



Zoning & Planning Committee Report

City of Newton In City Council

Monday, March 12, 2018

Present: Councilors Albright (Chair), Danberg, Brousal-Glaser, Krintzman, Downs, Leary and Kalis;

Absent: Councilor Baker

Also Present: Councilors Scibelli Greenberg, Auchincloss and Crossley

Planning & Development Board: Peter Doeringer (Vice Chair), Christopher Steele, Megan Meirav and Barney Heath

City Staff Present: James Freas (Deputy Director, Planning Dept.), Jonathan Yeo (Chief Administrative Officer), Lily Reynolds (Community Engagement Manager), Rachel Blatt (Long Range Planner), Rachel Powers (Community Development Programs Manager), John Lojek (Commissioner, Inspectional Services), Jonah Temple (Assistant City Solicitor), Marie Lawlor (Assistant City Solicitor), Karyn Dean (Committee Clerk)

#144-18 Zoning amendment relative to parking facilities

ALAN SCHLESINGER, on behalf of Northland Development LLC, requesting to amend Newton Zoning Ordinance, Chapter 30, Section 4.4.1 to allow parking facilities, accessory and non-accessory, single and multi-level in the Mixed Use 1 District by special permit.

Planning Board: Public Hearing Closed; Approved as amended 4-0

Action: Public Hearing Closed; Zoning & Planning Approved as amended 7-0

Note: Chair of the Committee, Councilor Albright, opened the public hearing. The Planning & Development Board opened their public hearing as well.

Alan Schlesinger, petitioner on behalf of Northland Development, addressed the Committee and reviewed the need for the change. As was explained at the last discussion of this item, it was discovered that unlike other commercial districts, no parking facilities are currently allowed in the MU1 district. This dates back to the old ordinance and it unclear why this provision was left out because parking is required. Atty. Schlesinger's request is to make accessory and non-accessory parking facilities allowable by special permit in the MU1 district. He noted that there are currently no definitions for single level, multi-level accessory parking or non-accessory parking, which should be addressed in the future.

The Planning Department supports the proposed change and would additionally support making accessory parking facilities by right, consistent with other portions of the ordinance and the other districts.

Public Comment

Newton Upper Falls Area Council representative (name inaudible) said she did not understand why this request was coming from a private developer and not the City. She also did not understand what they are asking the City to approve

James Freas, Deputy Director of Planning explained that this was largely an oversight with the 1987 adoption of the MU1 district. Nearly every single commercial district allows accessory parking and allows non-accessory parking with a special permit. This request is to add that availability into the MU1 district. The Planning Department is making a slightly different recommendation to allow accessory parking as a permitted by-right use and to make everything else by special permit. As for Northland, in order to occupy the existing office building at the Sacco Pettee Mill building which has very limited space for parking, they need the availability for parking on a different lot.

Hearing no other requests to speak, the Committee voted to close the public hearing. The Planning Board also closed their public hearing.

Committee Questions/Comments

A Committee member said that she would rather see very little accessory parking and a wider variety of non-accessory parking so people can share and use just the right amount of parking instead of building parking lot after parking lot.

It was asked if this was the first time this has been brought to anyone's attention. Mr. Freas said he went back to the report that was issued by the Needham Street Task Force and it does not mention parking in any way for Mixed Used 1. It seems like it was merely an oversight but he is not sure exactly why that happened.

Councilor Danberg moved approval and the Committee voted unanimously to approve as amended based on the Planning Department recommendation to make accessory parking facilities by right. The Planning Board also approved as amended 4-0. The draft Council Order is attached.

#143-18 Zoning amendment to delay effective date of garage ordinance

DIRECTOR OF PLANNING proposing to further amend Chapter 30, Section 3.4.4 of the Revised Ordinances as amended by Ordinance A-78, to implement a deferred effective date for the ordinance of December 1, 2019 or such other appropriate date, for the purpose of allowing the Planning Department to complete a comprehensive study thereof.

Planning Board: Public Hearing Closed; Approved as amended 4-0

Action: Public Hearing Closed; Zoning & Planning Approved as amended 6-1-0 to December 31, 2018 (Brousal-Glaser opposed)

Note: James Freas, Deputy Director of Planning, explained that last spring the City Council approved a "garage ordinance" which required all garages to be flush, or behind the façade of

single or two-family houses. It also required that no more than 50% of the width of the building could be devoted to the garage door. The City heard from homeowners and builders that the new requirements were creating some issues for projects that were in process and there was the sense that a more nuanced ordinance was needed. At that time, the Committee decided to delay the effective date of the ordinance to April 1, 2018 as Planning Staff would rather deal with this issue as part of the zoning redesign project. Therefore, the recommendation is to further delay the effective date to incorporate the garage ordinance into that process.

