors	<p>i. Run a series of round-table discussions in each of the villages to gather information from landlords, property owners, business owners and residents about what they want for their village. Use these conversations to focus on identifying priority projects, specific improvements, opportunities to establish a unique village, and what business owners need. Assess what citizens and businesses are interested in committing their time and efforts to.</p> <p>ii. Identify what is needed from the City of Newton to make priority projects happen in terms of funding, support, and education, and provide this information to village representatives following round-table discussions.</p>	Mayor, City of Newton, EDC	High, Short Term and ongoing	Staff and volunteer time	Number of events held, Number of attendants
3.H.	Target growth sectors based on Newton's strengths - bio/life sciences; healthtech; professional and technical services (including IT)	<p>i. Integrate tactics geared specifically towards these sector opportunities into business expansion and attraction efforts. Identify Stage 1 and 2 companies (1-10 employees) looking to grow but not necessarily wanting a City of Boston location.</p> <p>ii. Update website to reflect information on economic development related to these targets and tactics. Identify, highlight, and promote success stories of companies in Newton in these targeted sectors through social media, press releases, and newsletter communications.</p> <p>iii. Work with Newton North High School and Newton South High School to create internships, career pathways, and other workforce development systems to prepare students for potential careers or business opportunities.</p> <p>iv. Work with Chamber and regional partners on coordinating attraction efforts.</p>	City of Newton, EDC, School District	Medium, Short Term	Moderate Staff Time	Number of businesses in targeted industries
3.I.	Create an inventory of funding sources and financing tools	<p>i. Inventory all the funding sources and resources available to businesses in Newton for a variety of issues including mentoring, capital costs, training, retaining, retraining, etc. Make this information available on the website and update regularly. Look to inventory Small Business Assistance programs, low interest loan options, grant programs, and other alternative financing tools. Consider having EDC play a role in this effort.</p> <p>ii. Reach out to residents of Newton to consider establishment of a Newton-specific angel investment fund to support entrepreneurs and start-ups who want to stay and grow in Newton. Engage existing investors and businesses in Newton and highlight the benefits of growing and keeping successful businesses local. Align this effort with the strategies and efforts for the NIC.</p>	City of Newton	Medium, Mid-Term	Minimal Staff Time	Inventory of financial tools, Creation of a DIF or TIF district

Goal 4: Make the development process more predictable and efficient including community consensus and refinement of the review process.

Rationale: Enhancing the efficiency of the development process, while at the same time respecting the wishes of the community, will create a more positive business environment and attract additional development to Newton.

	Objective	Actions	Lead and Partners	Priority and Timeframe	Resources	Measures for Progress and Success
4.A.	Create positive, community-based conversations around the future of Newton	<ul style="list-style-type: none"> i. Engage villages residents around what they want for their local area. Include a citywide discussion around the future of Newton, and the role of "village" within the larger city as it pertains to the future. ii. Find ways to engage the residents of Newton in regular positive, open discussions around the core issues facing Newton including diversity, affordability, residential growth, inclusion, local initiatives and funding for projects. Make these conversations ongoing through multiple channels and use the information gathered to guide economic development in the direction desired by the community. 	City of Newton, EDC	High, Immediate and ongoing	Moderate Staff Time	Number of events and sessions held
4.B.	Improve the development review process	<ul style="list-style-type: none"> i. Create two tracks for zoning review (smaller vs larger commercial projects) to allow for a more efficient process. ii. Improve the existing one stop shop within Newton to assist with larger projects and act as a liaison through the review process. iii. Improve and possibly streamline procedures for engaging the community around large projects that are being proposed. Engage developers early in community discussions to identify issues and have fewer delays. iv. Implement a customer service survey for applicants to identify areas for improvement. Implement recommended changes as appropriate. 	City of Newton, EDC	High, Immediate and ongoing	Moderate Staff Time and Salary	Development review process time,
4.C.	Review all land use regulations and development policies	<ul style="list-style-type: none"> i. Complete the zoning redesign project and ensure regulations are predictable and align with stated goals of the community around economic development, livability, diversity, density, and inclusion. Create guidelines for when and where to increase height and square footage allowed in commercial areas to growth the commercial tax base and have vibrancy. Focus on core commercial areas and village centers, particularly those areas with multi-modal transportation options and existing infrastructure. ii. Focus zoning redesign on reducing the need for special use permits to make development more predictable and easier in places where it is appropriate. iii. Reduce or eliminate parking requirements for ground floor uses in village centers. iv. Provide the public and decision makers better information about the fiscal impact of land use decisions. Prepare an impact analysis guide that outlines the cost of different types of development on Newton including types of residential, commercial, retail, open space, etc. Use this as a tool to guide policy, decision making, and public education. 	City of Newton	High, Immediate	Moderate Staff Time	Complete the re-zoning project
4.D.	Improve development review process to create more walkable developments in areas close to Newton's transit assets	<ul style="list-style-type: none"> i. Use zoning update process to clarify regulations for more walkable villages and commercial corridors and to consider parking requirements in context. ii. Require analysis of transportation options as part of development analysis to understand impacts. iii. Streamline design review process to make it predictable and efficient for applicants. iv. Create a transportation fund, where developers can pay for site context improvements or for specific elements to be implemented in the capital improvement program. 	City of Newton	Medium, Short Term	Moderate Staff Time	Zoning update

Goal 5: Maintain and enhance the special qualities of Newton while improving transportation throughout Newton for residents, businesses, and visitors.

Rationale: Quality of place is an important factor for economic development and specifically business and talent attraction. The City of Newton offers residents and businesses a high quality of place. In order to maintain and enhance this quality of place, there are some improvements that can be made in village centers and throughout Newton.

	Objective	Actions	Lead and Partners	Priority and Timeframe	Resources	Measures for Progress and Success
5.A.	Promote multimodal transportation safety and comfort in villages and neighborhoods	<ul style="list-style-type: none"> i. Enhance sidewalks, crossings, and add bike parking to increase safety, attractiveness, and usability and to support a "park once" environment to reduce extra driving in village centers. ii. Expand placemaking and beautification measures at street level to promote walkability. iii. Implement slow traffic zones where needed. iv. Invest in transit and cycling networks and services to serve younger workforces that want alternatives to commuting by car. Specifically, focus on linking gaps between mass transit services and bike paths and employment centers. 	City of Newton	High, Short Term and ongoing	Capital Investment	Number of improvements made
5.B.	Use shared parking to reduce parking footprint in village centers	<ul style="list-style-type: none"> i. Update zoning policy to enable shared parking exceptions. ii. Assist willing property owners in drawing up and implementing joint agreements that would allow for shared parking opportunities. iii. Establish and adopt a parking availability goal (could be village-wide or sub areas) iv. Regularly evaluate supply and demand of public and private parking use to evaluate needs and compliance with goal. v. Use supply and utilization data to examine the right amount of parking as part of future developments. vi. Use parking technology to encourage motorists to park in the most appropriate places. 	City of Newton	High, Short Term and ongoing	Minimal Staff Time	Number of shared parking agreements
5.C.	Comprehensively evaluate private shuttle routes that operate to create a more inclusive and comprehensive community transit	<ul style="list-style-type: none"> i. Partner with operators to develop a mutually-beneficial system between private and institutional shuttles while also filling needed gaps in service. ii. Partner with adjacent municipalities to create sub-regional service. iii. Promote and incentivize ridership. 	City of Newton, Operators	Medium, Mid-Term	Minimal Staff Time	Number of partnerships established, Number of riders
5.D.	Focus on maintaining the character and unique feeling of the villages while supporting economic vibrancy	<ul style="list-style-type: none"> i. City of Newton representatives should continue to regularly visit businesses and attend neighborhood meetings to identify concerns and challenges to the business environment and how small businesses can be supported. Work with residents to identify any issues or concerns that impact their quality of life and their ability to interact at the neighborhood level. ii. Invest in public infrastructure, streetscape improvements, street furniture, parks, and green space to create opportunities for increased interactions among neighbors and walkability. iii. Work cooperatively with businesses and residents to create small scale community gathering places (playgrounds, street furniture, etc.) events and opportunities for place making and neighborhood scale networking. 	City of Newton, Chamber of Commerce	Medium, Mid-Term	Staff Time	Number of commercial businesses in smaller village centers

5.E.	Enhance Newton's thriving arts community	<ul style="list-style-type: none"> i. Support the Newton Cultural Alliance and Newton Pride and engage the arts community in identifying and addressing what issues or challenges they are facing. ii. Develop a Newton Cultural Plan that outlines needs, opportunities, and specific strategies for implementation. iii. Review permitting process for art events and other events in the community. Make adjustments as appropriate to streamline requirements and make it more accessible. iv. Incorporate art into new projects such as space for artists to live or work, commissioning of pieces, and more community art experiences. v. Continue to provide matching funds to support Newton's participation in the Mass Cultural Council. vi. Work with the Chamber and the Economic Development Planner to continue to connect developers with the art community for engagement and strategizing. 	Newton Cultural Alliance, Chamber of Commerce	Medium, Mid-Term	Minimal Staff Time and Financial Resources	Completion of a Newton Cultural Plan
5.F.	Create initiatives that highlight and promote the unique aspects and quality of life of Newton	<ul style="list-style-type: none"> i. Enhance the use, appreciation, and protection of the Charles River by attracting water enhanced and water based businesses. Implement recommendations identified in the N2 Innovation District Plan to develop trail connections along the Charles River to create a "river walk." Repurpose the unused rail bridge across the river between Christina Street and the river walk for pedestrian access. Expand infrastructure for canoeing and kayaking in the Charles River, such as additional boat launches. Market these recreational opportunities to residents, employees, and visitors. Highlight access and view points to incorporate the Charles into the day-to-day life of Newton residents and workers. ii. Invest in the gateways at the main "entrances" to Newton including signs, planters, street art, and other techniques to engage those who are passing through and ensure that they know they are arriving in Newton, a special city. iii. Enhance the unique Newton feel of each village and commercial corridor with signage, benches, light fixtures, planters, art, etc. iv. Work cooperatively with business and residents to create small scale community gathering places (playgrounds, street furniture, etc.) events and opportunities for place making and neighborhood scale networking. 	City of Newton, N2	Medium, Mid-Term	Staff Time and Moderate Investment for Gateways	Reuse of the unused rail bridge, Amount of investment in infrastructure for river use, Number of gateway improvements

Attachment 2: Economic Base Analysis



Appendix:

Demographic & Economic Base Analysis

ECONOMIC DEVELOPMENT STRATEGY CITY OF NEWTON, MASSACHUSETTS

April 2018

Prepared for:

City of Newton
1000 Commonwealth Avenue
Newton, MA 02459



120 West Avenue, Suite 303
Saratoga Springs, NY 12866

518.899.2608

www.camoinassociates.com

About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. We specialize in real estate market analysis to evaluate the feasibility and impacts of proposed projects. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in over twenty states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in Saratoga Springs, NY, Portland, ME, Brattleboro, VT, and Richmond, VA. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociate).

The Project Team

Jim Damicis
Principal

Rachel Selsky
Project Manager

Tom Dworetzky
Senior Analyst

Amie Collins
Analyst

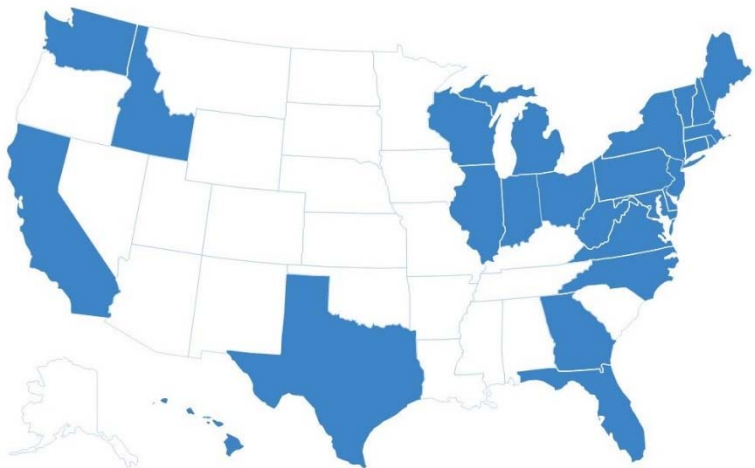


Table of Contents

Appendix:.....	1
Demographic & Economic Base Analysis.....	1
About Camoin Associates.....	1
The Project Team.....	1
Table of Contents.....	3
Executive Summary.....	1
Introduction.....	3
Data Sources.....	3
Comparison Geographies.....	3
Comparison Geographies.....	4
Employment Data by ZIP Code Geography.....	4
Demographic Analysis.....	5
Population Change.....	5
Age.....	6
Unemployment Rates.....	9
Income.....	9
Educational Attainment.....	11
Race/Ethnicity.....	12
Nativity.....	13
Commute Patterns.....	14
Economic Base Analysis.....	16
Establishment and Job Growth by Stage.....	16
Employment by Sector (2-digit NAICS).....	17
Regional Comparison.....	20
Gross Regional Product by Sector (2-digit NAICS).....	26
Top Industries (4-digit NAICS).....	27
Self-Employment.....	30
Top Occupations (SOC).....	32
Top Employers.....	35
Fiscal Analysis.....	36





Table of Tables

Table 1: Newton ZIP Codes.....	3
Table 2: Comparison of Population Growth.....	5
Table 3: 2017 Median Age	6
Table 4: Undergraduate Population	7
Table 5: Newton Population Change by Age Cohort, 2006-2016.....	7
Table 6: Newton Population Change by Age Cohort, 2006-2016.....	8
Table 7: 2017 Unemployment Rates	9
Table 8: Household Income Distribution, 2017	10
Table 9: Household Income Distribution, 2017	10
Table 10: Nativity of Population	13
Table 11: Top 10 Countries of Origin of the Foreign-Born Newton Population	13
Table 12: Top 10 Places of Work for Newton Residents.....	14
Table 13: Top 10 Places of Residence for Newton Workers.....	14
Table 14: Establishments by Stage, Boston MSA.....	16
Table 15: Establishments by Stage, United States.....	16
Table 16: Jobs by Stage of Establishment, Boston MSA	17
Table 17: Jobs by Stage of Establishment, United States.....	17
Table 18: Employment by Sector, 2-digit NAICS - Newton.....	19
Table 19: Employment by Sector, 2-digit NAICS - Boston MSA.....	20
Table 20: Employment by Sector, 2-digit NAICS – Massachusetts.....	21
Table 21: 2017 Location Quotient by Sector, 2-digit NAICS	22
Table 22: 2017 Employment Share by Sector, Regional Comparison.....	23
Table 23: 2007-2017 Percent Change in Employment, Regional Comparison.....	24
Table 24: 2017 Average Earnings*, Regional Comparison	25
Table 25: 2016 Gross Regional Product by 2-Digit Sector	26
Table 26: Top 25 Industries by Employment, 4-digit NAICS – Newton	27
Table 27: Top 25 Industries by Employment, 4-digit NAICS – Boston MSA	28
Table 28: Top 25 Industries by Employment, 4-digit NAICS – Massachusetts.....	29
Table 29: 2017 Self-Employment by Sector, 2-digit NAICS - Newton.....	30
Table 30: Top 25 Industries by Self Employed Jobs, 4-digit NAICS - Newton 2017.....	31
Table 31: Top 25 Occupations by Employment, 3-Digit SOC - Newton.....	32
Table 32: Top 25 Occupations by Employment, 3-Digit SOC - Boston MSA.....	33
Table 33: Top 25 Occupations by Employment, 3-Digit SOC - Massachusetts.....	34
Table 34: Commercial/Industrial Share of Real Property Value	36



Table 35: Commercial and Industrial Share of New Construction Value.....37



Table of Figures

Figure 1: Comparison Geographies.....	4
Figure 2: Employment Data ZIP Code Geography.....	4
Figure 3: Newton Population, 1960-Future.....	5
Figure 4: Share of Population by Age Cohort, 2017.....	6
Figure 5: 2017 Median Household Income.....	9
Figure 6: Share of Households by Income, 2017.....	10
Figure 7: Educational Attainment, 2015: Population Age 25+.....	11
Figure 8: Share of Population by Race and Hispanic Origin, 2017.....	12
Figure 9: Top Places of Work for Newton Residents.....	15
Figure 10: Top Places of Residence for Newton Workers.....	15
Figure 11: Residential Share of Tax Levy and Property Value, 1983-2018.....	36



Executive Summary

As part of the initial research to create an economic development strategy for the City of Newton, Camoin Associates gathered data to fully understand the demographic and economic existing conditions. This information will be used to inform the subsequent steps of the analysis including the existing economy report presentation, strategy development, and action plan matrix.

Demographic Analysis

- After decades of limited growth, the city's population has increased 7.5% in the last ten years. Census population estimates for 2016 place Newton's population at 89,045, its highest point since the 1970s. Much of this growth can be attributed to Gen Xers (those born between 1962 and 1981) moving into Newton and starting families. In recent years, these in-migrants have tended to be on the older end of this range, likely as a result of high housing costs preventing younger, less-established families from moving into the city.
- Newton has a high share of seniors (those 60 years and older) relative to the region and state. The proportion of residents in this age group has increased from 17.2% in 2006 to 24.5% in 2016, as existing residents continue to age. Meanwhile, the young adult age groups (20 to 39) shrank from 25.0% to 20.4%, and continue to be underrepresented in Newton compared to the region. This presents an opportunity to the expand housing stock geared towards both seniors and young adults, groups that tend to have similar housing preferences in terms of propensity to rent, amount of space required, desire for walkability, and lower housing budgets.
- Median household income in Newton is very high compared to the other geographic locations analyzed. In 2017, Newton median household income stands at just over \$129,000, 63% higher than the Boston MSA median income. Because of this, Newtonians have disposable income to support niche markets and service providers not present in more moderate income communities.
- Newton residents have a very high level of education. Seventy-eight percent (78%) of Newton's 25-and-up population has at least a bachelor's degree. Half (50%) of Newton residents have a graduate or professional degree. This points to a high level of human capital that can be harnessed when growing and attracting high-skill industries in the city.
- Newton's foreign-born residents comprise 21% of the city's population. By contrast, only 16% of the Boston MSA population is foreign-born. This indicates that Newton is an attractive community for highly educated, high-income immigrants with skills and expertise that can be leveraged to grow the local economy.
- With about a third of residents commuting into Boston, the city is the top commute destination of Newton residents. About 85% of Newton residents commute out of Newton daily and 89% of employees at Newton establishments commute in from outside Newton. This high degree of cross-commuting indicates a mismatch between housing and job options and presents an opportunity to build housing to meet the needs of the city's workers, as well as attracting companies that can take advantage of the skills of existing residents and allow residents to work closer to home.

Economic Base Analysis

- Between 2006 and 2016, the number of establishments in the Boston MSA increased by 61.8%, compared to 63.6% nationally. Small firms are driving the largest proportion of growth in the MSA, growing by 104,000 and accounting for 70% of the overall increase in number of establishments. Small firms also contributed the largest growth in number of jobs over the ten-year period (2006-2016) adding 436,917 jobs and making up over half all job growth. This large increase reflects an atmosphere of entrepreneurship and self-employment within the region that can be built upon and supported with various economic development initiatives.
- Job growth in Newton is outpacing the MSA and the state. From 2007 to 2017 jobs increased by 14%, compared to 8% in Massachusetts and 9% the Boston MSA. In the next decade, jobs in Newton are expected to increase by 9%, based on regional and national historic trends in the industries present in Newton. Average earnings per job in Newton are about \$71,000, lower than both the MSA (\$84,000) and state (\$78,000). Overall job growth indicates a prosperous economic climate, an ability to support a wide variety of jobs, and an opportunity to attract higher-wage employers to the city.
- The sectors growing the most (and providing the most jobs) in Newton are Health Care and Social Assistance; Educational Services; and Professional, Scientific and Technical Services. The sectors contracting are Wholesale Trade; Finance and Industry; and Retail Trade. Educational Services and Professional Services, in particular, tend to be higher-skills, higher-wage jobs, that are better aligned with the city's resident labor force.
- The community's most highly concentrated sectors include Educational Services; Arts, Entertainment and Recreation; and Real Estate and Rental Leasing. These sectors have a higher proportion of employment when compared to the nation. Educational Services accounts for 17.3% of the city's GRP, the highest of any sector.
- Nine percent of Newton jobs are held by self-employed workers. Arts, Entertainment and Recreation account for largest share of self-employed workers at 20.9%, followed by Professional, Scientific and Technical Services, representing 17.2% of all self-employed. The strong presence of self-employed workers in Newton points to potential initiatives to support entrepreneurship, help grow start-ups, and cultivate local businesses.

Fiscal Analysis

- As of 2018, residential properties account for 82.3% of the City of Newton's total tax levy, and 89.9% of total assessed value. Compared to its seven neighboring communities, Newton has the second lowest combined commercial and industrial property values as a share of total real property value. Lagging commercial development relative to residential indicates that the city's residents may bear an increasing share of the property tax burden into the future. The 2018 commercial tax rate in Newton is 20.62 per thousand of assessed value, compared to the residential tax rate of 10.82.

Introduction

As part of the initial research for the City of Newton Economic Development Strategy, Camoin Associates gathered and analyzed demographic and economic data to fully understand the existing conditions in Newton. This information will be used to inform the subsequent steps of the analysis including the existing economy report presentation, strategy development, and action plan matrix. The following report includes a socioeconomic characterization and an economic base analysis.

Data Sources

Much of the data in this report was acquired from Esri Business Analyst Online (ESRI) and Economic Modeling Specialists International (EMSI). ESRI uses the 2000 and 2010 Census as its base data. It uses proprietary statistical models and data from the US Census Bureau, the US Postal Service, and other sources to project current statistics and future trends. ESRI data are often used for economic development, marketing, site selection, and strategic decision making. For more information, visit www.esri.com.

EMSI uses data compiled from several sources, including the US Census Bureau and US Departments of Health and Labor. Using specialized proprietary processes and models, it provides estimates on current statistics and predicts future trends. Visit www.economicmodeling.com for additional information. The data used are from EMSI's Complete Employment data set, which includes both jobs covered and uncovered by unemployment insurance.¹ In other words, it includes both traditional employment and non-traditional employment such as the self-employed.² As traditional jobs have been replaced or augmented by freelance work, consulting, and self-employment, these non-covered jobs have become much more important to the economy, and EMSI provides researchers with a way to track the trends over time.

Other sources include the American Community Survey for demographic and socioeconomic data and YourEconomy.org for data on establishments by stage of growth.

Comparison Geographies

This data analysis was conducted to identify existing demographic, socioeconomic, and business, and industry conditions and trends that make up the Newton economy in comparison to the regional and state economies. Data was collected for the following geographies: The municipalities of Newton, the Boston metropolitan statistical area (MSA),³ and the Commonwealth of Massachusetts. Where appropriate, we also compare against the United States.

Most demographic and socioeconomic data analyzed for this report is available at the county subdivision level, i.e. tabulated for the municipality of Newton. The exception is the employment data gathered from EMSI, for which the smallest available geography is the ZIP code. For the purpose of presenting employment data for Newton, the municipal boundaries were approximated using 10 ZIP codes. These ZIP codes are listed in Table 1. As shown in Figure 2, the 10 ZIP codes used mostly align with municipal boundaries, with the exception of 02467 Chestnut Hill, which encompasses a large part of the Town of Brookline, as well as a small piece of the City of Boston. It is important to note that jobs located in these other municipalities are included in the EMSI employment data.

Newton ZIP Codes

ZIP Code	Postal Area Name
02458	Newton
02459	Newton Centre
02460	Newtonville
02461	Newton Highlands
02462	Newton Lower Falls
02464	Newton Upper Falls
02465	West Newton
02466	Auburndale
02467	Chestnut Hill
02468	Waban

Table 1: Newton ZIP Codes

¹ Jobs covered by unemployment insurance are tracked by the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW). EMSI uses Bureau of Economic Analysis (BEA) data as its primary benchmark. In addition to jobs covered by QCEW, BEA data attempt to count all types of paid employment.

² Self-employed includes sole proprietorships and partnerships.

³ As defined by the U.S. Office of Management and Budget, the Boston MSA (officially, the Boston–Cambridge–Newton MSA) is comprised of seven counties in Massachusetts and New Hampshire that have a high degree of social and economic cohesion with the Boston urban core. These counties include Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in Massachusetts; and Rockingham and Strafford counties in New Hampshire.



Comparison Geographies

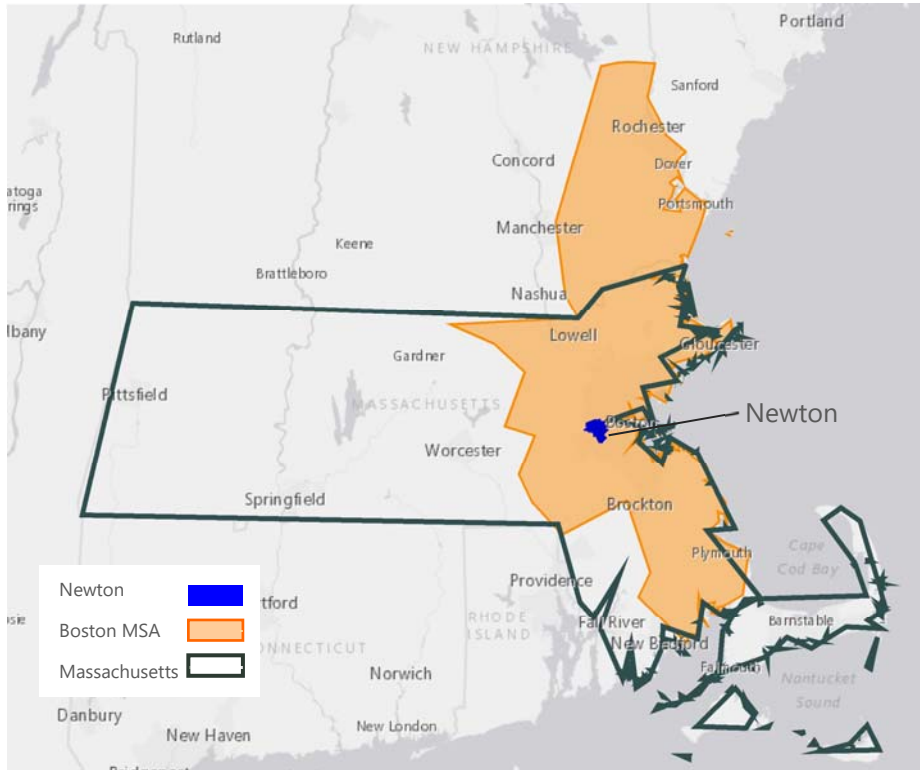


Figure 1: Comparison Geographies

Employment Data by ZIP Code Geography

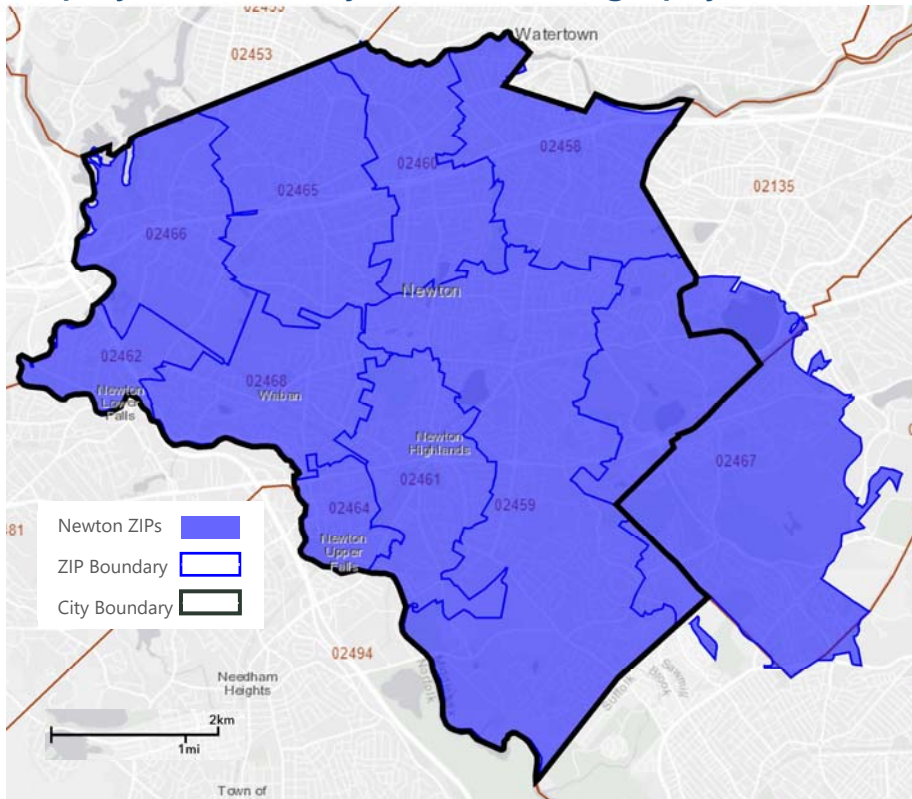


Figure 2: Employment Data ZIP Code Geography

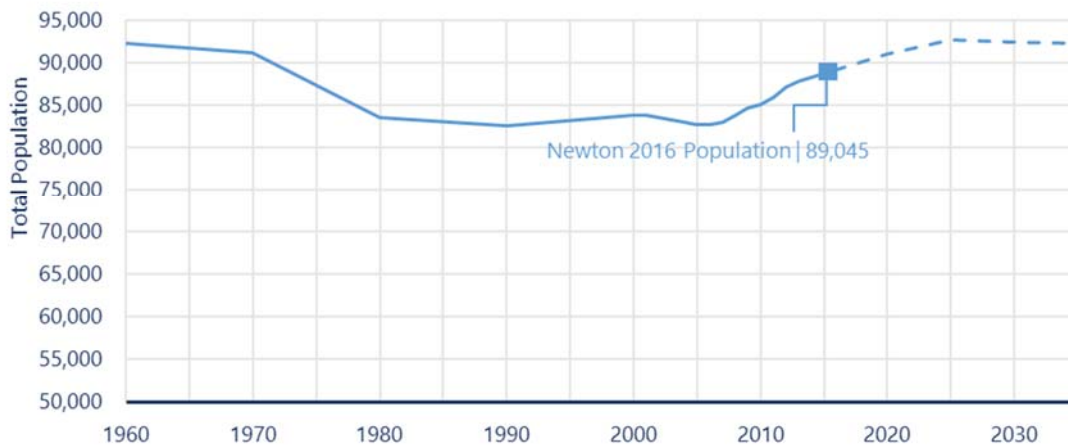
Demographic Analysis

In order to identify challenges and opportunities for future economic development initiatives, it is important to understand the current socioeconomic conditions in Newton. The following section highlights some important demographic and socioeconomic characteristics.

Population Change

The resident population of Newton has seen declines in the past, but is regaining momentum and is projected to grow. Newton reached its all-time peak population of over 92,000 in 1960, from which it declined by almost 10% through 1980. From 1980 through the mid-2000s, the population remained flat, hovering around 83,000. After decades of almost no growth, the city's population has increased 7.5% in the last ten years (between 2006 and 2016). Census population estimates for 2016 place Newton's population at 89,045, its highest point since the 1970s. The population is projected to continue to increase over the next ten years.⁴

Newton Population, 1960–Future



Source: Decennial Census, Census Population Estimates Program, projections from UMass Donahue Institute

Figure 3: Newton Population, 1960-Future

Since 2006, the rate of growth in Newton is similarly paced with national growth rates and that of the Boston MSA and Massachusetts.

Comparison of Population Growth

	2006	2011	2016	Pct. Change 2006–2011	Pct. Change 2011–2016
Newton	82,810	85,897	89,045	3.7%	3.7%
Boston MSA	4,455,217	4,608,410	4,794,447	3.4%	4.0%
Massachusetts	6,437,193	6,587,536	6,859,819	2.3%	4.1%
United States	299,398,485	311,591,919	325,719,178	4.1%	4.5%

Source: Decennial Census, Census Population Estimates Program

Table 2: Comparison of Population Growth

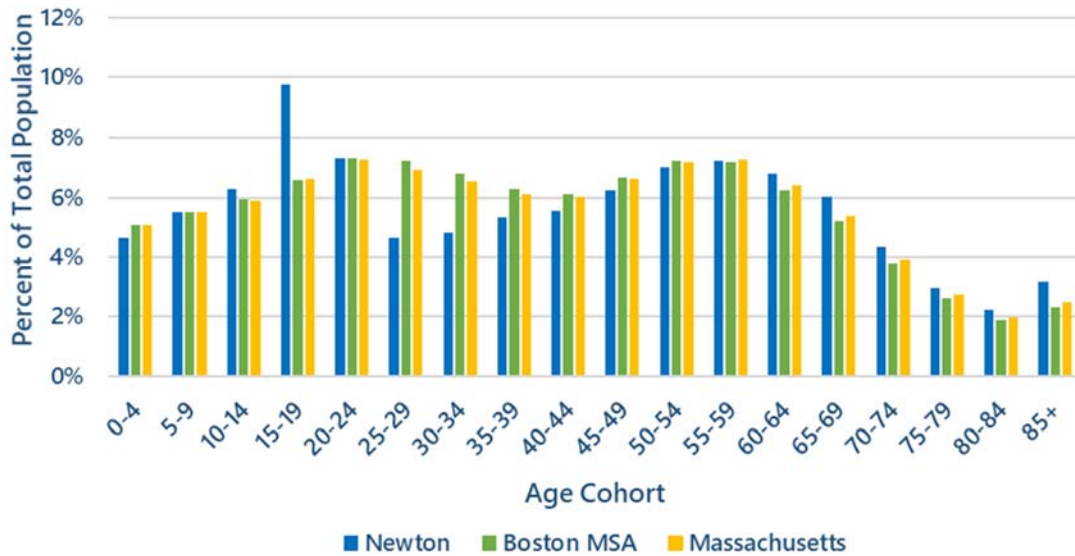
⁴ UMass Donahue Institute



Age

When examining age distribution (Figure 4) Newton has a significant lack of young adults (25 to 40-year-olds) relative to the MSA and state overall. This age distribution is in part a function of the housing market, which is skewed toward single-family homes and has limited affordable options for young adults. Newton also has a slightly higher share of seniors age 60 and over as compared to the other geographies. Despite this difference in age distribution, the median age of Newtonians is similar to the MSA, state, and nation (see Table 3).

Share of Population by Age Cohort, 2017



Source: Esri

Figure 4: Share of Population by Age Cohort, 2017

2017 Median Age

	Newton	Boston MSA	Massachusetts	United States
2017 Median Age	41.4	39.4	40.0	38.2

Source: Esri

Table 3: 2017 Median Age

The 15-to-19-year-old cohort stands out in Figure 4, with this age group accounting for a significantly higher share of the population relative to the state and MSA. This is due to the high number of younger undergraduates (18- and 19-year-olds) living on campus at colleges within Newton. Boston College (BC), Lasell College, and Mount Ida College have a total of approximately 12,500 undergraduate students enrolled, and of those, 10,000 live on campus. While Lasell and Mount Ida are completely within Newton’s city limits, a portion of Boston College’s Chestnut Hill campus is located within Boston. Many of BC’s upperclassmen (juniors and seniors) are housed in the Boston portion of the campus, and thus, are not counted in Newton’s population. Freshman and sophomores, however, tend to live in BC dormitories located within Newton.

The three colleges collectively account for approximately 6,300 on-campus undergraduate residents, or about 7% of the city’s total population. Of those, an estimated 3,900 are college freshmen and sophomores, who make up

about 45% of residents in Newton's 15-to-19 cohort, with high school students accounting for much of the remainder. College students (primarily juniors and seniors) make up about 38% of the city's 20-to-24 cohort.

2017 Undergraduate Population

	Undergraduate Population	Pct. On Campus	Number On Campus	On Campus in Newton
Boston College	9,309	84%	7,820	4,119
Lasell College	1,788	75%	1,341	1,341
Mount Ida College	1,357	62%	841	841
Total	12,454		10,002	6,301

Source: Boston College, Lasell College, Mount Ida College websites

Table 4: Undergraduate Population

Table 5 compares Newton's population by age between 2006 and 2016. The senior age group has shown significant growth over this period, with the number of residents over 60 jumping from 17.2% in 2006 to 24.5% in 2016. Meanwhile, the young adult age groups (20 to 39) shrank from 25.0% to 20.4%. While the 25-to-29 age group continues to represent a small share of the overall population relative to the state and MSA, it is the only young adult group to expand over this period.

Newton Population by Age, 2006-2016

Age Group	2006 Pop'n	2011 Pop'n	2016 Pop'n	2006, % of Total	2011, % of Total	2016, % of Total	Change, '06-'16	% Change, '06-'16
Under 5 years	4,803	4,896	4,808	5.8%	5.7%	5.4%	5	0.1%
5 to 9 years	5,548	4,295	5,521	6.7%	5.0%	6.2%	(27)	(0.5%)
10 to 14 years	4,969	4,810	6,589	6.0%	5.6%	7.4%	1,621	32.6%
15 to 19 years	8,364	7,387	8,637	10.1%	8.6%	9.7%	274	3.3%
20 to 24 years	7,950	7,129	6,322	9.6%	8.3%	7.1%	(1,628)	(20.5%)
25 to 29 years	2,401	2,920	3,651	2.9%	3.4%	4.1%	1,249	52.0%
30 to 34 years	3,726	4,810	3,295	4.5%	5.6%	3.7%	(432)	(11.6%)
35 to 39 years	6,625	6,185	4,897	8.0%	7.2%	5.5%	(1,727)	(26.1%)
40 to 44 years	6,459	4,896	6,500	7.8%	5.7%	7.3%	41	0.6%
45 to 49 years	7,039	4,467	6,233	8.5%	5.2%	7.0%	(806)	(11.4%)
50 to 54 years	5,217	7,129	5,966	6.3%	8.3%	6.7%	749	14.4%
55 to 59 years	5,548	7,129	4,719	6.7%	8.3%	5.3%	(829)	(14.9%)
60 to 64 years	3,809	5,154	5,699	4.6%	6.0%	6.4%	1,890	49.6%
65 to 69 years	2,319	4,037	5,788	2.8%	4.7%	6.5%	3,469	149.6%
70 to 74 years	2,070	2,835	2,849	2.5%	3.3%	3.2%	779	37.6%
75 to 79 years	1,905	2,147	1,959	2.3%	2.5%	2.2%	54	2.9%
80 to 84 years	2,236	2,663	1,781	2.7%	3.1%	2.0%	(455)	(20.3%)
85 years and over	1,905	3,092	3,740	2.3%	3.6%	4.2%	1,835	96.4%
Total	82,810	85,897	89,045	100.0%	100.0%	100.0%	6,235	7.5%

Source: Census Population Estimates; ACS 1-Yr Estimates

Table 5: Newton Population Change by Age Cohort, 2006-2016



A look at population change by cohort birth year provides further insight into the groups that have driven Newton's recent population growth. Table 6 tracks the change in each age cohort over time in order to identify the groups that are moving into and out of Newton. The on-campus undergraduate population is removed from these figures since these students typically live in Newton only for a set amount of time and do not form households in the city.

Newton Population Change by Age Cohort, 2006-2016, Excluding On-Campus Undergraduates

Cohort Birth Year	Cohort Age in 2016	2006 Cohort Size	2011 Cohort Size	2016 Cohort Size	Cohort Change 2006-2011	Cohort Change 2011-2016	Cohort Change 2006-2016
2012-2016	Under 5 years	--	--	4,808	--	4,808	4,808
2007-2011	5 to 9 years	--	4,896	5,521	4,896	625	5,521
2002-2006	10 to 14 years	4,803	4,295	6,589	(508)	2,294	1,786
1997-2001	15 to 19 years	5,548	4,810	4,766	(738)	(44)	(782)
1992-1996	20 to 24 years	4,969	3,516	3,892	(1,453)	376	(1,077)
1987-1991	25 to 29 years	4,493	4,699	3,651	207	(1,048)	(842)
1982-1986	30 to 34 years	5,520	2,920	3,295	(2,599)	374	(2,225)
1977-1981	35 to 39 years	2,401	4,810	4,897	2,409	87	2,496
1972-1976	40 to 44 years	3,726	6,185	6,500	2,458	316	2,774
1967-1971	45 to 49 years	6,625	4,896	6,233	(1,729)	1,337	(392)
1962-1966	50 to 54 years	6,459	4,467	5,966	(1,993)	1,499	(493)
1957-1961	55 to 59 years	7,039	7,129	4,719	91	(2,410)	(2,319)
1952-1956	60 to 64 years	5,217	7,129	5,699	1,912	(1,431)	482
1947-1951	65 to 69 years	5,548	5,154	5,788	(394)	634	240
1942-1946	70 to 74 years	3,809	4,037	2,849	228	(1,188)	(960)
1937-1941	75 to 79 years	2,319	2,835	1,959	516	(876)	(360)
1932-1936	80 to 84 years	2,070	2,147	1,781	77	(367)	(289)
1931 or earlier	85 years and over	6,045	5,755	3,740	(290)	(2,015)	(2,305)
Total (Excl. On-Campus Undegrad)		76,591	79,682	82,655	3,090	2,973	6,063

Note: Numbers in **bold italics** adjusted to remove on-campus undergraduates.

Source: Census Population Estimates; ACS 1-Yr Estimates

Table 6: Newton Population Change by Age Cohort, 2006-2016

Positive change in the size of an age cohort between 2006 and 2016 indicates that growth is attributable to factors beyond the simple aging of the population: net in-migration and net births. Similarly, negative change indicates net out-migration and net deaths.

Cohorts experiencing net gains in population over this period include those born between 1972 and 1981, "young Gen Xers," who were between 35 and 44 in 2016. Over 5,000 individuals in this cohort moved to Newton between 2006 and 2016 on net, with most of this in-migration occurring over the first half of this period. The growth of this generational cohort is mirrored by an increase in young children (those born between 2007 and 2016).

Since 2011, the in-migration of the younger Gen X cohort has slowed, while the in-migration of the older Gen X cohort (those born between 1962 and 1971) has reversed its decline. Meanwhile, the number of children under the age of 10 in Newton has remained steady. These trends suggest that more recently couples are moving into Newton when they are older – likely due to high housing prices – and also having children later. Gen Xers and their children have thus been the primary drivers of population growth in the city over the last decade.

The city has experienced a net out-migration of over 4,000 Millennials (those born between 1982 and 1996) between 2006 and 2016. While this could be an indication of a natural progression of Newton-based students leaving home to pursue college or career opportunities, it could also reflect a lack of opportunity for this age cohort, especially for those not on the college track. High housing costs coupled with lower wages without a degree (or early in one’s career) is likely a major reason why so many Millennials are moving out of Newton.

Perhaps more surprisingly, another age cohort showing net out-migration over this period are those who were between 55 and 59 in 2016. This may reflect a desire among empty nesters to downsize from their single-family homes once children are out of the house. Empty nesters can capitalize on high home values, opening up housing options for young families, while simultaneously finding less expensive housing outside of the city. Net declines among the oldest generations (70 years and up) are, of course, primarily due to mortality.

Unemployment Rates

The 2017 unemployment rate in Newton is lower than that of the other comparison geographies at 3.6%.

2017 Unemployment Rates

	Newton	Boston MSA	Massachusetts	United States
2017 Unemployment Rate	3.6%	5.0%	5.0%	5.5%

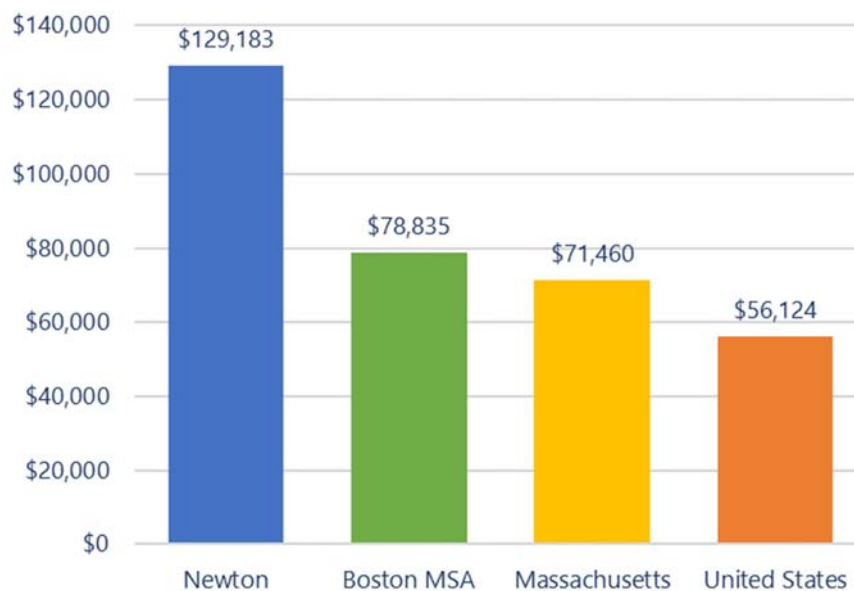
Source: Esri

Table 7: 2017 Unemployment Rates

Income

Median household income in Newton is very high compared to the other geographic locations analyzed. In 2017, Newton median household income stands at just over \$129,000, 63% higher than the Boston MSA median income and significantly higher than the US.

2017 Median Household Income



Source: Esri

Figure 5: 2017 Median Household Income

Household Income Distribution, 2017

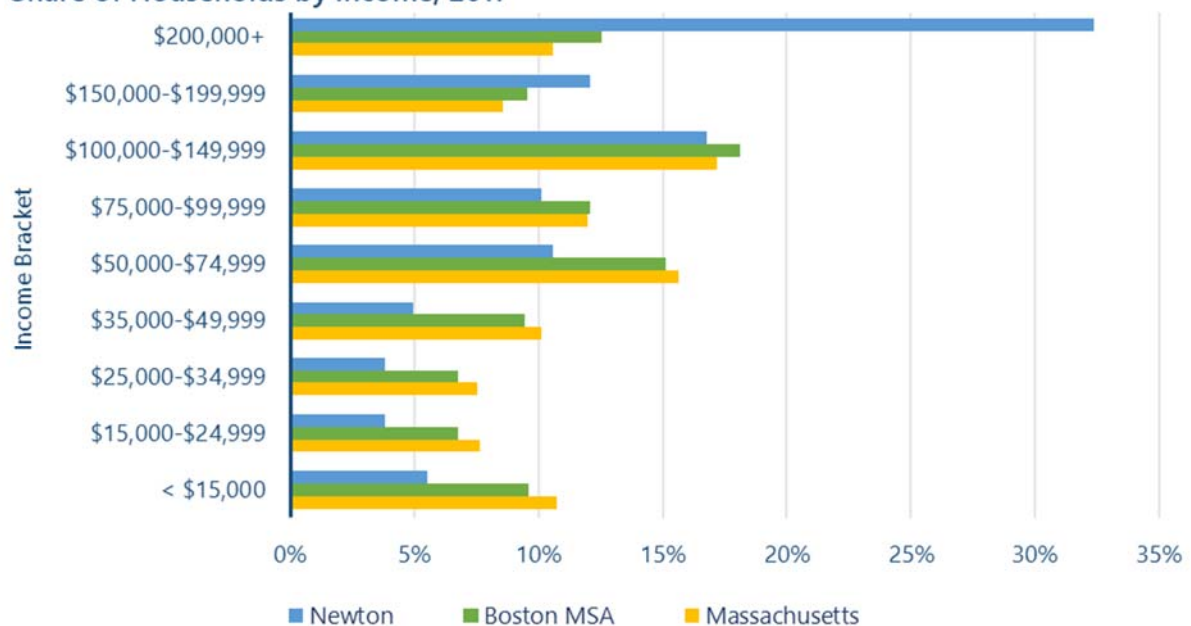
Income Range	Newton	Newton Pct.	Boston MSA Pct.	Massachusetts Pct.
< \$15,000	1,776	6%	10%	11%
\$15,000-\$24,999	1,225	4%	7%	8%
\$25,000-\$34,999	1,236	4%	7%	8%
\$35,000-\$49,999	1,596	5%	9%	10%
\$50,000-\$74,999	3,414	11%	15%	16%
\$75,000-\$99,999	3,263	10%	12%	12%
\$100,000-\$149,999	5,418	17%	18%	17%
\$150,000-\$199,999	3,892	12%	10%	9%
\$200,000+	10,441	32%	13%	11%
Total	32,261	100%	100%	100%

Source: Esri

Table 8: Household Income Distribution, 2017

Household incomes in Newton are skewed toward the highest income bracket, with 32% of households earning at least \$200,000 annually. As Table 9 indicates, this is over 10,000 households. This compares to just 13% of households in the Boston MSA and 11% in Massachusetts. This trend was also found in the 2016 Housing Needs Analysis, which found that between 2000 and 2013 Newton gained 4,200 households earning \$200,000 or more, while at the same time losing 4,700 households earning \$125,000 or less.⁵ Low, moderate, and middle-income residents being replaced by high-income residents. This declining economic diversity can result in an increasing difficulty to fill low and middle-skill jobs.

Share of Households by Income, 2017



Source: Esri

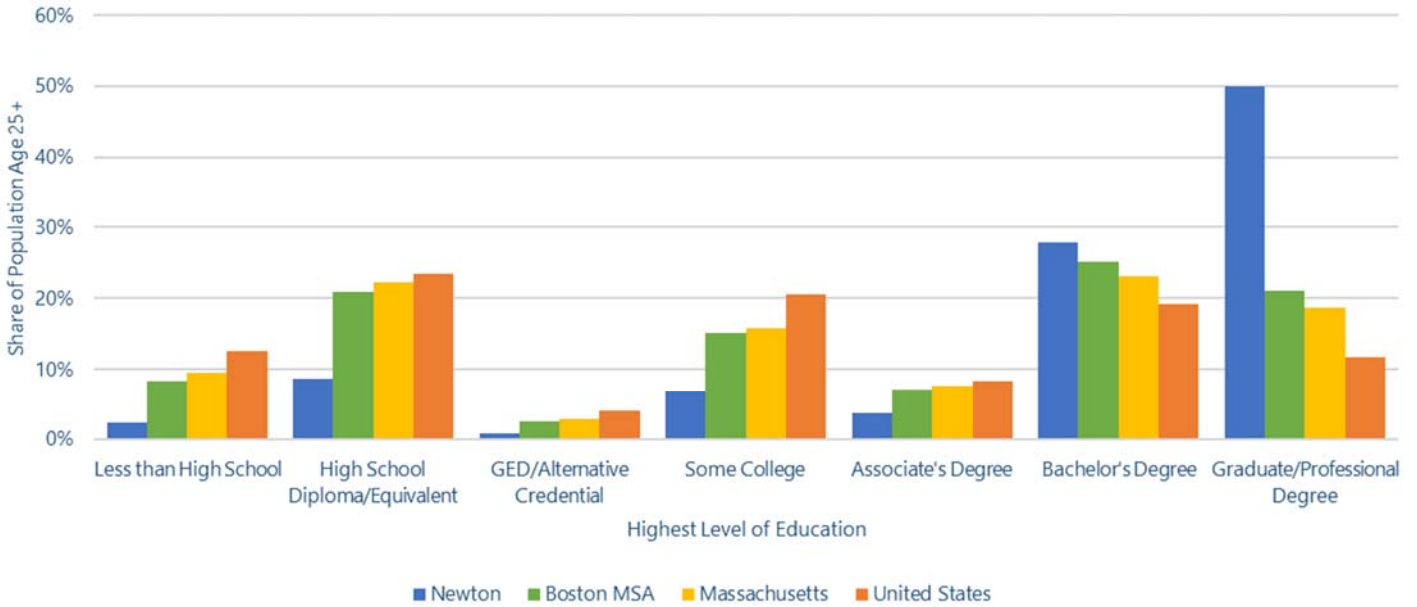
Figure 6: Share of Households by Income, 2017

⁵ Housing Needs Analysis and Strategic Recommendations, June 2016, Housing Strategy Report, pg. 36
<http://www.newtonma.gov/civicax/filebank/documents/76450>

Educational Attainment

Newton residents have a very high level of education. Seventy-eight percent (78%) of Newton’s 25-and-up population has at least a bachelor’s degree. This compares to 46% in the Boston MSA and 42% in Massachusetts. Half (50%) of Newton residents have a graduate or professional degree. Half (50%) of Newton residents have a graduate or professional degree.

Educational Attainment, 2017: Population Age 25+



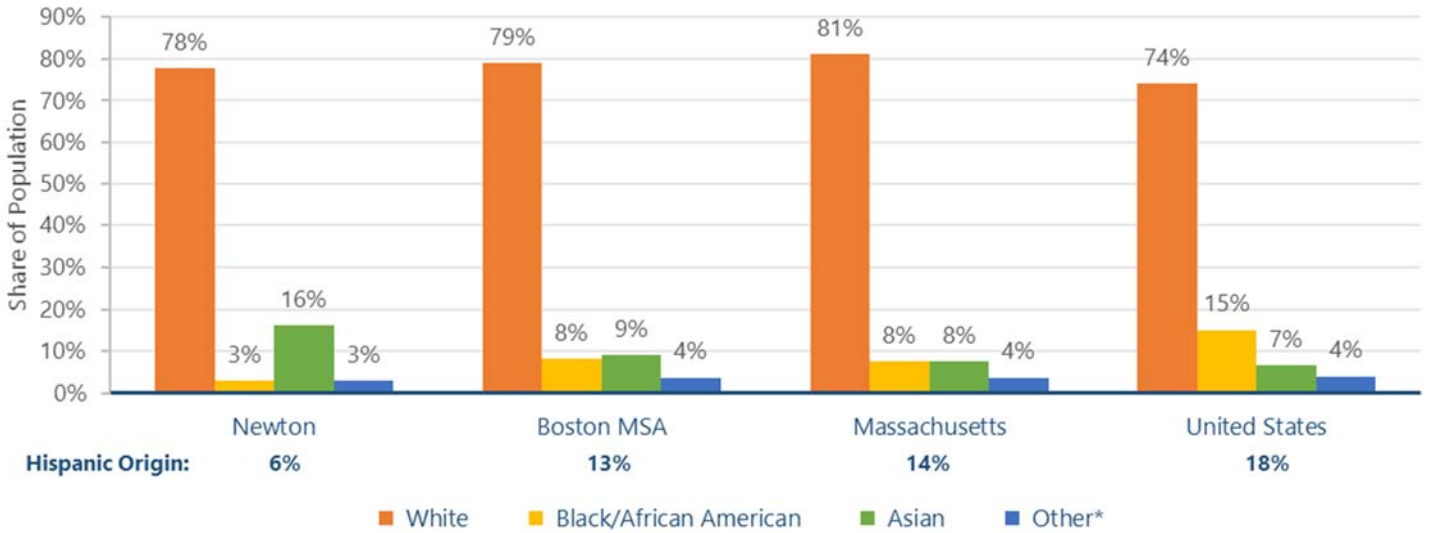
Source: Esri

Figure 7: Educational Attainment, 2015: Population Age 25+

Race/Ethnicity

Non-white residents comprise about 22% of Newton’s population compared to 21% and 20%, respectively, in the Boston MSA and Massachusetts. Newton has a significant Asian population, with 16% of residents self-identifying their race as Asian, compared to 9% in the MSA, and 8% in the state overall. Newton has disproportionately small black and Hispanic populations. Note that people who identify their origin as Hispanic can be of any race.

Share of Population by Race and Hispanic Origin, 2017



*Includes the following responses: American Indian, Pacific Islander, Some Other Race, Two or More Races

Source: Esri

Figure 8: Share of Population by Race and Hispanic Origin, 2017

Nativity

Newton's foreign-born residents comprise 21% of the city's population. By contrast, only 16% of the Boston MSA population is foreign-born. At a national level, just 13% of the population is foreign born.

Nativity of Population

	Native-Born		Foreign-Born		Total
	Population	Pct. of Total	Population	Pct. of Total	
Newton	69,433	79%	18,884	21%	88,317
Boston MSA	3,487,416	81%	815,150	19%	4,302,566
Massachusetts	5,680,682	84%	1,061,461	16%	6,742,143
United States	276,363,808	87%	42,194,354	13%	318,558,162

Source: 2016 ACS 5-Year Estimates

Table 10: Nativity of Population

Foreign-born residents of Newton hail from around the globe (Table 11). Residents born in China account for 22% of the foreign-born population, the most of any country. Russia follows with 6.9% of all foreign-born residents. India, Korea, and Ukraine round out the top five.

Top 10 Countries of Origin of the Foreign-Born Newton Population

Place of Birth	Foreign-Born Population	Pct. of All Foreign-Born
China	4,150	22.0%
Russia	1,299	6.9%
India	1,201	6.4%
Korea	1,131	6.0%
Ukraine	728	3.9%
United Kingdom	714	3.8%
Canada	585	3.1%
Iran	503	2.7%
Israel	458	2.4%
Italy	429	2.3%
Total (Top 10)	11,198	59.3%
Total (All Foreign-Born)	18,884	100.0%

Source: 2016 ACS 5-Year Estimates

Table 11: Top 10 Countries of Origin of the Foreign-Born Newton Population

Commute Patterns

Table 12 and Table 13 show the top 10 places of work for Newton residents, and the top 10 places of residence for Newton workers. Boston is the most common commute destination for Newton residents, with 34% of residents traveling to Boston for work. Just 15% of Newton residents also work in Newton. Together, Boston and Newton account for about half of residents' commute destinations, and the top 10 places of work account for 72% of all work destinations, indicating that jobs held by Newton residents are heavily concentrated in a small number of cities and towns.

Eleven percent (11%) of people who work in Newton also live in the city; 18% are residents of Boston. This points to a substantial number of workers who are "reverse commuting" from the regional core (Boston) out to suburban Newton. Collectively, the top 10 places of residence for Newton workers account for 47% of all workers, indicating that the commute shed for in-commuters is geographically more dispersed than that of out-commuters. This pattern can be seen in Figure 9 and Figure 10.

Commute patterns are also discussed in the City of Newton's 2017 transportation strategy, *Newton Leads 2040: A Transportation Strategy for Newton*. In 2010, 73% of Newtonians drove to work, 13% used public transit, 9% worked at home, 4% walked, 1% bicycled, and 1% used another means.⁶

Top 10 Places of Work for Newton Residents

Place of Work	Number of Residents	Percent of Residents
Boston, MA	13,751	34%
Newton, MA	5,948	15%
Cambridge, MA	3,065	7%
Waltham, MA	2,055	5%
Brookline, MA	1,019	2%
Framingham, MA	821	2%
Needham, MA	758	2%
Watertown, MA	730	2%
Burlington, MA	719	2%
Wellesley, MA	637	2%
Total (Top 10)	29,503	72%
Total (All Places of Work)	40,972	100%

Source: US Census 2015 OnTheMap

Table 12: Top 10 Places of Work for Newton Residents

Top 10 Places of Residence for Newton Workers

Place of Residence	Number of Workers	Percent of Workers
Boston, MA	10,454	18%
Newton, MA	5,948	11%
Waltham, MA	2,072	4%
Framingham, MA	1,410	3%
Brookline, MA	1,302	2%
Needham, MA	1,177	2%
Watertown, MA	1,122	2%
Somerville, MA	1,079	2%
Cambridge, MA	1,019	2%
Quincy, MA	844	2%
Total (Top 10)	26,427	47%
Total (All Places of Residence)	56,718	100%

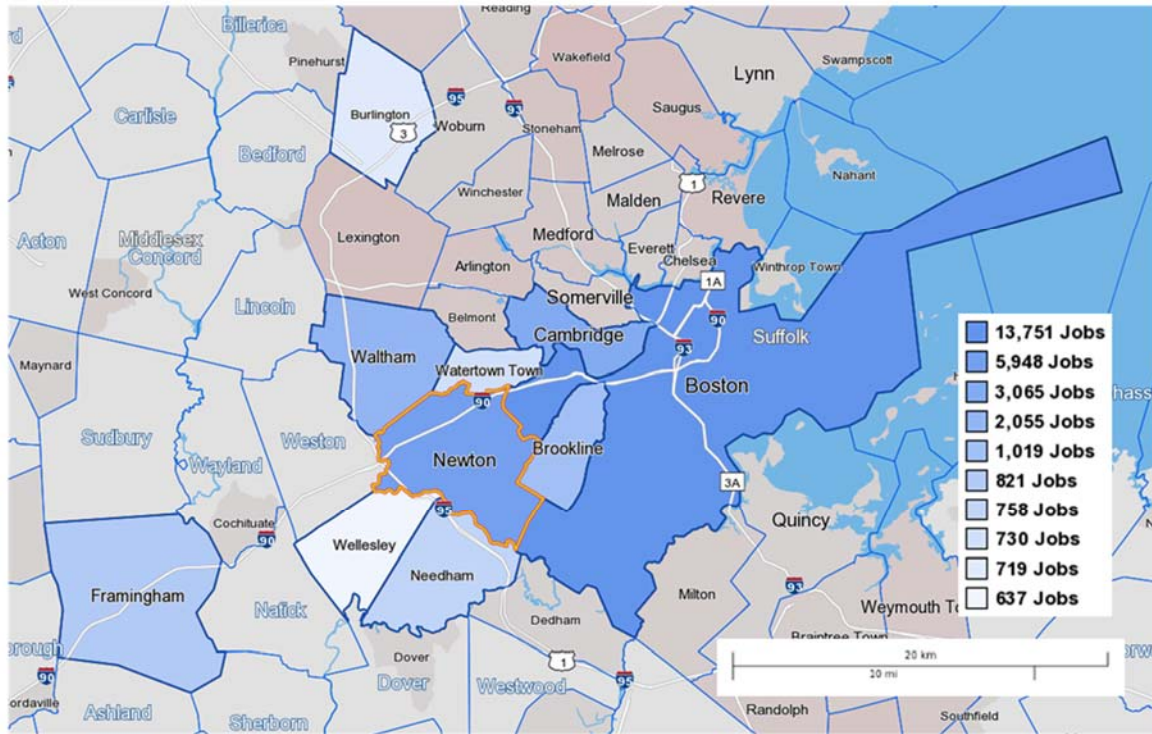
Source: US Census 2015 OnTheMap

Table 13: Top 10 Places of Residence for Newton Workers

⁶Newton Leads 2040: A Transportation Strategy for Newton, page 3-21, 3-22 <http://www.newtonma.gov/civicax/filebank/documents/82026>



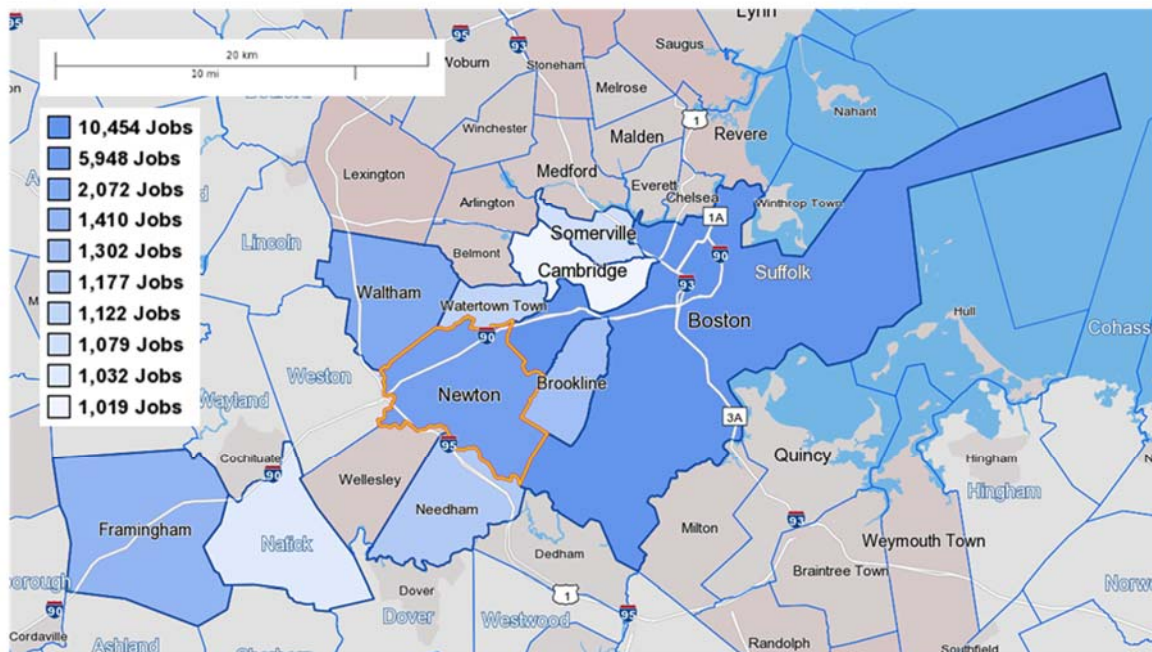
Top Places of Work for Newton Residents



Source: US Census 2015 OnTheMap

Figure 9: Top Places of Work for Newton Residents

Top Places of Residence for Newton Workers



Source: US Census 2015 OnTheMap

Figure 10: Top Places of Residence for Newton Workers

Economic Base Analysis

Establishment and Job Growth by Stage

Between 2006 and 2016, the number of establishments in the Boston MSA increased by 61.8%, compared to 63.6% nationally. Stage 1 firms—firms with between 2 and 9 employees—constituted the largest proportion of growth in the MSA, growing by 104,000 and accounting for 70% of the overall increase in number of establishments. This trend was mirrored at the national level. Establishments in this stage represented 71% of all establishments in 2016, up from 66% ten years prior. Stage 4 firms—those with 500 or more employees—were the only group to lose establishments over this period, declining by 3%.

Establishments by Stage, Boston MSA

Establishment Stage (No. of Employees)	2006	2016	2016 Pct. of Total	2006-2016 Change	2006-2016 Pct. Change
Self-Employed (1)	29,385	46,261	12.1%	16,876	57.4%
Stage 1 (2-9)	161,273	265,799	69.6%	104,526	64.8%
Stage 2 (10-99)	41,013	64,994	17.0%	23,981	58.5%
Stage 3 (100-499)	3,780	4,202	1.1%	422	11.2%
Stage 4 (500+)	431	418	0.1%	(13)	-3.0%
Total	235,882	381,674	100%	145,792	61.8%

Source: YourEconomy.org

Table 14: Establishments by Stage, Boston MSA

Establishments by Stage, United States

Establishment Stage (No. of Employees)	2006	2016	2016 Pct. of Total	2006-16 Change	2006-16 Pct. Change
Self-Employed (1)	1,916,894	2,702,232	12.2%	785,338	41.0%
Stage 1 (2-9)	9,014,471	15,762,857	71.2%	6,748,386	74.9%
Stage 2 (10-99)	2,382,902	3,430,521	15.5%	1,047,619	44.0%
Stage 3 (100-499)	191,684	211,234	1.0%	19,550	10.2%
Stage 4 (500+)	21,514	21,622	0.1%	108	0.5%
Total	13,527,465	22,128,466	100%	8,601,001	63.6%

Source: YourEconomy.org

Table 15: Establishments by Stage, United States

Stage 1 firms (2-9 employees) contributed the largest growth in number of jobs over the ten-year period, adding 436,917 jobs and making up over half all job growth. Stage 2 firms (10 to 99 employees) contributed the majority of the other half of job growth, creating over 425,000 jobs. Stage 4 firms were the only group to shed jobs over the period, pointing to a regional shift in which job growth is occurring mostly at small and medium sized firms. These trends were similar nationally, with Stage 1 firms accounting for 75% of all job growth, and Stage 4 firms being the only category to lose jobs.

Jobs by Stage of Establishment, Boston MSA

Establishment Stage (No. of Employees)	2006	2016	2016 Pct. of Total	2006-2016 Change	2006-2016 Pct. Change
Self-Employed (1)	29,385	46,261	1.3%	16,876	57.4%
Stage 1 (2-9)	605,693	1,042,610	28.4%	436,917	72.1%
Stage 2 (10-99)	998,471	1,424,232	38.8%	425,761	42.6%
Stage 3 (100-499)	649,901	695,685	19.0%	45,784	7.0%
Stage 4 (500+)	537,288	457,701	12.5%	(79,587)	-14.8%
Total	2,820,738	3,666,489	100%	845,751	30.0%

Source: YourEconomy.org

Table 16: Jobs by Stage of Establishment, Boston MSA

Jobs by Stage of Establishment, United States

Establishment Stage (No. of Employees)	2006	2016	2016 Pct. of Total	2006-16 Change	2006-16 Pct. Change
Self-Employed (1)	1,916,894	2,702,232	1.3%	785,338	41.0%
Stage 1 (2-9)	34,421,332	60,258,782	29.7%	25,837,450	75.1%
Stage 2 (10-99)	57,894,480	78,172,269	38.6%	20,277,789	35.0%
Stage 3 (100-499)	33,103,027	35,708,531	17.6%	2,605,504	7.9%
Stage 4 (500+)	26,931,302	25,910,350	12.8%	(1,020,952)	-3.8%
Total	154,267,035	202,752,164	100%	48,485,129	31.4%

Source: YourEconomy.org

Table 17: Jobs by Stage of Establishment, United States

Employment by Sector (2-digit NAICS)

Newton is home to approximately 4,700 establishments employing in total approximately 79,500 jobs, having added about 10,000 jobs over the last ten years, an increase of 14%. There is an anticipated increase of 7,300 jobs (9%) in the next ten years. The section below outlines what to expect in terms of growing and shrinking sectors.

Education Services are a major sector in Newton. The Educational Services sector (NAICS 61), as categorized by EMSI, includes schools, colleges, universities and training centers, which are privately owned. All public schools are included in the Government sector (NAICS 90).

Current Employment by Sector

Table 18 shows the distribution of employment by 2-digit employment sectors. The top five sectors for 2017 include:

- Educational Services (private) (21,350 jobs or 27% of all jobs)
- Healthcare and Social Assistance (13,062 jobs 16% of all jobs)
- Professional, Scientific and Technical Services (7,008 jobs or 9% of all jobs)
- Retail Trade (5,347 jobs or 7% of all jobs)
- Government (4,997 jobs or 6% of all jobs)

Past Growth

Between 2007 and 2017 Health Care and Social Assistance sector employment outpaced that of any other sector in number of jobs, adding 3,694 for an increase of 39%. Educational Services grew by 2,460 jobs or 13%, and Professional, Scientific, and Technical Services also showed significant growth, expanding by 1,143 jobs, or 19%. Transportation and Warehousing increased by 69% and added 244 jobs. Other notable growth sectors included Other Services⁷ (increasing by 591 jobs or 19%); Accommodation and Food Services (increasing by 591 jobs with 19% growth); and Art and Entertainment (increasing by 520 jobs).

Wholesale Trade experienced the biggest contraction in the past ten years, shedding almost 1,000 jobs, or 43% of its workforce. Finance and Insurance lost 225 jobs (-9%) and Retail Trade contracted by 188 positions. Manufacturing contracted by 62 jobs or 12%.

Projected Growth

Healthcare and Social Assistance is the industry with the most notable anticipated growth, growing by 22% and adding just under 3,000 jobs to the Newton economy. Education Services will add about 2,000 jobs growing by 9%. Professional, Scientific, and Technical Services will increase by 10% with 731 added jobs, and Other Services will expand by 15% adding 568 new jobs. Real Estate and Rental Leasing and Arts, Entertainment, and Recreation are the other largest growing sectors.

Earnings

Average earnings per job (including wages and supplements) in Newton was about \$72,000 in 2017 (Table 18). Sectors with the highest average earnings included Management of Companies and Enterprises (\$186,000), Information (\$149,000), and Wholesale Trade (\$140,000). Arts, Entertainment, and Recreation and Accommodation and Food Services were at the low end of the earnings spectrum, both earning about \$28,000 annually.

⁷ The Other Services (except Public Administration) sector comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grantmaking, advocacy, and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Employment by Sector, 2-digit NAICS – Newton

NAICS	Description	2007 Jobs	2017 Jobs	2027 Jobs	2007-2017 Change	2007 - 2017 % Change	2017-2027 Change	2017-2027 % Change	Avg. Earnings Per Job
11	Agriculture, Forestry, Fishing and Hunting	40	68	82	28	70%	14	21%	\$ 80,911
21	Mining, Quarrying, and Oil and Gas Extraction	<10	<10	<10	Insf. Data	Insf. Data	Insf. Data	Insf. Data	Insf. Data
22	Utilities	-	-	-	-	0%	0	0.0%	\$ -
23	Construction	1,381	1,536	1,795	155	11%	259	17%	\$ 83,812
31	Manufacturing	519	457	420	(62)	(12%)	(37)	(8%)	\$ 77,175
42	Wholesale Trade	2,305	1,316	930	(989)	(43%)	(386)	(29%)	\$ 140,139
44	Retail Trade	5,535	5,347	5,159	(188)	(3%)	(188)	(4%)	\$ 36,884
48	Transportation and Warehousing	356	600	755	244	69%	155	26%	\$ 39,380
51	Information	1,848	2,335	2,382	487	26%	47	2%	\$ 149,417
52	Finance and Insurance	2,612	2,387	2,313	(225)	(9%)	(74)	(3%)	\$ 135,068
53	Real Estate and Rental and Leasing	2,350	2,821	3,148	471	20%	327	12%	\$ 74,320
54	Professional, Scientific, and Technical Services	5,865	7,008	7,739	1,143	19%	731	10%	\$ 121,796
55	Management of Companies and Enterprises	588	740	774	152	26%	34	5%	\$ 185,928
56	Administrative and Support	4,063	4,535	4,685	472	12%	150	3%	\$ 49,428
61	Educational Services	18,890	21,350	23,345	2,460	13%	1,995	9%	\$ 68,897
62	Health Care and Social Assistance	9,368	13,062	15,974	3,694	39%	2,912	22%	\$ 60,285
71	Arts, Entertainment, and Recreation	2,892	3,412	3,826	520	18%	414	12%	\$ 28,009
72	Accommodation and Food Services	3,087	3,678	3,924	591	19%	246	7%	\$ 28,133
81	Other Services (except Public Administration)	3,111	3,849	4,417	738	24%	568	15%	\$ 29,667
90	Government	4,774	4,997	5,138	223	5%	141	3%	\$ 95,280
99	Unclassified Industry	-	-	-	-	0%	0	0%	\$ -
TOTAL		69,588	79,506	86,816	9,918	14%	7,310	9%	\$ 71,943

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 18: Employment by Sector, 2-digit NAICS - Newton

Regional Comparison

Table 19 and Table 20 tabulate the same data in Table 18 for the Boston MSA and Massachusetts.

Employment by Sector, 2-digit NAICS – Boston MSA

NAICS	Description	2007 Jobs	2017 Jobs	2027 Jobs	2007 - 2017 % Change	2017-2027 % Change	Avg. Earnings Per Job
11	Agriculture, Forestry, Fishing and Hunting	6,068	7,995	9,049	32%	13%	\$ 51,310
21	Mining, Quarrying, and Oil and Gas Extraction	1,075	668	669	(38%)	0%	\$ 80,462
22	Utilities	6,640	6,595	5,574	(1%)	(15%)	\$ 159,210
23	Construction	134,186	137,485	154,018	2%	12%	\$ 78,334
31	Manufacturing	207,906	177,424	159,276	(15%)	(10%)	\$ 116,238
42	Wholesale Trade	100,798	88,582	86,463	(12%)	(2%)	\$ 112,960
44	Retail Trade	257,225	264,276	269,008	3%	2%	\$ 39,484
48	Transportation and Warehousing	58,144	64,350	66,172	11%	3%	\$ 61,319
51	Information	76,097	81,372	83,241	7%	2%	\$ 137,535
52	Finance and Insurance	159,920	149,528	155,304	(6%)	4%	\$ 180,554
53	Real Estate and Rental and Leasing	44,058	45,659	47,995	4%	5%	\$ 83,883
54	Professional, Scientific, and Technical Services	247,330	303,375	339,969	23%	12%	\$ 134,943
55	Management of Companies and Enterprises	49,206	55,405	54,978	13%	(1%)	\$ 166,246
56	Administrative and Support	150,812	155,283	161,534	3%	4%	\$ 54,983
61	Educational Services	152,037	179,461	195,911	18%	9%	\$ 60,308
62	Health Care and Social Assistance	352,391	452,725	535,595	28%	18%	\$ 69,322
71	Arts, Entertainment, and Recreation	43,322	54,578	61,132	26%	12%	\$ 43,885
72	Accommodation and Food Services	184,161	226,659	243,743	23%	8%	\$ 28,581
81	Other Services (except Public Administration)	122,531	134,557	143,006	10%	6%	\$ 36,152
90	Government	306,071	319,864	326,071	5%	2%	\$ 92,033
99	Unclassified Industry	40	37	30	(8%)	(19%)	\$ 55,715
TOTAL		2,660,019	2,905,879	3,098,738	9%	7%	\$ 83,756

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 19: Employment by Sector, 2-digit NAICS - Boston MSA

Employment by Sector, 2-digit NAICS – Massachusetts

NAICS	Description	2007 Jobs	2017 Jobs	2027 Jobs	2007 - 2017 % Change	2017-2027 % Change	Avg. Earnings Per Job
11	Agriculture, Forestry, Fishing and Hunting	11,678	14,242	15,504	22%	9%	\$ 52,487
21	Mining, Quarrying, and Oil and Gas Extraction	1,527	1,082	1,105	(29%)	2%	\$ 80,137
22	Utilities	9,861	10,960	10,134	11%	(8%)	\$ 155,976
23	Construction	192,260	193,818	214,583	1%	11%	\$ 73,939
31	Manufacturing	300,858	249,659	219,839	(17%)	(12%)	\$ 107,659
42	Wholesale Trade	142,347	127,580	127,245	(10%)	(0%)	\$ 109,312
44	Retail Trade	368,107	367,429	367,226	(0%)	(0%)	\$ 38,754
48	Transportation and Warehousing	80,437	91,776	95,575	14%	4%	\$ 57,974
51	Information	91,602	92,988	92,558	2%	(0%)	\$ 130,612
52	Finance and Insurance	189,542	176,701	181,761	(7%)	3%	\$ 168,825
53	Real Estate and Rental and Leasing	56,468	56,396	58,642	(0%)	4%	\$ 77,696
54	Professional, Scientific, and Technical Services	289,187	351,181	391,901	21%	12%	\$ 128,985
55	Management of Companies and Enterprises	61,378	66,220	63,813	8%	(4%)	\$ 158,026
56	Administrative and Support	193,089	200,166	208,685	4%	4%	\$ 51,332
61	Educational Services	189,858	226,560	247,067	19%	9%	\$ 56,952
62	Health Care and Social Assistance	496,409	647,039	762,814	30%	18%	\$ 64,995
71	Arts, Entertainment, and Recreation	59,960	73,179	80,634	22%	10%	\$ 40,514
72	Accommodation and Food Services	259,393	308,400	326,413	19%	6%	\$ 27,403
81	Other Services (except Public Administration)	180,704	180,224	188,039	(0%)	4%	\$ 34,966
90	Government	441,945	466,320	477,451	6%	2%	\$ 87,599
99	Unclassified Industry	-	-	-	0%	0%	\$ -
TOTAL		3,616,610	3,901,919	4,130,989	8%	6%	\$ 77,700

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 20: Employment by Sector, 2-digit NAICS – Massachusetts

Highly Concentrated Sectors

Location quotient (LQ) is a measure of industry concentration, indicating how concentrated a certain sector in a given area of study, relative to the nation as a whole. It can reveal what makes a particular region “unique” in comparison with the national average. An LQ greater than 1 indicates that sector employment in the study area is more concentrated than it is as the national level. In Newton (see Table 21) the sector with highest concentration is Educational Services with an LQ of 10.44, meaning that the share of Educational Services employment in these communities relative to total employment is more than 10 times greater than its share nationally. Other highly concentrated sectors include Arts, Entertainment, and Recreation (LQ = 2.51), and Real Estate and Rental and Leasing (LQ = 2.14).

2017 Location Quotient by Sector, 2-digit NAICS

NAICS	Description	Newton LQ	Boston MSA LQ	Mass. LQ
11	Agriculture, Forestry, Fishing and Hunting	0.07	0.23	0.30
21	Mining, Quarrying, and Oil and Gas Extraction	0.02	0.06	0.07
22	Utilities	0.00	0.65	0.80
23	Construction	0.36	0.88	0.92
31	Manufacturing	0.07	0.78	0.81
42	Wholesale Trade	0.44	0.81	0.87
44	Retail Trade	0.65	0.86	0.89
48	Transportation and Warehousing	0.22	0.64	0.68
51	Information	1.57	1.51	1.28
52	Finance and Insurance	0.78	1.33	1.17
53	Real Estate and Rental and Leasing	2.14	0.96	0.88
54	Professional, Scientific, and Technical Services	1.38	1.64	1.41
55	Management of Companies and Enterprises	0.66	1.36	1.21
56	Administrative and Support	0.91	0.86	0.82
61	Educational Services	10.44	2.40	2.26
62	Health Care and Social Assistance	1.31	1.24	1.32
71	Arts, Entertainment, and Recreation	2.51	1.10	1.10
72	Accommodation and Food Services	0.54	0.91	0.93
81	Other Services (except Public Administration)	1.01	0.97	0.96
90	Government	0.41	0.72	0.78
99	Unclassified Industry	0.00	0.01	0.00

**Includes wages and supplements*

Source: EMSI Complete Employment 2017.4

Table 21: 2017 Location Quotient by Sector, 2-digit NAICS

Regional Comparison of Employment Share by Sector

Table 22 summarizes each sector's share of total employment in Newton, the Boston MSA, Massachusetts, and the US. Notably, the proportion of Educational Services jobs in Newton is more than four times that of the MSA, and more among the other comparison geographies. In addition, about 16% of Newton jobs are in the Health Care and Social Assistance sector, in line with the MSA, the state and slightly higher than the nation. Manufacturing jobs comprise a comparatively smaller portion of the Newton economy, as do Government jobs, Accommodation and Food Services, and Construction.

2017 Employment Share by Sector, Regional Comparison

NAICS	Description	Newton	Boston MSA	Mass.	US
11	Agriculture, Forestry, Fishing and Hunting	0.1%	0.3%	0.4%	1.2%
21	Mining, Quarrying, and Oil and Gas Extraction	0.0%	0.0%	0.0%	0.4%
22	Utilities	0.0%	0.2%	0.3%	0.4%
23	Construction	1.9%	4.7%	5.0%	5.4%
31	Manufacturing	0.6%	6.1%	6.4%	7.9%
42	Wholesale Trade	1.7%	3.0%	3.3%	3.8%
44	Retail Trade	6.7%	9.1%	9.4%	10.6%
48	Transportation and Warehousing	0.8%	2.2%	2.4%	3.4%
51	Information	2.9%	2.8%	2.4%	1.9%
52	Finance and Insurance	3.0%	5.1%	4.5%	3.9%
53	Real Estate and Rental and Leasing	3.5%	1.6%	1.4%	1.6%
54	Professional, Scientific, and Technical Services	8.8%	10.4%	9.0%	6.4%
55	Management of Companies and Enterprises	0.9%	1.9%	1.7%	1.4%
56	Administrative and Support	5.7%	5.3%	5.1%	6.2%
61	Educational Services	26.9%	6.2%	5.8%	2.6%
62	Health Care and Social Assistance	16.4%	15.6%	16.6%	12.6%
71	Arts, Entertainment, and Recreation	4.3%	1.9%	1.9%	1.7%
72	Accommodation and Food Services	4.6%	7.8%	7.9%	8.5%
81	Other Services (except Public Administration)	4.8%	4.6%	4.6%	4.8%
90	Government	6.3%	11.0%	12.0%	15.3%
99	Unclassified Industry	0.0%	0.0%	0.0%	0.2%
		100.0%	100.0%	100.0%	100.0%

Source: EMSI Complete Employment 2017.4

Table 22: 2017 Employment Share by Sector, Regional Comparison

Historic Employment Growth by Sector

Economy-wide, employment in Newton expanded by 14% over the last decade. Massachusetts and the Boston MSA increased by about the same. The US lagged in comparison, growing by 4%. Sectors where employment growth in Newton significantly outpaced that of the comparison geographies include: Agriculture, Real Estate, Transportation and Warehousing, and Health Care. Newton significantly underperformed in Wholesale Trade, in which it lost 43% of jobs compared to losing 12% in the MSA, 10% in the state and 3% in the nation.

2007-2017 Percent Change in Employment, Regional Comparison

NAICS	Description	Newton	Boston MSA	Mass.	US
11	Agriculture, Forestry, Fishing and Hunting	70%	32%	22%	1%
21	Mining, Quarrying, and Oil and Gas Extraction	Insf. Data	(38%)	(29%)	(9%)
22	Utilities	0%	(1%)	11%	2%
23	Construction	11%	2%	1%	(14%)
31	Manufacturing	(12%)	(15%)	(17%)	(11%)
42	Wholesale Trade	(43%)	(12%)	(10%)	(3%)
44	Retail Trade	(3%)	3%	(0%)	2%
48	Transportation and Warehousing	69%	11%	14%	11%
51	Information	26%	7%	2%	(7%)
52	Finance and Insurance	(9%)	(6%)	(7%)	(3%)
53	Real Estate and Rental and Leasing	20%	4%	(0%)	(5%)
54	Professional, Scientific, and Technical Services	19%	23%	21%	15%
55	Management of Companies and Enterprises	26%	13%	8%	22%
56	Administrative and Support	12%	3%	4%	7%
61	Educational Services	13%	18%	19%	24%
62	Health Care and Social Assistance	39%	28%	30%	23%
71	Arts, Entertainment, and Recreation	18%	26%	22%	14%
72	Accommodation and Food Services	19%	23%	19%	17%
81	Other Services (except Public Administration)	24%	10%	(0%)	2%
90	Government	5%	5%	6%	1%
99	Unclassified Industry	0%	(8%)	0%	39%
TOTAL		14%	9%	8%	4%

Source: EMSI Complete Employment 2017.4

Table 23: 2007-2017 Percent Change in Employment, Regional Comparison

Average Earnings by Sector

Average earnings per job in Newton are slightly lower than the state average (roughly \$72,000 compared to \$78,000), and slightly lower than average earnings for the MSA (\$84,000). This compares to average earnings of about \$63,000 nationally.

Newton's top sectors, by number of jobs, are Educational Services, Health Care and Social Assistance, and Professional Services. Educational Services average earnings in Newton surpass the other comparison geographies, almost \$20,000 more than the national average. Health Care and Social Assistance average earnings are similar to the national average (\$60,000 versus \$58,000) but are below that of the MSA and state (\$69,000 and \$65,000). Newton exceeds the national average in the Professional Services sector (\$121,800 versus \$98,000) but falls short when compared to the MSA and state (\$135,000 and \$129,000).