Public Hearing

Julia Malakie, Murray Road said she opposed the first delay of this ordinance. Any projects there were in process at that time are now complete and there should be no impact. Kicking the can down the road is not good policy and there are many other things more meaningful to postpone for zoning redesign.

Simon French, said this is the third postponement of this ordinance and if the Council cannot even pass a garage ordinance, what are the chances for passing the entire zoning ordinance.

Hearing no other requests to speak, the Committee voted to close the public hearing. The Planning Board also closed their public hearing.

Committee Comments/Questions

Several Committee members felt that this ordinance could be amended well before the end of the term in 2019. There were amendments previously proposed and it seemed that there was not much more work to be done on it. Mr. Freas said that staff is studying this in zoning redesign and whatever date is put on this delay, an ordinance could always be adopted sooner. The plan is to have draft language for the zoning ordinance in the fall and this section could be adopted at that time, apart from the larger ordinance, if the Committee desired.

The Chair said that people are interested in working on a retaining wall ordinance which shows there are a number of concerns that are vying for attention. It is difficult to know which should take priority over the general work of the zoning redesign process.

It was noted that there was consensus on the goal of the ordinance which included making neighborhoods more friendly for pedestrians and to provide streetscapes in keeping with neighborhood character.

Commissioner Lojek explained that there have been very few houses coming through Inspectional Services with the objectionable garages so this does not seem like an urgent matter right now. Architects and developers heard the concerns and they have scaled back significantly on designing houses with prominent garages.

Some Committee members felt the ordinance should go into effect on April 1 and have it reviewed during zoning redesign. It could be amended in the fall. The Chair noted that too broad a brush

was used in the ordinance and the architects and builders said, in practice, it did not address a number of issues. The ordinance needs some work.

The Planning Board reported that there is a case to be made for allowing the Planning Department to take some time with the ordinance. They proposed amending the effective date to December 31, 2018.

Councilor Kalis suggested amending the effective date to December 31, 2018 as well. The Committee voted in favor 6-1-0 with Councilor Brousal-Glaser opposed. The draft Council Order is attached.

Inclusionary Zoning Discussion with RKG Associates

Kyle Talente, Vice President and Principal of RKG Associates addressed the Committee. He introduced his colleague Jahangir Akbar as well. RKG Associates undertook an Inclusionary Zoning Ordinance financial feasibility analysis for the City. The goal of the analysis was to help the City evaluate proposed changes to the inclusionary zoning ordinance which will create more affordable housing while not having a detrimental impact on overall housing development. He noted that the goal of creating more affordable housing is important, however, creating policies that will have an adverse effect on the real estate market will actually have a negative effect on that goal.

Mr. Talente provided a detailed PowerPoint presentation which is attached to this report. Additional information was provided in handouts, which is also attached. He explained that the only variable that is in play on a project is the cost of the land. The cost of a brick or hiring an architect is set, as is the amount that can be charged for an apartment or a house. How much the land is worth and how much a developer is willing to pay for it is what determines if a project will be viable or not. The analysis that was done looks at the impact on the value of land in this community with the existing IZ ordinance and the proposed IZ ordinance and demonstrates if the opportunity for development improves, get worse or stays the same.

The internal rate of return (IRR) is the measuring stick for the "Go-No Decision" on a project – whether a project is viable. If the IRR is not 20% on for-sale housing, or 12% on rental housing, the deal cannot go forward for a number of reasons including that a bank will not fund a project that does not meet those percentages. If a developer cannot reach the IRR goal, they could offer less for the land, go to another location, do nothing, or go ahead nonetheless. There are enough opportunities in the greater Boston area, however, that there is no reason to take less than the market average return. Again, debt financiers will not provide funds.

Please refer to the presentation to see a variety of scenarios and the impact the current and proposed IZ ordinances have on IRR, as well as proposed solutions to provide a balance of affordable housing and development. Ultimately, the most advantageous proposals look to eliminate or substantially limit units at or less than 50% AMI. In Newton, however, all the markets (50%, 80% and 110% AMI) are underserved so development of any of those is beneficial. Other adjustments and solutions are suggested as well in the presentation.

Mr. Talente explained that a detailed report accompanies his presentation and will be made available shortly. The audio for this presentation can be found at:

<http://www.newtonma.gov/civicax/filebank/documents/88347/03-12-18%20ZAP.MP3>

The Committee thanked Mr. Talente for his presentation and look forward to the report.