2017 Average Earnings*, Regional Comparison

NAICS	Description	Newton	Boston MSA	Mass.	US
11	Agriculture, Forestry, Fishing and Hunting	\$ 80,911	\$ 51,310	\$ 52,487	\$ 35,700
21	Mining, Quarrying, and Oil and Gas Extraction	\$ -	\$ 80,462	\$ 80,137	\$ 121,333
22	Utilities	\$ -	\$ 159,210	\$ 155,976	\$ 140,096
23	Construction	\$ 83,812	\$ 78,334	\$ 73,939	\$ 62,056
31	Manufacturing	\$ 77,175	\$ 116,238	\$ 107,659	\$ 81,241
42	Wholesale Trade	\$ 140,139	\$ 112,960	\$ 109,312	\$ 85,911
44	Retail Trade	\$ 36,884	\$ 39,484	\$ 38,754	\$ 35,793
48	Transportation and Warehousing	\$ 39,380	\$ 61,319	\$ 57,974	\$ 60,933
51	Information	\$ 149,417	\$ 137,535	\$ 130,612	\$ 115,468
52	Finance and Insurance	\$ 135,068	\$ 180,554	\$ 168,825	\$ 118,438
53	Real Estate and Rental and Leasing	\$ 74,320	\$ 83,883	\$ 77,696	\$ 59,434
54	Professional, Scientific, and Technical Services	\$ 121,796	\$ 134,943	\$ 128,985	\$ 97,816
55	Management of Companies and Enterprises	\$ 185,928	\$ 166,246	\$ 158,026	\$ 137,092
56	Administrative and Support	\$ 49,428	\$ 54,983	\$ 51,332	\$ 43,069
61	Educational Services	\$ 68,897	\$ 60,308	\$ 56,952	\$ 47,661
62	Health Care and Social Assistance	\$ 60,285	\$ 69,322	\$ 64,995	\$ 57,915
71	Arts, Entertainment, and Recreation	\$ 28,009	\$ 43,885	\$ 40,514	\$ 38,802
72	Accommodation and Food Services	\$ 28,133	\$ 28,581	\$ 27,403	\$ 23,598
81	Other Services (except Public Administration)	\$ 29,667	\$ 36,152	\$ 34,966	\$ 32,334
90	Government	\$ 95,280	\$ 92,033	\$ 87,599	\$ 74,415
99	Unclassified Industry	\$ -	\$ 55,715	\$ -	\$ 61,582
	Overall Average Earnings	\$ 71,943	\$ 83,756	\$ 77,700	\$ 63,002

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 24: 2017 Average Earnings*, Regional Comparison

Gross Regional Product by Sector (2-digit NAICS)

Within the City of Newton, the industry contributing the most to gross regional product (GRP) is Educational Services, contributing over \$1 billion in 2016, totaling 17.3% of total GRP in the city. The following two largest industries by GRP include Professional, Scientific, and Technical Services and Health Care and Social Assistance. (contributing \$1 billion and \$830 million respectively).

As Table 25 illustrates, some of these trends follow the MSA and state, and some do not. Professional, Scientific, and Technical Services and Health Care and Social Assistance are similar among these comparison geographies. However, Educational Services is uniquely high in Newton.

2016 Gross Regional Product by 2-Digit Sector

NAICS	Industry	Newton GRP	Pct. of Total GRP- Newton	Pct. of Total GRP- Boston MSA	Pct. of Total GRP- MA
11	Agriculture, Forestry, Fishing and Hunting	\$ 8,820,865	0.1%	0.2%	0.3%
21	Mining, Quarrying, and Oil and Gas Extraction	\$ 1,639,680	0.0%	0.1%	0.1%
22	Utilities	\$ -	0.0%	0.9%	1.1%
23	Construction	\$ 167,605,803	2.1%	4.0%	4.3%
31	Manufacturing	\$ 58,939,697	0.7%	9.1%	9.7%
42	Wholesale Trade	\$ 355,138,469	4.4%	5.5%	5.4%
44	Retail Trade	\$ 267,255,103	3.3%	3.8%	4.3%
48	Transportation and Warehousing	\$ 34,631,216	0.4%	1.6%	1.7%
51	Information	\$ 597,233,107	7.3%	5.6%	5.0%
52	Finance and Insurance	\$ 639,641,707	7.8%	15.1%	13.6%
53	Real Estate and Rental and Leasing	\$ 727,184,101	8.9%	3.3%	3.2%
54	Professional, Scientific, and Technical Services	\$ 1,034,985,449	12.7%	12.2%	10.8%
55	Management of Companies and Enterprises	\$ 134,898,632	1.7%	2.6%	2.4%
56	Administrative and Support	\$ 303,869,149	3.7%	3.0%	2.8%
61	Educational Services	\$ 1,414,182,796	17.3%	2.9%	2.8%
62	Health Care and Social Assistance	\$ 833,075,261	10.2%	8.7%	9.4%
71	Arts, Entertainment, and Recreation	\$ 228,550,076	2.8%	1.0%	1.0%
72	Accommodation and Food Services	\$ 124,841,056	1.5%	2.3%	2.4%
81	Other Services (except Public Administration)	\$ 126,886,710	1.6%	1.5%	1.6%
90	Government	\$ 461,066,305	5.6%	8.4%	9.4%
	Other Vectors	\$ 641,031,766	7.9%	8.3%	8.9%
TOTAL		\$ 8,161,476,948	100%	100%	100%

Source: EMSI Complete Employment 2017.4

Table 25: 2016 Gross Regional Product by 2-Digit Sector

Top Industries (4-digit NAICS)

Table 26 shows the top 25 industries at the 4-digit level for Newton. Seven of these industries stem from the Healthcare and Social Assistance sector and three stem from the Educational Services sector (collectively known as “Eds and Meds”). Colleges, Universities, and Professional Schools top the list, with over 18,000 jobs in 2017, up 11% over the last ten years. Services to Buildings and Dwellings, and Individual and Family Services round out the top three. In addition, there are several industries in the top 25 that fall within the Professional Services sector (NAICS code 54) and include Management, Scientific, and Technical Consulting Services; Computer Systems, Design and Related Services; and Legal Services. In total these represent about 4,900 jobs in 2017.

Top 25 Industries by Employment, 4-digit NAICS – Newton

NAICS	Description	2007 Jobs	2017 Jobs	2007 - 2017 Change	2007 - 2017 Pct. Change	2017 National LQ	2017 Avg. Earnings*
6113	Colleges, Universities, and Professional Schools	16,386	18,197	1,811	11%	18.68	\$ 72,769
5617	Services to Buildings and Dwellings	2,537	3,177	640	25%	2.26	\$ 37,224
6241	Individual and Family Services	1,224	3,096	1,872	153%	2.54	\$ 34,856
7225	Restaurants and Other Eating Places	2,427	3,080	653	27%	0.59	\$ 25,907
9036	Education and Hospitals (Local Government)	2,683	2,919	236	9%	0.68	\$ 88,405
5415	Computer Systems Design and Related Services	1,728	2,477	749	43%	2.32	\$160,213
6221	General Medical and Surgical Hospitals	2,152	2,353	201	9%	1.02	\$ 82,181
6111	Elementary and Secondary Schools	1,520	1,767	247	16%	3.12	\$ 54,557
7139	Other Amusement and Recreation Industries	1,259	1,653	394	31%	2.39	\$ 28,379
4451	Grocery Stores	1,262	1,500	238	19%	1.10	\$ 28,613
6213	Offices of Other Health Practitioners	956	1,469	513	54%	2.96	\$ 53,803
7115	Independent Artists, Writers, and Performers	1,438	1,465	27	2%	9.80	\$ 20,411
6211	Offices of Physicians	1,334	1,437	103	8%	1.11	\$122,000
5313	Activities Related to Real Estate	1,079	1,304	225	21%	3.23	\$ 83,506
5416	Management, Scientific, and Technical Consulting Services	994	1,253	259	26%	1.49	\$113,356
5311	Lessors of Real Estate	765	1,215	450	59%	3.04	\$ 64,816
8141	Private Households	727	1,182	455	63%	2.64	\$ 18,001
5411	Legal Services	1,220	1,149	(71)	(6%)	1.72	\$ 80,349
6116	Other Schools and Instruction	707	1,103	396	56%	3.81	\$ 33,173
8121	Personal Care Services	812	1,080	268	33%	1.70	\$ 27,163
9039	Local Government, Excluding Education and Hospitals	921	981	60	7%	0.35	\$ 97,160
6244	Child Day Care Services	800	900	100	13%	1.46	\$ 31,103
5239	Other Financial Investment Activities	1,003	877	(126)	(13%)	3.30	\$183,641
6216	Home Health Care Services	395	865	470	119%	1.20	\$ 48,940
6231	Nursing Care Facilities (Skilled Nursing Facilities)	895	857	(38)	(4%)	1.05	\$ 50,502

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 26: Top 25 Industries by Employment, 4-digit NAICS – Newton

Fifteen of Newton’s top 25 industries overlap with those on the Boston MSA list; however, there are several industry groupings that are unique to Newton. Educational industries, including (private) Elementary and Secondary Schools, Child Day Care Services, and Other Schools and Instruction are key employers in Newton, but less important in the MSA overall. The Arts sector—including Amusement and Recreation Industries and Independent Artist—are also unique to Newton top 25 4-digit industries.

Table 27 and Table 28 tabulate the same data in Table 26 for the Boston MSA and Massachusetts.

Top 25 Industries by Employment, 4-digit NAICS – Boston MSA

NAICS	Description	2007 Jobs	2017 Jobs	2007 - 2017 Change	2007 - 2017 Pct. Change	2017 National LQ	2017 Avg. Earnings*
7225	Restaurants and Other Eating Places	138,506	177,184	38,678	28%	0.93	\$ 25,517
6221	General Medical and Surgical Hospitals	112,575	127,443	14,868	13%	1.51	\$ 93,278
6113	Colleges, Universities, and Professional Schools	108,191	125,809	17,618	16%	3.54	\$ 65,443
9036	Education and Hospitals (Local Government)	108,514	117,654	9,140	8%	0.75	\$ 86,731
5415	Computer Systems Design and Related Services	48,559	75,142	26,583	55%	1.93	\$157,609
9039	Local Government, Excluding Education and Hospitals	65,247	65,759	512	1%	0.64	\$101,020
4451	Grocery Stores	54,271	64,189	9,918	18%	1.29	\$ 27,880
6241	Individual and Family Services	22,983	58,470	35,487	154%	1.31	\$ 34,471
5511	Management of Companies and Enterprises	49,206	55,405	6,199	13%	1.36	\$166,246
5617	Services to Buildings and Dwellings	47,860	54,505	6,645	14%	1.07	\$ 37,425
5417	Scientific Research and Development Services	37,689	54,302	16,613	44%	4.32	\$185,140
5416	Management, Scientific, and Technical Consulting Services	38,288	51,014	12,726	33%	1.66	\$125,294
9029	State Government, Excluding Education and Hospitals	50,677	50,602	(75)	(0%)	1.22	\$114,867
5613	Employment Services	52,643	50,080	(2,563)	(5%)	0.77	\$ 59,346
6211	Offices of Physicians	38,480	44,391	5,911	15%	0.94	\$131,430
2382	Building Equipment Contractors	39,665	41,836	2,171	5%	1.00	\$ 84,768
5221	Depository Credit Intermediation	40,015	38,598	(1,417)	(4%)	1.24	\$126,623
5413	Architectural, Engineering, and Related Services	37,281	36,258	(1,023)	(3%)	1.32	\$114,617
9011	Federal Government, Civilian	38,054	35,944	(2,110)	(6%)	0.68	\$110,919
6216	Home Health Care Services	17,008	35,523	18,515	109%	1.35	\$ 46,102
5241	Insurance Carriers	35,142	35,498	356	1%	1.62	\$129,669
9026	Education and Hospitals (State Government)	29,254	35,058	5,804	20%	0.64	\$ 65,914
5239	Other Financial Investment Activities	28,152	33,120	4,968	18%	3.43	\$296,533
6231	Nursing Care Facilities (Skilled Nursing Facilities)	35,015	32,489	(2,526)	(7%)	1.09	\$ 49,324
7139	Other Amusement and Recreation Industries	24,346	31,217	6,871	28%	1.24	\$ 27,187

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 27: Top 25 Industries by Employment, 4-digit NAICS – Boston MSA

Top 25 Industries by Employment, 4-digit NAICS – Massachusetts

NAICS	Description	2007 Jobs	2017 Jobs	2007 - 2017 Change	2007 - 2017 Pct. Change	2017 National LQ	2017 Avg. Earnings*
7225	Restaurants and Other Eating Places	195,599	240,575	44,976	23%	0.94	\$ 24,669
9036	Education and Hospitals (Local Government)	161,641	172,477	10,836	7%	0.82	\$ 84,022
6221	General Medical and Surgical Hospitals	150,862	167,945	17,083	11%	1.48	\$ 90,216
6113	Colleges, Universities, and Professional Schools	130,823	154,977	24,154	18%	3.25	\$ 61,669
6241	Individual and Family Services	33,464	96,332	62,868	188%	1.61	\$ 31,603
9039	Local Government, Excluding Education and Hospitals	94,593	95,307	714	1%	0.69	\$ 94,299
4451	Grocery Stores	75,372	86,582	11,210	15%	1.29	\$ 28,703
5415	Computer Systems Design and Related Services	56,074	84,985	28,911	52%	1.63	\$152,766
5617	Services to Buildings and Dwellings	64,507	72,253	7,746	12%	1.05	\$ 36,692
9029	State Government, Excluding Education and Hospitals	66,929	69,595	2,666	4%	1.25	\$112,167
5613	Employment Services	67,673	67,410	(263)	(0%)	0.77	\$ 52,953
5511	Management of Companies and Enterprises	61,378	66,220	4,842	8%	1.21	\$158,026
9026	Education and Hospitals (State Government)	49,473	61,957	12,484	25%	0.84	\$ 64,075
5417	Scientific Research and Development Services	41,719	59,822	18,103	43%	3.54	\$181,267
6211	Offices of Physicians	52,348	58,428	6,080	12%	0.92	\$124,418
5416	Management, Scientific, and Technical Consulting Services	44,079	58,282	14,203	32%	1.41	\$119,968
2382	Building Equipment Contractors	53,208	56,482	3,274	6%	1.01	\$ 81,188
6231	Nursing Care Facilities (Skilled Nursing Facilities)	57,489	53,382	(4,107)	(7%)	1.33	\$ 48,054
5221	Depository Credit Intermediation	50,508	48,847	(1,661)	(3%)	1.17	\$116,894
6216	Home Health Care Services	23,807	47,969	24,162	101%	1.36	\$ 46,372
9011	Federal Government, Civilian	49,407	46,873	(2,534)	(5%)	0.66	\$106,129
5241	Insurance Carriers	43,584	44,104	520	1%	1.50	\$130,265
5413	Architectural, Engineering, and Related Services	43,672	42,381	(1,291)	(3%)	1.15	\$109,331
7139	Other Amusement and Recreation Industries	33,537	42,158	8,621	26%	1.25	\$ 27,512
6111	Elementary and Secondary Schools	33,062	37,750	4,688	14%	1.36	\$ 51,519

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 28: Top 25 Industries by Employment, 4-digit NAICS – Massachusetts

Self-Employment

Nine percent of Newton jobs are held by self-employed workers. Arts, Entertainment and Recreation account for largest share of self-employed workers at 20.9%. Professional, Scientific and Technical Services represent 17.2% of all self-employed jobs and Other Services (except Public Administration) represents 18.1%.

Almost half (43.7%) of all Arts, Entertainment, and Recreation jobs are self-employed positions. Similarly, self-employed workers in the Agriculture sector represent 43.4% of all workers in that sector. As such, the workers within these industries may need additional resources pertaining to business development.

Average earnings for self-employed positions are low relative to earnings for all jobs. Across industries, average self-employed earnings are \$28,220, compared to \$71,943 for all jobs.

2017 Self-Employment by Sector, 2-digit NAICS - Newton

NAICS	Description	Self Employed Jobs	Total Jobs	Pct. of Jobs in Industry	Pct. of All Self Employed Jobs	Avg. Earnings, Self Employed*	Avg. Earnings, All Jobs*
11	Agriculture, Forestry, Fishing and Hunting	30	68	43.4%	0.4%	\$ 56,793	\$ 80,911
21	Mining, Quarrying, and Oil and Gas Extraction	<10	<10	--	--	Insf. Data	Insf. Data
22	Utilities	0	0	--	0.0%	--	--
23	Construction	271	1,536	17.6%	3.8%	\$ 28,137	\$ 83,812
31	Manufacturing	32	457	7.0%	0.4%	\$ 32,905	\$ 77,175
42	Wholesale Trade	15	1,316	1.1%	0.2%	\$ 41,996	\$ 140,139
44	Retail Trade	157	5,347	2.9%	2.2%	\$ 24,674	\$ 36,884
48	Transportation and Warehousing	82	600	13.7%	1.2%	\$ 23,103	\$ 39,380
51	Information	178	2,335	7.6%	2.5%	\$ 27,697	\$ 149,417
52	Finance and Insurance	190	2,387	8.0%	2.7%	\$ 56,250	\$ 135,068
53	Real Estate and Rental and Leasing	610	2,821	21.6%	8.6%	\$ 33,994	\$ 74,320
54	Professional, Scientific, and Technical Services	1,229	7,008	17.5%	17.2%	\$ 42,902	\$ 121,796
55	Management of Companies and Enterprises	0	740	0.0%	0.0%	--	\$ 185,928
56	Administrative and Support	413	4,535	9.1%	5.8%	\$ 20,356	\$ 49,428
61	Educational Services	414	21,350	1.9%	5.8%	\$ 20,512	\$ 68,897
62	Health Care and Social Assistance	681	13,062	5.2%	9.6%	\$ 48,347	\$ 60,285
71	Arts, Entertainment, and Recreation	1,491	3,412	43.7%	20.9%	\$ 16,835	\$ 28,009
72	Accommodation and Food Services	39	3,678	1.1%	0.6%	\$ 21,290	\$ 28,133
81	Other Services (except Public Administration)	1,292	3,849	33.6%	18.1%	\$ 15,020	\$ 29,667
90	Government	0	4,997	0.0%	0.0%	--	\$ 95,280
99	Unclassified Industry	0	0	--	0.0%	--	--
		7,126	79,506	9.0%	100.0%	\$ 28,220	\$ 71,943

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 29: 2017 Self-Employment by Sector, 2-digit NAICS - Newton

Examining self-employment at the 4-digit NAICS level, Independent Artists, Writers, and Performers represent 18.5% of self-employed positions, the most of any industry. Private Households follows at 11.9%, and Legal Services occupies third place at 5.8%.

Top 25 Industries by Self Employed Jobs, 4-digit NAICS - Newton 2017

NAICS	Description	Self Employed Jobs	Total Jobs	Pct. of Jobs in Industry	Pct. of All Self Employed Jobs	Avg. Earnings, Self Employed*	Avg. Earnings, All Jobs*
7115	Independent Artists, Writers, and Performers	1,318	1465	90.0%	18.5%	\$ 16,235.52	\$ 20,411
8141	Private Households	845	1182	71.5%	11.9%	\$ 12,092.00	\$ 18,001
5411	Legal Services	413	1149	35.9%	5.8%	\$ 64,666.97	\$ 80,349
5617	Services to Buildings and Dwellings	357	3177	11.2%	5.0%	\$ 19,032.95	\$ 37,224
5311	Lessors of Real Estate	342	1215	28.2%	4.8%	\$ 33,853.11	\$ 64,816
8121	Personal Care Services	301	1080	27.9%	4.2%	\$ 18,713.23	\$ 27,163
5416	Management, Scientific, and Technical Consulting	299	1253	23.9%	4.2%	\$ 38,370.97	\$ 113,356
6116	Other Schools and Instruction	260	1103	23.6%	3.6%	\$ 17,090.48	\$ 33,173
6213	Offices of Other Health Practitioners	256	1469	17.4%	3.6%	\$ 43,375.89	\$ 53,803
5419	Other Professional, Scientific, and Technical Services	189	585	32.3%	2.7%	\$ 19,846.70	\$ 75,558
5313	Activities Related to Real Estate	179	1304	13.7%	2.5%	\$ 33,853.11	\$ 83,506
5239	Other Financial Investment Activities	150	877	17.1%	2.1%	\$ 57,577.81	\$ 183,641
6244	Child Day Care Services	140	900	15.6%	2.0%	\$ 14,652.82	\$ 31,103
5414	Specialized Design Services	116	230	50.5%	1.6%	\$ 23,792.55	\$ 55,039
6241	Individual and Family Services	111	3096	3.6%	1.6%	\$ 31,532.30	\$ 34,856
5121	Motion Picture and Video Industries	110	331	33.3%	1.5%	\$ 26,934.99	\$ 54,762
2361	Residential Building Construction	109	333	32.8%	1.5%	\$ 28,137.30	\$ 64,230
5415	Computer Systems Design and Related Services	102	2477	4.1%	1.4%	\$ 39,890.97	\$ 160,213
7139	Other Amusement and Recreation Industries	97	1653	5.9%	1.4%	\$ 25,130.79	\$ 28,379
5312	Offices of Real Estate Agents and Brokers	86	261	33.0%	1.2%	\$ 33,853.11	\$ 71,853
6211	Offices of Physicians	84	1437	5.8%	1.2%	\$ 126,341.34	\$ 122,000
2383	Building Finishing Contractors	75	196	38.3%	1.1%	\$ 28,137.30	\$ 57,362
6111	Elementary and Secondary Schools	66	1767	3.7%	0.9%	\$ 25,256.57	\$ 54,557
5412	Accounting, Tax Preparation, Bookkeeping, and	65	434	15.0%	0.9%	\$ 34,637.31	\$ 91,190
8129	Other Personal Services	60	195	30.8%	0.8%	\$ 16,278.81	\$ 26,683

*Includes wages and supplements

Source: EMSI Complete Employment 2017.4

Table 30: Top 25 Industries by Self Employed Jobs, 4-digit NAICS - Newton 2017

Top Occupations (SOC)

Table 31 shows the top occupations in Newton include Building Cleaning and Pest Control Workers, Secretaries and Administrative Assistance, and Postsecondary Teachers. These represent occupations within all industry sectors at Newton businesses.

Top 25 Occupations by Employment, 3-Digit SOC - Newton

SOC	Description	2007 Jobs	2017 Jobs	2007 - 2017 Change	2007 - 2017 % Change	2017 National LQ	Avg. Hourly Earnings
37-2000	Building Cleaning and Pest Control Workers	3,391	4,468	1,077	32%	2.14	\$16.57
43-6000	Secretaries and Administrative Assistants	3,210	3,700	490	15%	1.77	\$23.18
25-1000	Postsecondary Teachers	3,672	3,602	(70)	(2%)	4.80	\$52.57
39-9000	Other Personal Care and Service Workers	2,073	3,487	1,414	68%	1.67	\$15.44
29-1000	Health Diagnosing and Treating Practitioners	2,832	3,290	458	16%	1.20	\$53.59
15-1100	Computer Occupations	2,592	3,275	683	26%	1.53	\$47.29
41-2000	Retail Sales Workers	3,334	3,186	(148)	(4%)	0.71	\$13.45
43-9000	Other Office and Administrative Support Workers	2,653	3,024	371	14%	1.35	\$19.79
43-4000	Information and Record Clerks	2,509	2,818	309	12%	0.95	\$19.41
11-9000	Other Management Occupations	2,491	2,735	244	10%	1.55	\$47.59
25-2000	Preschool, Primary, Secondary, and Special Education School Teachers	2,314	2,658	344	15%	1.25	\$32.50
13-1000	Business Operations Specialists	2,150	2,511	361	17%	0.99	\$39.39
35-3000	Food and Beverage Serving Workers	2,009	2,443	434	22%	0.65	\$13.01
21-1000	Counselors, Social Workers, and Other Community and Social Service Specialists	1,257	1,766	509	40%	1.66	\$24.81
43-3000	Financial Clerks	1,741	1,734	(7)	(0%)	1.03	\$21.83
13-2000	Financial Specialists	1,588	1,576	(12)	(1%)	1.06	\$40.48
11-1000	Top Executives	1,288	1,450	162	13%	1.12	\$71.05
31-1000	Nursing, Psychiatric, and Home Health Aides	906	1,440	534	59%	1.13	\$15.14
29-2000	Health Technologists and Technicians	1,260	1,422	162	13%	0.91	\$27.01
11-3000	Operations Specialties Managers	1,183	1,335	152	13%	1.48	\$66.77
49-9000	Other Installation, Maintenance, and Repair Occupations	1,105	1,316	211	19%	0.84	\$23.11
27-2000	Entertainers and Performers, Sports and Related Workers	1,142	1,285	143	13%	3.07	\$23.09
43-5000	Material Recording, Scheduling, Dispatching, and Distributing Workers	1,311	1,238	(73)	(6%)	0.59	\$18.24
25-9000	Other Education, Training, and Library Occupations	1,057	1,227	170	16%	1.52	\$18.53
25-3000	Other Teachers and Instructors	879	1,134	255	29%	1.60	\$23.03

Source: EMSI Complete Employment 2017.4

Table 31: Top 25 Occupations by Employment, 3-Digit SOC - Newton

Top occupations were somewhat similar across the comparison geographies, seen in **Error! Reference source not found.** and Table 33. Occupations for which Newton showed high concentrations relative to the Boston MSA and Massachusetts as a whole included Postsecondary Teachers, Entertainers and Performers, Building and Cleaning Workers, and Other Personal Care and Service Workers.

Top 25 Occupations by Employment, 3-Digit SOC - Boston MSA

SOC	Description	2007 Jobs	2017 Jobs	2007 - 2017 Change	2007 - 2017 % Change	2017 National LQ	Avg. Hourly Earnings
41-2000	Retail Sales Workers	137,299	141,070	3,771	3%	0.87	\$13.15
35-3000	Food and Beverage Serving Workers	101,656	126,702	25,046	25%	0.93	\$12.88
29-1000	Health Diagnosing and Treating Practitioners	107,308	125,866	18,558	17%	1.26	\$54.24
15-1100	Computer Occupations	102,242	123,217	20,975	21%	1.57	\$47.77
13-1000	Business Operations Specialists	96,619	107,315	10,696	11%	1.15	\$39.45
43-4000	Information and Record Clerks	94,241	97,786	3,545	4%	0.91	\$19.55
47-2000	Construction Trades Workers	86,968	88,175	1,207	1%	0.87	\$26.79
43-6000	Secretaries and Administrative Assistants	80,559	86,092	5,533	7%	1.13	\$23.45
39-9000	Other Personal Care and Service Workers	56,499	80,789	24,290	43%	1.06	\$14.61
25-2000	Preschool, Primary, Secondary, and Special Education School Teachers	72,028	80,742	8,714	12%	1.04	\$32.15
37-2000	Building Cleaning and Pest Control Workers	69,458	79,201	9,743	14%	1.04	\$15.92
43-9000	Other Office and Administrative Support Workers	75,730	78,883	3,153	4%	0.96	\$19.54
11-9000	Other Management Occupations	66,735	73,890	7,155	11%	1.14	\$46.69
13-2000	Financial Specialists	68,749	70,807	2,058	3%	1.31	\$42.18
43-5000	Material Recording, Scheduling, Dispatching, and Distributing Workers	69,329	69,265	(64)	(0%)	0.91	\$17.95
53-3000	Motor Vehicle Operators	58,702	65,584	6,882	12%	0.81	\$18.76
11-1000	Top Executives	59,427	65,025	5,598	9%	1.37	\$68.83
43-3000	Financial Clerks	64,693	63,077	(1,616)	(2%)	1.03	\$20.89
11-3000	Operations Specialties Managers	55,079	60,979	5,900	11%	1.86	\$65.04
29-2000	Health Technologists and Technicians	52,446	60,299	7,853	15%	1.06	\$26.97
21-1000	Counselors, Social Workers, and Other Community and Social Service Specialists	44,692	57,123	12,431	28%	1.47	\$23.69
35-2000	Cooks and Food Preparation Workers	41,901	50,994	9,093	22%	0.84	\$13.94
53-7000	Material Moving Workers	50,116	50,043	(73)	(0%)	0.58	\$15.84
31-1000	Nursing, Psychiatric, and Home Health Aides	36,195	49,837	13,642	38%	1.07	\$14.95
17-2000	Engineers	42,681	43,787	1,106	3%	1.41	\$49.99

Source: EMSI Complete Employment 2017.4

Table 32: Top 25 Occupations by Employment, 3-Digit SOC - Boston MSA

Top 25 Occupations by Employment, 3-Digit SOC - Massachusetts

SOC	Description	2007 Jobs	2017 Jobs	2007 - 2017 Change	2007 - 2017 % Change	2017 National LQ	Avg. Hourly Earnings
41-2000	Retail Sales Workers	194,426	194,531	105	0%	0.89	\$13.02
35-3000	Food and Beverage Serving Workers	144,369	173,591	29,222	20%	0.95	\$12.54
29-1000	Health Diagnosing and Treating Practitioners	145,529	168,759	23,230	16%	1.26	\$53.13
15-1100	Computer Occupations	121,728	144,453	22,725	19%	1.37	\$45.98
13-1000	Business Operations Specialists	121,839	134,276	12,437	10%	1.07	\$38.28
47-2000	Construction Trades Workers	125,664	126,272	608	0%	0.93	\$26.11
43-4000	Information and Record Clerks	122,072	125,618	3,546	3%	0.87	\$19.23
39-9000	Other Personal Care and Service Workers	84,768	119,230	34,462	41%	1.16	\$14.25
25-2000	Preschool, Primary, Secondary, and Special Education School Teachers	105,271	115,369	10,098	10%	1.11	\$32.10
43-6000	Secretaries and Administrative Assistants	105,354	112,388	7,034	7%	1.09	\$23.07
43-9000	Other Office and Administrative Support Workers	98,281	102,089	3,808	4%	0.93	\$19.09
37-2000	Building Cleaning and Pest Control Workers	94,413	101,341	6,928	7%	0.99	\$15.45
11-9000	Other Management Occupations	90,511	99,129	8,618	10%	1.14	\$44.82
43-5000	Material Recording, Scheduling, Dispatching, and Distributing Workers	97,705	96,332	(1,373)	(1%)	0.94	\$17.60
53-3000	Motor Vehicle Operators	84,711	94,711	10,000	12%	0.88	\$18.63
21-1000	Counselors, Social Workers, and Other Community and Social Service Specialists	65,799	87,469	21,670	33%	1.68	\$22.66
13-2000	Financial Specialists	84,579	86,803	2,224	3%	1.19	\$41.05
11-1000	Top Executives	80,261	86,577	6,316	8%	1.36	\$66.93
29-2000	Health Technologists and Technicians	72,783	82,320	9,537	13%	1.08	\$26.31
43-3000	Financial Clerks	84,184	81,468	(2,716)	(3%)	0.99	\$20.69
11-3000	Operations Specialties Managers	70,809	77,264	6,455	9%	1.75	\$62.87
31-1000	Nursing, Psychiatric, and Home Health Aides	53,150	73,767	20,617	39%	1.17	\$14.52
53-7000	Material Moving Workers	72,173	71,913	(260)	(0%)	0.62	\$15.21
35-2000	Cooks and Food Preparation Workers	58,295	68,258	9,963	17%	0.84	\$13.72
49-9000	Other Installation, Maintenance, and Repair Occupations	55,877	58,936	3,059	5%	0.76	\$24.25

Source: EMSI Complete Employment 2017.4

Table 33: Top 25 Occupations by Employment, 3-Digit SOC - Massachusetts

Top Employers

The following is a list from the City of Newton indicating Newton's largest employers in 2017, excluding the City itself, for 2017.

Employer's with 1,000+ Employees:

- Five Start Quality Care
- Newton Wellesley Hospital
- Boston College
- CCS Global Holdings
- Henley Enterprises Inc.
- Softbank Holdings Inc.

Employer's with 500-999 Employees:

- Tech Target Inc.
- Alliance Health
- CWC Builders
- Wegmans
- Crocodile Creek Developers
- HouseWorks
- Jewish Community Center of Greater Boston
- Wingate Management Company
- Reit Management
- Carematrix Corporation

Employer's with 250-499 Employees:

- Dana R. Mosher Corporation
- Marriott- Boston Newton
- Senior Housing Properties
- Medical Resources Inc.
- D'Agostino Associates Inc.
- Mount Ida College
- Northland Investment Corporation
- Restaurant Concepts Inc.

Fiscal Analysis

As of 2018, residential properties account for 82.3% of the City of Newton’s total tax levy, and 89.9% of total assessed value. The residential share of the tax base grew between 1989 and 2007, dipped slightly over the last decade or so, but has trended upward since 2015.

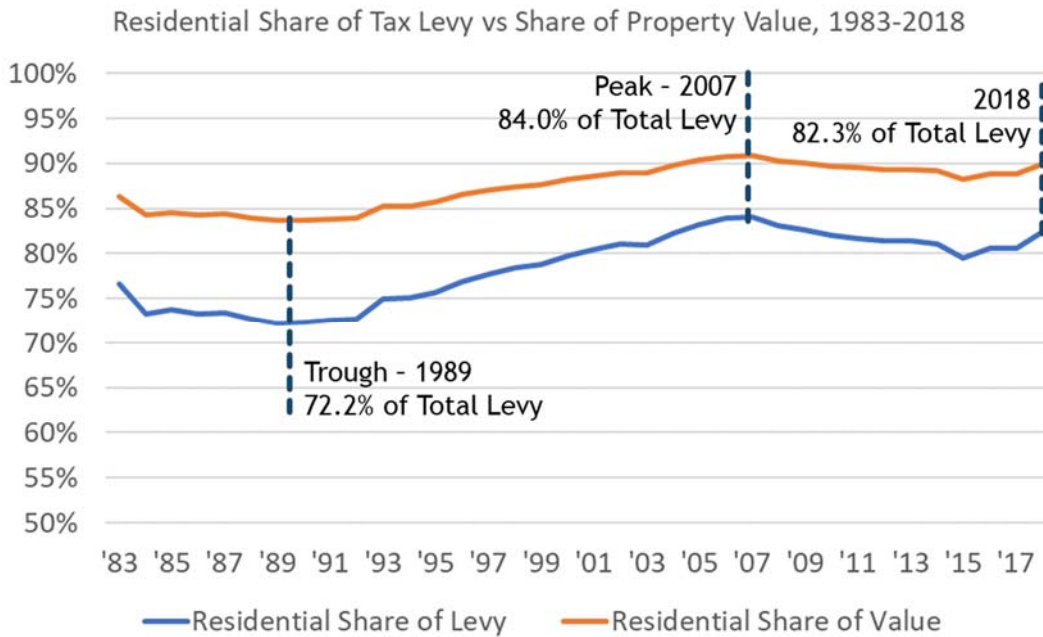


Figure 11: Residential Share of Tax Levy and Property Value, 1983-2018

Compared to its seven neighboring communities, Newton has the second lowest commercial and industrial property values as a share of total real property value.⁸ The current commercial and industrial property share in Newton is 8.7%, remaining the same since 2008. With the exception of Watertown, all other communities showed an increase in their share of commercial and industrial properties.

Commercial/Industrial Share of Real Property Value		
	2008	2018
Boston	31.2%	32.4%
Waltham	28.6%	31.4%
Watertown	17.7%	17.6%
Wellesley	11.4%	11.8%
Needham	10.5%	11.1%
Brookline	8.4%	9.2%
Newton	8.7%	8.7%
Weston	3.0%	3.5%

Source: MA Division of Local Services

Table 34: Commercial/Industrial Share of Real Property Value

⁸ Real property value excludes personal property.



Commercial and industrial properties have accounted for 16.1% of the increase in value to due to new construction in Newton between 2008 and 2018, placing Newton 5th among its neighbors. Commercial and industrial development in Waltham has comprised a notably high share of overall development, accounting for almost half. On a per capita basis, Newton has added approximately \$4,383 per capita worth of value, which is relatively low compared to nearby communities. Newton’s per capita value is less than half that of Needham, which tops the list.

Commercial & Industrial Share of New Construction Value, 2008-2018		2008-2018 New Construction Value per Capita, Commercial & Industrial Properties	
Waltham	48.3%	Needham	\$ 9,830
Boston	33.8%	Boston	\$ 8,809
Watertown	28.1%	Watertown	\$ 6,139
Needham	20.2%	Waltham	\$ 5,764
Newton	16.1%	Weston	\$ 5,716
Weston	7.6%	Newton	\$ 4,383
Brookline	7.4%	Wellesley	\$ 3,516
Wellesley	7.0%	Brookline	\$ 1,900

Source: MA Division of Local Services Source: MA Division of Local Services

Table 35: Commercial and Industrial Share of New Construction Value

Camoin Associates, Inc.
120 West Avenue, Suite 303
Saratoga Springs, NY 12866
518.899.2608
www.camoinassociates.com
[@camoinassociate](https://twitter.com/camoinassociate)



Attachment 3: Market Analysis



APPENDIX:
REAL ESTATE MARKET ANALYSIS

ECONOMIC DEVELOPMENT STRATEGY
CITY OF NEWTON, MASSACHUSETTS

April 2018

Prepared for:

City of Newton
1000 Commonwealth Avenue
Newton, MA 02459



120 West Avenue, Suite 303
Saratoga Springs, NY 12866

518.899.2608

www.camoinassociates.com

About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. We specialize in real estate market analysis to evaluate the feasibility and impacts of proposed projects. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in over twenty states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in Saratoga Springs, NY, Portland, ME, and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates).

The Project Team

Jim Damicis
Principal

Rachel Selsky
Project Manager

Tom Dworetzky
Senior Analyst

Amie Collins
Analyst

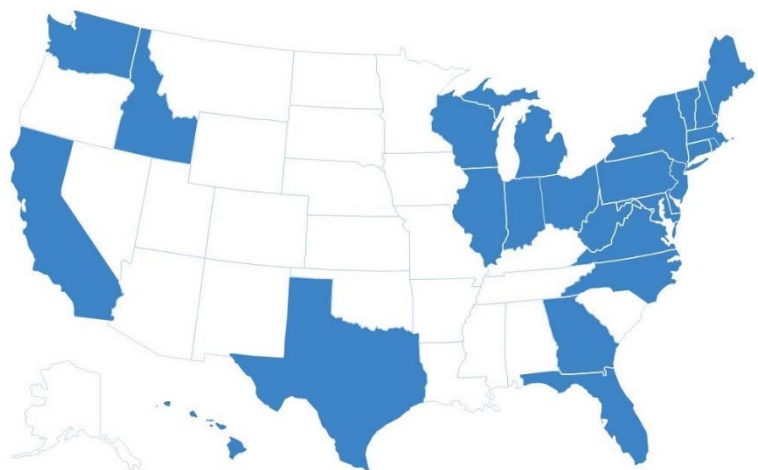


TABLE OF CONTENTS

Executive Summary.....	1
Introduction	2
Office.....	2
Lab	8
Medical Office	9
Industrial	10
Retail.....	11
Hotel.....	14
Residential	16



TABLE OF TABLES

Table 1: Newton Market Opportunity Summary.....	1
Table 2: Office Statistics, 2017 Q4.....	3
Table 3: Projected Employment Growth in Office-Utilizing Industries, Newton	5
Table 4: Projected Office Space Demand, 2107-2027.....	6
Table 5: Future Supply and Demand of Office Space	6
Table 6: Projected Demand for Medical Office Space	9
Table 7: Supportable Retail, City of Newton.....	13
Table 8: Suburban Boston Hotel Performance Projections.....	15

TABLE OF FIGURES

Figure 1: Office Space Inventory and Vacancy, City of Newton.....	2
Figure 2: Office Space Inventory by ZIP Code.....	4
Figure 3: Vacancy by Space Type, Boston Metro, Q4 2017.....	10
Figure 4: Retail Leakage/Surplus Factor by Retail Category, City of Newton.....	12



EXECUTIVE SUMMARY

As part of the initial research to create an economic development strategy for the City of Newton, Camoin Associates conducted a real estate market analysis to determine development opportunities for different use types throughout the city. These use types include office space, lab space, medical office, industrial, retail, hotel, and residential. This information will be used to ensure economic development strategies are grounded in market realities. Market opportunities are summarized in Table 1.

Table 1: Newton Market Opportunity Summary

Newton Market Opportunity Summary	
Use Type	Opportunity
Office	Significant vacancies and a lack of Class A sites limit demand for new development, but opportunities exist to reposition and amenitize current inventory.
Lab	Robust growth and soaring rents in Cambridge/Boston life sciences sector presents an opportunity to create a lab space node in Newton.
Medical Office	An aging population and shifting trends in health care delivery means strong demand for medical office space into the future.
Industrial	Land availability constraints and high land costs limit potential for comparatively low-value industrial development.
Retail	High incomes and significant spending leakage are an opportunity for new retail development in the city, but rising rents are squeezing out existing mom-and-pop shops.
Hotel	Sluggish commercial development in Newton and increased room supply in nearby suburbs limits potential, but differentiated boutique hotels could be viable.
Residential	Urgent need for multifamily/affordable units to house the talent required to attract commercial development.

INTRODUCTION

As part of the initial research to create an economic development strategy for the City of Newton, Camoin Associates conducted a real estate market analysis to determine development opportunities for different use types throughout the city. These use types include office space, lab space, medical office, industrial, retail, hotel, and residential. This information will be used to ensure economic development strategies are grounded in market realities. A discussion of market trends and development potential for each use type follows.

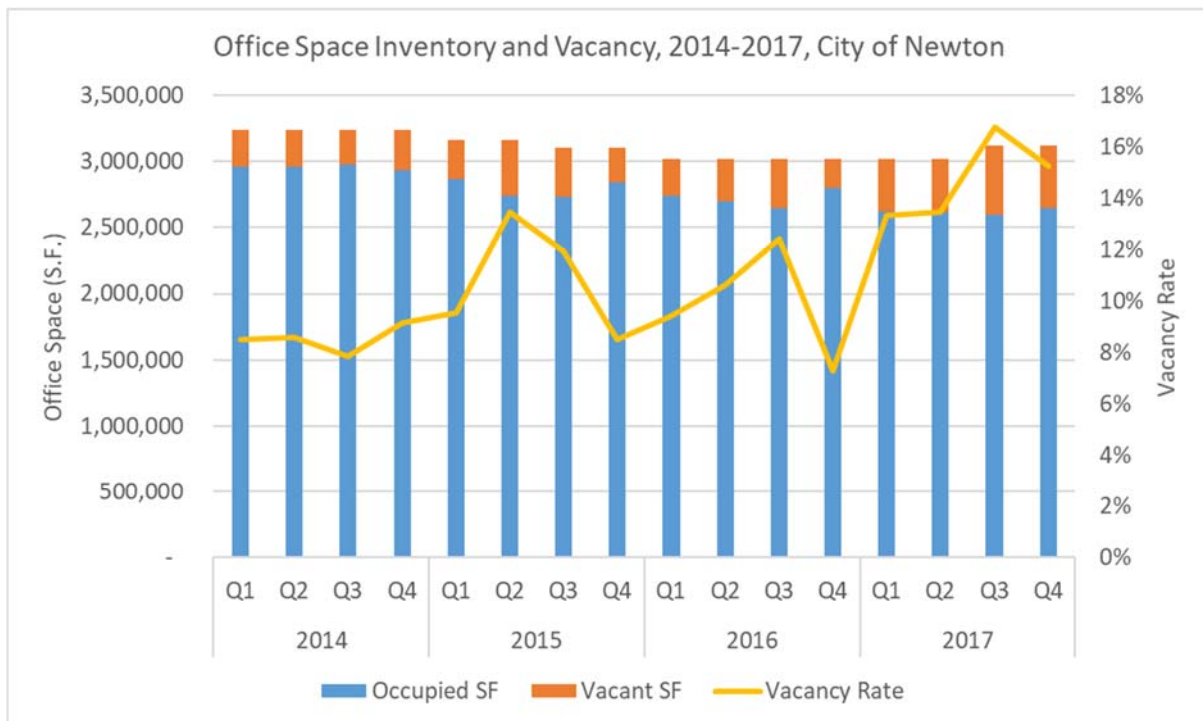
OFFICE

As the Boston economy booms, the regional office market has benefited from significant tenant demand, especially among innovation, technology, and life sciences companies. The metro’s ability to attract and retain talent has led to supply challenges, particularly in the Boston core and Cambridge. Locations with amenities and transit access continue to perform the best in terms of occupancy and command the highest rents.

Urbanization trends, however, are a challenge for some suburban markets, which have experienced elevated vacancy rates. Large blocks of space are becoming increasingly limited in Boston and Cambridge, putting upward pressure on rents, and creating opportunities for suburban locations to lure larger tenants with more competitive pricing. Suburban office offerings that are mixed-use and transit-oriented will have the most success attracting tenants. The repositioning of aging properties in transit-oriented locations has become a salient trend in the suburbs, as speculative new-build is unlikely in the near term due to ample vacancies and high construction costs. The addition of amenities such as gyms, food service, conference space, game rooms, and outdoor space has taken hold as a way to make use of unproductive space and add value to aging office properties.

Another notable trend is the “urban outpost” model, by which traditionally suburban tenants have multiple locations in order to retain their existing suburban-oriented workforce while simultaneously accessing downtown talent.