#75-18 Discussion relative to the Zoning Redesign Event Series

DIRECTOR OF PLANNING requesting discussion of topics, issues, and ideas from the Zoning Redesign Event Series, with Committee feedback leading to staff preparation of the draft policy content outline for the new Zoning Ordinance

Action: Zoning & Planning Held 7-0

Note: This is an ongoing discussion of the zoning redesign event series. The report for this discussion will be forthcoming.

Needham Street Vision: Progress and Feedback

Due to the late hour, this discussion was postponed.

Respectfully Submitted,

Susan S. Albright, Chair

CITY OF NEWTON

IN CITY COUNCIL

ORDINANCE NO.

March , 2018

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEWTON AS FOLLOWS:

That the Revised Ordinances of Newton, Massachusetts, 2017, as amended, be and are hereby further amended with respect to **Chapter 30 ZONING** as follows:

1. **Delete** the symbol "--" as it appears in the "Parking facility, accessory, single level" row of the use table of Sec. 4.4.1 under the column "MU1", and **insert** in its place the letter symbol "P".
2. **Delete**, the symbol "--" as it appears in the "Parking facility, non-accessory, single level" row of the use table of Sec. 4.4.1 under the column "MU1" and **insert** it its place the letter symbol "SP".
3. **Delete** the symbol "--" as it appears in the "Parking facility, accessory, multi-level" row of the use table of Sec. 4.4.1 under the column "MU1", and **insert** it its place the letter symbol "SP".
4. **Delete** the symbol "--" as it appears in the "parking facility, non-accessory, multi-level" row of the use table of Sec. 4.4.1 under the column "MU1", and **insert** in its place the letter symbol "SP".

Approved as to legal form and character:

QUIDA C.K. YOUNG
Acting City Solicitor

Under Suspension of Rules
Readings Waived and Adopted

EXECUTIVE DEPARTMENT
Approved:

(SGD) DAVID A. OLSON
City Clerk

(SGD) RUTHANNE FULLER
Mayor

CITY OF NEWTON

IN CITY COUNCIL

ORDINANCE NO.

March , 2018

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEWTON AS FOLLOWS:

That the Revised Ordinances of Newton, Massachusetts, 2017, as amended, be and are hereby further amended with respect to **Chapter 30 ZONING as most recently amended by Ordinance A-105** as follows:

1. The effective date of Ordinance A-78 shall be December 31, 2018.

Approved as to legal form and character:

QUIDA C.K. YOUNG
Acting City Solicitor

Under Suspension of Rules
Readings Waived and Adopted

EXECUTIVE DEPARTMENT
Approved:

(SGD) DAVID A. OLSON
City Clerk

(SGD) RUTHANNE FULLER
Mayor

City of Newton, Massachusetts

Inclusionary Zoning Ordinance Financial Feasibility Analysis

March 12, 2018

Presented by:

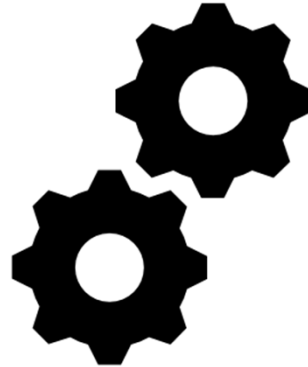
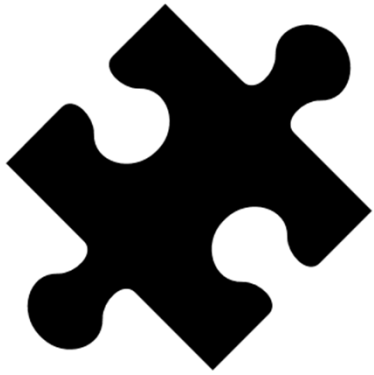
Kyle Talente, Vice President & Principal
Jahangir Akbar, Market Analyst/Planner

RKG
ASSOCIATES INC

Study Goal

Help the City evaluate proposed changes to the inclusionary zoning Ordinance which will create more affordable housing while not having a detrimental impact on overall housing development.