Figure 1: Office Space Inventory and Vacancy, City of Newton



Data Source: JLL

Newton Office Space Inventory

The commercial office space inventory in Newton has remained relatively flat over the past four years, dipping slightly from 3.2 million square feet in 2014 Q1 to 3.1 million square feet to 2017 Q4. Meanwhile, office vacancies have risen considerably from 8.5% to 15.2%. Note, however, that the newly renovated and delivered 2 Wells Avenue building accounts for 102,000 square feet of the vacant space. Excluding this building, the vacancy rate in Newton is 12.4%. Vacancy trends over the past several years are shown in Figure 1.

Newton is part of the Route 128/Mass Pike submarket, as tracked by commercial brokerages. According to JLL, office inventory in the city represents about 15% of all submarket space, and Newton's vacancy rate is on par with that of the submarket as a whole, about 15.0%. This compares to 17.8% in the Boston suburbs overall, 8.9% in central Boston, and 5.7% in Cambridge.

Vacancy rates for Class A are higher in Newton than for space overall, at 17.0% (excluding 2 Wells Ave). Class A vacancy rates are also higher in many of the comparison markets, though Newton has the highest spread in vacancy between Class A and Class B/C properties. Class A space also comprises a significantly lower share of all office space in Newton as compared to other markets. Only a third of office space in Newton is considered Class A by commercial brokerages, compared to 61% in the metro overall, and 63% in both the Rt. 128/Mass Pike submarket and Boston suburbs overall.

Rents in Newton and Rt. 128/Mass Pike submarket are about average when considering the Boston metro as a whole. Class A rents in Newton are around \$38 per square foot, considerably higher than more distant submarkets along I-495 where rents are just over \$20 per square foot, but considerably lower than rents in central Boston and Cambridge where average rents are upwards of \$60 per square foot.

Table 2: Office Statistics, 2017 Q4

Office Statistics, 2017 Q4						
Market	Class A Space			All Classes of Space		
	Inventory (SF)	Vacancy Rate	Rent per SF	Inventory (SF)	Vacancy Rate	Rent per SF
Newton*	1,063,631	17.0%	\$ 38.24	3,124,724	12.4%	\$ 34.07
Rt. 128/Mass Pike Submarket	13,201,608	16.5%	\$ 40.19	20,793,230	15.0%	\$ 37.68
All Boston Suburbs	57,212,727	17.6%	\$ 28.71	90,979,957	17.8%	\$ 25.59
Central Boston	37,955,708	9.5%	\$ 61.06	66,370,589	8.9%	\$ 57.68
Cambridge	7,544,118	6.3%	\$ 69.44	10,107,067	5.7%	\$ 63.60
Boston Metro	102,712,553	13.8%	\$ 40.11	167,457,613	13.6%	\$ 36.44

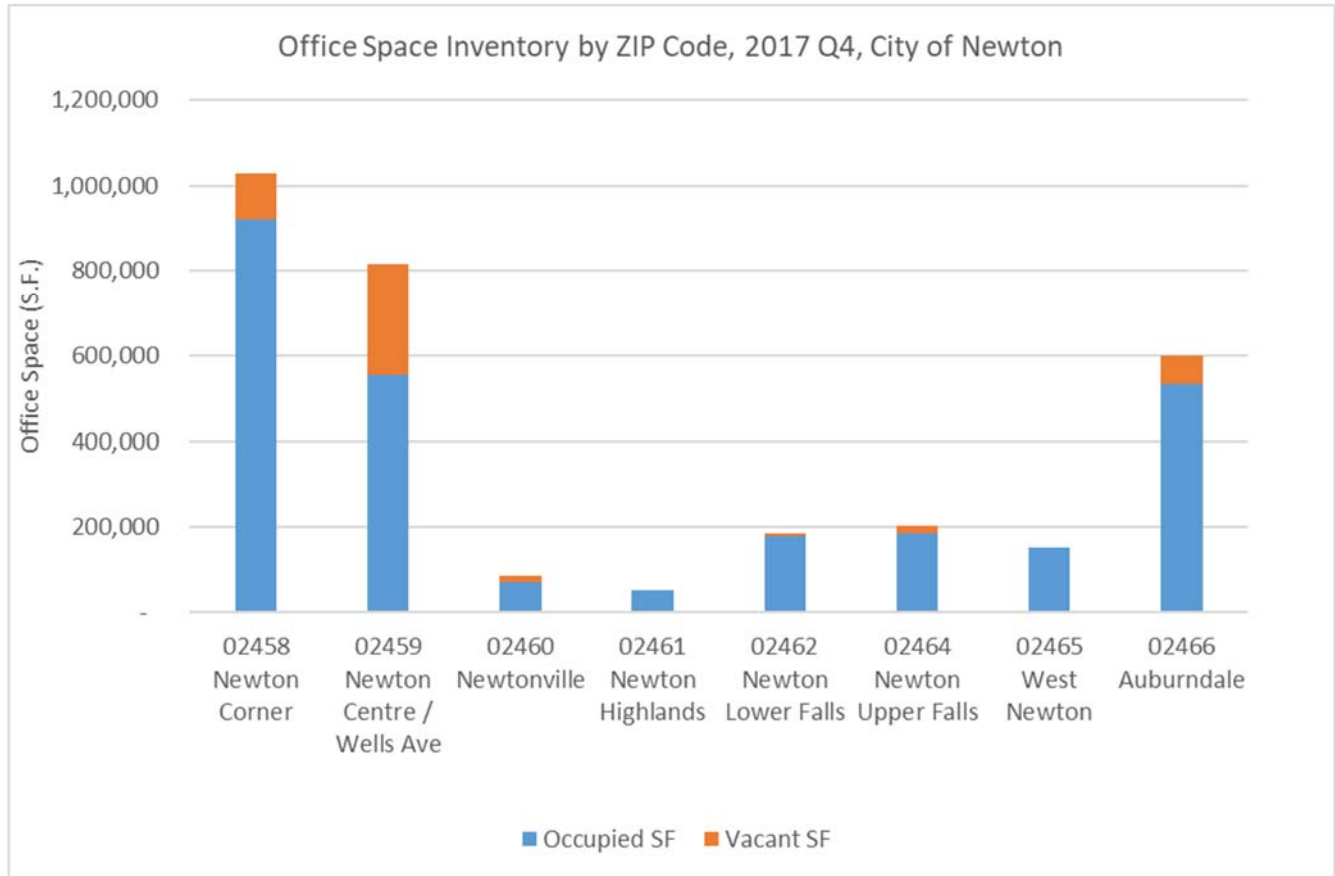
*Vacancy rates adjusted to exclude 2 Wells Avenue. Including 2 Wells Ave, Class A office vacancy rate is 23.1% and overall office vacancy is 15.2%.

Note: Vacancy rate includes both direct and indirect vacancies. Rents reflect direct asking rents.

Source: JLL

Newton’s 3.1 million+ square feet of office space is concentrated in three ZIP codes: 02458 (Newton Corner) with 33% of all space, 02459 (Newton Centre/Wells Ave) with 26%, and 02466 (Auburndale) with 19%. See Figure 2 for the distribution of the city’s office space by ZIP code.

Figure 2: Office Space Inventory by ZIP Code



Rt. 128/Mass Pike Submarket Development Pipeline

Within the Rt. 128/Mass Pike submarket,¹ major recent deliveries include 89 A Street in Needham Crossing, which has been fully leased to Shark Ninja and Steward Health. Bose has leased 100,000 square feet of space at 80 Guest Street, part of the Boston Landing development in Boston’s Allston/Brighton neighborhood featuring nearly 2 million square feet of mixed-use development, a state-of-the-art practice facility for the Boston Bruins, and a new commuter rail station providing access to South Station in downtown Boston. Other developments include POST, a 430,000-square-foot development at the Rt.128/Rt. 2 in Waltham, expected to attract a variety of innovation companies. Needham has recently approved a tax break allowing NBCUniversal to build a new regional headquarters in Needham Crossing.

¹ The Rt. 128/Mass Pike submarket is defined to include the following communities: Newton, Watertown, Waltham, Weston, Wellesley, Needham, Brookline, and Allston/Brighton (part of the City of Boston).

Office Space Demand Projection

To estimate future demand for office space in Newton, we analyzed job projections data for the City of Newton, the Rt. 128/Mass Pike submarket, and the Boston MSA. Table 3 shows the projected increase in employment by industry sector over the next ten years (2017-2027), with sectors that typically utilize office space highlighted in orange.² Collectively, office-utilizing industries in Newton are expected to add about 1,600 jobs, growing slightly slower than the economy overall. According to these projections, Newton will account for a growing share of office jobs of the Rt. 128/Mass Pike submarket, with 30% of the 5,300 new submarket office jobs expected to be located in Newton. Currently, Newton represents about 22% of office jobs in the submarket. The Boston MSA as a whole will add nearly 65,000 office jobs by 2027, of which Newton will account for about 2.5%, consistent with the city's current share of office jobs in the region.

Table 3: Projected Employment Growth in Office-Utilizing Industries, Newton

Projected Employment Growth in Office-Utilizing Industries, Newton					
NAICS	Description	2017 Jobs	2027 Jobs	2017 - 2027 Change	2017 - 2027 % Change
11	Agriculture, Forestry, Fishing and Hunting	68	82	14	21%
21	Mining, Quarrying, and Oil and Gas Extraction	<10	<10	Insf. Data	Insf. Data
22	Utilities	0	0	0	0%
23	Construction	1,536	1,795	259	17%
31	Manufacturing	457	420	(37)	(8%)
42	Wholesale Trade	1,316	930	(386)	(29%)
44	Retail Trade	5,347	5,159	(188)	(4%)
48	Transportation and Warehousing	600	755	155	26%
51	Information	2,335	2,382	47	2%
52	Finance and Insurance	2,387	2,313	(74)	(3%)
53	Real Estate and Rental and Leasing	2,821	3,148	327	12%
54	Professional, Scientific, and Technical Services	7,008	7,739	731	10%
55	Management of Companies and Enterprises	740	774	34	5%
56	Administrative and Support and Waste Management and Remediation Services	4,535	4,685	150	3%
61	Educational Services	21,350	23,345	1,995	9%
62	Health Care and Social Assistance	13,062	15,974	2,912	22%
71	Arts, Entertainment, and Recreation	3,412	3,826	414	12%
72	Accommodation and Food Services	3,678	3,924	246	7%
81	Other Services (except Public Administration)	3,849	4,417	568	15%
90	Government	4,997	5,138	141	3%
99	Unclassified Industry	0	0	0	0%
	Total for Office-Utilizing Industries	25,852	27,448	1,596	6%
	Total	79,506	86,816	7,310	9%

Source: EMSI, Camoin Associates

² This analysis defines office-utilizing sectors to include: Information; Finance and Insurance; Professional, Scientific, and Technical Services; Management of Companies and Enterprises; Administrative and Support; Other Services; and Government. Medical office space users, which are considered in the analysis of medical office building demand, are excluded. Educational Services, which occupy office space in part, are also excluded.

Assuming 175 rentable square feet of office space per job,³ about 280,000 square feet of office space will be required in Newton to accommodate future office jobs. In the Rt. 128/Mass Pike as a whole, about 924,000 SF will be needed and in the Boston MSA, 11.3 million SF.

Table 4: Projected Office Space Demand, 2107-2027

Projected Office Space Demand, 2017-2027							
Region	2017 Total Jobs	Share of MSA Jobs	2017 Office Jobs	Share of MSA Office Jobs	Projected Office Job Growth, 2017-2027	Share of Projected MSA Office Job Growth	New Office Space Demand* (SF)
Newton	79,506	2.7%	25,852	2.2%	1,596	2.5%	279,328
Rt. 128/Mass Pike Submarket	294,753	10.1%	119,849	10.0%	5,279	8.2%	923,770
Boston MSA	2,905,879	100.0%	1,199,385	100.0%	64,718	100.0%	11,325,606

*Assumes 175 SF of space per office job

Source: EMSI, Camoin Associates

While regional and local job growth will be strong, the glut of office space in the region means that even if no new office space is built, there would still be substantial office vacancies. In Newton, new office-utilizing jobs would fill about 60% of existing vacant space, leaving another 200,000 SF still vacant. In the submarket, only 40% of existing vacancies could be absorbed by projected job growth. See Table 5.

Table 5: Future Supply and Demand of Office Space

Future Supply and Demand of Office Space (SF)			
Region	New Office Space Demand (2027)	Existing Vacant Office Space (2017)	Remaining Vacant Office Space in 2027*
Newton	279,328	476,420	197,092
Rt. 128/Mass Pike Submarket	923,770	2,178,265	1,254,496
Boston MSA	11,325,606	14,174,332	2,848,726

*Assumes no construction of new office space

Source: EMSI, JLL, Camoin Associates

This analysis, of course, assumes that existing space will meet the needs of future office users, and is not to say that no new office space will be developed in Newton. In particular, potential large space users will find it challenging to locate acceptable existing space in the city, requiring new-build projects. In addition, dated and obsolete space may be removed from the city's office inventory, prompting the construction of space to satisfy some level of replacement demand. However, on a macro level, the abundance of vacant space in the market will mean that property owners will need to invest in their existing properties, undertaking renovations and adding amenities, in order to compete for a limited number of new tenants.

³ A 2010 report from the U.S. General Services Administration, "Workspace Utilization and Allocation Benchmark," found average rentable office space per employee to be 230 square feet. As a result of efforts to implement more efficient design standards, the typical office standard has declined from around 250 square feet per workstation in the early 2000s to around 190 square feet or less. In addition, a trend toward less personal workspace in favor of larger group space, as well as an increase in teleworking will likely contribute to continued declines in office space per employee. This analysis conservatively assumes 175 square feet per job.

Sites with Office Development Potential

A significant challenge for office space development in Newton is the lack of Class A sites within the city. While the city is physically proximate to downtown Boston, Rt. 128, and the Mass Pike, there are few sites with direct access to transportation infrastructure that Class A tenants require. For example, while much of Needham Street and Wells Avenue Business Park—together comprising the Newton portion of the N² Innovation District—are less than a mile from Rt. 128 onramps and offramps, developers perceive these locations as inferior to the Needham Crossing area, which is directly adjacent to the highway. Moreover, congestion along Needham Street and the traffic bottleneck at the entrance to Wells Avenue work against the desirability of these locations.

The quirky path of Newton's western municipal boundary along the Charles River means that many prime sites with direct access to Rt. 128 fall just outside the city limits in neighboring Needham, Wellesley, or Weston. An exception is the Exit 21/22 interchange area where Rt. 128 crosses Washington Street (Rt. 16) and Grove Street. In particular, the Riverside T station site was identified as a key opportunity property for Class A office development given its accessibility via both automobile and public transit.

Certain areas along Washington Street, including Newton Corner, Newtonville, and West Newton may have some Class A office potential, but are limited by a number of factors. Full direct access via the Mass Pike is present only at highly congested Newton Corner. West Newton is only directly accessible via a partial interchange to/from the east. Commuter rail access should be stressed as an important asset along this corridor, though infrequent service limits its usefulness. In addition, parking along Washington Street is very limited and parcels are highly fragmented, making lot assembly for a sizable project limited.

Nonantum stands out as a potential opportunity area and has existing office development comprising the Charles River Mill District. Further redevelopment of industrial properties is possible in this area, which is proximate to restaurants and other amenities on Watertown Street and in Watertown Square in neighboring Watertown, as well as the Charles River Greenway trail. However, a lack of direct public transit and Mass Pike access are limiting factors to Nonantum's development potential as a Class A office location.

Route 9 also presents some level of office development opportunity, particularly along the stretch with transit access (Newton Highlands and Eliot T stops) and the Chestnut Hill retail area, which offers amenities for office workers that can potentially be integrated. While Route 9 is a major thoroughfare, these sites are likely too far from interstate access for significant Class A development. Moreover, assembling sizeable lots will be a significant challenge all along Route 9. Still, there is likely some potential for small- to mid-scale infill commercial development.

LAB

Greater Boston has the highest concentration of life science researchers in the US. Kendall Square and MIT in Cambridge are the epicenter of life science research activity in the region, and supply of lab space is extremely constrained, with rents surpassing \$75 per square foot. As a result, lab space development has been spilling out of the Kendall Square area into West Cambridge, Boston's Seaport District, and Longwood Medical Area. Outside of the urban core, inner-ring suburbs are becoming increasingly attractive as a "release valve" for more lab space. Bedford, Lexington, Waltham, and Watertown have also seen significant lab space development, with rents in these communities averaging \$43 per square foot. The suburban development pipeline is growing, fueling the evolution of a suburban cluster of life science companies. Unlike in the office market, extremely constrained supply in the lab market has spurred speculative suburban development projects.⁴

There is currently no significant lab space in Newton as tracked by commercial brokerages, a fact confirmed by interviews with lab space developers. Newton is not "front of mind" when it comes to suburban lab space development chiefly because there is no existing cluster of major lab space users in the city. Lab tenants tend to want to locate near other lab space users for both practical and psychological reasons. Not only do they want to be around similar companies in an area that is perceived as a hub for life sciences activity, but the ability to expand into nearby space or sublet unneeded space minimizes risk. Being the only life sciences company in a given location is not optimal for most. While the suburbs to the north of Newton along Rt. 128 are increasingly perceived as a bioscience node, this activity has yet to spread southward.

From purely a locational perspective, Newton could be a viable place for lab space given its proximity to both Cambridge and the Rt. 128 suburbs with existing space. In addition, Boston College is currently undertaking construction of the new Schiller Institute for Integrated Science and Society, which will include laboratory and office space and may present an opportunity for synergies with other lab users. However, the nature of Newton's building stock and limited developable sites presents challenges for any developer interested in creating a sizeable lab node in the city. A minimum of 100,000 SF of lab space would be needed to anchor a potential node, with sites available nearby for additional future development.

In terms of building requirements, lab space requires stronger floor loading relative to office (100 pounds per square foot compared to 70 for office), 13.5- to 14-foot ceilings to run duct work, ventilation with a high air-change rate, good power distribution, and access to wastewater treatment infrastructure. In lab buildings, lower-story space is more valuable as regulations allow for fewer chemicals to be stored on higher stories. Single-story manufacturing buildings tend to be prime candidates for conversion to lab space as they already have or can be retrofitted to have these features.

A potential lab developer in Newton would need to know that the approvals process will be predictable and not overly onerous. Cambridge, Lexington, and Watertown were mentioned in interviews as municipalities with straightforward and predictable processes, and they have seen significant lab space development activity as a result. Designating certain area(s) in Newton where lab space development is permitted by right or with minimal effort would communicate to prospective developers that undertaking a lab project would be welcomed. The most desirable locations for lab space in Newton are similar to prime office space locations: sizable sites that can accommodate substantial development footprints and that offer good access to Rt. 128, the Mass Pike, and public transit.

⁴ JLL. Boston Life Sciences Outlook 2017.

MEDICAL OFFICE

Despite uncertainty in the healthcare industry with the continued speculation around the future of the Affordable Care Act (ACA), nationally the aging population and increasing number of people that are insured are driving an increase in demand. In response, the healthcare industry continues to grow and medical office building (MOB) vacancy rates have fallen. These trends are mirrored locally, where medical office space shows strong potential.

Medical office buildings are trending towards flexible space (flex space) and multi-specialty offices. This allows for the incorporation of a range of medical technology and equipment used in procedures and appointments. Additionally, the amount of technological equipment being used in procedures and appointments has been increasing, further adding to the demand for efficient space. Flex space allows for adaptability as technology changes or the needs of patients change.

Across the Boston region, medical office space vacancies are considerably lower than those of general office space, 6.1%⁵ versus 13.6%. Average gross rents are also lower at \$25 per square foot versus \$35 per square foot, as general office users are typically willing to pay for more prime locations. MOB rent growth in the Boston metro, however, topped 17% between 2017 to 2018 indicating strong demand and constrained supply. Low MOB vacancy, high rent growth, and favorable demographic trends point to opportunities for medical office space development into the future.

Medical Office Space Demand Projection

An examination of regional employment trends in ambulatory care and outpatient services suggests demand for over 5 million SF of new medical office space in the Boston metro by 2027, of which roughly 233,000 SF would be needed in Newton. (Refer to Table 6.) The pace of job growth in ambulatory health is expected to far exceed that of the economy overall, 24% for ambulatory health versus 9% economy wide. This translates into accelerating demand for suitable medical office space.

Table 6: Projected Demand for Medical Office Space

Projected Demand for Medical Office Space					
Region	Ambulatory Health Care Jobs*				New Medical Office Space Demand** (SF)
	2017	2027	2017-2027 Change	2017-2027 % Change	
Newton	3,847	4,780	933	24%	233,250
Rt. 128/Mass Pike Submarket	11,524	13,804	2,280	20%	570,000
Boston MSA	105,834	126,258	20,424	19%	5,106,000

*NAICS 621, excluding Home Health Care Services

**Assumes 250 SF per job

Source: EMSI, Camoin Associates

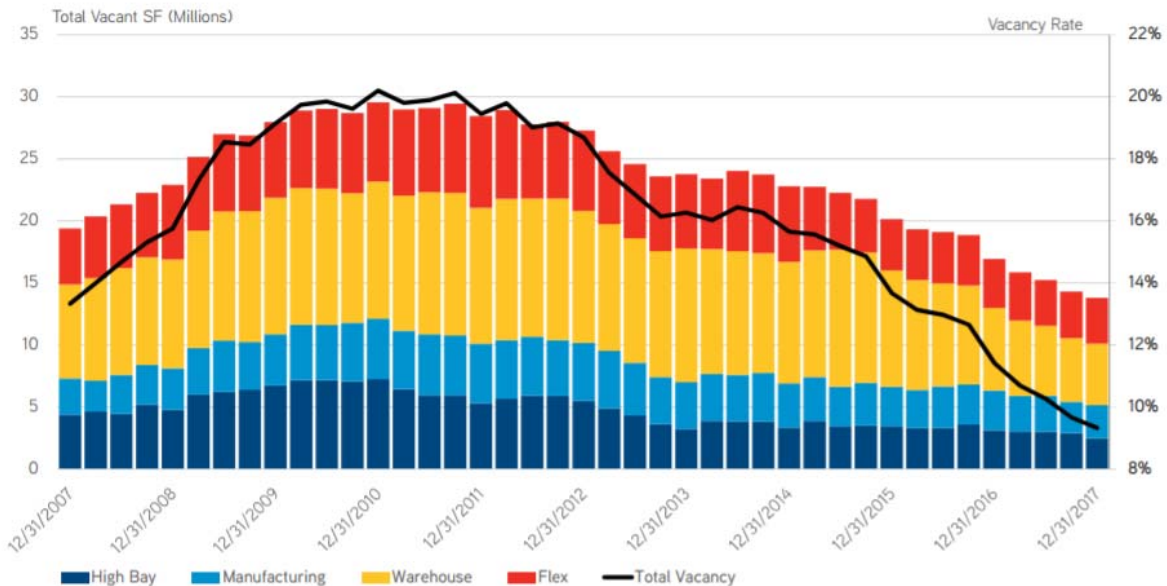
⁵ 2018 Healthcare Marketplace. U.S. Research Report. Colliers.

INDUSTRIAL

The Boston industrial market remains on a hot streak, with absorption of nearly three million square feet of space in 2017 and downward trending vacancies. According to Colliers, market-wide industrial vacancy stands at 9.3%, down 2.1 percentage points year-over-year. As a result, rents are rising rapidly, surpassing \$7.00 (NNN) on average for the first time, a 13.9% increase over last year. While the development pipeline is significant, developers have shown restraint when it comes to spec construction, suggesting stable fundamentals into the future.⁶

Of the industrial product types (flex, manufacturing, warehouse/distribution), the latter has performed the best; the majority of industrial leases signed in Q4 2017 were for warehouse and distribution space. Positive absorption in this category more than compensated for slight negative absorption in the other industrial product types. According to JLL, heightened market activity in warehousing/distribution aligns with trends seen nationally as demand for last-mile distribution continues to rise, particularly in urban areas.⁷ Last-mile distribution refers to the capacity to deliver products ordered online to consumers' homes.

Figure 3: Vacancy by Space Type, Boston Metro, Q4 2017



Source: Colliers International

Newton has a small amount of commercially tracked industrial space, about 200,000 square feet, all of which is Class B and C space located in the Newton Corner/Nonantum area.⁸ This space accounts for just 6% of industrial space in the Rt. 128/Mass Pike submarket, compared to the city's 15% share of submarket office space. Despite the strength of the industrial market regionally, opportunities for industrial space development in Newton are limited due to land availability constraints, as well as high land costs that do not justify comparatively low-value types of development.

⁶ Colliers International. Greater Boston Industrial Viewpoint Q4 2017.

⁷ JLL. Boston Industrial Insight. Q4 2017.

⁸ Data provided by JLL

RETAIL

As online shopping volume continues to grow, retail disruption is happening quickly. Increasingly, virtual and physical presence are finding synergy rather than competition, and one of the major themes of 2017 was the rapid convergence of online and brick and mortar sales. A number of formerly online-only retailers are starting to see that a brick and mortar presence can be an integral part of their omni-channel and consumer experience.⁹

In order to maximize the benefits of this model, retailers have been working to reposition stores, close unproductive units and improve their mobile apps so that people can shop from their phones anywhere—even in the store itself. The omni-channel approach is also causing some retailers to rethink their footprint and number of locations in areas where the real estate is expensive. Many of these companies are choosing to have a single well-located store. Encouraging customers to shop online also means that retailers can keep less on-site storage, further reducing their footprints.

The move towards experiential retail has had the most influence on a reimagined tenant mix. The sectors that have seen the most growth in recent quarters are fitness, food, entertainment, and service. Gyms were historically viewed as undesirable users, to the point where many leases prohibited them, along with tenants like adult shops and gambling halls. However, the big box gym has now come to be seen as a desirable anchor that can drive traffic in non-peak hours and provide landlords with recognizable brand-name tenants with solid business models. The success of traditional big box gyms has spawned an explosion in recent years of boutique fitness studios. Yoga, Pilates, and spin studios were the trailblazers of this segments, while newcomers include dance workouts, personalized group training, and boxing.

Entertainment concepts are also backfilling a lot of second-generation box retail, after overcoming similar resistance as the fitness sector. Growth and evolution of traditional uses are also being seen here. Those properties with clear heights of at least 17' are ideal for trampoline parks, and tenants like Sky Zone, Launch, and Altitude have taken spaces anywhere from 20,000 to 40,000 square feet. Round1 features specialty arcade games, bowling, ping pong, and karaoke, and specialized concepts like axe-throwing, Top Golf, glow-in-the-dark mini golf and bowling, and indoor "micro" amusement parks have also been looking to grow their footprints in Massachusetts.

Much of the retail development currently in the pipeline in the Boston suburbs is planned as part of mixed-use development. Notable examples include grocery-anchored projects with high-end apartments or townhouses like the Merc in Waltham. Traditional enclosed malls are continuing to struggle, as consumers make their preferences for these mixed-use centers known. While the retail sector disruption remains ongoing, it does not necessarily mean death; it means evolution.

The core retail markets inside and along Route 128 have seen record-setting rents as of late, and are expected to remain steady. In this area, average rents of \$50-\$55 per square foot NNN¹⁰ for small shop space and \$25-\$30 per square foot NNN for larger spaces are common. For every operator that comes into this area aggressively but cannot sustain sales sufficient to cover high rents, there are strong tenants ready to backfill that space. Recent successful retail developments in Newton include The Street Chestnut Hill and Newton Nexus.

In non-core markets where tenant demand has cooled, there will be a continued effort by landlords, developers, and lenders to reposition and repurpose assets. Dated, lower quality, and less desirable properties will need to transition from traditional retail to a focus on experiential categories like fitness, food, and entertainment.

⁹ CBRE/New England 2018 Market Outlook

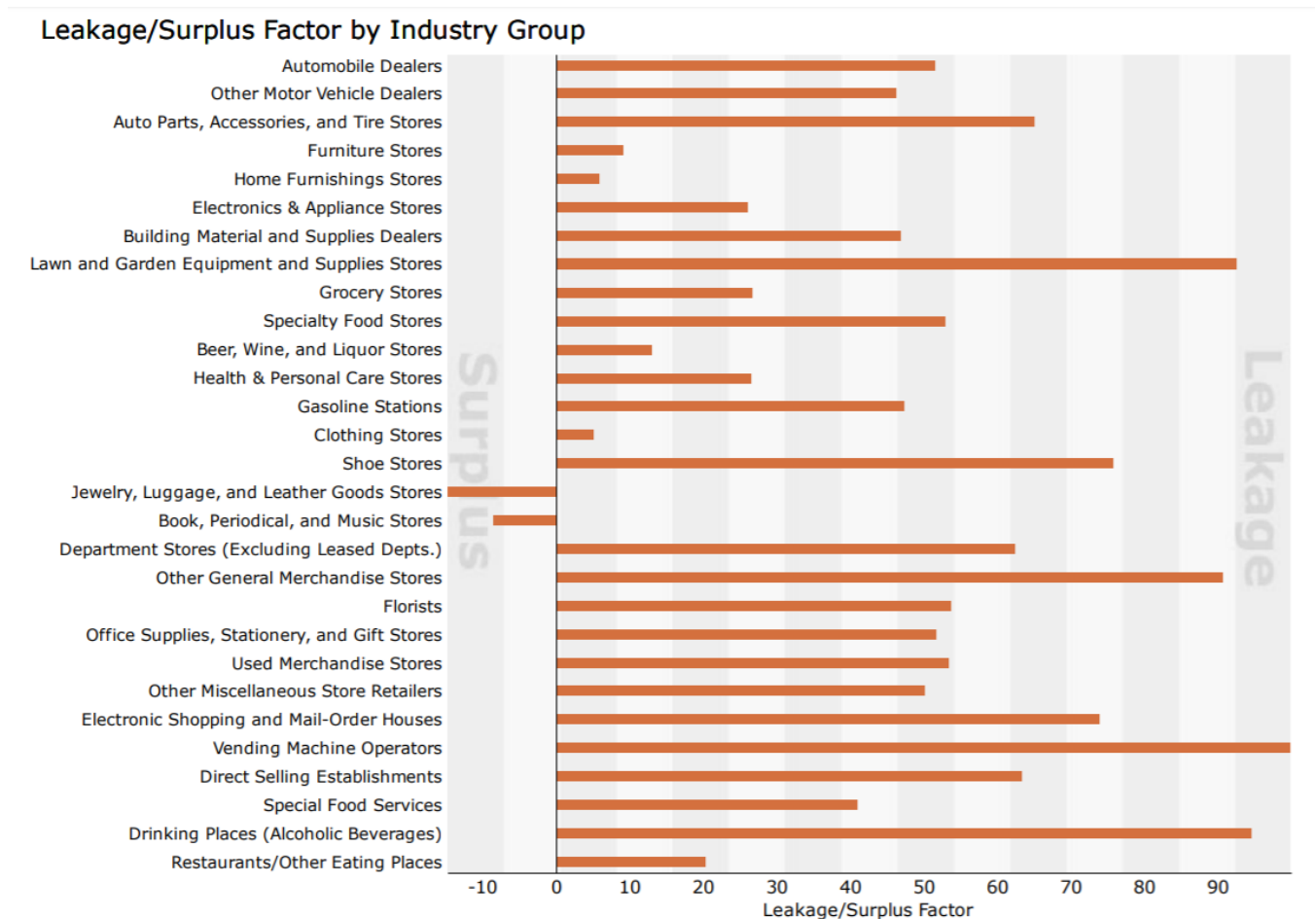
¹⁰ NNN, or "triple net," refers to a lease arrangement where the tenant is responsible for property taxes, maintenance, and insurance expenses, beyond the base rent amount

Retail Gap & Potential Analysis

In a retail gap analysis, the existing retail sales (“supply”) of trade area businesses are compared to the estimated retail spending of trade area residents (“demand”). For this analysis, the trade area is defined as the City of Newton. The difference between demand and supply is referred to as the retail gap. The retail gap can be positive or negative. Note that existing retail sales are specific to the defined trade area whereas retail spending is an estimate of gross spending by residents living in the trade area regardless of where the retail spending occurs.

When the demand (spending by trade area residents) for goods and services is greater than sales at trade area businesses, sales are said to “leak out” of the trade area creating a positive retail gap (i.e. sales leakage). Conversely, if the supply of goods sold (local trade area sales) exceeds trade area demand (spending by trade area residents), it is assumed that non-residents are coming into the trade area and spending money, creating a negative retail gap (i.e. sales surplus). Figure 4 illustrates the leakage and surplus factor by retail category for the city.¹¹ Almost every category shows sales leakage. This means that Newton residents are leaving the city to make many of their retail purchases.

Figure 4: Retail Leakage/Surplus Factor by Retail Category, City of Newton



Source: Esri

¹¹ The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.

Sales leakage and sales surplus carry different implications. In many cases, sales leakage presents an opportunity to capture unmet demand in a trade area since a percentage of residential spending occurs outside the trade area. This demand can be met within the trade area by opening new businesses or expanding existing businesses within retail sectors that show sales leakage. However, not all retail categories that exhibit sales leakage within a particular trade area are a good fit for the region.

A sales surplus might exist for several reasons. For example, the region might be a popular shopping destination for tourists and other out-of-towners, or a cluster of competing businesses offering a similar product or service may be located within the trade area, creating a specialty cluster that draws in spending by households from outside the trade area. Alternatively, a sales surplus could be an indicator of market saturation.

Sales leakage of retail categories in Newton was compared to average sales of similar business in the Boston MSA. This allows us to identify which industries with sales leakage may have enough unmet demand to warrant opening a new store or expanding existing stores. Additionally, the amount of supportable square foot is provided based on average sales per square foot for each retail category.

Table 7 identifies the number of new businesses that theoretically, could be supported in Newton assuming:

1. 10% of the sales leakage is recaptured (this is typical among various retail categories), and
2. New businesses have sales comparable to the average sales of all Boston MSA businesses in the same retail category.

Table 7: Supportable Retail, City of Newton

Supportable Retail, City of Newton							
A	B	C	D	E	F	G	H
NAICS	Retail Category	Retail Gap	10% Leakage Recapture	Average Sales per Business	Supportable Businesses (D / E)	Average Sales per SF	Supportable SF (D / G)
7225	Restaurants/Other Eating Places	\$ 83,449,535	\$ 8,344,954	\$ 746,006	11	\$ 350	23,843
4451	Grocery Stores	\$ 161,505,222	\$ 16,150,522	\$ 4,707,055	3	\$ 500	32,301
4441	Bldg Material & Supplies Dealers	\$ 93,157,657	\$ 9,315,766	\$ 3,092,156	3	\$ 350	26,616
4539	Other Miscellaneous Store Retailers	\$ 31,093,473	\$ 3,109,347	\$ 845,926	3	\$ 300	10,364
4461	Health & Personal Care Stores	\$ 63,062,722	\$ 6,306,272	\$ 2,991,827	2	\$ 400	15,766
4529	Other General Merchandise Stores	\$ 78,144,980	\$ 7,814,498	\$ 3,628,365	2	\$ 500	15,629
4511	Sporting Goods & Hobby Stores	\$ 29,405,729	\$ 2,940,573	\$ 1,418,317	2	\$ 250	11,762
4413	Auto Parts, Accessories & Tire Stores	\$ 29,597,557	\$ 2,959,756	\$ 1,003,741	2	\$ 300	9,866
4532	Office Supplies, Stationery & Gift Stores	\$ 21,554,300	\$ 2,155,430	\$ 1,024,969	2	\$ 300	7,185
4521	Department Stores	\$ 161,061,631	\$ 16,106,163	\$ 15,157,405	1	\$ 250	64,425
4431	Electronics & Appliance Stores	\$ 42,772,212	\$ 4,277,221	\$ 2,147,270	1	\$ 500	8,554
4482	Shoe Stores	\$ 18,297,880	\$ 1,829,788	\$ 1,376,101	1	\$ 300	6,099
7224	Drinking Places - Alcoholic Beverages	\$ 14,855,317	\$ 1,485,532	\$ 891,610	1	\$ 250	5,942
4442	Lawn & Garden Equip & Supply Stores	\$ 11,912,228	\$ 1,191,223	\$ 730,531	1	\$ 250	4,765
4452	Specialty Food Stores	\$ 11,675,260	\$ 1,167,526	\$ 823,975	1	\$ 350	3,336
4531	Florists	\$ 5,989,460	\$ 598,946	\$ 316,614	1	\$ 200	2,995
4533	Used Merchandise Stores	\$ 5,428,955	\$ 542,896	\$ 297,355	1	\$ 200	2,714
	Total				38		252,163

Source: Esri, Camoin Associates

The retail gap analysis shows that a substantial amount of retail spending is “leaking” out of Newton, with some degree of leakage in almost every retail category. Assuming 10% retail leakage recapture, upwards of 250,000 square feet of net new retail could be supported in the city. In particular, department stores and grocery stores stand out in terms of supportable square feet. In addition, at least 11 new restaurants could be supported.

Retail Space Affordability

Newton is undoubtedly a desirable destination for retailers due to its relatively high population density and very high disposable incomes. This attractiveness, however, comes with its challenges. Strong retail demand in Newton has put upward pressure on rents, making it difficult for small mom-and-pop shops to stay in the city. Retail rents that easily top \$30 or \$35 per square foot NNN¹² are often unaffordable to smaller retailers who do not have the sales volume to cover space costs. Interviews with local shop owners revealed mounting concerns about a potential exodus of these stores to more affordable communities, and the impacts of these relocations on the character of Newton and its villages.

HOTEL

Consumer preferences within the hotel industry are expanding from traditional hotels that merely offer a place to rest your head at night to establishments that aid travelers in developing experiences. Some of this change is attributed to the influx of millennials who, in comparison to previous population cohorts, such as baby boomers or Gen X, travel more and are more passionate about travel. They value communal spaces, digital connectivity and local design touches to broaden their travel experience.

The retail industry has capitalized on hotels with major retailers opening up branded hotels rich in experiences. This trend began over a decade ago when high-end fashion designers merged with hotels to create a completely shoppable hotels where hotel furnishings and décor are all available for purchase. Currently the high-end fashion hotel market includes rooms created by designers such as Versace, Fendi, Tommy Hilfiger, etc. in which customers can experience all senses of the brand in the highly curated spaces.

Williams-Sonoma plans to open branded hotels starting in late 2018 in Charlotte, North Carolina; Detroit, Michigan; Indianapolis, Indiana; Oakland, California; Minneapolis, Minnesota; Savannah, Georgia; and Portland, Maine. This expansion from home retailer to hotel curator allows the brand to connect with customers during out-of-town visits.¹³ West Elm, a Williams-Sonoma brand, aims to create hotels that reflect the mood of its host city while combining an opportunity for customers to interact with West Elm products in an intimate, non-manufactured setting.

Additionally, the hospitality industry has embraced the sharing economy through house sharing. Companies such as AirBnB, allow customers to gain access to entire homes, lofts, and even boats. These accommodations offer a local experience unparalleled to that of a traditional hotel and can sometimes be a fraction of the cost. Despite the increase in supply of accommodations due to house sharing and boutique hotels, the hotel market remains strong.

When perusing accommodations, hotel customers may choose one establishment over another based on available features and amenities. Connectivity is considered a highly sought after amenity, both in terms of shared space and technology. Guests want fast and free Wi-Fi along with charging ports in common areas. Hotels are incorporating communal spaces where both guests and residents can be brought together in a collective setting. In terms of business traveler connectivity, typically larger properties are associated with amenities such as conference rooms and event spaces giving large hotel corporations a competitive advantage in the business traveler market.

Other sought-after amenities include spas, restaurants, and bars. The latest hotel trends suggest there is a movement towards luxury amenities such as in-room purifiers, branded amenity products as well as music and

¹² Based on LoopNet property listings

¹³ <http://www.retaildive.com/news/are-hotels-the-new-frontier-in-experiential-retail/505878/>

entertainment. Additionally, there has been a shift towards sustainability within hotels with features such as high efficiency lighting, energy management sensors, and towel/linen reuse programs.¹⁴

Location of hotel and motel establishments is driven by an area’s attractions. Guests want to be where the action is, in close proximity, and ideally within walking distance of restaurants, shopping, and other recreational amenities. The industry also targets locations with emerging millennial populations as a signal of popular destination locations. In general, accessibility through robust transportation infrastructure as well as close proximity to employment centers, universities, and other visitor attractions is critical to success.

Greater Boston Hotel Trends

The Greater Boston hotel market has been historically strong, bolstered by strong business and leisure segments. In the Boston suburbs, demand has increased steadily since 2009 despite a slight dip in 2016. However, growth in supply continues to outpace demand, indicating the need for additional rooms will be limited over the short term.

New supply in the Newton area includes three hotels recently completed or under development in Waltham: a 138-room Hampton Inn, a 100-room Residence Inn, and a 90-room Fairfield Inn. Other nearby developments include a Residence Inn and a boutique-style Archer Hotel in Burlington, and a Courtyard Marriott in Westwood. Three major hotels currently exist in Newton, comprising 891 rooms:

- Hotel Indigo Boston–Newton Riverside – 191 rooms
- Boston Marriott Newton – 430 rooms
- Crowne Plaza Boston–Newton – 270 rooms

According to projections from Pinnacle Advisory Group, occupancy and revenue per annual room (RevPAR) in the Boston suburbs will decline slightly through 2018 despite an increase in average daily rates (ADR).¹⁵ See Table 8.

Table 8: Suburban Boston Hotel Performance Projections

Suburban Boston Hotel Performance Projections			
	2017	2018	Pct. Change
Occupancy	68.50%	67.00%	-2.2%
Average Daily Rate (ADR)	\$ 140.50	\$ 142.50	1.4%
Revenue per Available Room (RevPAR)	\$ 96.24	\$ 95.48	-0.8%

Source: Pinnacle Advisory Group

Sluggish office and lab space development in Newton compared to nearby suburbs will likely translate to somewhat flat demand for hotel rooms in the city over the short term, and therefore limited demand for any sizeable hotel development. However, the niche boutique hotel market may present opportunities if a substantially differentiated product can be offered that responds to trends in consumer preferences.

¹⁴ American Hotel & Lodging Association

¹⁵ 2018 Hotel Outlook. Pinnacle Advisory Group.

RESIDENTIAL

The City of Newton recently commissioned a Housing Needs Analysis that lays out strategies for addressing the city's current and projected housing needs. Key findings as presented in the Housing Needs Analysis include the following:¹⁶

- Newton's population is aging, and seniors will be a key driver of housing demand into the future.
- Newton is particularly attractive to families with school-age children, especially older-parent families, who seek to take advantage of the city's high-quality school system.
- The young adult population in the city, those between 25 and 45, has declined, and has done so at a faster rate than in the surrounding region.
- Housing diversity is limited, with multifamily units accounting for only 8% of the total housing stock.
- Approximately 31% of all new housing development since 2005 has been multifamily units, but this has not made a significant dent in the overall housing type and price mix.
- The relatively low level of development activity is not having a substantial impact on the variety of housing types or prices in the city. All new development since 2005 that was not accomplished through a public-private partnership has focused exclusively on the high-end market (200% of area median income and up).
- The Housing Needs Analysis cites a projection from MAPC of 1,900 new households in Newton between 2010 and 2030, based on a status quo population scenario. Between 2010 and 2017 the City gained approximately 1,100 households. This status quo scenario assumes the continuation of current rates of birth, death, migration, and housing occupancy.

The findings of the analysis point to an urgent need for significant multifamily housing construction in the city that can help to increase supply and stabilize soaring prices. Moreover, development of affordable multifamily housing is critical for general economic development within the city. As revealed in interviews with a variety of stakeholders, in order to successfully attract and retain large employers, the city will require a housing stock that is accessible to a diverse workforce, in terms of both age and income. Employers want access to talent, and if the talent cannot afford to live in Newton, business attraction efforts will continue to be hampered.

¹⁶ Housing Needs Analysis and Strategic Recommendations - City of Newton, Massachusetts. RKG Associates, Inc. June 2016.

Camoin Associates, Inc.
120 West Avenue, Suite 303
Saratoga Springs, NY 12866
518.899.2608
www.camoinassociates.com
[@camoinassociate](https://twitter.com/camoinassociate)



Attachment 4: City Capacity Analysis



Appendix: City Capacity Analysis

ECONOMIC DEVELOPMENT STRATEGY CITY OF NEWTON, MASSACHUSETTS

April 2018

Prepared for:

City of Newton
1000 Commonwealth Avenue
Newton, MA 02459



120 West Avenue, Suite 303
Saratoga Springs, NY 12866

518.899.2608

www.camoinassociates.com

About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. We specialize in real estate market analysis to evaluate the feasibility and impacts of proposed projects. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in over twenty states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in Saratoga Springs, NY, Portland, ME, Brattleboro, VT, and Richmond VA. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates).

The Project Team

Jim Damicis
Principal

Rachel Selsky
Project Manager

Tom Dworetzky
Senior Analyst

Amie Collins
Analyst

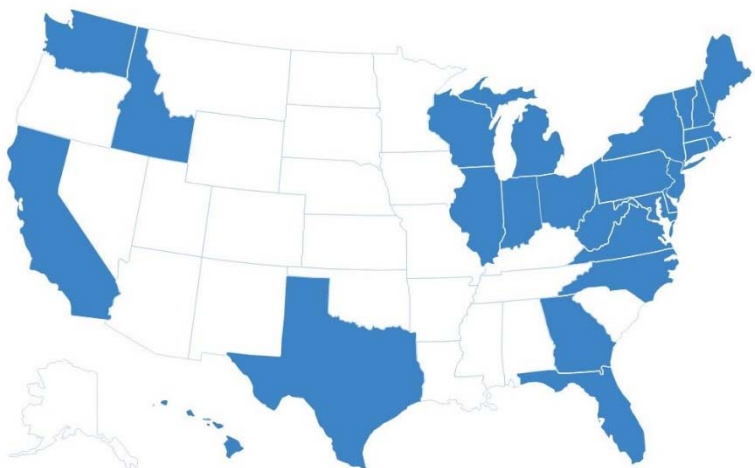


Table of Contents

Introduction	1
Planning and Development Review Process Assessment	1
Transportation Assessment	2
Water and Sewer Infrastructure Assessment	8
Marketing and Attraction Assessment.....	9



Introduction

As part of the economic development strategy being prepared for the City of Newton, a review of the city's capacity related to economic development was conducted. This includes both city processes and development review, transportation infrastructure, water and sewer infrastructure, and the city's marketing and economic development capacity. The information gathered from this assessment will inform the development of targeted strategies and tasks that will build off of the existing capacity and mitigate any related challenges.

Planning and Development Review Process Assessment

A major factor in any community being attractive to new businesses and developers is the ability to offer a predictable and efficient permitting process. Permitting processes and site plan review requirements are in place to protect property value, the environment, and neighboring parcels and they ensure that development is in line with community values. However, there are often ways that process and procedural issues can unintentionally hinder development. To gain insights into the permitting process, interviews were conducted with representatives from the City's Planning Department. Some of the major findings of this interview as well as discussions with others familiar with the process are outlined below:

- The Planning Department estimates the process can take as little as four months for minor projects. Larger projects with respect to size, scale, and/or density can take longer including multiple presentations to the Land Use Committee, and to the neighborhood
- The first step requires the petitioner to schedule meeting with the Development Review Team which is an internal group of City staff which reviews the project with the petitioner, providing feedback and direction for next steps.
- The petitioner then submits plans to the Chief Zoning Code Official who reviews the petition regarding zoning and produces a memo outlining the relief required from the Newton Zoning Ordinance. The Chief Zoning Code Official has 45 days per the City's Ordinances to review the petition, but reviews are often done sooner.
- The petitioner then files with the Planning Department and City Clerk to schedule a public hearing with the Land Use Committee. During the public hearing, Councilors and members of the public may offer comments and ask questions. At this stage, questions may require the petitioner to collect additional information and return for a subsequent meeting(s) before the Committee approves the petition. Once approved by the Land Use Committee, the City Council votes on the petition.
- If approved by City Council, the petitioner records the special permit at the Registry of Deeds and files for a building permit. a building permit which may require review from the Engineering Division, in addition to Current Planning staff before the Inspection Services Department has the opportunity to review. Per State law, Inspection Services has 30 days to review and issue the permit.
- The special permit process is governed my M.G.L. 40A which requires a public hearing, a 2/3 majority vote of the City Council, and a 20-day appeal period. The only additional layers of review placed upon the proponent are the DRT and the zoning review. There is no formal customer service survey or similar tool used to identify and/or address areas for improvement with the process.
- The ongoing re-write of the city's zoning ordinance, Zoning Redesign, is intended to bring a large number of parcels into conformance with the zoning ordinance allowing for greater predictability for both residents and developers. and tailor the type of development review to the type of petition. For example, under the current process, an addition to a single-family home requires many of the same milestones as a multi-family development. By tailoring the review process to the type of request, the permitting process can be simplified.

- Many of the large developers, attorneys, and design professionals are familiar with the process and understand the stages but it can be complicated for someone unfamiliar with the process. Staff have created flyers and are on hand to answer any questions regarding the process.

Opportunities

Based on information gathered from those familiar with the process and who have gone through a development review, there is room for improvement. Finding ways to make the process more efficient and predictable for applicants will benefit the community and ensure that the city continues to develop and grow in a way that is sustainable. The economic development strategy will include recommendations for improvements that are feasible, practical, and in line with the goals and vision for the city's future.

Transportation Assessment

Background

In February 2017, the Mayor of Newton presented a Transportation Strategy for Newton, which acts as a comprehensive guide for Newton to create a more equitable, economically, and environmentally sustainable multimodal transportation system by 2040. Heavily based in a vision developed through community outreach, this guide synthesizes stakeholder input with past plans and examines what strategies need to be implemented to fulfill the community's wishes to sustain and build on Newton's reputation as a safe, smart, accessible, livable, and sustainable community. Newton's ability to meet established economic development goals hinge upon the ability to implement these strategies, which will help the city overcome barriers to access and retain its economic competitiveness within the region.

As part of stakeholder outreach for the economic development plan, the community was engaged to further understand how transportation impacts a range of issues. These inter-related issues include: employers' ability to attract and retain staff, business owners' ability to attract customers, property owners' ability to attract and keep residents, and resident's and employees' ability to get to and from their jobs and needs safely and efficiently by any mode they might choose. The following is a summary of the transportation assessment as it relates to economic development.

Existing Transportation Conditions

Newton's tree-lined residential streets and walkable village centers makes it one of Boston's most attractive addresses and creates a high quality of living for workers and residents of all ages, abilities, and backgrounds. The City has been embracing approaches to accommodate the demand for improving its housing supply and costs while also reducing traffic and parking demand through added and enhanced options for getting around.

Currently, even though most Newton streets are lined with sidewalks and the city has thorough transit coverage, a high percentage of Newtonians still drive to work (see Figure 1), even higher than close by peer communities with similar transit access. Notably, telecommuting is also growing trend in Newton and the city has the highest share compared to peers. With changes in the job market, increased accessibility, and increased acceptance by employers, this trend may continue to grow.

An assessment of commuting trends in Newton finds that 74% of Newton residents work outside of Newton (ACS 2010, 5-year estimates), and, of those that commute, most commute eastward to Boston (see Figure 3). Over 78% of Newton's total employees live outside of the City of Newton, and most commute into Newton from the West (see Figure 4). On a more granular level, the City is working to examine where the employee base of particular sectors and areas originates. For example, where do employees that work in service for restaurants along a

particular corridor work and, of those employees and unique shift hours, how realistic and accessible are non-driving options?

Based on current population and employment density, high frequency fixed route transit can be supported in most areas throughout Newton (See Figure 5). The City of Newton could leverage this opportunity to accommodate transportation as development continues to occur. Many Newton employers and education institutions currently offer private shuttle services to connect to other transportation services and the City of Newton is planning to further evaluate these services as part of a larger system. Other on-demand transportation service companies also exist in Newton to fill gaps in short trips, like those connecting students between their schools and activities.

The City is currently working to implement the Transportation Strategy's recommendations. The first wave of implementation includes: upgrading pavement quality by following a prioritized system generated by the city's pavement quality index, upgrading safety measures in West Newton, evaluating what can be implemented to achieve multiple goals along the Washington Street corridor, and carrying forward state projects for the Needham Street corridor. As part of ongoing work, the City is also updating its zoning to reflect what Newton would like to see through more transit-oriented and transportation-demand-managed development.

Figure 1: How Newton Gets to Work as Compared to the Region

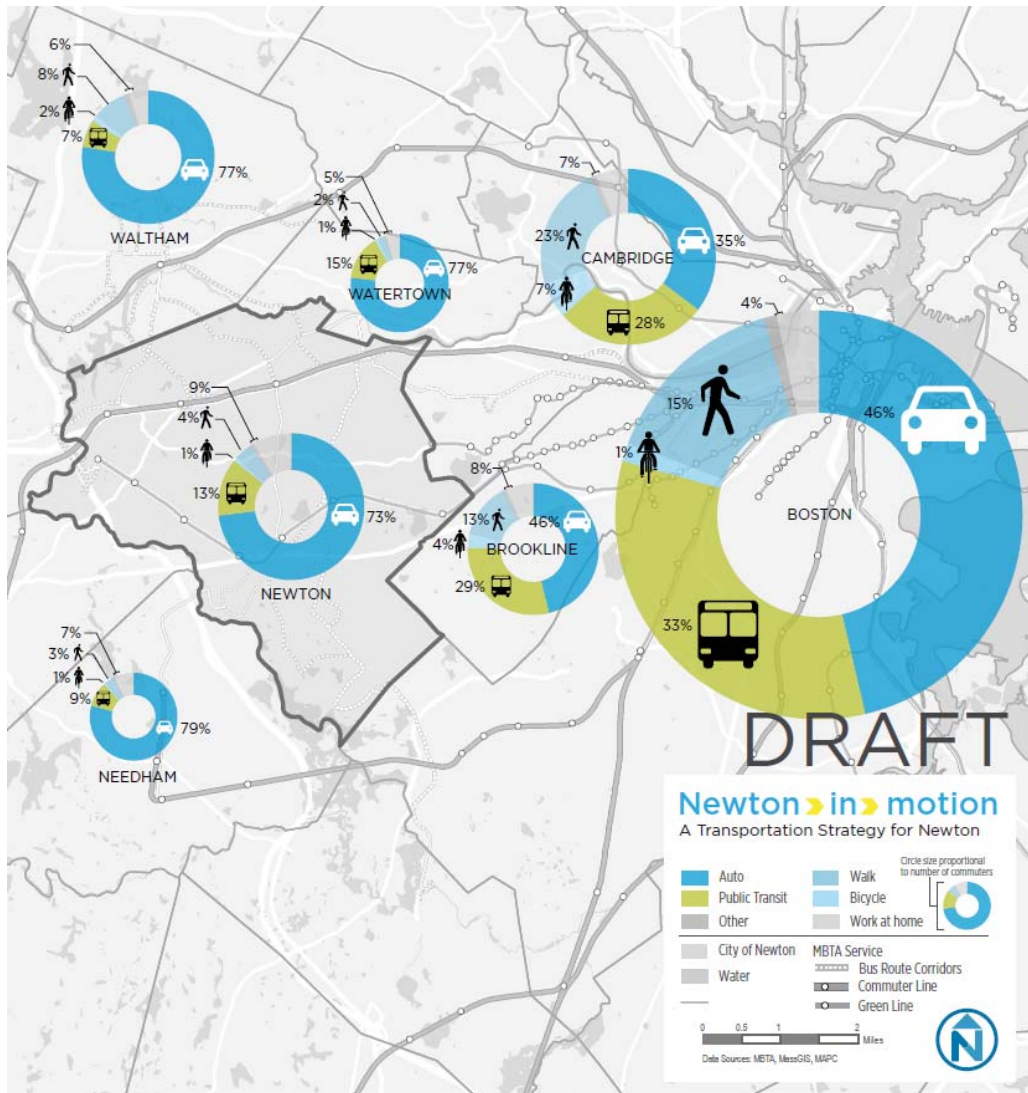


Figure 2: Newton's Mode Split

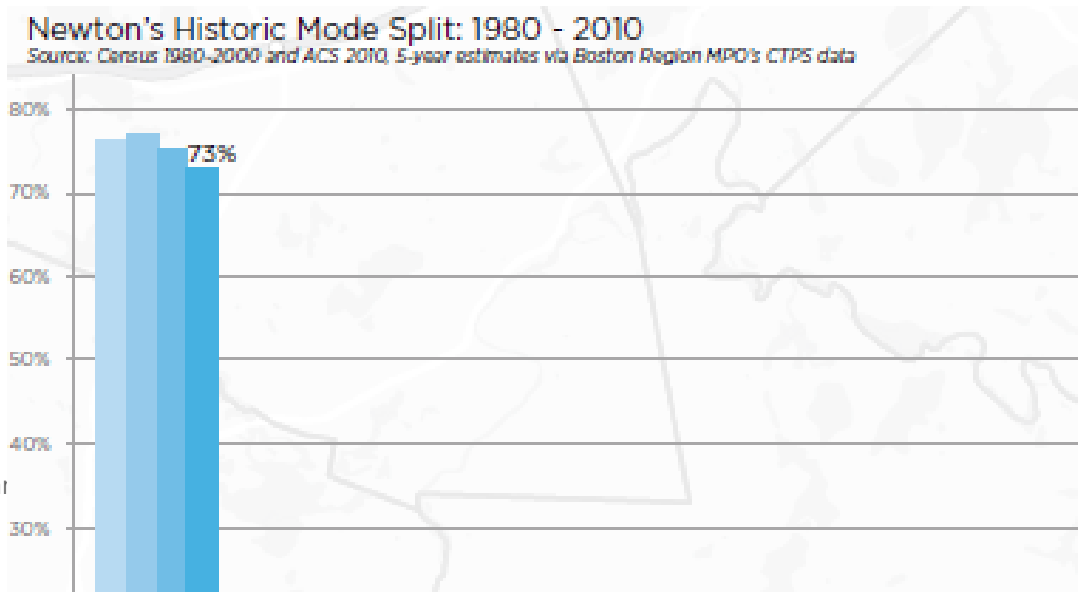


Figure 3: Place of Work of Newton Residents

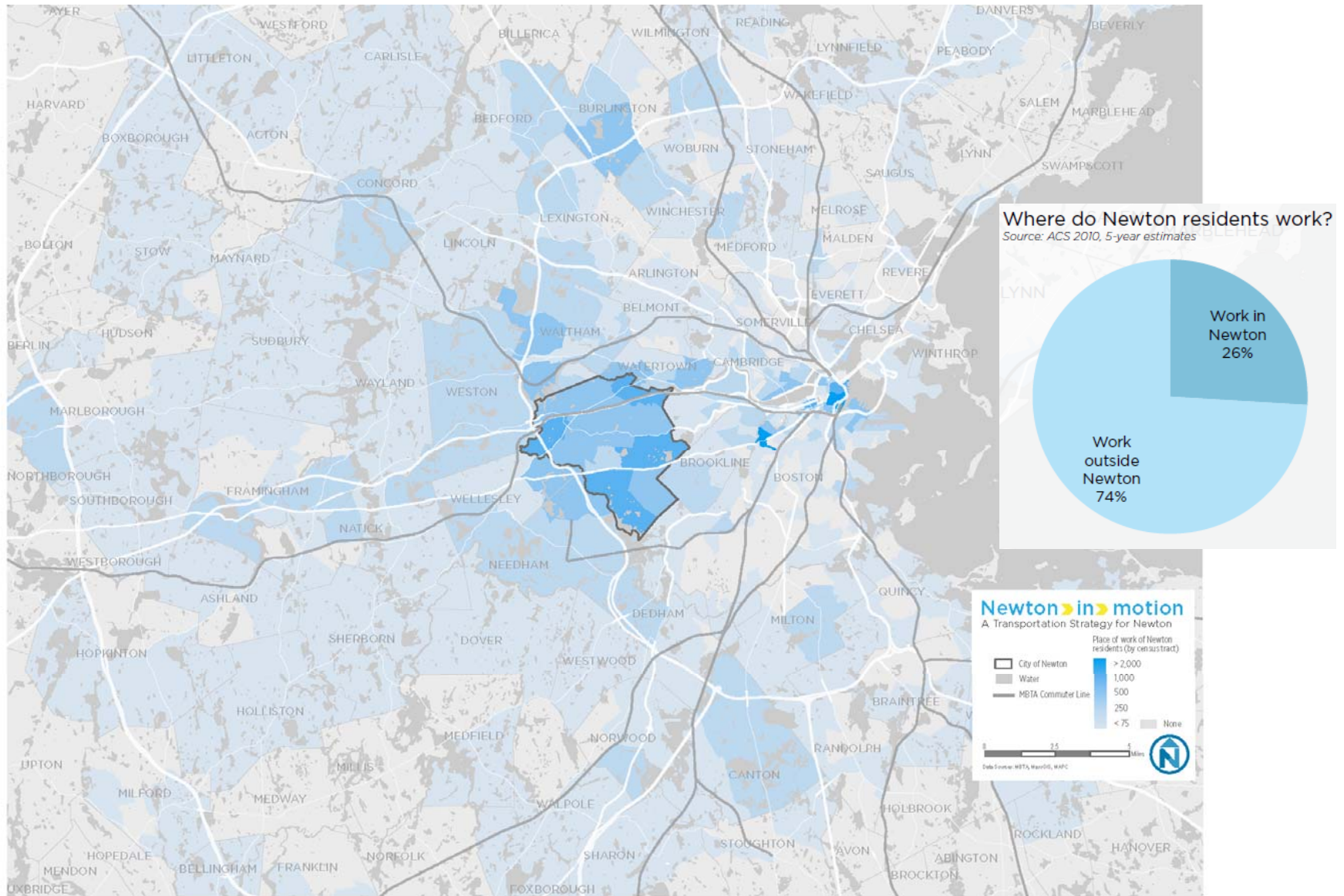


Figure 4: Residence of People that Work in Newton

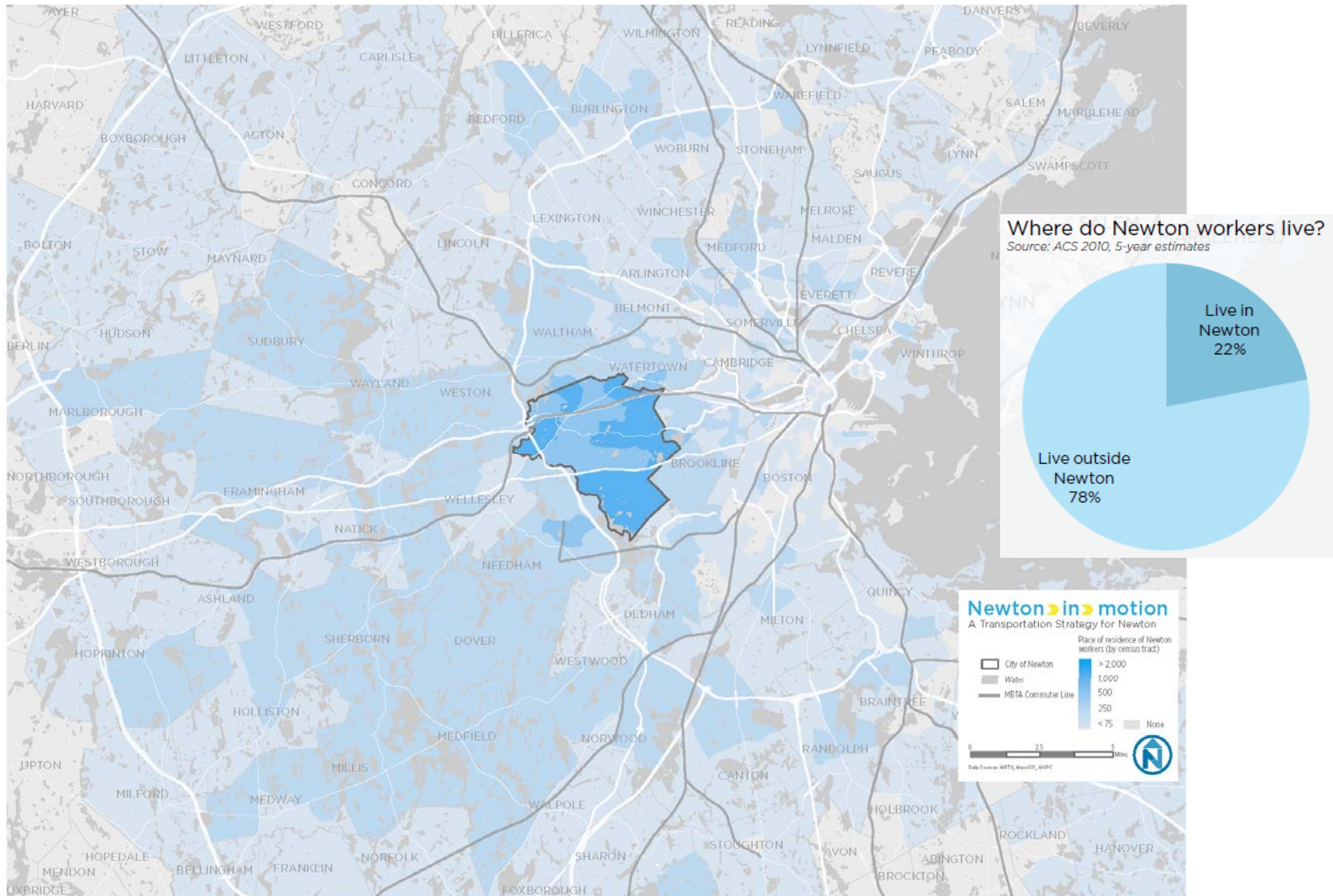
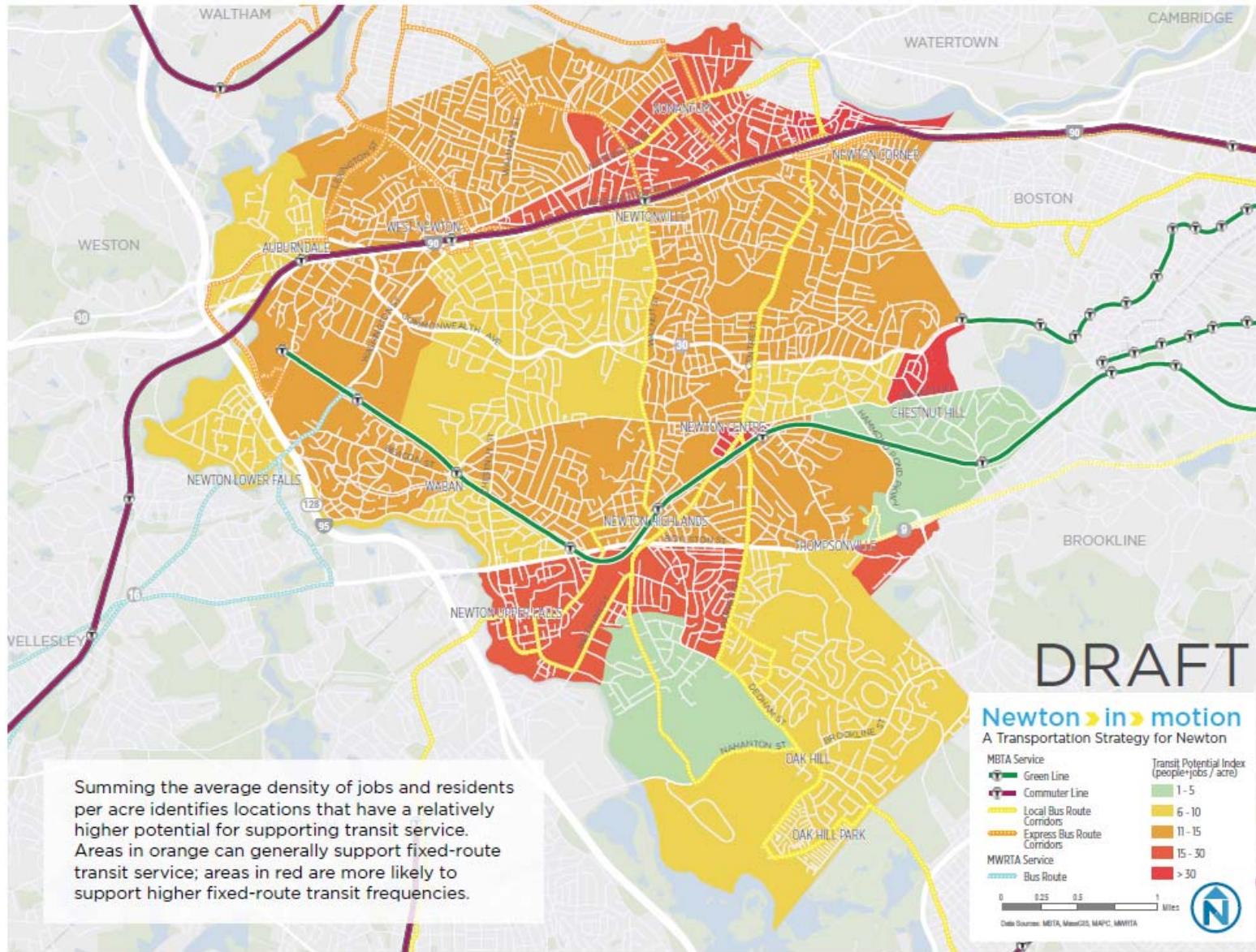


Figure 5: Transit Potential



Source: MBTA, ACS 2010, 5-year estimates via Census Transportation Planning Products



Opportunities

Transportation related issues are directly related to many of the economic development challenges being faced by Newton. Employers report finding it difficult to hire and retain workers who rely on public transportation due to limited accessibility of some areas of the city and limited transportation options. Business owners also mention parking challenges as limiting their ability to get customers to stop at their shop or return. Finally, quality of life issues related to increased congestion on the main roads, difficulty finding parking in neighborhoods and village centers, and reliance on personal automobiles for commuting. These are issues that are being faced on a daily basis by employers, workers, and residents in Newton and must be addressed as part of an economic development strategy.

Newton's transportation plans aim to amplify the character of the attractive and thriving village centers, wherein compact housing with a mix of uses and good transit access creates environments where people regularly walk and interact on sidewalks, in cafes, and at the transit stop. Newton has many opportunities to leverage the economic development context through its existing and planned transportation context. Opportunities like the dockless bikeshare pilot should be evaluated in terms of how they help the city overcome first and last mile challenges to reach transit and for their impact on parking demand within village centers. The potential success of mixed use developments can be analyzed on the impact they will have on reducing driving trips through the creation of a "park once" environment, where Newtonians can leave their car and walk or bike between multiple destinations. According to multiple stakeholders, increasing transportation safety across modes can have a reciprocal effect not only on attracting and sustaining businesses and employees, but also on the value of the retail environment.

Water and Sewer Infrastructure Assessment

An important consideration in the growth of the City of Newton is the water and sewer infrastructure and its ability to accommodate new growth. An assessment of the water and sewer infrastructure capacity was conducted to ensure that the recommendations outlined in the strategic plan are aligned. The following is a summary of an interview with City Engineer Lou Taverna.

Water System

The City of Newton water system was originally built 100 to 120 years ago. Most residential areas have 6-inch diameter pipes and most commercial areas have 8- or 12-inch diameter pipes. Typically, when a developer wants to do a substantial project there will be water flow issues tied to fire protection resulting from the pipes being undersized. The City will handle and pay for any of the water main upgrades necessary for fire protection for the large projects, since it is a public safety issue.

Since the pipes in the city are so old they are very thick and therefore typically do not leak, however they are prone to corrosion and therefore there are some issues related to reduced water flow that can be mitigated by replacing, cleaning, and/or lining the pipe. The newer pipes, about 50 to 60 years old, are not as thick and therefore more prone to leakage. The City of Newton spends millions of dollars each year upgrading the water mains including cleaning, upgrading the diameter, and other projects. The city is one of 60 communities that purchase water from the Mass Water Resources Authority and accounts for approximately 5% of the Authority's total use. Mass Water Resources Authority offers high quality water and has no issues related to capacity.

Sewer System

The sewer system was designed 50 to 100 years ago during a time when people did not anticipate the growth that the city was going to face. The sewer mains are old and small, and prone to leakage where storm and ground water leaks into the pipes. Since the pipes are undersized already, the leakage takes away capacity from proposed developers and therefore any developer that wants to build a large development is required to pay a mitigation

fee. The mitigation fee is intended to clean and line the pipes to stop the infiltration of the ground and stormwater. This fee can get expensive, but it is required and the developers understand that it is part of the price to pay to develop in Newton. The City contracts for Mass Water Resources Authority to take the sewage to their wastewater treatment plant. Since the wastewater treatment plant is a fixed size they encourage all of their communities to line and clean the pipes to reduce the extraneous ground and storm water from leaking into the sewer mains.

Stormwater

In addition to the water and sewer system, the City of Newton maintains a stormwater system that was built 100 years ago that discharges to the Charles River. As the city continues to develop, stormwater management has become more and more important. Developers are expected to manage and contain stormwater on-site by building stormwater holding tanks that are large enough to hold rainfall amounts below a 100-year storm. For storm events greater than a 100-year storm, the excess rain is allowed to go into the city's stormwater system. The developer pays the cost to design and build this stormwater management system.

Opportunities

The City of Newton spends millions of dollars each year upgrading their water, sewer, and storm sewer system to ensure that it does not get to a point where it is beyond repair or there is an emergency. The costs paid by a developer looking to develop in Newton include a sewer mitigation fee, traffic mitigation fee, and tree mitigation fee. Although these costs may be above and beyond what a developer would pay further outside of the 128/495 belt, they are more typical for the core communities who are dealing with older systems and increased development pressure. It is not common for a developer to choose to locate somewhere else simply because of the fees associate with infrastructure. The existing water, sewer, and stormwater systems do not present a challenge to development at this time.

Marketing and Attraction Assessment

A review of the existing marketing and attraction efforts was also conducted to identify areas where there may be opportunities to cultivate new approaches or refine the focus of existing resources. The first step was to review the existing economic development efforts including the economic development department and the Economic Development Commission.

As outlined on the City of Newton's website:

The Economic Development division is responsible for attracting new companies to locate in Newton

- *We serve as a resource to support and assist local Newton businesses to thrive in the city.*
- *We help identify suitable commercial space including retail, office, or industrial.*
- *We help with recruitment of a local highly skilled workforce.*
- *We provide assistance with licensing and permitting and serve as the coordinating point of contact for any other government function in the City for economic development.*
- *We help identify local City projects and provide partnering opportunities for companies to sell their services within the City.*
- *We offer assistance with local loans and possible available economic incentives.*
- *We partner with the Newton-Needham Chamber of Commerce on local events and marketing opportunities as well as the promotion of the N2 Innovation District.*

We work in collaboration with MassChallenge and the Cambridge Innovation Center to run the Newton Innovation Center (NIC), a center based in a municipal building for start-up companies.

The economic development department currently has two primary staff and is supported by the Economic Development Commission.

The Economic Development Commission was established by City ordinance with a mission to promote and develop business and industry for the purpose of strengthening the local economy, providing jobs, and expanding the City's tax base. The Commission promotes, assists, and encourages existing and new business, industry, and commerce in Newton and advises and makes recommendations to City officials and staff.

The City of Newton economic development department employs a number of strategies around business attraction, expansion, and retention. As part of the economic development strategy it is important to understand the existing capacity and tools being used related to economic development. The following is a summary of the information gathered from Kathryn Ellis, Director of Economic Development for the City of Newton during an interview related to marketing efforts.

- The economic development department is located in the Newton Innovation Center in Newton Corner which allows direct contact and frequent engagement with the start-up businesses that are located there.
- The department is using social media, specifically LinkedIn, to identify potential leads, make connections with decision makers, and stay connected with the targeted industry leaders.
- The department also uses Twitter to highlight expansions and other economic development related news.
- The City's website does not include an obvious or easy pathway to the economic development department page. A new web address MakeltNewton.com was created to allow for easier access to the City's economic development page. There is some information on the site related to demographic, and quality of life, however, it is relatively basic and not directed towards a particular sector or cluster.
- Regular business visitation meetings do occur including approximately 15 per month with Kathryn and an additional 45 being scheduled throughout 2018 with the Mayor with major employers.
- Most business visitation and communication happens naturally with regular walk-ins by the Mayor or economic development department to businesses throughout the city, businesses reaching out to the city for some kind of assistance, as well as a coordinated effort to remain in contact with the businesses.
- The department uses CoStar data to identify potential sites that might be a good fit for businesses looking to locate in the area but does not include this information on their website or publish it anywhere.
- During major development projects, the economic development department works closely with the community to engage, understand issues, and educate the neighbors about what the project will be.

Opportunities

The City of Newton Economic Development Department is doing a lot of work with limited staff, however there is opportunity to focus the existing resources in a more targeted way. Creating targeted marketing materials, refining outreach and business visitation efforts, and continuing to act as a resource for new and expanding businesses will be key to future efforts around economic development. The strategies outlined in the economic development plan will be mostly geared towards the City's planning and economic development departments in partnership with other agencies but the role of economic development department and staff will remain to be the convener and coordinator to ensure all people, organizations, and agencies are moving in the same direction.

Camoin Associates, Inc.
120 West Avenue, Suite 303
Saratoga Springs, NY 12866
518.899.2608
www.camoinassociates.com
@camoinassociate



Attachment 5: Retail Strategy Research

City of Newton Retail Strategies

The Challenge

Newton's thirteen villages each have their own unique mix of local businesses, historic assets, and public amenities. They are under increasing development pressure from the booming regional real estate market:

The core retail markets inside and along Route 128 have seen record-setting rents as of late, and are expected to remain steady. In this area, average rents of \$50-\$55 per square foot NNN³ for small shop space and \$25-\$30 per square foot NNN for larger spaces are common. For every operator that comes into this area aggressively but cannot sustain sales sufficient to cover high rents, there are strong tenants ready to backfill that space. Recent successful retail developments in Newton include The Street Chestnut Hill and Newton Nexus.

While these trends are great for the tax base, property owners, and developers, the spike in commercial rents is outpacing sales growth for the city's small businesses. Combined with the need to adapt quickly to eCommerce trends in the industry, competition from national chains, and a limited supply of affordable space, Newton's long-established independent businesses are under threat; some have already shuttered their storefronts. As small local businesses are forced to leave, so goes Newton's sense of place and quality of life.

Recommendations for Leveling the Playing-field

In cities across the U.S. and Canada, developers and funders are focused on catering to large chains who can afford high lease rates and easily cover their debt. Left untouched, city-scale real estate markets and access to capital is increasingly biased towards major retailers. Newton is experiencing these trends first-hand. The following recommendations are designed to address the imbalance of power and level the playing field so the city's otherwise healthy local retail businesses can compete.

Recognize Historic Businesses as Historic Assets

In 2015, faced with sky-rocketing commercial lease rates causing otherwise healthy businesses to shut down or relocate, the City of San Francisco decided to create a [historic registry](#) for their 30+ year old businesses and subsequently established the Legacy Business Historic Preservation Fund (legacybusinesssf.com) to offer financial support:

- For Legacy Businesses, annual grant of \$500 per employee, with a cap of 100 employees.
- For Property owners who extend ten-year or longer leases to Legacy Businesses, annual grant of \$4.50 per square foot, with a cap of 5,000 square feet.

[The program](#) is open to 300 businesses and non-profits annually.

Independent retail business across the U.S. are facing similar challenges, and many cities are considering legacy business programs to help small businesses stay in-place in competitive real estate markets. [San Antonio](#) recently established a program and Seattle just completed an [exploratory study](#), which contains in-depth information on this type of program.

³ NNN, or "triple net," refers to a lease arrangement where the tenant is responsible for property taxes, maintenance, and insurance expenses, beyond the base rent amount



Actions

- The City will create a registry for Newton’s long-established small retail businesses. This information will be used to customize the following recommendations and strategies specifically to the needs of Newton businesses as well as better connect the small business community across the thirteen villages.
- As part of the registry, the City will collect information about:
 - Type of businesses (goods sold or services offered)
 - Age of business, brief history
 - Ownership structure and any succession plans
 - Size and type of space the business occupies
 - Lease rates and ownership status of space business occupies
- The City will use information collected when creating the registry to design a financial assistance program, including grants and tax credits, that will address high-rent blight. The program will support small retail businesses and/or property owners to offset rising rents and enable the businesses to remain in-place. This is can be tied into the creation of tax increment financing districts.

Employ Small Business Friendly Zoning

Spiking commercial retail real estate lease rates in cities across the U.S. is the result of developers focusing on the needs of large national chains. Cities can use their zoning code, one of their most powerful tools to guide development, to proactively preserve affordable retail space while still maintaining a friendly environment for large retailers.

Updating a zoning code can be a very time-intensive process. Cities like San Francisco and [New York City](#) use Special Purpose Districts to supplement their existing zoning code to respond to specific needs of individual neighborhoods.

Actions

- **Restrict chain stores in village centers.** Create districts with provisions for ‘formula retail’ to cap how much street-level retail can be chain stores in Newton’s villages. Formula retail provisions can allow chain stores only by permit, not by right, and, by conducting outreach to residents when a project is proposed, can give the local residential community/consumer market the opportunity to be more engaged in the development process.
- **Use the city zoning code to preserve and increase the supply of smaller retail spaces.** Parameters might include a cap on storefront size, require mixed-use buildings to have a minimum number of storefronts, and put limits on when a retailer can knock down walls to create larger spaces.
- **Adopt a business diversity ordinance.** The ordinance can require businesses with many locations in the U.S. to apply for a special use permit in order to locate in one of Newton’s villages. The permit can consider how many businesses of that type are already in the district, assess if the business is compatible with the neighborhood, and consider if the applicant would bring something to the district that does not currently exist.

Create a “Buy Your Building” Plan

Businesses that own their own building have more control over their costs and are more resilient in a dynamic real estate market environment. Small business owners who own their own buildings build equity with their mortgage payments and build wealth that is more likely to stay locally in the community instead of out-of-town investors.



Many cities are in the process of designing programs and policies to help local small retail businesses owners purchase buildings. In [Austin](#) and [Salt Lake City](#), lease-to-own programs use a mix of federal grants and local lenders to help small businesses purchase buildings and in New York City, strategies are being proposed to encourage developers to sell retail spaces as condominiums. Other communities are getting creative and using investment cooperatives and [commercial community land trusts](#), to help stabilize commercial rates for small businesses.

Actions

- The City will identify financial partners for the program, including a network of local and regional lending institutions as well as federal programs through HUD and SBA.
- The City will work with partners, as well as representatives from the business community interested in participating in the program, to design a program to help Newton's business owners purchase buildings.

Create Opportunity for Local Businesses in Government Properties & Purchasing

Cities own and invest in real estate and can support local businesses by implementing policies that make city-owned properties more accessible for small businesses. This might be space in and around public transit, in city-owned buildings, and city-owned recreational amenities. Cities can control the rent in these spaces.

Actions

- The City will take an inventory of City-owned properties and public settings and identify space that local retailers and service providers might be able to capitalize on.
- This information will be used to write policies that encourage local businesses to bid on these opportunities.
- The City will conduct outreach to local businesses to promote the opportunities.
- As momentum for this project accelerates, the need for a digital solution will arise to efficiently connect businesses with available space. The City will explore creating a digital application to streamline this process and reduce staff-time necessary to run the program.

Establish a Local Currency Program

Examples of local currency programs include:

BerkShares Redeemable at over 400 participating businesses in the Berkshires of Massachusetts, BerkShares are issued at multiple participating banks (15 branches at four local banks). They give the user a 5% discount, as they cost \$0.95 per Berkshare but can be used to purchase \$1 worth of goods and services at participating businesses. They are traded in at what they cost, \$0.95, providing an incentive for business owners to recirculate them to other participating businesses. Since 2006, 7.3 million Berkshares have been issued, and there are currently about 140,000 BerkShares in circulation.⁴

BNotes This Baltimore- based local currency started in 2011 and has grown to over 34,000 in circulation regularly. Started as a response to the economic crisis, the goal of BNotes was to address the growing wealth inequality in the region. Now, over 240 businesses accept BNote. BNotes are purchased at six participating retailers and cost \$10 for 11 BNotes and can be exchanged for the reverse rate (11 BNotes for \$10), incentivizing recirculation.⁵

⁴ Active Local Currencies <http://www.centerforneweconomics.org/content/active-local-currencies>

⁵ Where to get BNotes <http://baltimoregreencurrency.org/cambios>



Brixton Pound The Brixton Pound in the UK started off as a physical currency, when their 10 pound note featured David Bowie, a resident of Brixton. Later, an electronic pay-by-text platform was introduced. Started in 2009, around 250 businesses currently accept the paper currency and 200 use the pay-by-text platform. They also feature a cash machine that distributes paper Brixton Pounds, and a program where their local government employees can receive part of their paycheck in this local currency.

Local currency programs can have the following benefits:

- **Boosts the local multiplier effect.** As an economic development tool, local currencies keep money local and recirculating through the same community, therefore increasing the economic multiplier effect. Circulation encourages capital to remain in a specific geographic location, benefiting all participating business. When you spend locally, your dollar stays local up to three times longer than when it's spent with national chains.⁶
- **Promotes local economic development.** A local currency program is a great way to unite businesses around a common and ubiquitous desire: to increase sales. While it does require coordination, it can be a small-scale reminder that it not only serves a purpose in its own right, but supports existing local economic development initiatives.
- **Encourages social benefits.** Just like the feeling when you get your final punch in that coffee card being part of a local currency program builds social fabric and pride in one's community.
- **Increases customer loyalty.** As mentioned previously, Brixton's local government provides the option for employees to receive the Brixton Pound as a portion their salary. Employees who do so report changing spending habits, trying out participating businesses when they normally wouldn't.
- **Creates new business networks.** As a business who received a local currency there is also an incentive to spend it again with another participating business. This encourages new businesses-to-business relationships to develop, increasing the interconnectedness of a region's economy.⁷

Local currency programs work well in communities where there are already a number of small, independent merchants, strong community spirit, relative geographic isolation, and inflow of new residents (particularly artists and students). Except for geographic isolation, the City of Newton checks all of these boxes. A local currency program can

Actions

- The City will design a local currency program targeted at students (college and high school), and the service-industry workforce (individuals who work in local hospitals, retail stores, and service providers) using information available through the Schumacher Center for a New Economics: <http://www.centerforneweconomics.org/content/local-currencies>.
- Local technology experts will be recruited to help establish the digital structure for the currency (website, app, etc.)
- The City will launch a robust marketing campaign to recruit businesses and engage the targeted customers of students and employees in the service-sectors about the local currency.

⁶ The Multiplier Effect of Local Independent Businesses <https://www.amiba.net/resources/multiplier-effect/>

⁷ Money with a purpose Community currencies achieving social, environmental and economic impact http://b.3cdn.net/nefoundation/ff0740cad32550d916_o1m6byac6.pdf



Offer Technical Support for Retail Businesses

Newton's local retail and service businesses need innovation support so they can adapt and innovate within an industry that is evolving – fast. Many national retailers have their own internal innovation centers or 'innovation labs' that are focused on developing the company's next big idea. To compete, small independent retailers who want to stay in Newton need a community where they can go to test and refine their transformative ideas and receive technical support to enhance existing business operations. The Newton Innovation Center (NIC) can be the hub for this community.

Services and support accessed through the NIC to local retail businesses and enraptures will include:

- Education around transformation in the retail industry and the role of small businesses in the future of community-based retail and services when trends are driven by outside forces:
 - Rapid adoption of technology by consumers
 - New retail players like Amazon, Google, and Facebook
- Business succession planning
- Providing local market intelligence and consumer targeting recommendations
- Digital programming and matching small business owners with local IT experts in the community to support (example: [Digital Main Street](#)):
 - Digital marketing
 - eCommerce systems
- Connect local retailers with other entrepreneurs in the community who want to test new ideas in Newton
- High-impact interior design support

It is critical that the programs and services offered avoid simple preservation tactics and instead foster a culture of creative thinking and taking disruptive actions.

Actions

- Through the process of developing the small business registry, the City will conduct a needs assessment to understand which resources and types of assistance are most in-demand by the local retail community.
- The City will work to identify partners for this project such as one of our many leading educational institutions and/or corporate partners.
- A business plan for the NIC will be created that re-focuses programming and assistance to support local small businesses and entrepreneurs who want to remain in the city.

Enhance the City's Commercial Real Estate Connection Services

As mentioned above, many Newton businesses struggle to remain in the city when their lease expires or they need to expand into a larger space. This is due to the limited supply of retail space at affordable rates. Existing businesses looking to stay in the city and businesses interested in locating to the city, need support in their search for space to understand the options that are available at different price points.

The [Commercial Real Estate Connection](#) page on the City's website currently offers a wordy, bureaucratic narrative, concluded with a non-hyperlinked web-address to a LoopNet page. This pushes business owners away from the City's website and creates the perception that the City is not the best place to look for help when trying to find commercial real estate. In comparison, the City of Detroit's [Motor City Match](#) website is an excellent example of a site designed to connect local business owners who need space and property owners with available space. It's designed to be inviting, emanating energy and excitement about retail opportunities in Detroit – not an easy feat!



This program also offers grant awards to local businesses and building owners to help revitalize the city's neighborhoods.

Actions

- Utilize MLS listings like LoopNet as well as the data collected as part of the business registry (above) to create a current database of commercial space in the City.
- Develop a system to track available space and lease rates regularly.
- Communicate real estate availability to the business community regularly.
- Develop a web-based application to be housed on the City's website, that local businesses can use to search for space.
- Redesign the [Commercial Real Estate Connection](#) page to improve the user experience and messaging. It should provide live links to resources the city offers and be designed to encourage the visitor to contact the City for assistance finding a great property to meet their needs.



Attachment 6: Acknowledgements

The creation of the City of Newton Economic Development Strategy involved numerous members of the Newton community. Below is a list of the people and organizations that made this strategy possible.

Newton Economic Development Commission

The Newton Economic Development Commission was established by City ordinance with a mission to promote and develop business and industry for the purpose of strengthening the local economy, providing jobs, and expanding the City's tax base. The Commission promotes, assists, and encourages existing and new business, industry, and commerce in Newton and advises and makes recommendations to City officials and staff.

EDC Members

Joyce Plotkin (Chair)	Howard Barnstone (Vice-Chair)
Robert Finkel (Vice-Chair)	Chuck Tanowitz (Secretary)
Stephen Feller	Jeremy Freid
G. Groot Gregory	Jane Ives
Jack Leader	Peter Kai Jung Lew
Philip Plottel	

Thank you to all the people who came out and participated in the public meetings associated with this project and the people who participated in interviews with the project team. Their insights were invaluable to development of this strategy.

Tom Andrews, EVP
Jeff Behrens, Siamab Therapeutics
Dr. Ed Chazen, Boston College
Allan Cohen, City of Newton Assessors Department
Neil Cronin, City of Newton Planning Department
Daniel Elias, New Art Center in Newton
Steve Feller, Economic Development Commission
Kent Gonzales, Northland Investment Corporation
Mark Goodman, Cardio High
Marc Laredo, City Council President
Jack Leader, Economic Development Commission
Robert S. Korff, Mark Development, LLC
Karen Masterson, Johnny's Diner
Kerry McCormack, Newton Nexus
Brian O'Dea, Newton-Wellesley Hospital
Joyce Plotkin, Chair of Economic Development Commission
Phil Plottel, Economic Development Commission



Thomas Ragno, King Street Properties
Greg Reibman, Newton Needham Chamber of Commerce
Paul Roberts, Newton Camera
Carolyn Rock, Boston Ballet
Alan J. Schlesinger, Schlesinger and Buchbinder, LLP
Linda Sloan Key, Century Bank
Chuck Tanowitz, N2 Innovation District
Louis M. Taverna, City of Newton Engineering Department



Camoin Associates, Inc.
120 West Avenue, Suite 303
Saratoga Springs, NY 12866
518.899.2608
www.camoinassociates.com
@camoinassociate





Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

#187-18
Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov

Barney S. Heath
Director

MEMORANDUM

DATE: September 7, 2018

TO: Councilor Albright, Chairman
Members of the Zoning and Planning Committee

FROM: Barney S. Heath, Director of Planning and Development
James Freas, Deputy Director of Planning and Development
Amanda Berman, Housing Development Planner
Jennifer Caira, Chief Planner

RE: **#187-18** DIRECTOR OF PLANNING requesting amendments to the Inclusionary Housing provisions of Chapter 30, Newton Zoning Ordinance, to increase the required percentage of affordable units; to require that some affordable units be designated for middle income households; to create a new formula for calculating payments in lieu of affordable units; and to clarify and improve the ordinance with other changes as necessary.

MEETING DATE: September 12, 2018

CC: Jonathan Yeo, Chief Operating Officer
Ouida Young, Acting City Solicitor
Planning & Development Board
City Council

The purpose of this memo is to detail a number of questions that were raised at the July 16th Zoning & Planning Committee meeting around staff's current Inclusionary Zoning proposal; and to provide a brief answer to each question, along with policy decisions that the Committee should consider as we move forward in the update of this important ordinance.

Along with this memo, staff also created an Inclusionary Zoning Ordinance Guidebook, which clearly explains the many provisions of the proposed updated ordinance and includes relevant examples where applicable.

Additionally, we have provided a clean version of the proposed updated ordinance text for the Committee to review, alongside the Guidebook and this memo.

As always, we look forward to working with ZAP to create an updated ordinance that does not stifle residential development, but rather, strikes a careful balance between the City's vast need for affordable housing and the nuanced economics of housing development.

Questions raised at the July 16, 2018 ZAP Committee meeting:

- 1. How would the Inclusionary Zoning requirement for projects subject to this ordinance change if we were to favor Tier 1 units (units affordable to households at or below 50% AMI)?**

To accomplish the goal of favoring Tier 1 units and providing a deeper level of affordability for a project, the overall number of required inclusionary units would be drastically reduced across all three tiers of affordability, and may present a number of scenarios where projects of a certain size and type are not financially feasible.

Policy Decision for ZAP:

Option 1: Favor Tier 1 units

- Results in fewer overall affordable units in a project
- But a deeper level of affordability for the required inclusionary units (units affordable for low-income to moderate-income households)
- Tier 1 units tend to be the hardest to produce, as they require the deepest level of subsidy

Option 2: Provide for a balance amongst all three tiers of affordability

- As demonstrated in staff's current proposal (units for low, moderate, and middle-income households)

Option 3: Favor Tier 3 and Tier 2 units

- Provides for a greater number of required affordable units in a project, but at a higher level of affordability (moderate to middle-income versus low-income)

2. How would the Inclusionary Zoning requirement change if we reduced the parking ratio from 1.25 to 1?

By reducing the parking requirements for a project, the developer realizes a cost savings in that area and, therefore, might have greater flexibility to increase the number of inclusionary units in that project across all three tiers of affordability.

It is important to note, however, that the Financial Analysis model developed by RKG is based on the City's current parking requirements and reflects the current development landscape throughout Newton. The model scenario that utilizes a parking ratio of 1 is a hypothetical, assuming that parking requirements across the city would change in the near future, or that the City Council will provide a greater level of parking relief than what is allowed by Special Permit.

Policy Decision for ZAP:

Option 1: Develop the Number of Inclusionary Units Required Table based on the current parking requirements and development landscape

- Results in fewer overall affordable units in a project due to the higher costs of construction associated with providing greater parking spaces per unit
- Reflects a realistic view of the current development landscape and permitting realities of Newton today

Option 2: Develop the Number of Inclusionary Units Required Table based on an assumed lower future parking requirement and development landscape

- Will potentially yield a greater number of affordable units
- But many unknowns in terms of the development review process and future parking requirement amendments, thus risking a higher level of project infeasibility

3. What are the trade-offs associated with requiring the inclusion of affordable beds in an "Elder Housing with Services" project, versus requiring a fee-in-lieu to meet the Inclusionary Zoning requirement?

As detailed in staff's July 2018 memo to ZAP regarding the Inclusionary Zoning update, Newton is not alone in struggling to design an inclusionary policy that successfully considers the complicated nature of the pricing strategy for projects of this type. The "housing" costs are only part of the equation; the real challenge comes in trying to define how the medical costs for a household offered an inclusionary bed would be determined. No clear best practices exist to assist staff in crafting a proposal that works for both the developer and the households eligible for the inclusionary beds.

Policy Decision for ZAP:

Option 1: Require projects of this type of provide affordable beds on site

- While this model would add to the City's stock of affordable beds in projects of this type, staff remains concerned about the possibility of a low to moderate-income

tenant being priced out of a facility due to the potential of rising medical costs as they age.

- Potentially, not a long-term housing solution for the low to moderate-income tenants who are offered a bed in these facilities

Option 2: Require projects of this type to provide a cash payment to the City’s Inclusionary Zoning Fund, rather than provide the beds on site

- This option works to strike a balance between the need to receive a critical contribution from projects of this type with the ability for the City to fund housing projects that provide a more stable and long-term subsidy for more income-eligible seniors

4. How would the Inclusionary Zoning requirement change if we required a project to build the required number of inclusionary units and provide a cash payment for all fractional requirements under 0.5?

While the fractional payment methodology proposed by staff in 2017 may result in a project delivering both inclusionary units and a cash payment to the City, many of the scenarios run utilizing RKG’s model result in a financially infeasible project due to the large fractional payment required per the proposed calculation. As discussed in the RKG report, the fractional cash payment is added to the initial cost of the development, which ultimately influences the project’s overall financial return. The fractional cash payment, coupled with the value loss from providing affordable units on site, erodes the developers financial return to the point of not moving forward with a project.

The RKG model, however, does not allow staff to run the scenario where a project would be required to build the required number of inclusionary units and provide a cash payment for all fractional requirements that are *only* under 0.5. The model that the consultant developed calculates the required fractional cash payment regardless of whether the fraction is less than or greater than 0.5.

The Cash Payment Calculation proposed in 2017, and which was used to develop the RKG financial analysis model, is as follows:

Inclusionary Housing Cash Payment Calculation:	
A = # of new dwelling units X IZ % Requirement (per Required Units Table)	X
<i>Multiplied by</i>	
B = 2017 DHCD Total Residential Dev. Costs Index (avg. of large & small unit projects)	\$389,000
Total Cash Payment Due for Project	Equals A X B

And below is an example of how this calculation would be used to determine a project’s IZ requirement, including any fractional cash payments (based on staff’s 2017 proposed IZ requirements):

Example:

- The Inclusionary Zoning / Cash Payment requirement for a rental Inclusionary Housing Project that contains a net increase of **48 new dwelling units** would be calculated as follows:

- A: Tier 1: $48 \times 5\% = 2.4$, so the fractional requirement would be 0.4
 Tier 2: $48 \times 10\% = 4.8$, so the fractional requirement would be 0.8
 Tier 3: $48 \times 10\% = 4.8$, so the fractional requirement would be 0.8

Multiplied By

- B: \$389,000

= Total IZ / Cash Payment Requirement for Project =

Tier 1: 2 Inclusionary Units *plus* a Cash Payment of \$155,600

Tier 2: 4 Inclusionary Units *plus* a Cash Payment of \$311,200

Tier 3: 4 Inclusionary Units *plus* a Cash Payment of \$311,200

Which equals a total of 10 Inclusionary Units plus a Cash Payment of \$778,000

Understanding that the fractional cash payment methodology proposed by staff in 2017 offers the City the potential to receive funds for its Inclusionary Zoning Fund, which will be targeted for the creation and preservation of deed-restricted Tier 1 units (at or below 50% AMI), perhaps a more economically feasible requirement for developers would be to utilize a much lower base number for the fractional cash payment calculation, such as \$20,000 per point, per tier (5% of the original base number of \$389,000), up to a maximum fractional cash payment per project of \$160,000; and only require a fractional cash payment where the IZ requirement falls below 0.5

Below is an example of how this calculation would be utilized, based on staff's current IZ requirement proposal:

Example:

- The Inclusionary Zoning / Cash Payment requirement for a rental Inclusionary Housing Project that contains a net increase of **48 new dwelling units** would be calculated as follows:

- A: Tier 1: $48 \times 0\% = 0$
 Tier 2: $48 \times 2.5\% = 1.2$, so the fractional requirement would be 0.2 ($2 \times \$20,000 = \$40,000$)
 Tier 3: $48 \times 15\% = 7.2$, so the fractional requirement would be 0.2 ($2 \times \$20,000 = \$40,000$)

= Total IZ / Cash Payment Requirement for Project =

Tier 1: 0 Inclusionary Units

Tier 2: 1 Inclusionary Unit *plus* a Cash Payment of \$40,000

Tier 3: 7 Inclusionary Units *plus* a Cash Payment of \$40,000

Which equals a total of 8 Inclusionary Units plus a total Cash Payment of \$80,000

Policy Decision for ZAP:

Option 1: Institute the Round-Up and Build Units methodology (as detailed in staff’s current IZ proposal), rather than incorporating a fractional payments requirement in addition to the building of units

- Favors the building of units, rather than the receipt of cash payments
- A more economically feasible option for developers, which may result in the creation of more affordable units throughout Newton

Option 2: Institute an amended version of the Build Units + Fractional Cash Payments methodology, as described above

- Results in projects delivering both inclusionary units and cash payments to the City for the purpose of creating and preserving more affordable units at the lowest tier of affordability
- Addition of fractional cash payments, while at a much-reduced level, may still affect the project’s bottom line to the point of a developer not moving forward with a project

5. How effective has our existing Inclusionary Zoning ordinance been over the past ten or so years?

The current version of the Inclusionary Zoning ordinance took effect on April 22, 2003. Since that time, building permits have been issued for approximately 117 affordable units restricted to households earning at or below 80% of the Area Median Income (AMI). Of those 117 units, 14 units were required as a result of the Inclusionary Zoning Ordinance, and the remaining 103 affordable units were approved through the 40B Comprehensive Permit process. Additionally, four projects received Special Permit approval to pay a fee-in-lieu of providing the units on site. Information is unavailable for two of those projects, but the remaining two projects paid fees of \$36,000 and \$186,000, in lieu of providing one affordable unit each.

While only 14 affordable units have been constructed as a result of the Inclusionary Zoning ordinance since 2003, **240 more affordable units** are either under construction, permitted, or are in the process of receiving approval from the City Council.

Currently, there are a **total of 90 deed-restricted affordable units** under construction in Newton, connected to projects that received a Special Permit and were subject to the City’s Inclusionary Zoning ordinance (57 units at or below 80% AMI, Tier 1 and Tier 2 units; and 33 middle-income units, Tier 3 units). It is important to note, however, that the 33 middle-income units were not required per the Inclusionary Zoning ordinance, as our current ordinance does not require those units.

There are an additional **25 deed-restricted affordable units** (at or below 80% AMI) connected to projects that have received a Special Permit, but have yet to begin construction; and another **125 deed-restricted affordable units** (at or below 89% AMI) connected to projects that have submitted a formal application to the City, but have yet to receive a Special Permit.

While it is not fully understood why there was such limited multifamily construction through the Special Permit process over the last fifteen years, staff hypothesizes that the City's development review process, coupled with an aggressive jump from a 10% to 15% IZ requirement created an environment where developers saw the Chapter 40B Comprehensive Permit process as a less expensive and more predictable path towards project approval. Additionally, there is no doubt that the housing recession played a major role in stifling multifamily development in Newton. Staff believes that post-recession, the market may have finally adjusted to the City's 15% IZ requirement, which may be one reason we are now seeing much greater Special Permit / multifamily activity throughout Newton.



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Department of Planning and Development
1000 Commonwealth Avenue Newton, Massachusetts 02459

#187-18
Telephone
(617) 796-1120
Telefax
(617) 796-1142
TDD/TTY
(617) 796-1089
www.newtonma.gov
Barney S. Heath
Director

City of Newton Inclusionary Zoning Ordinance Guidebook (as of staff's most current IZ proposal)

1) What is Inclusionary Zoning?

Inclusionary Zoning is a popular tool used by local governments across the country to leverage private development for the creation of affordable housing. While ordinances take many forms, a common structure is to require a percentage of units in a private development be rented or sold at affordable levels to low- and moderate-income households (usually households at or below 80% of the Area Median Income, AMI).

2) When is a project subject to the Inclusionary Zoning ordinance provisions?

All residential and mixed-use developments that contain 7 or more new residential units are subject to the City's IZ provisions, regardless of the necessary approval process for that project. Existing residential units that are proposed to be demolished as part of a development shall not be counted as existing units.

Example:

- A developer proposes to build a large multifamily development on two contiguous parcels. The project contains a total of 20 new units, in four different buildings. There is an existing four-family building on one of the parcels, which the developer plans to demolish. This proposed development would be subject to the Inclusionary Zoning ordinance, based off a total of 20 new units.
- A developer proposes to build a small multifamily development, containing a total of 7 new units in two different buildings. There is an existing two-family building on site, which the developer plans to demolish. This proposed development would be subject to the Inclusionary Zoning ordinance, based off a total of 7 new units.

3) What is the Inclusionary Zoning requirement for projects subject to this ordinance?

The Inclusionary Zoning requirement is based on the total number of new units proposed for a development and whether it is a rental or ownership project. The percentage of required inclusionary units to be built on site is divided into three affordability tiers: Tier 1 are units affordable to households with annual gross incomes at or below 50% of the area median income (AMI); Tier 2 are

units affordable to households with annual gross incomes greater than 50% AMI, but at or below 80% AMI; and Tier 3 are units affordable to households with annual gross incomes greater than 80% AMI, but at or below 110% AMI (middle-income units).

Where the IZ requirement results in a fraction of a unit greater than or equal to 0.5, the developer must build one inclusionary unit to capture that fraction.

Tier 1 and Tier 2 inclusionary units must be qualified as ‘Local Action Units’ pursuant to the requirements of the Comprehensive Permit Guidelines of the DHCD and, therefore, must be SHI-eligible units. All projects subject to the Inclusionary Zoning requirements must enter in an affordable housing deed restriction with the City, and in most cases, a Regulatory Agreement between the City, DHCD (or relevant Subsidizing Agency) and the developer. These affordable housing covenants must be recorded in the Registry of Deeds and will endure for the life of the residential development.

The percentage requirement for applicable developments is based on the following table:

Number of Inclusionary Units Required: 2018 Proposal												
Tier Level	7-9 new units		10-20 new units		21-34 new units		35-64 new units		65-100 new units		101+ new units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, up to 50% AMI	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	2.5%	0.0%	2.5%	0.0%
Tier 2, 51%-80% AMI	15.0%	15.0%	17.5%	5.0%	7.5%	10.0%	2.5%	7.5%	10.0%	10.0%	12.5%	12.5%
Tier 3, 81%-110% AMI	0.0%	0.0%	0.0%	10.0%	5.0%	7.5%	15.0%	10.0%	5.0%	7.5%	2.5%	5.0%
Total	15.0%	15.0%	17.5%	15.0%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%

Number of Inclusionary Units Required: 2018 Proposal Examples												
Tier Level	7 new units		16 new units		24 new units		47 new units		78 new units		225 new units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, up to 50% AMI	0	0	0	0	1	0	0	0	2	0	6	0
Tier 2, 51%-80% AMI	1	1	3	1	2	2	1	4	8	8	28	28
Tier 3, 81%-110% AMI	0	0	0	2	1	2	7	5	4	6	6	11
Total	1	1	3	2	4	4	8	8	14	14	39	39

Examples:

- A developer proposes to build a multifamily rental development, containing a total of 31 new units. The IZ requirement for the development would be as follows:
 - 5% at Tier 1 = 1.55; a total of 2 units at Tier 1
 - 7.5% at Tier 2 = 2.325; a total of 2 units at Tier 2
 - 5% at Tier 3 = 1.55; a total of 2 units at Tier 3
 - Total IZ Requirement: 6 inclusionary units on site

- A developer proposes to build a multifamily ownership development, containing a total of 16 new units. The IZ requirement for the development would be as follows:
 - 0% at Tier 1 = 0; a total of 0 units at Tier 1
 - 5% at Tier 2 = 0.8; a total of 1 unit at Tier 2
 - 10% at Tier 3 = 1.6; a total of 2 units at Tier 3
 - Total IZ Requirement: 3 inclusionary units on site

4) What is the “Area Median Income” in Newton and what does 50% AMI, 80% AMI, and 110% AMI mean?

Area Median Income, or “**AMI**” as it is referred to regularly, is the median family income, adjusted for household size, within a given metropolitan or non-metropolitan area, updated annually by the U.S. Department of Housing and Urban Development (HUD) and used to determine eligibility for most housing assistance programs.

For Newton, the HUD Area Median Family Income (HAMFI) is based on the Boston-Cambridge-Quincy, MA-NH HUD Metro FMR (Fair Market Rent) Area Median income:

- **\$107,800**, or 100% AMI for a family or household of 4 persons, as detailed below in the FY 2018 Income Limits Summary Table for Newton, MA¹

50% AMI refers to a Low-Income Household whose annual gross income is at or below 50% of the area median income. In Newton, a household with 3 persons with an annual gross income at or below \$48,550 would be eligible for a housing unit designated at 50% AMI, as detailed in the table below.

80% AMI refers to a Moderate-Income Household whose annual gross income is greater than 50% AMI, but at or below 80% of the area median income (also referred to as 51%-80% AMI). In Newton, a household with 5 persons with an annual gross income at or below \$87,600 would be eligible for a housing unit designated at 80% AMI.

110% AMI refers to a Middle-Income Household whose annual gross income is greater than 80% AMI, but at or below 110% of the area median income (also referred to as 81%-110% AMI). In Newton, a household with 4 persons with an annual gross income at or below \$118,580 would be eligible for a housing unit designated at 110% AMI.

At times, these middle-income units are also referred to as Workforce Housing. HUD defines Workforce Housing as housing affordable to households earning between 80% and 120% AMI. The Massachusetts Housing Finance Agency (MassHousing), however, defines Workforce Housing as units affordable to households with incomes greater than 60% AMI and up to 120% AMI.

FY 2018 Income Limits Summary - Newton, MA						
Income Level	Household Size					
	1	2	3	4	5	6
50% AMI	\$37,750	\$43,150	\$48,550	\$53,900	\$58,250	\$62,550
80% AMI	\$56,800	\$64,900	\$73,000	\$81,100	\$87,600	\$94,100
100% AMI	\$75,500	\$86,300	\$97,100	\$107,800	\$116,500	\$125,100
110% AMI	\$83,050	\$94,930	\$106,810	\$118,580	\$128,150	\$137,610

¹ FY 2018 Income Limits Documentation System, Newton City FY 2018 Income Limits Summary:
<https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>

5) When is a project that is subject to the Inclusionary Zoning ordinance allowed to make a cash payment to the City in lieu of building inclusionary units on site?

Developments with 7-9 new units may choose to make a cash payment to the City in lieu of building the inclusionary units on site, without receiving permission from the City Council through the Special Permit process.

For projects that fall outside of the 7-9 new units category, payments-in-lieu are only allowed through the Special Permit process where the City Council makes specific findings to an “unusual net benefit to allowing a fee rather than the inclusionary units.”

6) How are cash payments determined for projects that are allowed or receive permission to make such payments to the City?

The total cash payment is determined by utilizing the most current Massachusetts Department of Housing and Community Development’s (DHCD) Qualified Allocation Plan’s (QAP) “Total Residential Development Cost Limits” Index:²

- **\$389,000** (2018-2019 QAP): the average of the “Small Units” index (\$379,000) and “Large Units” index (\$399,000) for Production Projects in Newton, which falls within the Urban Area of Metro Boston category of the QAP

These Total Residential Development Cost Limits are published annually through the Commonwealth of Massachusetts Department of Housing and Community Development’s Low Income Housing Tax Credit Program Qualified Allocation Plan.³ The cost limits reflect project type and location and are based on the Massachusetts Housing Partnership’s (MHP) extensive research on behalf of DHCD.⁴

For projects with 7-9 new units, the total cash payment is determined by utilizing \$389,000 as the basis for the calculation. The payment is then adjusted for the number of new units in the project, at a decreasing percentage.

² From the Commonwealth of Massachusetts Department of Housing and Community Development’s Low Income Housing Tax Credit Program 2018-2019 Qualified Allocation Plan, Appendix C, <https://www.mass.gov/files/documents/2018/04/26/20182019QAP.pdf>

³ DHCD is the Massachusetts allocating agency for the Low Income Housing Tax Credit (LIHTC) program, which has helped support the production or preservation of over 67,000 affordable multifamily rental units since the program’s beginnings in 1987. Each year, the state allocating agency for the Low Income Housing Tax Credit is required to publish a plan describing how it intends to award the credit, including selection criteria for projects receiving tax credit allocations.

⁴ To develop these cost limits, MHP researched the costs of hundreds of rental projects over a four-year timeframe in DHCD’s and MHP’s portfolio, and assessed multiple variables, including the cost of production versus preservation; family housing versus senior housing or special needs housing; regional variations in cost; and variations based on construction type. The cost limits, first introduced into DHCD’s 2017 tax credit QAP, apply to all rental housing funded by the Massachusetts public lenders. The cost limits are to be reviewed annually and will be part of the Massachusetts public lenders’ ongoing efforts to manage costs.

Examples:

- 7-unit project: 70% of \$389,000 = \$272,300 total cash payment
- 8-unit project: 80% of \$389,000 = \$311,200 total cash payment
- 9-unit project: 90% of \$389,000 = \$350,100 total cash payment

For projects with 10 or more new units, which have received permission from the City Council to make a cash payment to the City in lieu of building the inclusionary units requirement on site, the total cash payment is determined by utilizing \$389,000 per unit as the basis for the calculation. The payment is then adjusted based on the percentage requirement for a project of that size and type (rental versus ownership).

Examples:

- 18-unit rental project
 - 17.5% IZ requirement: $0.175 \times 18 \text{ units} = 3.15$
 - $3.15 \times \$389,000 = \underline{\$1,225,350 \text{ total cash payment}}$
- 36-unit ownership project
 - 17.5% IZ requirement: $0.175 \times 36 \text{ units} = 6.3$
 - $6.3 \times \$389,000 = \underline{\$2,450,700 \text{ total cash payment}}$
- 88-unit rental project
 - 17.5% IZ requirement: $0.175 \times 88 \text{ units} = 15.4$
 - $15.4 \times \$389,000 = \underline{\$5,990,600 \text{ total cash payment}}$

7) Are projects that consist of 100% deed-restricted affordable units subject to the Inclusionary Zoning ordinance provisions?

The short answer is no. Such projects are not required to comply with the prescribed percentage requirements per income level, as detailed in Section 5.11.4.B. of the ordinance – “Number of Inclusionary Units Required.” However, projects that are 100% deed-restricted affordable are still subject to all other sections of the ordinance. For instance, such projects are required to submit an Inclusionary Housing Plan and an Affirmative Fair Housing Marketing and Resident Selection Plan for review and approval by the Director of Planning and Development, and are subject to a Regulatory Agreement and Use Restrictions, which shall endure for the life of the development, and shall be recorded at the Registry of Deeds.

Examples:

- 35-unit rental project at 100% Tier 3 (81%-110% AMI)
 - This project would not be required to provide any units at Tier 1 or Tier 2
- 75-unit rental project at 85% Tier 3 and 15% Tier 2
 - This project would not be required to provide any units at Tier 1

8) Are “Elder Housing with Services” projects subject to the Inclusionary Zoning ordinance provisions?

Yes. However, such projects fall slightly outside of the Inclusionary Zoning requirements associated with all other residential and mixed-used developments that are subject to the provisions of the IZ ordinance.

The Inclusionary Zoning ordinance defines this type of project as housing with services designed primarily for elders, such as residential care, continuing care retirement communities, assisted living, independent living, and congregate care. The ordinance does not apply to nursing homes subject to regulations by the state of Massachusetts Department of Public Health. Nor does the ordinance apply to Elder Housing with Services projects that are 100% deed-restricted, affordable.

Under the Inclusionary Zoning ordinance, 5% of the total number of beds provided as part of an Elder Housing with Services project must be affordable for seniors age 62 or older whose annual gross incomes are at or below 80% AMI. Where the IZ requirement results in a fraction of a unit greater than or equal to 0.5, the developer must provide one inclusionary bed to capture that fraction.

Inclusionary beds may be located in single-occupancy rooms or in shared rooms; must be proportionately distributed throughout a project; and must be indistinguishable from the market-rate beds.

The total monthly housing costs, inclusive of base services, must not exceed 80% of the eligible senior's annual gross income. The services provided to these residents must be comparable to the base services offered to all residents, regardless of income status, and may include long-term health care, nursing care, home health care, personal care, meals, transportation, convenience services, and social, cultural and educational programs.

Alternatively, Elder Housing with Services projects may choose to meet their Inclusionary Zoning requirement through a payment-in-lieu, without receiving permission from the City Council through the Special Permit process. The total cash payment for projects of this type is determined by utilizing DHCD's Qualified Allocation Plan Index for "Single Room Occupancy / Group Homes / Assisted Living / Small Unit Supportive Housing" of \$259,000, coupled with the calculation of 5% of the total number of beds provided in the project.

Examples:

- 115-bed assisted living project:
 - 5% requirement X 115 = 5.75; therefore, 6 inclusionary beds are required on site
 - If this project were to choose to provide the City with a cash payment, rather than provide the beds on site, the total cash payment would equal:
 - $5.75 \times \$259,000 = \underline{\$1,489,250 \text{ total cash payment}}$
- 85-bed continuing care retirement community:
 - 5% requirement X 85 = 4.25; therefore, 4 inclusionary beds are required on site
 - If this project were to choose to provide the City with a cash payment, rather than provide the beds on site, the total cash payment would equal:
 - $4.25 \times \$259,000 = \underline{\$1,100,750 \text{ total cash payment}}$

9) What happens to the cash payments made to the City's Inclusionary Zoning Fund? How are these funds used, and by whom?

These cash payments are deposited into the City's Inclusionary Zoning Fund, which is distributed equally between the Newton Housing Authority (NHA) and the City of Newton. These funds are to be targeted for the restoration, creation, and preservation of deed-restricted units affordable to households with annual gross incomes at or below 50% AMI.

Appropriation of the funds for use by the City or the Newton Housing Authority must first be approved by the Planning & Development Board, the Finance Committee, and then the full City Council.

10) Does the City provide an incentive to developers that provide more affordable units than what is required by the Inclusionary Zoning ordinance?

Yes. If a project that is subject to the Inclusionary Zoning provisions includes more than its required number of inclusionary units, a bonus of additional market-rate units will be offered to the project at a ratio of 2 to 1: for every additional affordable unit proposed, the project will be allowed to include 2 additional market-rate units. The additional affordable units must be set at no more than 80% AMI (Tier 2 units), and the number of additional units shall not exceed 20% of the number of units otherwise allowed on the lot under lot area per dwelling unit requirements.

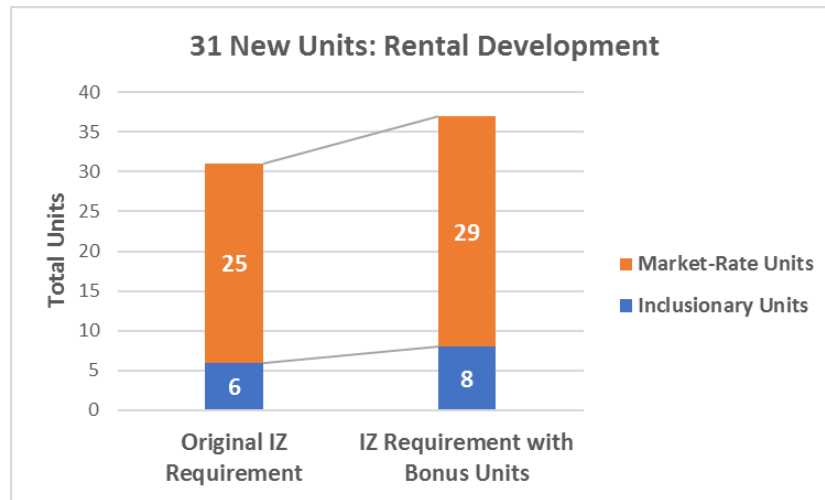
Examples:

- A developer proposes to build a multifamily rental development, containing a total of 31 new units; therefore, the total IZ requirement for the development would be 6 inclusionary units: 25 market-rate units and 6 inclusionary units:
 - 5% at Tier 1 = 1.55; a total of 2 units at Tier 1
 - 7.5% at Tier 2 = 2.325; a total of 2 units at Tier 2
 - 5% at Tier 3 = 1.55; a total of 2 units at Tier 3

The developer then chooses to provide 2 additional affordable Tier 2 units, which provides the project with 4 additional market-rate units, for a total of 6 additional units. The project now includes 37 total new units: 29 market-rate units and 8 inclusionary units:

- 2 units at Tier 1
- 4 units at Tier 2
- 2 units at Tier 3
- = 8 total inclusionary units (out of 37 total units; for a project that is now 21.6% affordable)

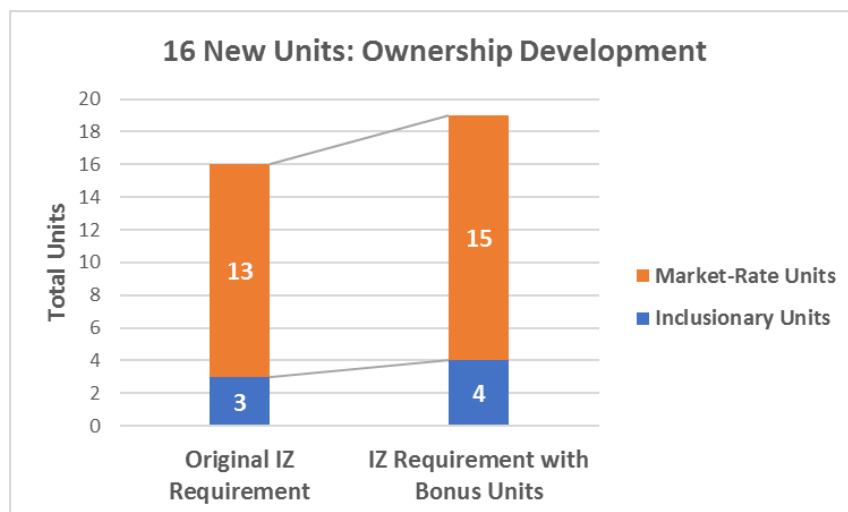
Note: the total number of additional units allowed for a project originally consisting of 31 new units is 6; $20\% \times 31 = 6.2$; for a total of no more than 37 total new units, as the example demonstrates.



- A developer proposes to build a multifamily ownership development, containing a total of 16 new units; therefore, the total IZ requirement for the development would 3 inclusionary units: 13 market-rate units and 3 inclusionary units:
 - 0% at Tier 1 = 0; a total of 0 units at Tier 1
 - 5% at Tier 2 = 0.8; a total of 1 unit at Tier 2
 - 10% at Tier 3 = 1.6; a total of 2 units at Tier 3

The developer then chooses to provide 1 additional affordable Tier 2 units, which provides the project with 2 additional market-rate units, for a total of 3 additional units. The project now includes 19 total new units: 15 market-rate units and 4 inclusionary units:

- 0 units at Tier 1
- 2 units at Tier 2
- 2 units at Tier 3
- = 4 total inclusionary units (out of 19 total units; for a project that is now 21% affordable)



11) How do the inclusionary units in a development differ from the market-rate units in terms of design, construction, location, accessibility, and amenities?

The inclusionary units in a development must be indistinguishable from the market-rate units as viewed from the exterior, and the inclusionary units must contain complete living facilities, including a stove, kitchen cabinets, plumbing fixtures, a refrigerator, a microwave, and access to laundry facilities. The materials used and the quality of construction for the inclusionary units, including heating, ventilation, and air conditioning systems, must be equal to that of the market-rate units.

The bedroom mix of the inclusionary units must be equal to that of the market-rate units. The inclusionary units must be equivalent in size to that of the market-rate units, and the inclusionary units must meet the following minimum square footage and bathroom requirements, as required by DHCD's most current Comprehensive Permit Guidelines:

- 1 bedroom – 700 square feet / 1 bath
- 2 bedrooms – 900 square feet / 1 bath
- 3 bedrooms – 1200 square feet / 1 bath + 1 half bath
- 4 bedrooms – 1400 square feet / 2 baths

The inclusionary units, and their associated parking spaces, must be proportionately distributed throughout a project and must not be located in less desirable locations than the market-rate units.

At a minimum, the inclusionary units must have an equivalent level of accessibility to that of the market-rate units.

The inclusionary units must have equal access to all amenities that are offered to the market-rate units in a project, such as parking, onsite fitness center, laundry facilities, and community rooms.

12) How are the rents and sale prices for the inclusionary units in a project determined?

The total monthly housing costs associated with an inclusionary unit must not exceed 30% of the gross monthly income for the eligible household living in that unit.

Total monthly housing costs for rental units include rent, utility costs for heat, water, hot water, and electricity, one parking space, and access to all amenities that are typically offered to a tenant in the development, such as access to an onsite fitness center, laundry facilities, etc.

Total monthly housing costs for ownership units include the mortgage principal and interest, private mortgage insurance, property taxes, condo and/or homeowner's association fees, hazard insurance, and one parking space.

Step One:

The first step in calculating an inclusionary unit's maximum affordable rent or sale price is to identify the number of bedrooms in that unit. The rent or sale price is based on the number of household

members equal to the number of bedrooms in a unit plus one, regardless of the actual number of persons that end up occupying the unit.

Example:

- A 2-bedroom apartment's maximum affordable rent is based on a household size of 3 persons
 - 2 bedrooms + 1 = 3 person household

Step Two:

Secondly, the appropriate gross annual Income Limit for that unit, adjusted for the associated household size, must be identified. HUD publishes these limits on an annual basis, and the FY 2018 Income Limits Summary Table for Newton, MA⁵ is provided below.

FY 2018 Income Limits Summary - Newton, MA						
Income Level	Household Size					
	1	2	3	4	5	6
50% AMI	\$37,750	\$43,150	\$48,550	\$53,900	\$58,250	\$62,550
80% AMI	\$56,800	\$64,900	\$73,000	\$81,100	\$87,600	\$94,100
100% AMI	\$75,500	\$86,300	\$97,100	\$107,800	\$116,500	\$125,100
110% AMI	\$83,050	\$94,930	\$106,810	\$118,580	\$128,150	\$137,610

Examples:

- The income limit for a 2-bedroom apartment set at 50% AMI (3 person household size) is \$48,550.
 - This means that only those households with annual gross incomes at or below this limit would be eligible for this housing unit
- The income limit for a 3-bedroom apartment set at 110% AMI (4 person household size) is \$118,580.
 - This means that only those households with annual gross incomes at or below this limit would be eligible for this housing unit

Step Three – Rental Units:

Once the gross annual Income Limit associated with an inclusionary rental unit is determined, the maximum affordable annual rent can be easily determined by calculating 30% of that Income Limit and dividing by 12 to determine the maximum affordable monthly rent for an eligible household.

The table below demonstrates how the maximum gross rent for a 50% AMI unit is calculated.

⁵ FY 2018 Income Limits Documentation System, Newton City FY 2018 Income Limits Summary:
<https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>

2018 Calculation of Maximum Affordable Rent - 50% AMI (all utilities included in rent)				
Unit Type	Household Size (# of BR + 1)	50% of Adjusted Median Family Income*	Monthly Income	Maximum Gross Rent (30% of income)
Studio	1	\$ 37,750.00	\$ 3,145.83	\$ 943.75
1 BR Unit	2	\$ 43,150.00	\$ 3,595.83	\$ 1,078.75
2 BR Unit	3	\$ 48,550.00	\$ 4,045.83	\$ 1,213.75
3 BR Unit	4	\$ 53,900.00	\$ 4,491.67	\$ 1,347.50
4 BR Unit	5	\$ 58,250.00	\$ 4,854.17	\$ 1,456.25
5 BR Unit	6	\$ 62,550.00	\$ 5,212.50	\$ 1,563.75

The following table is a summary of the 2018 Maximum Affordable Rents for the City of Newton, broken out by Unit Type and AMI level.

2018 Maximum Affordable Rents, City of Newton (all utilities included in rent)				
Unit Type	Household Size (# of BR + 1)	50% AMI	80% AMI	110% AMI
Studio	1	\$ 943.75	\$ 1,420.00	\$ 2,076.25
1 BR Unit	2	\$ 1,078.75	\$ 1,622.50	\$ 2,373.25
2 BR Unit	3	\$ 1,213.75	\$ 1,825.00	\$ 2,670.25
3 BR Unit	4	\$ 1,347.50	\$ 2,027.50	\$ 2,964.50
4 BR Unit	5	\$ 1,456.25	\$ 2,190.00	\$ 3,203.75

Step Three – Ownership Units:

Once the gross annual Income Limit associated with an inclusionary ownership unit is determined, the maximum affordable sale price must be set so that a household earning 10 percentage points lower than the identified Income Limit for that unit would not spend more than 30% of its annual income on housing costs. For example, if an inclusionary unit is set at 80% AMI, the maximum sale price for that unit must be affordable for a household with an annual gross income of less than or equal to 70% AMI.

The down payment for the unit must be at least 3% of the purchase price. The mortgage loan must be a 30-year fully amortizing mortgage for not more than 97% of the purchase price with a fixed interest rate that is not more than 2 percentage points above the current MassHousing interest rate.

Below is an example of a maximum affordable sale price calculation for a 2-bedroom condo unit set at 80% AMI (for a 3 person household). The max sale price for this inclusionary unit would be \$222,000.

2018 Max Affordable Sale Price Calculator			
Ex: 2-bedroom affordable condo set at 80% AMI			
	80% AMI Limit	70% AMI Limit	
Sales Price	\$253,000	\$222,000	
5% Down payment	\$12,650	\$11,100	
Mortgage	\$240,350	\$210,900	
Interest rate	4.83%	4.83%	
Amortization	30	30	
Monthly P&I Payments	\$1,265.40	\$1,110.35	
Tax Rate	\$10.82	\$10.82	
monthly property tax	\$228	\$200	
Hazard insurance	\$84	\$74	
PMI	\$156	\$137	
Condo/HOA fees (if applicable)	\$84	\$74	
Monthly Housing Cost	\$1,818	\$1,596	
Necessary Income:	\$72,736	\$63,824	
Household Income:			
# of Bedrooms	2	2	
Sample Household size	3	3	
110% AMI Limit	\$100,375	\$100,375	
Target Housing Cost (110% AMI)	\$2,509	\$2,509	
10% Window	\$91,250	\$91,250	
Target Housing Cost (100% AMI)	\$2,281	\$2,281	
80% AMI/"Low-Income" Limit	\$73,000	\$73,000	
Target Housing Cost (80%AMI)	\$1,825	\$1,825	
10% Window	\$63,875	\$63,875	
Target Housing Cost (70%AMI)	\$1,597	\$1,597	

The following table is a summary of the 2018 Maximum Affordable Sale Prices for the City of Newton, broken out by Unit Type and AMI level.

2018 Maximum Affordable Sales Prices, City of Newton					
Unit Type	Household Size (# of BR + 1)	70% AMI	80% AMI	100% AMI	110% AMI
Studio	1	\$ 172,000	\$ 197,000	\$ 247,000	\$ 271,000
1 BR Unit	2	\$ 197,000	\$ 225,000	\$ 282,000	\$ 310,000
2 BR Unit	3	\$ 222,000	\$ 253,000	\$ 315,000	\$ 349,000
3 BR Unit	4	\$ 246,000	\$ 282,000	\$ 352,000	\$ 387,000
4 BR Unit	5	\$ 266,000	\$ 304,000	\$ 374,000	\$ 418,000

13) When is a project that is subject to the Inclusionary Zoning ordinance allowed to provide its inclusionary units requirement off site, at an alternative project site?

Off-site inclusionary units are generally discouraged by this ordinance, and are only allowed through the Special Permit process where the City Council makes specific findings to an “unusual net benefit to achieving the City’s housing objectives as a result of allowing the required units to be built off-site.”

Projects that receive such permission from the Council must form a development agreement with a non-profit housing developer for the development of the off-site affordable units. Off-site units must be completed and occupied no later than the project’s market-rate units.

14) What happens after an Inclusionary Housing project receives approval to move forward?

Prior to receiving a Building Permit from the City, the developer must submit a draft Inclusionary Housing Plan for review and final approval by the Director of Planning and Development. The plan must include, among other elements, a description of the proposed project, the total number of market-rate and inclusionary units, floor plans indicating the location, size and number of bedrooms and bathrooms per unit for all the units in the project, and the projected rent levels and sale prices for all the units.

Additionally, the developer must also submit a draft Affirmative Fair Housing Marketing and Resident Selection Plan for review and final approval by the Director of Planning and Development. At a minimum, this plan must meet the requirements set out in the Comprehensive Permit Guidelines of the DHCD, and provide for a Newton local preference for up to 70% of the inclusionary units in a project.

15) How are inclusionary units marketed and occupied?

The inclusionary units must be marketed and occupied consistent with the City and DHCD (or the relevant Subsidizing Agency) approved Affirmative Fair Housing Marketing and Resident Selection Plan. Marketing may not take place for **any** units in the project until the City and DHCD have approved this plan.

The developer is responsible for carrying out this plan, and must contract with an entity that has substantial and successful prior experience in each component of the Affirmative Fair Housing Marketing and Resident Selection Plan.

To avoid discriminatory effects in violation of fair housing laws, resident selection for the inclusionary units must comply with DHCD’s approved lottery process for both the local preference and non-local preference units. The lottery process usually commences about six months prior to expected occupancy of the units.

The inclusionary units and market-rate units of a project must be occupied at the same time.

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Sec. 5.11. Inclusionary Zoning

5.11.1. Purposes

The purposes of this Sec. 5.11 are to:

- A. Promote the public health, safety, and welfare by encouraging a diversity of housing opportunities for people of different income levels in the City;
- B. Provide for a full range of housing choices throughout the City for households of all incomes, ages, and sizes;
- C. Increase the production of affordable housing units to meet existing and anticipated housing needs within the City; and
- D. Work to overcome economic segregation regionally as well as within Newton, allowing the City to be a community of opportunity in which low- and moderate-income households have the opportunity to advance economically.

5.11.2. Definitions

- A. "Household Income Limit" shall mean at any given percentage of the area median income (AMI) shall be defined as being the income limit adjusted by household size at that percentage as published by the U.S. Department of Housing and Urban Development (HUD) for the designated statistical area that includes the City of Newton or, for percentage levels not published by HUD, as calculated by the City based on the HUD AMI calculation.
- B. "Inclusionary Housing Project" shall mean any residential development project that meets the provisions of 5.11.3.
- C. "Inclusionary Unit(s)" shall mean any finished dwelling unit that meets the provisions of 5.11.4.
- D. "Area Median Income (AMI)" shall mean the median income for households within the designated statistical area that includes the City of Newton, as reported annually and adjusted for household size by HUD.
- E. "Eligible Household" shall mean a household whose gross income does not exceed the amounts set forth in Section 5.11.4.

5.11.3. Application of Inclusionary Zoning Requirements

- A. These inclusionary zoning provisions apply to any proposed residential or mixed-use development, including a conventional subdivision of land under M.G.L. Chapter 41, Sections 81K-81GG, in any zoning district that includes a net increase of seven or more new residential dwelling units on any parcel or contiguous parcels comprising a proposed development site. For the purposes of this section, existing residential units that are proposed to be demolished as part of the development shall have no bearing on that development's inclusionary zoning requirement.
- B. This Sec. 5.11 does not apply to accessory units.

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- C. No Segmentation. The inclusionary zoning provisions of this section apply to projects at one site or two or more adjoining sites in common ownership or under common control within a period of five years from the first date of application for any special or building permit for construction on the lot or lots, or for the 12 months immediately preceding the date of application for any special or building permit.
- D. 100% Deed-Restricted Affordable Developments. Any proposed residential or mixed-use development that consists of 100% deed-restricted affordable units is not subject to Section 5.11.4.B; however, projects of this type are subject to all other applicable sections of this ordinance.
- E. Qualification as Local Action Units. All Inclusionary Units affordable to households at or below 80% of AMI must be qualified as 'Local Action Units' pursuant to the requirements of the Comprehensive Permit Guidelines of the DHCD, Sec. VI.C "Local Action Units," as in effect June 1, 2009 as the same may be amended from time to time, and all Inclusionary Units affordable to households earning greater than 80% but less than or equal to 110% of AMI shall comply with all such requirements, unless:
 - 1. The unit is exempted from this requirement by another provision of this Sec. 5.11; or
 - 2. The unit is exempted from this requirement by a provision included in the special permit authorizing the development, based on special circumstances applicable to that development, or based on changes in the DHCD regulations or guidelines.

5.11.4. Inclusionary Units

- A. Inclusionary Unit Tiers. Inclusionary Units are divided into three tiers based on their level of affordability. Tier 1 represents units affordable to households at or below 50% of AMI; Tier 2 represents units affordable to households greater than 50% of AMI, but at or below 80% of AMI; and Tier 3 represents units affordable to households greater than 80% of AMI, but at or below 110% of AMI.
- B. Number of Inclusionary Units Required. The percentage of required Inclusionary Units in a proposed development shall be based on the total number of new units proposed on any parcel or contiguous parcels comprising a proposed development site, and whether the units are rental or ownership. Where the inclusionary zoning requirement results in a fraction of a unit greater than or equal to 0.5, the development must provide one Inclusionary Unit to capture that fraction.

The percentage requirement for applicable developments shall be based on the following table:

Tier Level	7-9 new units		10-20 new units		21-34 new units		35-64 new units		65-100 new units		101+ new units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, up to 50% AMI	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	2.5%	0.0%	2.5%	0.0%
Tier 2, 51%-80% AMI	15.0%	15.0%	17.5%	5.0%	7.5%	10.0%	2.5%	7.5%	10.0%	10.0%	12.5%	12.5%
Tier 3, 81%-110% AMI	0.0%	0.0%	0.0%	10.0%	5.0%	7.5%	15.0%	10.0%	5.0%	7.5%	2.5%	5.0%
Total	15.0%	15.0%	17.5%	15.0%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%

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- C. Fractional Inclusionary Units. Whenever the percentage calculation for the required number of Inclusionary Units within each affordability tier described in Sec. 5.11.4.B results in a fraction of an Inclusionary Unit, there shall be provided 1 Inclusionary Unit to cover the fraction of that Inclusionary Unit.
- D. Incentives for Additional Inclusionary Units. An Inclusionary Housing Project that includes more than the required number of Inclusionary Units shall be awarded bonus market-rate units at a ratio of 2 to 1. For every additional Inclusionary Unit the applicant agrees to provide, the development will be awarded 2 additional market-rate units. The additional Inclusionary Units must be affordable to households at or below 80% AMI (Tier 2 units), and the total number of additional units proposed by an applicant shall not exceed 20% of the number of units otherwise permissible on the lot under lot area per dwelling unit requirements.
- E. Maximum Monthly Housing Costs, Sale Prices and Rents. Maximum sale price or rent for Inclusionary Units shall be calculated as affordable to a household with a number of household members equal to the number of bedrooms in a unit plus one, regardless of the actual number of persons occupying the unit.
1. Rental. Monthly housing costs, inclusive of rent, utility costs for heat, water, hot water, and electricity, 1 parking space, and including access to all amenities that are typically offered to a tenant in the building, such as access to an onsite gymnasium, and other such amenities, shall not exceed 30% of the monthly income for the applicable eligible household, adjusted for household size. If the utilities are separately metered, they may be paid by the tenant and the maximum allowable rent will be reduced to reflect the tenants' payment of utilities, based on the area's utility allowance for the specific unit size and type, to be secured from the Newton Housing Authority. For a household with a Section 8 voucher, the rent and income are to be as established by the Newton Housing Authority with the approval of HUD.
 2. Homeownership. Monthly housing costs, inclusive of mortgage principal and interest, private mortgage insurance, property taxes, condominium and/or homeowner's association fees, hazard insurance, and 1 parking space, shall not exceed 30% of the monthly income for the applicable eligible household, adjusted for household size.
 - a. Maximum Sales Prices. Maximum sale prices of Inclusionary Units shall be set so that a household earning 10 percentage points lower than the household income limit for that unit would not expend more than 30% of income for the cost of purchasing the housing.
 - b. Homeownership Association / Condominium Association Fees. The Department of Planning and Development will review condominium fee estimates as submitted by the applicant and establish a maximum initial condominium fee for the Inclusionary Units as part of the calculation of the maximum sale price.
 - i. The percentage interest assigned to the Inclusionary Units must conform to the approved condominium fees, which may require a lower percentage interest being assigned to those units as compared with market-rate units. The Department of Planning and Development will review the Schedule of Beneficial

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Interests in the Master Deed to confirm that the Inclusionary Units have been assigned percentage interests in the condominium that correspond to the approved condominium fees and projected special assessment fees.

ii. Condominium projects with extraordinary on-going costs (such as the cost of on-site wastewater treatment plants, elevators, parking garages, etc.) must reflect the cost of operating and maintaining such facilities in their condominium budgets (including replacement reserves).

c. Down Payment. Down payment must be at least 3% of the purchase price.

d. Mortgage Loan. Mortgage loan must be a 30-year fully amortizing mortgage for not more than 97% of the purchase price with a fixed interest rate that is not more than 2 percentage points above the current MassHousing interest rate.

e. Buyers will be eligible so long as their total housing cost including the services identified above do not exceed 38% of their income.

F. Notwithstanding the requirements of this Sec. 5.11.4, an Inclusionary Housing Project may set the price or rental rate for Inclusionary Units lower than what is required herein.

5.11.5. Cash Payment.

As an alternative to the requirements of Sec. 5.11.4., an applicant may contribute a cash payment to the City's Inclusionary Housing Fund, in lieu of constructing an Inclusionary Unit.

- A. Eligibility. There are 2 circumstances in which the Inclusionary Unit requirements of Sec. 5.11.4 may be met through a cash payment instead of providing Inclusionary Units:
1. For Inclusionary Housing Projects containing 7 to 9 new dwelling units.
 2. By special permit from the City Council where the Council makes specific findings that there will be an unusual net benefit to achieving the City's housing objectives as a result of allowing a cash payment rather than requiring the development of any Inclusionary Units. The findings shall include consideration of the appropriateness of the development site location for income-eligible households, including proximity to and quality of public transportation, schools, and other services; the level of uncommitted funds in the receipts reserved for appropriation fund; and the purposes identified for this section of the Ordinance found in Section 5.11.1.
- B. Cash Payment Amount. The cash payment as an alternative to each required Inclusionary Unit, or fraction thereof, shall be based on a formula that utilizes the current Massachusetts Department of Housing and Community Development Index for "Total Residential Development Cost Limits" for Production Projects within Metro Boston. This index is updated annually through DHCD's Qualified Action Plan (QAP) and serves as a maximum subsidy amount per unit for affordable housing projects seeking Federal Low-Income Housing Tax Credits (LIHTC) throughout the state.

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For Inclusionary Housing Projects with 10 or more units that receive a Special Permit to make such a payment, the total cash payment is determined by utilizing the following calculation:

A x B

Where A equals the number of units in the housing development subject to the Inclusionary Zoning requirement, multiplied by the Inclusionary Zoning requirement for that size and type of project; and

Where B equals the average of the “Small Units” index and “Large Units” index for Production Projects in Newton, which falls within the Urban Area of Metro Boston category of the QAP.

For Example:

- 18-unit rental project
 - 17.5% IZ requirement: $0.175 \times 18 \text{ units} = 3.15$
 - $3.15 \times \$389,000$ (2018 average of Small Units and Large Units index) = $\$1,225,350$ total cash payment
- 36-unit ownership project
 - 17.5% IZ requirement: $0.175 \times 36 \text{ units} = 6.3$
 - $6.3 \times \$389,000 = \underline{\$2,450,700}$ total cash payment

For Inclusionary Housing Projects with 7-9 new units, the total cash payment is determined by utilizing the average of the “Small Units” index and “Large Units” index for Production Projects in Newton as the basis for the calculation; and the payment is then adjusted for the number of new units in the project, at a decreasing percentage.

For Example:

- 7-unit project: 70% of \$389,000 = $\$272,300$ total cash payment
- 8-unit project: 80% of \$389,000 = $\$311,200$ total cash payment
- 9-unit project: 90% of \$389,000 = $\$350,100$ total cash payment

- C. Payment Deadline. Any Inclusionary Unit cash payment shall be paid in full to the City prior to the granting of any Certificate of Occupancy.
- D. Cash Payment Recipient. The cash payment shall be made to a receipts reserved for appropriation fund established by the City Council. Proceeds from the fund shall be distributed equally to the Newton Housing Authority and the Planning and Development Department and shall be used exclusively for construction, purchase, or rehabilitation of housing for eligible households consistent with the purposes of this Sec. 5.11 and without undue concentration of units. The Newton Housing Authority and the Department of Planning and Development shall each maintain an ongoing record

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of payments to the fund on their behalf and shall report annually to the City Council on the use of the proceeds for the purposes stated in this Sec. 5.11.

5.11.6. Off-Site Development

- A. Eligibility. Off-site inclusionary units are generally discouraged. The Inclusionary Unit requirements of Sec. 5.11.4 may be met through the off-site development of the required Inclusionary Units by special permit from the City Council where the Board makes specific findings that there will be an unusual net benefit to achieving the City's housing objectives as a result of allowing the units to be built off-site. The findings shall include consideration of the appropriateness of the development site location for income-eligible households, including proximity to and quality of public transportation, schools, and other services; consideration relative to the concentration of affordable units in the City; and consideration of the purposes of this section of the Ordinance, found in Section 5.11.1.
- B. Non-Profit Housing Developer Partnership. Any Inclusionary Housing Project that includes off-site inclusionary units must form a development agreement with a non-profit housing developer for the development of the off-site units.
- C. The applicant must submit a development plan for off-site development for review and comment by the Planning and Development Department prior to submission to the City Council. The plan must include at a minimum, demonstration of site control, necessary financing in place to complete the off-site development or rehabilitation, an architect's conceptual site plan with unit designs and architectural elevations, and agreement that the off-site units will comply with Sec. 5.11.7.
- D. As a condition of granting a special permit for the Applicant's development, the City Council shall require that off-site inclusionary units shall be completed and occupied no later than completion and occupancy of the applicant's market rate units. If the off-site inclusionary units are not completed as required within that time, temporary and final occupancy permits shall not be granted for the number of market rate units equal to the number of off-site inclusionary units which have not been completed. Where the Council determines that completion of off-site inclusionary units has been delayed for extraordinary reasons beyond the reasonable control of the applicant and non-profit housing developer, the City Council may, in its discretion, permit the applicant to post a monetary bond and release one or more market rate units. The amount of the bond shall be sufficient in the determination of the Planning and Development Department to assure completion of the off-site inclusionary units.

5.11.7. Design and Construction

In all cases, Inclusionary Units shall be fully built out and finished dwelling units and shall comply with the requirements set out in in the Comprehensive Permit Guidelines of the DHCD, Sec. VI.B.4. "Design and Construction Standards," as in effect June 1, 2009 as the same may be amended from time to time. Additionally, the following guidelines must apply to all Inclusionary Units:

- A. Inclusionary Units provided on site must be dispersed throughout the Inclusionary Housing Project and must be sited in no less desirable locations than the market-rate units.

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- B. Inclusionary Units shall have exteriors that are indistinguishable in design and of equivalent materials to the exteriors of the market-rate units in the project.
- C. The bedroom mix of Inclusionary Units shall be equal to the bedroom mix of the market-rate units in the Inclusionary Housing Project.
- D. The materials used and the quality of construction for inclusionary units, including heating, ventilation, and air conditioning systems, shall be equal to that of the market-rate units in the Inclusionary Housing Project, as reviewed by the Planning and Development Department; provided that amenities such as so called designer or high end appliances and fixtures need not be provided for Inclusionary Units.
- E. At a minimum, the Inclusionary Units must have an equivalent level of accessibility as that of the market-rate units.

5.11.8. Inclusionary Housing Plans and Covenants

The applicant shall submit an Inclusionary Housing Plan that shall be reviewed by the Planning and Development Department and shall be approved by the Director of Planning and Development and the Department of Housing and Community Development prior to the issuance of any building permit for the project. The plan shall include the following provisions:

- F. A description of the proposed project and inclusionary units including, at a minimum, floor plans indicating the location of the Inclusionary units, number of bedrooms per unit for all units in the development, square footage of each unit in the development, amenities to be provided, projected sales prices or rent levels for all units in the development, and an outline of construction specifications certified by the applicant.
- G. An Affirmative Fair Housing Marketing and Resident Selection Plan that, at a minimum, meets the requirements set out in in the Comprehensive Permit Guidelines of the DHCD, Sec. III., Affirmative Fair Housing Marketing and Resident Selection Plan, as in effect June 1, 2009 as the same may be amended from time to time and:
 - 1. To the extent permitted by law, such plan shall provide for a local preference for up to 70% of the Inclusionary Units in a project.
 - 2. Where a project results in the displacement of individuals who qualify for a unit in terms of household size and income, first preference shall be given to those displaced applicants, unless such preference would be unallowable under the rules of any source of funding for the project.
 - 3. Where a project includes units that are fully accessible, or units that have adaptive features, for occupancy by persons with mobility impairments or hearing, vision or other sensory impairments, first preference (regardless of applicant pool) for those units shall be given to persons with disabilities who need such units, including single person households, in conformity with state and federal civil rights law, per DHCD's Comprehensive Permit Guidelines, Sec. III., Affirmative Fair Housing Marketing and Resident Selection Plan, as in effect June 1, 2009 as the same may be amended from time to time.

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- H. Agreement by the applicant that resident selection shall be conducted and implemented in accordance with the approved marketing and resident selection plan and Comprehensive Permit Guidelines of the DHCD, Sec. III., Affirmative Fair Housing Marketing and Resident Selection Plan.
- I. Agreement by the applicant that all Inclusionary Units, including those affordable to households earning greater than 80% but less than or equal to 110% of AMI, shall comply with all requirements of the Comprehensive Permit Guidelines of the DHCD, Sec. VI.C “Local Action Units,” as in effect June 1, 2009 as the same may be amended from time to time, unless:
1. The unit is exempted from this requirement by another provision of this Sec. 5.11; or
 2. The unit is exempted from this requirement by a provision included in the special permit authorizing the development, based on special circumstances applicable to that development, or based on changes in the DHCD regulations or guidelines.
- J. Agreement by the applicant that all Inclusionary Units, including those affordable to households earning greater than 80% but less than or equal to 110% of AMI, shall comply with the Use Restrictions requirements set out in in the Comprehensive Permit Guidelines of the DHCD, Sec. II.A.1.e. “Use Restriction,” and Sec. VI.B.9. “Regulatory Agreement and Use Restrictions,” and that the applicant shall execute and record an affordable covenant in the Registry of Deeds for the Southern District of Middlesex County or the Land Court Registry of Deeds for the Southern District of Middlesex County as the senior interest in title for each Inclusionary Unit and which shall endure for the life of the residential development, as follows:
- For purchase units, a covenant to be filed at the time of conveyance and running in favor of the City of Newton, in a form approved by the City Solicitor, which shall limit initial sale and subsequent re-sales of Inclusionary Units to eligible households in accordance with provisions reviewed and approved by the Director of the Planning and Development Department which incorporate the provisions of this Section; and
- For rental units, a covenant to be filed prior to the issuance of an occupancy permit and running in favor of the City of Newton, in a form approved by the City Solicitor, which shall limit rental of Inclusionary Units to eligible households in accordance with provisions reviewed and approved by the Director of the Planning and Development Department which incorporate the provisions of this Section.
- K. At the discretion of the applicant and with the agreement of the Newton Housing Authority, an agreement, in a form approved by the City Solicitor, to convey rental units to the Newton Housing Authority for sale or rental to eligible households.
- L. In the case of rental housing, an agreement by the applicant to submit an annual compliance report to the Director of Planning and Development, in a form approved by the City Solicitor, certifying compliance with the provisions of this Sec. 5.11.

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5.11.10. Public Funding Limitation

An applicant shall not use public development funds to construct Inclusionary Units required under Sec. 5.11. Public development funds shall mean funds for housing construction or rehabilitation if provided through a program eligible to serve as a 'subsidy' under 760 CMR 56.00 Comprehensive Permit: Low or Moderate Income Housing. However, the applicant may use public development funds to construct those inclusionary units that are found by the Director of Planning and Development to be consistent with the following:

- A. Those that represent a greater number of affordable units than are otherwise required by this subsection, and not receiving bonus market rate units according to Sec. 5.11.4.D;
- B. Those that are lower than the maximum eligible income limit for some or all inclusionary units by at least 10 percentage points below that stipulated in Sec. 5.11.2; and
- C. Those that exceed regulatory requirements in providing for persons having disabilities.

5.11.11. Elder Housing with Services

In order to provide affordable elder housing with services on-site, the following requirements shall apply exclusively when an applicant seeks a special permit for housing with services designed primarily for elders, such as residential care, continuing care retirement communities, assisted living, independent living, and congregate care. The services to be provided shall be an integral part of the annual housing costs, rent or occupancy related fee, shall be comparable to the services offered to all residents regardless of income status, and may include in substantial measure long-term health care, as well as nursing, home health care, personal care, meals, transportation, convenience services, and social, cultural, and education programs. This Sec. 5.11.11 shall not apply to a nursing facility subject to certificate of need programs regulated by the Commonwealth of Massachusetts Department of Public Health or to developments funded under a state or federal program which requires a greater number of elder units or nursing beds than required here.

- A. **Number of Inclusionary Beds Required.** For all such projects, 5 percent of beds provided on-site must be Inclusionary Beds designated affordable to elderly households with annual gross incomes up to 80% of AMI. Inclusionary Beds may be located in single-occupancy rooms, or in shared rooms. The Inclusionary Beds shall be proportionately distributed throughout the site and shall be indistinguishable from the market-rate beds.
- B. **Definition of Elderly Households.** For all such projects, an elderly household shall be defined as a single person who is 62 years of age or older at the time of initial occupancy; or two persons living together, where at least one of whom is 62 years of age or more at the time of initial occupancy.
- C. **Monthly Housing and Service Costs.** Total monthly housing and service costs, including rent or a monthly occupancy fees, health care, personal care, meals, transportation, convenience services, social, cultural, and educational programming, and the like, shall not exceed 80% of the eligible households annual gross income.

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- D. Use Restrictions. For all such projects, all Inclusionary Beds shall be subject to an affordable covenant approved by the City Solicitor, executed by the City and the developer, and recorded at the Registry of Deeds for the Southern District of Middlesex County or the Land Court Registry of Deeds for the Southern District of Middlesex County.
- E. Selection. For all such projects, all Inclusionary Beds shall be subject to an Affirmative Fair Housing Marketing and Resident Selection Plan to be approved by the Director of the Planning Department. To the extent permitted by law, Newton residents shall have first opportunity to participate in the elder housing with services program set out here.
- F. Fractional Units. For the purposes of calculating the number of Inclusionary Beds required per Section 5.11.11 A., any fractional unit of 0.5 or greater shall be deemed to constitute a whole bed.
- G. Alternative Compliance. The applicant may choose to comply with their Inclusionary Zoning requirements through a cash payment to the City, without receiving permission from the City Council through the Special Permit process. The total cash payment for projects of this type is determined by utilizing DHCD's current Qualified Allocation Plan Index for "Single Room Occupancy / Group Homes / Assisted Living / Small Unit Supportive Housing", coupled with the calculation of 5% of the total number of beds provided in the project.

For Examples:

- 115-bed assisted living project:
 - 5% requirement X 115 = 5.75; therefore, 6 inclusionary beds are required on site
 - If this project were to choose to provide the City with a cash payment, rather than provide the beds on site, the total cash payment would equal:
 - $5.75 \times \$259,000$ (DHCD's current QAP for projects of this type)
= \$1,489,250 total cash payment
- 85-bed continuing care retirement community:
 - 5% requirement X 85 = 4.25; therefore, 4 inclusionary beds are required on site
 - If this project were to choose to provide the City with a cash payment, rather than provide the beds on site, the total cash payment would equal:
 - $4.25 \times \$259,000 =$ \$1,100,750 total cash payment

5.11.12. No Segmentation

An applicant for residential development shall not segment or divide or subdivide or establish surrogate or subsidiary entities to avoid the requirements of Sec. 5.11.11. Where the City Council determines that this provision has been violated, a special permit will be denied. However, nothing in Sec. 5.11 prohibits phased development of a property.

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5.11.13. No Effect on Prior or Existing Obligations.

The requirements of Sec. 5.11 shall have no effect on any prior or currently effective special permit, obligation, contract, agreement, covenant or arrangement of any kind, executed or required to be executed, which provides for dwelling units to be made available for sale or rental to or by the City, the Newton Housing Authority, or other appropriate municipal agency, or any cash payment so required for affordable housing purposes, all resulting from a special permit under Sec. 5.11 applied for or granted prior to the effective date of this amendment.

5.11.14. Inclusionary Housing Program Reevaluation Requirement

The City shall initiate a reevaluation of the Inclusionary Housing Requirement at an interval of no more than 5 years from the time the Inclusionary Housing Requirement was last amended and every 5 years thereafter. Such reevaluation shall include a report provided to the City Council reviewing factors such as changes in demographic characteristics and residential development activity, housing trends measured in terms of, but not limited to, vacancy rates, production statistics, prices for dwelling units, and affordability, and the relationship between Inclusionary Housing Projects and all housing in Newton. The Department of Planning and Development shall also conduct an annual review and report on the Inclusionary Housing Program.

City of Newton

Inclusionary Zoning:

Financial Feasibility Analysis

March 15, 2018

PREPARED FOR:

City of Newton
Department of Planning and Development
1000 Commonwealth Avenue, Newton, MA 02459

PREPARED BY:

RKG Associates, Inc.

CONTENTS

EXECUTIVE SUMMARY 4

 Scope of Work..... 4

 Process 4

 Summary Findings..... 4

INTRODUCTION 6

MODEL..... 7

 Data Collection 8

 Components of the Model 9

DEVELOPMENT REVENUES..... 11

 Rents 11

 Sales Values 11

 Other Income 12

DEVELOPMENT COSTS..... 12

 Land Costs 12

 Construction Costs..... 13

 Parking Costs..... 13

 Financing..... 13

Equity..... 14

Terms 14

Interest Rates 14

DENSITY BONUS 14

 What is a Density Bonus?..... 14

 Existing Density Bonus 15

 Proposed Density Bonus 15

CASH PAYMENT 15

SCENARIO ANALYSIS 17

 Scenarios Under Evaluation 17

 Interpreting Results 18

 Analysis Limitations..... 18

 Four-Unit Ownership Development 19

 Four-Unit Rental Development..... 21

 Eight-Unit Ownership Development 23

 20-Unit Rental Development 25

 35-Unit Ownership Development..... 27

 65 Unit Rental Development 29

 180-Unit Rental Development 31

BONUS DENSITY ANALYSIS 33

 65-Unit Rental Development with Bonus Density..... 33

 180-Unit Rental Development with Bonus Density..... 35

SUMMARY FINDINGS 37
APPENDIX 1 39
GLOSSARY OF TERMS 41

EXECUTIVE SUMMARY

Scope of Work

The scope of this analysis is to determine the financial impact resulting from proposed changes to Newton's existing Inclusionary Zoning (IZ) ordinance. RKG Associates Inc. (RKG) constructed a financial feasibility model to test specific scenarios chosen by the City of Newton and determine the relative impact in relation to the proposed IZ ordinance. The importance of this analysis cannot be understated, as setting the appropriate ordinance is key to ensuring the continuation of housing development for households of various income levels across the city.

Process

The process undertaken was collaborative and included engaging City staff and housing developers to understand the market dynamics unique to Newton. RKG utilized information gained from market research and interviews to construct an adaptable financial model. The model enables the City to test prototypical developments to understand the financial implications of changing the inclusionary ordinance.

Summary Findings

The results of the analysis are based upon a financial model driven by assumptions. While exact precision cannot be guaranteed, the model utilizes local-market relevant assumptions to forecast the financial return to a developer and compares the change in financial return between the existing ordinance and the proposed IZ ordinance.

Based on the analysis conducted by RKG, it appears that project size (number of units) matters in relation to the proposed IZ ordinance. The proposed IZ ordinance for small developments, defined as those under six units, seems to have a detrimental impact on the overall project financial feasibility. Most notably, the existing IZ ordinance does not require units or payments in lieu of units for small projects. The addition of an affordable unit has an outsized impact on the overall financial return of the project, as small-scale developers have greater sensitivity to changes in their development program. This increase in sensitivity is due to the inability to spread the cost of an affordable unit (or payment in lieu of a unit) across several market rate units.

For medium sized projects between six and 20 units, the proposed changes to the inclusionary zoning ordinance appear calibrated correctly, as they result in more affordable units for the City and/or cash contributions to the affordable housing fund while returning an acceptable financial outcome to the developer. The ordinance is calibrated correctly because at the proposed 20% commitment of units, the revised income threshold requirements allocate some units be priced for households earning up to 110% of AMI. From the standpoint of building affordable units, the increase in affordable unit requirements is offset by the addition of moderate income household thresholds (110% AMI) in the proposed language.

In large size projects, defined as 20 units and above, the proposed IZ ordinance as designed has a negative impact on the overall financial return in a prototypical development. The key issues within the proposed IZ ordinance is the 25% IZ requirement (10% higher than existing IZ ordinance) as well as the reintroduction of the lowest income tier (50% of AMI) requirement. Without the compensating offset of targeting higher income households, these projects become financially infeasible for the developer compared to the existing ordinance.

The proposed increase in bonus density (two market rate units for every one additional unit committed to affordability) has a positive financial impact on the overall project feasibility, but not at a level great enough to offset the impacts of 25% dedication to affordable units and the high percentage committed at 50% of AMI. Even applying a hypothetical three-to-one ratio still does not yield a positive result for larger projects. The key finding for the bonus density is that as currently structured, it is not sufficient for making these larger projects financially viable.

One possible solution towards improving the bonus density is rather than require all affordable units resulting from utilizing the bonus density to fall within the 50 percent AMI threshold, the units could be allocated across all the AMI thresholds. This spreading of affordable units ultimately helps the development financially because it offsets the units at deeper levels of affordability.

The accompanying analysis of the proposed IZ provides greater context to the summary findings and can help guide the City of Newton to modify elements of the proposal to ensure unintended impacts to the current real estate market do not result.

INTRODUCTION

The City of Newton has undertaken a substantial effort in refining its existing IZ ordinance to better preserve its economically diverse population. This effort was borne through the City's Housing Strategy process, which identified the potential to strengthen the City's existing IZ ordinance to realize the greatest public benefit from private development occurring in the City. In a memorandum dated December 8, 2017, the City's Planning and Development Department outlined a detailed proposal on modifying the Inclusionary Zoning ordinance.

Table 1. Existing IZ Ordinance		
Tier Level	6+ Units*	
	Rental	Owner
Tier 1, Up to 50% AMI	7.5%	-
Tier 2, 51% - 80% AMI	7.5%	15.0%
Total	15.0%	15.0%
Source: City of Newton and RKG Associates Inc., 2018		
*Ordinance has been interpreted to start at six new units		

Among the recommendations included in the memorandum, the four most prominent include [1] requiring inclusionary units for projects of 4 units or larger; [2] offering a payment in lieu of delivering units for fractional requirements; [3] modifying the minimum percentage of units to be income controlled based on the size of the project, and [4] adjusting the income thresholds to be served by the IZ ordinance. The following tables reveal the existing IZ requirements (Table 1) and the proposed IZ requirements (Table 2 and 3).

Table 2 Proposed IZ Ordinance for Rental Developments				
Renter Units	Tier 1 Up to 50% AMI	Tier 2 51% - 80% AMI	Tier 3 81% - 110% AMI	Total
4-6 new units	-	15.0%	-	15.0%
7-9 new units	-	15.0%	-	15.0%
10-20 new units	-	10.0%	10.0%	20.0%
21-50 new units	5.0%	10.0%	10.0%	25.0%
51-100 new units	7.5%	10.0%	7.5%	25.0%
101+ new units	10.0%	10.0%	5.0%	25.0%
Source: City of Newton and RKG Associates Inc., 2018				

Ownership Units	Tier 1 Up to 50% AMI	Tier 2 51% - 80% AMI	Tier 3 81% - 110% AMI	Total
4-6 new units	-	15.0%	-	15.0%
7-9 new units	-	-	15.0%	15.0%
10-20 new units	-	10.0%	10.0%	20.0%
21-50 new units	-	10.0%	15.0%	25.0%
51-100 new units	-	15.0%	10.0%	25.0%
101+ new units	-	15.0%	10.0%	25.0%

Source: City of Newton and RKG Associates Inc., 2018

As stated by the City's staff, Newton is not alone in considering an adjustment to its IZ ordinance. In the past few years, Boston (2015), Cambridge (2017), and Somerville (2017) have all amended their inclusionary housing provisions to balance the growing need for affordable housing units in a rapidly appreciating and high-demand housing market. Cambridge increased its requirement from 11-13% to 20%; Somerville from 12.5-17.5% to 17.5% for smaller projects and 20% for larger projects; and Boston increased its payment-in-lieu requirements, and its requirement for off-site units from 15% to 18%. Wellesley's requirement has been at 20% since 2004.

RKG was retained by the City to respond to questions from the City Council regarding the financial impact of these ordinance changes on residential development. RKG Associates is a multi-disciplinary real estate, planning, and economic development consulting firm with more than 35 years of experience advising public-sector and private-sector clients on real estate development and financial feasibility. RKG provided similar advisory services to the City of Somerville when it was considering changes to the local Inclusionary Zoning ordinance. Moreover, RKG Associates has worked extensively within Newton, including its recent work on the City's Housing Strategy and the feasibility analysis for the 28 Austin Street project.

The following analysis details the approach RKG used to test the proposed IZ ordinance changes, the results of this analysis, and recommended modifications to the proposed IZ ordinance to minimize financial impacts to future residential development. The appendix section includes a glossary of terms used throughout this analysis.

MODEL

To perform the analysis, RKG Associates created a financial feasibility model based on traditional pro forma analysis standards for real estate development. The model was created in Microsoft Excel to allow for the greatest functional flexibility and analysis transparency.

The RKG Associates model focuses on Internal Rate of Return (IRR) calculations to determine financial feasibility. This measure is a standard approach to understanding the potential performance of a real estate investment. Real estate development is a risk-based venture that requires an investor to guarantee a sum of money in exchange for the potential revenue and value created by that investment. Developers seek to reduce the risk of a project (i.e. development duration and cost overruns) while

maximizing the revenue potential (i.e. rent payments and reversion for a rental project and sales pricing for an ownership project).

IRR calculations are presented as percentages. A higher percent indicates the property will provide a greater return for the investor. IRR is generally compared against an investors desired return rate (or discount rate) to determine if an investment meets the perceived risk level. IRR calculations are much more detailed than overall return calculations, and account for inflation, projected income escalators and the reversion (or sale) of the property at the end of the study period (or hold period). **Boston area development industry minimum standards for a desired IRR currently are 20% for new construction ownership residential and 12% for rental residential projects.**

For analysis purposes, RKG determined the land values under the existing IZ ordinance which would realize the desired financial return under each of the seven scenarios tested and then compared the financial performance of the same projects under the proposed IZ ordinance. The land costs used are not necessarily the market value of land, but rather the value of land which would realize the desired financial return. The methodology was used because ultimately changes in the IZ ordinance would impact the financial returns on projects, and the only way to recover costs from the developer perspective is to pay less for the underlying land. The public benefit that result from inclusionary zoning ultimately comes out of the land cost because other development costs are generally fixed and the developers can negotiate the price of the land.

Not surprisingly, the resulting land values for the selected model developments fell within the expected land value range identified by local developers. These results corroborate that the marketplace has normalized to the existing IZ ordinance. To this point, the analysis provides a realistic assessment of how the proposed changes to the IZ ordinance will impact financial feasibility, and ultimately land values within the City.

Data Collection

Pro forma development modeling, particularly IRR approach modeling, requires substantial market data to generate the model assumptions needed to calculate financial performance. There are three primary data categories needed to run a pro forma model, [1] construction/development data, [2] revenue/expenditure data, and [3] finance/investment data.

- Construction and development data include the costs of land, the costs to develop the structures, and the basic assumptions of types of units, size of units, and unit amenities.
- Revenue and expenditure data includes prevailing rent rates (both market rate and income controlled), prevailing sales prices, and operation costs for rental housing. Operation cost data points include direct operations (i.e. maintenance, marketing) and indirect costs (i.e. real estate taxes).

- Financial and investment data include prevailing lending rates, debt/equity requirements, capitalization rates, and discount rates.

RKG used several tools to gather this information, with a preference to gather locally-relevant information specific to the City of Newton. In areas where local data was not available or not appropriate, RKG relied on regional data (i.e. Boston Metro). The primary data collection method was capturing primary and secondary data about the Newton housing market. RKG gathered current rent rates (per month) and sales prices (by unit type) for owner and renter housing within the City to determine potential revenues. RKG gathered sales data from the City to understand current contract pricing.

RKG also interviewed several for-profit and non-profit residential developers, and commercial lending bank professionals to garner greater understanding of the local marketplace. Finally, RKG used nationally-recognized secondary data sources, such as Marshall & Swift Valuation Services, to verify data provided by the local real estate community. The results of this effort were used to create the baseline market assumptions for the financial feasibility model.

The following section provides details on the results of the data collection, and provides the underlying performance metrics used to test the financial impacts of the proposed IZ ordinance on specific development examples.

Components of the Model

As mentioned, the model functions on a traditional pro forma analysis platform, measuring the potential revenue of a real estate investment and comparing it to the costs and expenditures to construct, operate, and sell the asset. The modeling efforts compared the financial performance of seven distinct residential development scenarios under the existing IZ ordinance against the financial performance of those same scenarios under the proposed IZ ordinance. The seven development scenarios reflect various small, medium and large-scale ownership and rental development projects that may occur within Newton. The results were compared to understand the impact of the proposed IZ ordinance on the financial feasibility of each scenario. The seven development scenarios include:

- Four-unit ownership development
- Four-unit rental development
- Eight-unit ownership development
- 20-unit rental development
- 35-unit ownership development
- 65-unit rental development
- 180-unit rental development

The model has three primary components that drive the financial performance analysis: development assumptions, financial assumptions, and affordability assumptions. Each component influences the revenue and expenditure efficiencies of the development.

- *Development Assumptions* – The development assumptions focus on the ‘bricks and mortar’ facets of the proposed residential developments. Factors such as total unit count, unit breakout by bedroom count, average unit size by bedroom count, type of parking, cost of land to accommodate the development, and whether the development utilizes the City’s bonus density program. These factors influence construction costs, potential operational revenues (for rental housing) and sale values (for ownership housing).
- *Financial Assumptions* – The financial assumptions include factors relating to debt and equity requirements, the cost of development financing (i.e. mortgage rates), inflation and appreciation rates (for operational costs and revenues), and project return expectations. The financial data directly affects the project’s financial performance by adjusting the timing and amount of capital outlays (both debt and equity).
- *Affordability Assumptions* – The affordability assumptions include the market performance data such as market rent rates, target income thresholds for the IZ units, assumptions about the size of the Inclusionary units, and the percent requirement of IZ units of the total development. These assumptions further impact potential revenue levels as well as overall construction costs.

The following section details the individual assumptions used to run the model, and how those data points were collected. As mentioned, RKG collected primary and secondary data about residential development in Newton. RKG also performed several interviews with local real estate professionals to verify those findings. That said, the model was constructed to enable the City to customize the pro forma analysis through data overrides. This flexibility in modeling allowed RKG to perform sensitivity analyses about the impacts of changes in the proposed IZ ordinance requirements. This effort informed RKG’s findings.

Income Tiers – The City’s IZ ordinance is based on creating affordable housing targeted to specific income thresholds. The existing IZ ordinance focuses on 50% of AMI and 80% of AMI (for an average of 65% AMI) for housing affordability. The proposed IZ ordinance adds the 110% of AMI threshold as part of the affordability matrix. Table 4 details the 2017 income thresholds for various household sizes.

Table 4. FY 2017 Income Limits Summary - Newton, MA						
Income Level	Household Size					
	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person
50% AMI	\$36,200	\$41,400	\$46,550	\$51,700	\$55,850	\$60,000
60% AMI	\$49,680	\$55,860	\$62,040	\$76,020	\$72,000	\$76,980
80% AMI	\$54,750	\$62,550	\$70,350	\$78,150	\$84,450	\$90,700
100% AMI	\$72,400	\$82,800	\$93,100	\$103,400	\$111,700	\$120,000
110% AMI	\$79,640	\$91,080	\$102,410	\$113,740	\$122,870	\$132,000

Source: City of Newton and RKG, 2018

Rent Thresholds – The model calculates potential gross income by applying the market rate threshold to market rate units, and a rent threshold equivalent to 30% of gross income (utilities included) for income controlled units. The market rate rents were calculated through RKG research of current rent levels for apartments within the City built in the past ten years. Table 5 details the thresholds for each income level.

Unit Type	Household Size (# of BR + 1)	50% AMI	80% AMI	110% AMI	Non-Affordable Market Rate Unit Rent
1 BR Unit	2	\$1,035	\$1,564	\$2,277	\$3,166
2 BR Unit	3	\$1,164	\$1,759	\$2,560	\$4,005
3 BR Unit	4	\$1,293	\$1,954	\$2,844	\$4,832

Source: City of Newton and RKG Associates Inc., 2018

Sales Price Thresholds – Like rent thresholds, the sales price thresholds were established by using HUD standards for lending (28% of gross income) with the income thresholds identified in the previous section. As seen in Table 6, purchase income controlled price thresholds are substantially lower than the market rate sales price levels identified by RKG. The market rate data was compiled by averaging recent sales prices of 1, 2, and 3-bedroom ownership units within the City.

Unit Type	Household Size (# of BR + 1)	50% AMI	80% AMI	110% AMI	Non-Affordable Market Rate Unit Sales Price
1 BR Unit	2	\$191,750	\$220,000	\$308,750	\$419,000
2 BR Unit	3	\$217,000	\$249,000	\$348,250	\$637,000
3 BR Unit	4	\$255,000	\$292,000	\$400,000	\$862,000

Source: City of Newton and RKG Associates Inc., 2018

DEVELOPMENT REVENUES

Rents

RKG collected rental rate data for relatively new luxury developments which included efficiency (studio), one-bedroom, two-bedroom, and three-bedroom apartments. The market rental rates were used as a baseline for the analysis, and compared to information obtained from developers. Generally, new units rent for an average of nearly \$3.25 per square foot. Within the model the rents can be modified by the user. For more information about rental rates, see Appendix 1.

Sales Values

The sales values of housing units were determined through a combination of market research and utilizing the City Assessor database to parse the most recent sales values by bedroom count. The results are used for the baseline assumption in the model. For more information about sales values, see Appendix 1.

Other Income

Income streams outside of traditional rent and sales value stem from parking revenues. For rental units, it was assumed in the model that parking revenues of \$150 per space were attainable. No parking revenues are included in ownership units because the parking space is inherently included in the price of the unit.

DEVELOPMENT COSTS

Land Costs

The amount of money a developer can pay for a piece of land is a critical component to the financial feasibility of a project. The higher the land value, the more a developer needs to offset their costs through things like higher density, lower parking rates, or increased sales prices and rents. The price of land is one of the key factors that can affect financial feasibility; and this is especially true for projects on the financial margin. From a cost perspective, the cheaper a developer can obtain the land, the greater the potential financial return. This is because in terms of development, construction and financing costs are relatively fixed. Whereas the price of land and its developable potential can significantly impact the viability of a project.

The price of land in Newton is high, and based on conversations with developers spans a large range based on the underlying zoning and the total number of units which can be developed. An example being that a single-family home can easily sell for \$1 million as a tear-down project which is then replaced with two units each selling for \$1.3 million. This indicates that developable land is in scarcity in and around Newton.

Developers typically calculate the residual value of the land to determine what they would be willing to pay for the land on a per unit basis. This calculation considers construction costs, financing expenditures, and expected returns. The general approach towards determining the land value is to calculate the income expectations for the developed land, subtract all expenses associated with this development, and the remainder is the land residual. The decision to pursue the project depends on whether the developer can acquire the land at a favorable price.

Within the model RKG created a land value override where the model user can input their own land value assumption. This allows the user to test financial feasibility based on the different land costs, since they may vary significantly based on development size and underlying zoning.

Construction Costs

To determine construction costs, RKG interviewed several developers and utilized the December 2017 Marshall & Swift Valuation Services booklet to build out customized per square foot construction costs for traditional townhouse, stick, and stick over podium construction. RKG assumed that new construction would have either “excellent” or “good” interior or exterior finishes. Construction costs are adjusted by using a local Boston Metro multiplier supplied by Marshall and Swift. The Marshall and Swift numbers are an industry standard, and aligned to what was generally heard through the developer interviews.

Within the model the appropriate construction cost is applied to the development based on its type and average size. Four-unit developments are assigned townhome construction costs, greater than four units but less than 35 are deemed stick construction, and greater than 35 units are classified as stick over podium construction. RKG assumed for this model that all projects would take one year to complete and construction would begin in 2018. Appendix 1 has more detailed information about construction costs.

Parking Costs

Within the model three types of parking costs were included: surface, structured above ground, and underground. The types of parking have dramatically different cost estimates. Surface parking is by far the cheapest option for parking. Typically, this type of parking is done on smaller projects which have sufficient land area to accommodate the parking requirements under zoning. Structured parking occurs in developments that have the land area to build decked parking. While underground parking is by far the most expensive and done in space scarce developments.

The parking calculations are based on the number of parking spaces required for the development scenario based on the total number of residential units. RKG differentiated the parking requirements based on if the project was in a Transit-Oriented Development (TOD) or Non-TOD location. TOD centers around the concept of higher density development taking place around transportation nodes, the type of development envisioned includes residential, commercial, and retail spaces together in single area. Appendix 1 has more detailed information about parking costs.

Financing

Development financing is possibly the most important element of any real estate deal. The ability to secure long-term financing at an affordable rate allows a developer to complete their project. Different types of financing are available depending the scale of the project. For very large projects, financing might be obtained from a national bank, institutional investors, or a debt fund. These types of entities invest capital in projects for investors, and typically provide favorable interest rates given the track records of large scale developers.

Smaller scale developers utilize traditional bank financing as the main source of funding. Local banks typically act as partners with smaller scale developers, and provide funding to projects which meet their lending standards and risk profiles. Lending at the small scale is very much relationship based.

Modeling the financing component of development requires assumptions to be made about the equity, loan terms, and interest rates. As part of the data collection process, RKG interviewed several local developers who provided reality-based data regarding project financing.

EQUITY

The equity investment on the part of the developer which is required to obtain financing is dependent on many factors, some of which include: financial wherewithal, experience, project type, etc. Lenders require developers to contribute funding towards the project. The percentage of equity required is a variable within the model that can have a significant impact on the overall financial return. Typically, if a developer can secure financing which requires a smaller percentage of equity contribution, then the overall project return will be greater because the initial out-of-pocket cost will be less. The benefit to the developer is that they minimize their risk when they do not have to contribute large amounts of equity. For the modeling exercise, the default equity requirement was set at 30% for both owner and rental developments, this value can be changed within the model by the user.

TERMS

The length of the loan is dependent on the type of project under construction. For for-sale units, the loan is repaid once the units have sold. In this case, the loan period might last for 1 or 2 years depending on the time it takes for a project to be constructed and the units sold. For rental projects, the loan term can be variable. Developers have different exit strategies depending on their investment philosophies; some developers will hold a project for 10 years and then sell it, while others just build and hold the property. For the analysis, the model was calibrated to assume as a default that the loan for a for-sale development would be two years, and that for rental properties the loan term would be 20 years.

INTEREST RATES

Financial institutions provide funding based on the viability and potential success of a project, and the interest rates charged are evaluated against the developers financial standing and ability to complete the project. A range of interest rates could be charged to a developer depending on their track record, development program, or equity contribution. The higher the interest rate, the greater the overall cost to the developer. Small fluctuations in interest rates can have large impacts on the project financial return because the cost of debt service can substantially increase, thus rendering a project infeasible. Some developers contribute greater amounts of out-of-pocket equity as a means of lowering the interest rate on the loan. The default model assumptions for interest rates were 6.0% for rental developments and 5.5% for ownership developments. The higher interest rate for rental developments was used because the loan term is longer than that of the ownership developments.

DENSITY BONUS

What is a Density Bonus?

A density bonus is a mechanism allowing a developer to build a greater number of units than the existing underlying zoning dictates in exchange for the creation of additional affordable units. This incentive works well in cases where a community is focused on building more affordable units above

and beyond the required number of units. The density bonus provides a developer with an incentive to create units at deeper levels of affordability, in exchange for the ability to build more market rate units.

Existing Density Bonus

Under the existing IZ ordinance, a bonus density may be granted equal to one new market rate unit for each by-right market rate unit committed to income restriction. The existing IZ ordinance requires 65% AMI for Rental (average of ½ at 50% AMI and ½ at 80%AMI) and 80% AMI for ownership. The density bonus is limited to where lot area per dwelling unit is decreased by up to 25 percent. While the current density bonus exists in the inclusionary zoning ordinance, its usage has historically been limited. The ‘one for one’ ratio between affordable and market rate units is not enough of a financial incentive to induce developers to utilize the bonus.

Proposed Density Bonus

The proposed density bonus expands upon the existing bonus density by providing a greater number of additional market rate units to the developer for each by-right market rate unit committed to income controls. Under the proposed IZ ordinance, a project that includes more than the required number of inclusionary units in the Tier 1 category (50% AMI) is awarded a bonus of two market rate units, with a limitation on the number of bonus units not exceeding 20% of the number of units otherwise permissible on the lot under lot area per dwelling unit requirements.¹

The key concept of the density bonus is to entice the developer to build affordable units at deeper levels of affordability, while at the same time offering an incentive for the developer to regain lost value from the creation of the affordable units by supplementing with market rate units. Within the model that RKG produced, it is possible to adjust the density bonus to test the implications on the financial feasibility of the project. Density bonus units tend to have greater importance on smaller projects which, from a financial perspective, may not be viable without the addition of market rate units above underlying zoning.

CASH PAYMENT

As a method to capture the full value of affordable units that do not get built under the inclusionary ordinance, the City proposes to include a cash payment amount for fractional units. The cash payment amount is applied to fractional units which result from applying the appropriate inclusionary percentage across Tier’s One, Two, and Three. The proposed IZ ordinance does not round any of the units, rather it prescribes each full unit be built, and any fractional piece be captured by a cash payment.

Under the proposed IZ ordinance, the cash payment as an alternative to each required inclusionary unit, or fraction thereof, is based on a formula that utilizes the current Massachusetts Department of

¹ See City of Newton Planning Memo #109-15(2), December 8, 2017

Housing and Community Development Index for “Total Residential Development Cost Limits” for Production Projects within Metro Boston. This index is updated annually through DHCD’s Qualified Action Plan (QAP) and serves as a maximum subsidy amount per unit for affordable housing projects seeking Federal Low-Income Housing Tax Credits (LIHTC) throughout the state. Based on the “Total Residential Development Cost Limits” the value of a unit is set at \$389,000. The determination of fractional units is based on the calculations for each of the three tiers in the proposed IZ ordinance.

Table 7 presents an example case of the calculation of the payment-in-lieu across the affordability tiers for a development that has 48 units.

Table 7. Example Payment in-Lieu Calculation for 48 Unit Project			
	Tier 1 (50% AMI)	Tier 2 (80% AMI)	Tier 3 (110% AMI)
Inclusionary Percentage	5%	10%	10%
Calculated Units Based on IZ Percentage	2.4	4.8	4.8
Whole Units	2	4	4
Fractional Units	0.4	0.8	0.8
Cash Payment Amount on Fractional	\$155,600	\$311,200	\$311,200
Total Project Units	48		
Inclusionary Units	10		
Market Rate Units	38		
Cash Payment in Lieu	\$778,000		

Source: Newton Planning Memo #109-15(2), December 8, 2017

As part of the modeling process, two additional options were explored regarding the value of the cash payment amount for fractional units. The first option was to use the construction hard costs for developing the affordable unit. The construction hard costs can be defined as the cost of construction for the actual unit, which excludes the price of the land. Utilizing this cost method enables the city to match the cost of building the unit with payment amount requested.

The second approach towards determining the payment amount is to utilize the value gap approach. The value gap is the difference between the value of a market rate unit and that of an affordable unit. The value of a rental unit is determined by the net operating income and the capitalization rate; for an ownership unit, it is determined by the sales value of the unit. In the case of affordable units, the amount of rent or sales value is limited to restricted AMI percentages; resulting in the potential value of a unit having a ceiling. The gap in value negatively impacts the overall financials of a developer because the cost of construction and land to build either an affordable or market rate unit are essentially the same. As part of the modeling process, an option was created to utilize the value gap approach in determining the fee amount to charge for fractional units.

Within the model there is an affordable unit and cash payment calculator which determines both the number of affordable units and potential payments in lieu based under either the existing or proposed

IZ ordinance.² The model also calculates the dollar value of the payment in lieu of an affordable unit using either: Total Residential Development Cost Limits (\$389,000); construction hard costs, or the value gap approach.

From a financial standpoint, the calculated fee in-lieu payment is added to the initial cost of the development, which ultimately influences the overall financial return. Depending on the project size, a large fee in-lieu could have a detrimental impact. Typically, a small project tends to be more sensitive to greater upfront costs because small dollar amount changes can have an outsized impact as compared to larger projects.

SCENARIO ANALYSIS

Scenarios Under Evaluation

To test the model and the underlying development assumptions, RKG ran seven development scenarios. Table 8 presents the model calibration for each of the seven scenarios. The scenarios were chosen by the City to understand the impact of the IZ changes on prototypical developments. One key difference in terms of development costs is that of parking; in scenarios 35 units or larger the assumption was made that underground parking was the default, resulting in an overall higher development cost.

Scenario	Unit Type	Location	Parking	Number of Units	AMI %	Inclusionary Percentage
1	Ownership	TOD	100% Surface	4	80/110% AMI	15.0%
2	Rental	TOD	100% Surface	4	50/80/110% AMI	15.0%
3	Ownership	TOD	100% Surface	8	80/110% AMI	15.0%
4	Rental	TOD	100% Surface	20	50/80/110% AMI	20.0%
5	Ownership	TOD	100% Underground	35	80/110% AMI	25.0%
6	Rental	TOD	100% Underground	65	50/80/110% AMI	25.0%
7	Rental	TOD	100% Underground	180	50/80/110% AMI	25.0%

Source: City of Newton, and RKG Associates Inc.

The financial analysis conducted by RKG provides key insights regarding the relative impact on development finance resulting from changes in the inclusionary ordinance. RKG modeled each of the seven scenarios by calibrating the model with realistic assumptions. As part of the analysis, RKG modeled financial feasibility under the existing IZ ordinance, as well as under two proposed IZ methods. Under Method One, the conditions for inclusionary housing include the rounding up of fractional units greater than 0.50, and having no fee-in-lieu. Under Method Two, the conditions for inclusionary housing are to build whole units, and charge a fee-in-lieu for any fractional unit. For all

² Based calculations of fee-in-lieu on the existing Inclusionary Zoning ordinance and proposed inclusionary zoning ordinance.

scenarios under analysis, RKG used the fee-in-lieu amount of \$389,000, which is part of the proposed IZ ordinance, to calculate the payments on fractional units. The data tables for each of the scenarios show the differences between the existing IZ ordinance and both the proposed IZ ordinance methods.

Interpreting Results

The financial model calculates the basic go/ no-go decision a developer must make about a potential project. The decision to pursue a project comes down to overall financial return and risk exposure. If there is confidence that the desired returns will be reached, then the project will be pursued, otherwise the project will not be undertaken.

From a financial perspective, the model calculates outputs that can be helpful when determining whether a developer or a lender will choose to go forward with a project. Of these outputs, both the Internal Rate of Return (IRR) and Net Present Value (NPV) are industry standard financial viability metrics for a given project. While these are important metrics, they are not the sole arbitrators of financial viability, as project risk assessment and developer track record are also important factors. The IRR and NPV when examined together, offer significant insight to both a lender and developer. The IRR is the calculated annual return on investment, taking into consideration net operating income, investment holding period, and sales value. The NPV is the present value of all future cash flows (both revenues and expenditures) for the project based on an expected return rate (discount rate) and over the course of the determined holding period. Based on the size of the initial upfront capital investment in a project, small percentage changes in the IRR can have dramatic effects on the net present value. The decision factor for not pursuing a project is if the IRR does not meet the required rate of return, or if the NPV is below zero. It is possible that a project results in a positive NPV and a lower than desired IRR. In cases such as this, the decision process becomes more nuanced as the developer would have to get comfortable with realizing a lower return. Within the development industry, the standard IRR return for a new construction rental project is 12 percent and 20 percent for new construction ownership units.

As noted earlier, from a development finance standpoint the unknown in a real estate deal is the cost of land. To conduct the comparative analysis, for each of the individual seven scenarios under the existing inclusionary policy the cost of the land was calculated to make the project financially viable and meet the developer's return expectation. This cost of land was then used for each of the two proposed IZ scenarios to understand how the changes in the ordinance impact the overall development return. It should be noted that the calculated land values for each scenario fall within the range of value local developers reported to pay for similar properties, corroborating that land values are normalized to the existing IZ ordinance.

Analysis Limitations

The undertaken analysis is not without limitations. The financial model is based upon assumptions which were collected through developer interviews, market research, and professional judgement. These assumptions are the main drivers of the financial model. The developments that are modeled in this analysis are prototypical developments that could potentially be found in Newton, and not actual developments. While all the assumptions that drive the model can be customizable, RKG

calibrated the model such that the base assumptions are the default. There are countless permutations that can be modeled, but RKG in consultation with the City, chose to model prototypical developments with relatively standardized inputs.

The model is not able to test every variable or possibility, rather it can be used as a ordinance tool to help inform the decision-making process. The model output helps show the relative impact of ordinance changes on development financial feasibility.

Four-Unit Ownership Development

The four-unit ownership development scenario offers a baseline assessment of how the proposed IZ ordinance impacts the existing development landscape. Under the existing IZ ordinance, inclusionary zoning does not get triggered until six units (the ordinance calls for inclusionary units once there are four net new units above the number of units allowed by-right (two units are allowed by-right)). In the case of the four-unit ownership development under the existing IZ ordinance, no inclusionary units are required. The existing IZ ordinance results were calibrated to determine the land value which would result in a 20% return to the developer. The land values used for this scenario were \$189,936 per unit, and this value was held constant for each of the proposed scenarios to understand the relative changes inclusionary units and payments-in-lieu would have on financial returns. Table 9 below provides detailed information about each model run for the scenario.

Under Method One, three market rate units and one affordable unit at 80% AMI would be required. As seen in the table, the impact to the developer of having to provide the affordable unit is significant and results in a negative NPV of \$316,882. A negative NPV occurs because the financial investment needed to undertake the project is greater than the cash flow generated; this outcome illustrates the investment does not make financial sense from the prospective of the developer. The reason the NPV is negative under Method One is because of the value gap between delivering a market rate unit versus an affordable unit. The value gap is due to the sales value of an affordable unit being capped at a level which is affordable to an 80% AMI household. From the developer's standpoint, the inability to realize full value from the affordable unit, which has a similar cost to that of a market unit, results in a financial loss. Under Method One, the IRR is negative 30.5 percent, which is well below the standard return of 20 percent on ownership developments.

Method Two results in a negative NPV of \$233,415 and a negative IRR of 8.4 percent, indicating the project is not financially viable. Under this scenario, four market rate units would be built, and a fee-in-lieu of \$233,400 would be paid to the City for the fractional unit. In this instance, the fee-in-lieu payment results in the project becoming infeasible; this is the only difference between the existing IZ ordinance and Method Two. Compared to Method One, the return to the developer while negative, is better under Method Two because the fee-in-lieu amount is less than the value gap loss under Method One.

Based on the calibrations of the model and development scenario, both Method One and Two result in the project becoming uneconomic as compared to the financial results under the existing IZ ordinance.

Table 9. Four-Unit Ownership Development					
	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Owner	Owner	Owner		
Number of Units	4	4	4		
Parking	Surface	Surface	Surface		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	15%	15%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	0	1	0	1	0
Payment in Lieu	\$0	\$0	\$233,400	\$0	\$233,400
AMI Split	80% AMI	80% AMI	80% AMI		
All Costs	\$2,455,107	\$2,455,107	\$2,455,107		
Land Cost	\$759,743	\$759,743	\$759,743		
Land Cost Per Unit	\$189,936	\$189,936	\$189,936		
Average Cost Per Unit (Inclusive of Land)	\$613,777	\$613,777	\$613,777		
IRR	20.0%	-30.5%	-8.4%	-50.4%	-28.4%
NPV	(\$15)	(\$316,882)	(\$233,415)	(\$316,867)	(\$233,400)

Four-Unit Rental Development

The four-unit rental development scenario offers a baseline assessment of how the proposed IZ ordinance impacts the existing development landscape. Under the existing IZ ordinance, the affordable units average 65% AMI, based on ½ the units being delivered for households earning 50% AMI and ½ the units at 80% AMI. The existing ordinance does not get triggered until six units (the ordinance calls for inclusionary units once there are four net new units above the number of units allowed by-right (two units are allowed by-right)). So, in the case of the four-unit rental development under the existing IZ, no inclusionary units are required. The existing inclusionary ordinance results were calibrated to determine the land value which would result in a 12% return to the developer. The land values used for this scenario were \$210,260 per unit, and this value was held constant for each of the proposed scenarios to understand the relative changes inclusionary units and payments-in-lieu would have on financial returns. Table 10 provides detailed information about each model run for the scenario.

Under Method One three market rate units and one affordable unit at 80% AMI would be required. As seen in the table, the impact to the developer of having to provide the affordable unit is significant and results in a negative NPV of \$154,826. The reason the NPV is negative under Method One is because of the value gap between delivering a market rate unit versus an affordable unit. From the developer's standpoint, the inability to realize full value from the affordable unit, which has a similar cost to that of a market unit, results in a financial loss. Under Method One, the IRR is 9.5 percent, which is well below the standard return of 12 percent on new rental developments.

Method Two results in a negative NPV of \$231,702 and an IRR of 9.0 percent, indicating the project is not financially viable. Under this scenario, four market rate units would be built, and a fee-in-lieu of \$233,400 would be paid to the City for the fractional unit. In this instance, the fee-in-lieu payment results in the project becoming infeasible. Compared to Method One, the return to the developer under Method Two is worse because the fee-in-lieu amount is a greater than the value gap loss from providing the affordable unit under Method One.

Based on the calibrations of the model and development scenario, both Method One and Two result in the project being uneconomic as compared to the financial results under the existing IZ ordinance.

Table 10. Four-Unit Rental Development					
	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Rental	Rental	Rental		
Number of Units	4	4	4		
Parking	Surface	Surface	Surface		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	15%	15%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	0	1	0	1	0
Payment in Lieu	\$0	\$0	\$233,400	\$0	\$233,400
AMI Split	65% AMI	80% AMI	80% AMI		
All Costs	\$1,887,797	\$1,849,454	\$1,887,797		
Land Cost	\$841,040	\$841,040	\$841,040		
Land Cost Per Unit	\$210,260	\$210,260	\$210,260		
Average Cost Per Unit (Inclusive of Land)	\$471,949	\$462,364	\$471,949		
IRR	12.0%	9.5%	9.0%	-2.6%	-3.0%
NPV	\$1,698	(\$154,826)	(\$231,702)	(\$156,524)	(\$233,400)

Eight-Unit Ownership Development

The eight-unit ownership development under the existing IZ ordinance results in one affordable unit built at 80% AMI and seven market rate units. Using the residual land value calculation, the land value per unit which would result in a 20% return would be \$294,688. Since this is a hypothetical development with a financial return set to 20%, the land value per unit tends to be much higher than what would normally sell in the market. If the developer could obtain the land at a lower cost ultimately their return on investment would be much higher, but for the sake of the modeling exercise we are assuming a conservative rate of return.

Under Method One, the developer would build seven market rate units and one affordable unit at 110% AMI. The NPV of the project would be a positive \$81,530 and the IRR would be 26.7 percent. The financial return is greater than the industry standard return of 20 percent because of the inclusion of the additional value generated by the 110% AMI unit over the 80% AMI unit that would have been built under the existing IZ ordinance.

Under Method Two, seven market rate units, one affordable unit at 110% AMI, and a fee-in-lieu of \$77,800 would be paid to the City for the fractional unit. The NPV of the project is a positive \$3,730 and the IRR is 20.3 percent. While overall financially positive, the fee-in-lieu decreases the financial return as compared to Method One.

Based on the calibrations of the model and development scenario, both Method One and Two result in a better financial outcome for the developer when compared to the existing IZ ordinance. Under the proposed IZ ordinance, the requirement to build a 110% AMI unit versus an 80% AMI unit which helps the developer financially.

Table 11. Eight-Unit Ownership Development

	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Owner	Owner	Owner		
Number of Units	8	8	8		
Parking	Surface	Surface	Surface		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	15%	15%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	1	1	1	0	0
Payment in Lieu	\$0	\$0	\$77,800	\$0	\$77,800
AMI Split	80% AMI	110% AMI	110% AMI		
All Costs	\$4,765,353	\$4,765,353	\$4,765,353		
Land Cost	\$2,357,507	\$2,357,507	\$2,357,507		
Land Cost Per Unit	\$294,688	\$294,688	\$294,688		
Average Cost Per Unit (Inclusive of Land)	\$595,669	\$595,669	\$595,669		
IRR	20.0%	26.7%	20.3%	6.6%	0.3%
NPV	\$476	\$81,530	\$3,730	\$81,054	\$3,254

20-Unit Rental Development

The 20-unit rental development under the existing IZ ordinance results in three affordable units built at an average of 65% AMI and 17 market rate units. Using the residual land value calculation, the land value per unit which would result in a 12% return would be \$192,567 and this value was held constant for each of the proposed scenarios to understand the changes in inclusionary units and payments-in-lieu have on financial returns. Table 12 below provides detailed information about each model run for the scenario.

Under Method One, the developer would build 16 market rate units and four affordable units (two at 80% AMI, and two at 110% AMI). The NPV of the project would be a positive \$54,251 and the IRR would be 12.2 percent. The financial return is greater than the industry standard return of 12 percent because of the inclusion of the additional value generated by the 80% and 110% AMI units over the 65% AMI units that would have been built under the existing IZ ordinance.

The analysis conducted under Method Two does not yield a different result than Method One because based on a 20-unit development, the math works out such that exactly four units are required and no fractional remainders exist.

Based on the calibrations of the model and development scenario, both Method One and Two result in a better financial outcome for the developer when compared to the existing IZ ordinance. Under the proposed IZ ordinance, the requirement to build 80% and 110% AMI units versus just 80% AMI units which helps the developer financially.

Table 12. 20-Unit Rental Development					
	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Rental	Rental	Rental		
Number of Units	20	20	20		
Parking	Surface	Surface	Surface		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	20%	20%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	3	4	4	1	1
Payment in Lieu	\$0	\$0	\$0	\$0	\$0
AMI Split	65% AMI	80/110% AMI	80/110% AMI		
All Costs	\$8,614,029	\$8,548,958	\$8,548,958		
Land Cost	\$3,851,349	\$3,851,349	\$3,851,349		
Land Cost Per Unit	\$192,567	\$192,567	\$192,567		
Average Cost Per Unit (Inclusive of Land)	\$430,701	\$427,448	\$427,448		
IRR	12.0%	12.2%	12.2%	0.2%	0.2%
NPV	\$793	\$54,251	\$54,251	\$53,457	\$53,457

35-Unit Ownership Development

The 35-unit ownership development under the existing IZ ordinance results in five affordable units built at 80% AMI and 30 market rate units. Using the residual land value calculation, the land value per unit which would result in a 20% return would be \$228,185. Since this is a hypothetical development with a financial return set to 20%, the land value per unit tends to be much higher than what land would normally sell for in the market. If the developer could obtain the land at a lower cost ultimately their return on investment would be much higher, but for the sake of the modeling exercise we are assuming a conservative rate of return.

Under Method One, the developer would build 26 market rate units and nine affordable units (four at 80% AMI, and five at 110% AMI). The NPV of the project would be a negative \$739,011 and the IRR would be 5.4 percent. The financial return under Method One is lower than the existing IZ ordinance because an additional four units of affordable housing is required. Even though all the affordable units are restricted to an AMI threshold that is higher than the existing IZ ordinance, the value gap of each affordable unit continues to erode the financial return to the developer. Even with the inclusion of units at 110% AMI, that still is not enough to overcome the value loss.

Under Method Two, the developer would build 27 market rate units and eight affordable units (three at 80% AMI, and five at 110% AMI), and a fee-in-lieu of \$291,750 which would be paid to the City for the fractional unit. The NPV of the project would be a negative \$773,917 and the IRR would be 5.5 percent. The financial return under Method Two is lower than the existing IZ ordinance because an additional three units of affordable housing is required plus the fee-in-lieu payment. Even though all the affordable units would be built at an AMI threshold which is higher than the existing IZ ordinance, the value gap of each affordable unit continues to erode the financial return to the developer, and thus makes it uneconomic.

Based on the calibrations of the model and development scenario, both Method One and Two result in a financial return which is less than the 20 percent minimum return. This indicates that the proposed IZ ordinance is more onerous than the existing IZ ordinance. The increased number of affordable units under the proposed IZ ordinance makes the project uneconomic.

Table 13. 35-Unit Ownership Development

	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Owner	Owner	Owner		
Number of Units	35	35	35		
Parking	Underground	Underground	Underground		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	25%	25%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	5	9	8	4	3
Payment in Lieu	\$0	\$0	\$291,750	\$0	\$291,750
AMI Split	80% AMI	80/110 AMI	80/110 AMI		
All Costs	\$20,088,853	\$19,810,415	\$19,875,486		
Land Cost	\$7,986,484	\$7,986,484	\$7,986,484		
Land Cost Per Unit	\$228,185	\$228,185	\$228,185		
Average Cost Per Unit (Inclusive of Land)	\$573,967	\$566,012	\$567,871		
IRR	20.0%	5.4%	5.5%	-14.6%	-14.5%
NPV	\$690	(\$739,011)	(\$773,917)	(\$739,701)	(\$774,608)

65 Unit Rental Development

The 65-unit rental development under the existing IZ ordinance results in 10 affordable units built at an average of 65% AMI and 55 market rate units. Using the residual land value calculation, the land value per unit which would result in a 12% return would be \$110,699.

Under Method One, the developer would build 48 market rate units and 17 affordable units (five at 50% AMI, seven at 80% AMI, and five at 110% AMI). The NPV of the project would be a negative \$856,242 and the IRR would be 11.1 percent. The financial return under Method One is lower than the existing IZ ordinance because an additional seven units of affordable housing is required. Even though the affordable units are allocated amongst multiple AMI thresholds, the value gap of each affordable unit continues to erode the financial return to the developer. Even with the inclusion of units at 110% AMI, that still is not enough to overcome the value loss because the cost of developing an affordable unit is essentially equal to that of a market rate unit.

Under Method Two, 51 market rate units, 14 affordable units (four at 50% AMI, six at 80% AMI, and four at 110% AMI), and a fee-in-lieu of \$875,250 would be paid to the City for the fractional units. The NPV of the project would be a negative \$1,216,502 and the IRR would be 10.8 percent. Again, the financial return under Method Two is lower than the existing IZ ordinance because of the four extra affordable units coupled with the fee-in-lieu payment.

Based on the calibrations of the model and development scenario, both Method One and Two result in a financial return which is less than the 12 percent minimum return. This indicates that the proposed IZ ordinance is more onerous than the existing IZ ordinance. The increased number of affordable units under the proposed IZ ordinance makes the project uneconomic in this scenario.

Table 14. 65-Unit Rental Development					
	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Rental	Rental	Rental		
Number of Units	65	65	65		
Parking	Underground	Underground	Underground		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	25%	25%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	10	17	14	7	4
Payment in Lieu	\$0	\$0	\$875,250	\$0	\$875,250
AMI Split	65% AMI	50/80/110% AMI	50/80/110% AMI		
All Costs	\$27,843,738	\$27,448,530	\$27,616,564		
Land Cost	\$7,195,416	\$7,195,416	\$7,195,416		
Land Cost Per Unit	\$110,699	\$110,699	\$110,699		
Average Cost Per Unit (Inclusive of Land)	\$428,365	\$422,285	\$424,870		
IRR	12.0%	11.1%	10.8%	-0.9%	-1.2%
NPV	\$525	(\$856,242)	(\$1,216,502)	(\$856,766)	(\$1,217,027)

180-Unit Rental Development

The 180-unit rental development under the existing IZ ordinance results in 27 affordable units built at an average of 65% AMI and 153 market rate units. Using the residual land value calculation, the land value per unit which would result in a 12% return would be \$111,664.

Under Method One, the developer would build in 135 market rate units and 45 affordable units (18 at 50% AMI, 18 at 80% AMI, and nine at 110% AMI). The NPV of the project would be a negative \$2,801,086 and the IRR would be 10.9 percent. The financial return under Method One is lower than the existing IZ ordinance because an additional 18 units of affordable housing that is required. Even though the affordable units are allocated amongst multiple AMI thresholds, the value gap for each affordable unit continues to erode the financial return to the developer. Even with the inclusion of units at 110% AMI, that still is not enough to overcome the value loss because the cost of developing an affordable unit is essentially equal to that of a market rate unit.

The analysis conducted under Method Two does not yield a different result than Method One because based on a 180-unit development, the math works out such that exactly 45 affordable units are required and no fractional remainders exist.

Based on the calibrations of the model and development scenario, both Method One and Two result in a financial return which is less than the 12 percent minimum return. This indicates that the proposed IZ ordinance is more onerous than the existing IZ ordinance. The increased number of affordable units under the proposed IZ ordinance makes the project uneconomic in this scenario.

Table 15. 180-Unit Rental Development

	Existing IZ Ordinance	Method One: Proposed IZ Ordinance (Round and Build Unit)	Method Two: Proposed IZ Ordinance (Build Unit and Fee-in-lieu)	Existing IZ vs Method One	Existing IZ vs Method Two
Location	TOD	TOD	TOD		
Unit Type	Rental	Rental	Rental		
Number of Units	180	180	180		
Parking	Underground	Underground	Underground		
Special Permit	Yes	Yes	Yes		
Inclusionary %	15%	25%	25%		
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional		
Inclusionary Units	27	45	45	18	18
Payment in Lieu	\$0	\$0	\$0	\$0	\$0
AMI Split	65% AMI	50/80/110% AMI	50/80/110% AMI		
All Costs	\$77,066,664	\$76,082,952	\$76,082,952		
Land Cost	\$20,099,549	\$20,099,549	\$20,099,549		
Land Cost Per Unit	\$111,664	\$111,664	\$111,664		
Average Cost Per Unit (Inclusive of Land)	\$428,148	\$422,683	\$422,683		
IRR	12.0%	10.9%	10.9%	-1.1%	-1.1%
NPV	\$54,626	(\$2,801,086)	(\$2,801,086)	(\$2,855,712)	(\$2,855,712)

BONUS DENSITY ANALYSIS

A bonus density offers an incentive to a developer to build additional affordable units in exchange for market rate units. Under the existing IZ ordinance the density bonus provides a one-to-one ratio of more market rate units to affordable units. The existing density bonus has historically been underutilized because the financial incentive is not great enough. Under the proposed IZ ordinance, the density bonus is increased to a two-to-one ratio, providing for two market rate units for every affordable unit. Additionally, all the affordable units under the density bonus are targeted toward the 50% AMI level. RKG tested the bonus impact of the proposed bonus density on the 65-unit project, as well as a hypothetical bonus density of three-to-one.

65-Unit Rental Development with Bonus Density

In the 65-unit rental development scenario under the proposed IZ ordinance, the bonus density allows for a maximum increase of bonus units of 20% of the total number of units in the development. Table 16 on the accompanying page presents the findings of the analysis. In the case of a 65-unit development the total number of bonus units allowed are 13 ($65 \times 20\%$), meaning that 78 units are allowed on the site of a 65-unit development. In the case where a two-to-one bonus density is applied seven additional affordable units are provided in exchange for 14 market rate units (14 market rate units resulted from rounding, since 13 is a prime number with no multiples). The added increase in market rate units slightly improves the financial viability of the development. In the baseline scenario where no bonus density is used, the IRR of the project is 10.8% which indicates the development does not reach market return expectations. Under the two-for-one bonus density scenario the IRR of the project improves to 11.1% but still does not reach the 12% desired return, indicating the incentive is not enough to the developer.

Applying a three-to-one bonus density results in the addition of four more affordable units in exchange for 12 market rate units (12 units results due to rounding because 13 has no multiples). The IRR of the project increases to 11.5%; however, the project still does not reach the minimum return expectation. The main reason why the bonus density is not working is because the affordable units that are provided through the bonus density are targeted towards the 50% AMI level. Due to the deep affordability level, the value loss that results is still too great for the developer to overcome.

Table 16. 65-Unit Rental Development With Bonus Density

	Method Two: Proposed IZ Ordinance (Build Unit and Fee in Lieu, No Bonus)	Method Two: Proposed IZ Ordinance (Build Unit and Fee in Lieu, 2:1 Bonus)	Method Two: Proposed IZ Ordinance (Build Unit and Fee in Lieu, 3:1 Bonus)	Method Two vs. 2:1 Bonus	Method Two vs. 3:1 Bonus
Location	TOD	TOD	TOD		
Unit Type	Rental	Rental	Rental		
Number of Units	65	79	77	14	12
Parking	Underground	Underground	Underground		
Special Permit	Yes	Yes	Yes		
Inclusionary %	25%	25%	25%		
Inclusionary Treatment	Build Units and Pay Fractional	Build Units and Pay Fractional	Build Units and Pay Fractional		
Inclusionary Units	14	21	18	7	4
Payment in Lieu	\$875,250	\$875,250	\$875,250	\$0	\$0
AMI Split	50/80/110% AMI	50/80/110% AMI	50/80/110% AMI		
All Costs	\$27,616,564	\$31,745,358	\$31,294,727		
Land Cost	\$7,195,416	\$7,195,416	\$7,195,416		
Land Cost Per Unit	\$110,699	\$91,081	\$93,447		
Average Cost Per Unit (Inclusive of Land)	\$424,870	\$401,840	\$406,425		
IRR	10.8%	11.1%	11.5%	0.4%	0.7%
NPV	(\$1,216,502)	(\$990,672)	(\$590,854)	\$225,830	\$625,648

180-Unit Rental Development with Bonus Density

Table 17 on the accompanying page presents the findings of the analysis. In the 180-unit rental development scenario under the proposed IZ ordinance, the bonus density allows for a maximum increase of bonus units of 20% of the total number of units which translates into 36 ($180 \times 20\%$) bonus units, meaning that 216 units are allowed on the site of a 180-unit development. In the case where a two-to-one bonus density is applied, 18 additional affordable units are provided in exchange for 36 market rate units. The added increase in market rate units slightly improves the financial viability of the development. In the baseline scenario where no bonus density is used, the IRR of the project is 10.9 percent which indicates the development is not financially feasible. Under the two-for-one bonus density scenario the IRR of the project improves to 11.2% but still does not reach the 12% desired return, indicating the incentive is not enough to the developer.

Applying a three-to-one bonus density results in the addition of 12 more affordable units in exchange for 36 market rate units. The IRR of the project increases to 11.7%; however, the project still does not become financially viable. The main reason why the bonus density is not working is because the affordable units that are provided through the bonus density are targeted towards the 50% AMI level. Due to the deep affordability level, the value loss that results is still too great for the developer to overcome.

Table 17. 180-Unit Rental Development With Bonus Density

	Method Two: Proposed IZ Ordinance (Build Unit and Fee in Lieu, No Bonus)	Method Two: Proposed IZ Ordinance (Build Unit and Fee in Lieu, 2:1 Bonus)	Method Two: Proposed IZ Ordinance (Build Unit and Fee in Lieu, 3:1 Bonus)	Method Two vs. 2:1 Bonus	Method Two vs. 3:1 Bonus
Location	TOD	TOD	TOD		
Unit Type	Rental	Rental	Rental		
Number of Units	180	216	216	36	36
Parking	Underground	Underground	Underground		
Special Permit	Yes	Yes	Yes		
Inclusionary %	25%	25%	25%		
Inclusionary Treatment	Build Units and Pay Fractional	Build Units and Pay Fractional	Build Units and Pay Fractional		
Inclusionary Units	45	63	57	18	12
Payment in Lieu	\$0	\$0	\$0	\$0	\$0
AMI Split	50/80/110% AMI	50/80/110% AMI	50/80/110% AMI		
All Costs	\$76,082,952	\$86,813,603	\$87,120,486		
Land Cost	\$20,099,549	\$20,099,549	\$20,099,549		
Land Cost Per Unit	\$111,664	\$93,053	\$93,053		
Average Cost Per Unit (Inclusive of Land)	\$422,683	\$401,915	\$403,336		
IRR	10.9%	11.2%	11.7%	0.3%	0.8%
NPV	(\$2,801,086)	(\$2,367,936)	(\$964,979)	\$433,150	\$1,836,107

SUMMARY FINDINGS

Based on the analysis conducted by RKG, it appears that project size (number of units) matters in relation to the IZ ordinance. The proposed IZ ordinance for small developments which can be defined as under six units seems to have a detrimental impact on the project financial feasibility. At the small scale, the addition of an additional unit of affordable housing has an outsized impact on the overall financial return of the project. Small scale developers have greater sensitivity to changes in their development program than larger developers because there are less units to spread the risk. For example, if a developer were to build a four-unit development under the proposed IZ, they would be required to pay a fee-in-lieu for the fractional unit (0.60) which would amount to \$233,400. Under the rental scenario in the model a four-unit development costs about \$1.8 million to build; the fee-in-lieu would be nearly 13% of the total cost. For a small project of that size, an increase in expenditures of that magnitude would have a detrimental impact.

At the medium size project level of between six and 20 units, the proposed changes to the inclusionary zoning ordinance appear calibrated correctly as they result in more affordable units for the City, and a better financial outcome to the developer. The percent allocation of affordable units between AMI thresholds is critical. Under the proposed language for ownership units between seven and nine units, the unit allocation is 15% of the units at 110% AMI; while for rental developments between 10 and 20 units the AMI allocation is 10% at 80% AMI, and 10% at 110% AMI. From the standpoint of building affordable units, these percent allocations help to incentivize the construction of units. Higher AMI thresholds minimize the value loss a developer experiences as compared to if they are required to provide units at a lower AMI threshold. The downside to this percent allocation is that housing for the lowest income levels does not get built; but if the incentive structure did not exist, then no housing would be built because the project would be financially infeasible.

At the large size rental projects defined as 35 units and above, the proposed IZ ordinance as designed has a negative impact on the overall financial return of a prototypical development. The key issue within the proposed IZ ordinance is how percentages within the affordability tiers are allocated. Table 18 below presents the affordability percentages for rental projects greater than 20 units. It can be observed that for developments falling between 51 and 100 units, there is a balance between units at 50% AMI and those at 110% AMI. However, even with the proposed affordability tiers, the balance is not sufficient to overcome the overall value loss from the creation of many affordable units.

Table 18. Affordability Tiers			
	21-50 Units	51-100 Units	101+ Units
Tiers	Rental	Rental	Rental
Tier 1, up to 50% AMI	5.0%	7.5%	10.0%
Tier 2, 51% - 80% AMI	10.0%	10.0%	10.0%
Tier 3, 81% - 110% AMI	10.0%	7.5%	5.0%
Total	25.0%	25.0%	25.0%
Source: City of Newton, 2018			

At the largest scale of development, those over 101 units, the affordability is further skewed downward toward the 50% AMI level. By requiring a developer to set aside 10% of their units at 50% AMI, with as an offset of only 5% of the units at 110% AMI, the financial feasibility of the project will be challenged. If the City is mandating deeper levels of affordability then there needs to be an offset or incentive that is attractive to developers. Even when factoring in the proposed bonus density of two units for every one affordable, the offset is not enough to compensate for the greater level of affordability. Within the bonus density proposal, for every market rate unit converted to an affordable 50% AMI unit, two market rate units are given. Again, the compensation for the deep level of affordability is not a sufficient incentive for the developer. A shift in the percentages within the affordability tiers may offer a solution to making developments financially feasible.

The proposed bonus density of two-for-one, while having an impact on the overall project feasibility, is not great enough to offset the number of affordable units that are required at the 50% AMI level. Even applying a hypothetical three-to-one ratio still does not yield a positive result. The key finding for the bonus density is that as currently structured, it is not sufficient for making the projects financially viable. One possible solution towards improving the bonus density is rather than require all affordable units resulting from utilizing the bonus density to fall within the 50% AMI threshold, the units could be allocated across all the AMI thresholds. This spreading of affordable units ultimately helps the development financially because it offsets the deeper affordable units.

APPENDIX 1

Baseline Model Assumptions	
Revenues	Assumptions
Market Rents*	
Studio	\$2,233
1BR	\$3,166
2BR	\$4,005
3BR	\$4,832
Market Sales Values for Condos**	
1BR	\$419,000
2BR	\$637,000
3BR	\$862,000
Parking Income (Rental) (per spot)	\$150
Vacancy Rate (Rental)	5%
Development Costs	
Construction Costs (PSF)	
Town House	\$192
Stick	\$176
Stick Over Podium	\$205
Special Permit Costs (addition to soft cost)	10%
Soft Costs	20%
Land Costs Per Unit	
4 Owner	\$189,936
4 Rental	\$210,260
8 Owner	\$294,688
20 Rental	\$192,567
35 Owner	\$228,185
65 Rental	\$110,699
180 Rental	\$111,664
Parking Costs (per stall)	
Surface	\$8,000
Aboveground	\$25,000
Underground	\$40,000
Parking Ratios	
TOD	1.25
NON-TOD	2.00

Financing Costs	
First Year of Operations	2018
Construction Period	1 year
Inflation Rate	3%
Mortgage Term	
Rental (Years)	20
For Sale (Years)	2
Interest Rate	
Rental	6.00%
For Sale	5.50%
Equity	
Rental	30.00%
For Sale	30.00%
Capitalization Rate (Rental)	5.50%
Cost of Sale	2.00%
Reversion (Years)	
Rental (Years)	10
For Sale (Years)	1
Stabilization Period (Years)	1
Origination Fee %	1.50%
Developer Operating Expense Ratio (OE/PGI)	25.00%
Discount Rate (NPV) Rental	12.00%
Discount Rate (NPV) For Sale	20.00%
* Based on market research	
**Used assessment database and market research	

GLOSSARY OF TERMS

- Capitalization Rate** – Ratio between the net operating income of a property and its sales value
- Discount Rate** – The interest rate used in discounted cash flow analysis to determine the present value of future cash flows
- Density Bonus** - A ordinance mechanism allowing a developer to build a greater number of units than the existing underlying zoning dictates in exchange for the creation of additional affordable units
- Equity** – Initial out-of-pocket investment on the part of developer that is required to obtain financing
- Effective Gross Income** – Gross income minus the vacancy collection loss
- Fee in-Lieu** – Payment made to City to account for fractional affordable unit not built.
- Internal Rate of Return** - Annualized rate of return sought by a developer based on the project discounted cashflow
- Net Operating Income** – Net income after deducting operating expenses from potential gross income
- Net Present Value** – Net value of the initial investment and cashflows generated from a project, discounted back to the current year
- Operating Expenses** – Expenses related to operating the building such as maintenance, salaries, and repairs
- Other Income** – Income generated from the property aside from rent, this income is parking revenues for leased spaces
- Potential Gross Income** – Potential income generated from rental income or sale of a property. Calculated by multiplying the number of units and rent for each unit
- Residual Land Value** - The price a developer pays for a piece of land. Generally, involves calculating the income expectations for the developed land, subtract all expenses associated with this development, and the remainder is the land residual
- Vacancy and Collection Loss** – Percent of rent that is uncollectable
- Value Gap** – Difference in value between a market rate unit and affordable unit