Data Collection

- Review Existing and Proposed Ordinance
- Research Market Data
- Interview Real Estate Professionals

Model Building

- Construct Pro Forma Model
- Enter Raw Data
- Calibrate

Analysis

- Scenario Runs
- Interpretation of Findings
- Recommendations

Model Elements



Model Inputs



Revenues

- **Rental income from apartments**
 - Market driven
- **Sale income from ownership units**
 - Market driven
- **Secondary income from development**
 - Parking fees
 - Laundry
 - Vending machines
- **Reversion of rental property**
 - Pro formas require assumption of sale at the end of the hold period

Expenditures

- **Rental properties**
 - Vacancy and collection loss
 - Operating expenses
 - Management fees
 - Marketing
 - Maintenance
 - Insurance
 - Property taxes
 - Debt Service
- **All residential types**
 - Equity Investments
 - Land acquisition
 - Development costs
 - Soft costs (i.e. permits)
 - Hard costs (i.e. buildings)
 - Cost of sale

Financials

- **Equity requirements**
 - For sale and for rent properties
 - 25% minimum
- **Construction (bridge) loans**
- **Mortgage requirements**
 - Origination fees
 - Interest rates
 - Term of loan
- **Capitalization rate**
 - Valuation of cash flow
 - Market driven value
 - Currently 5.5% for rental properties

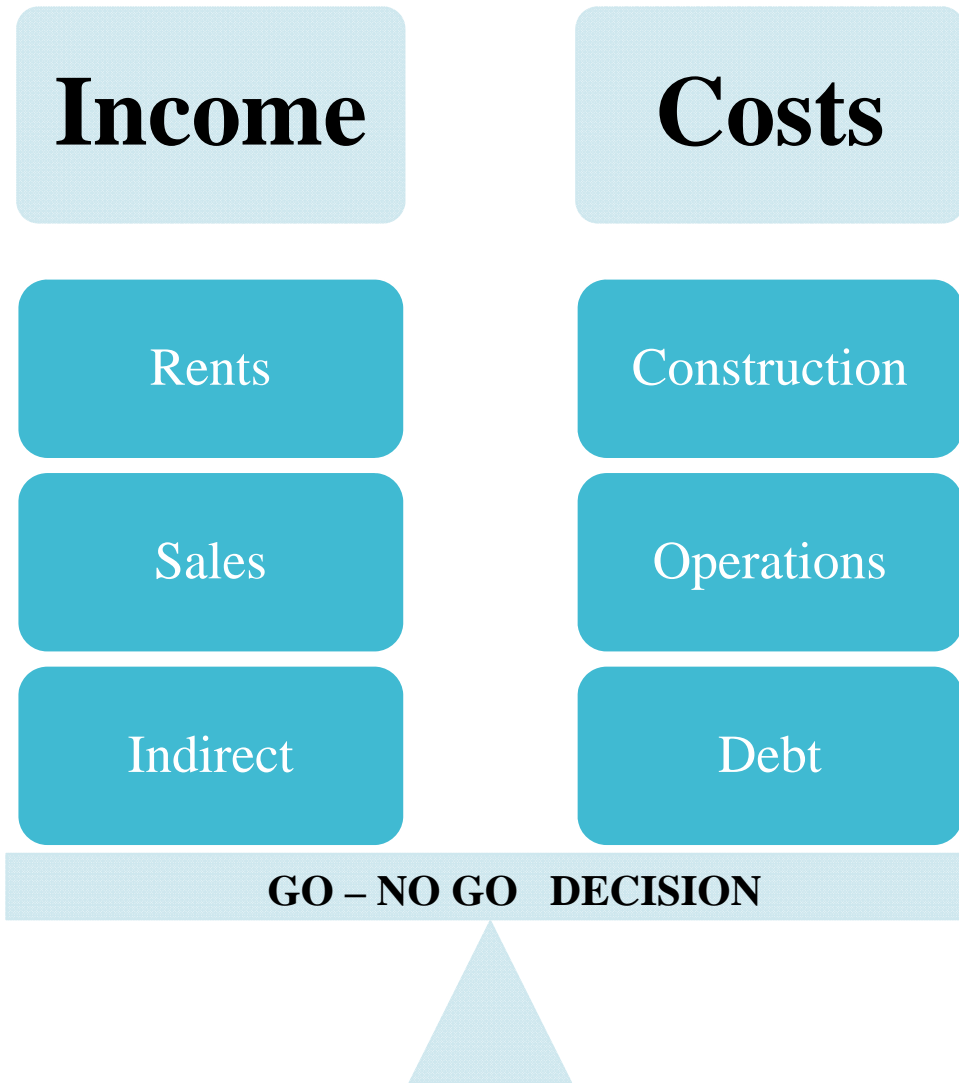
Model Outputs

- **Development profile**
 - Unit Count
 - Affordable Units
 - Cash Contribution
- **Development value**
- **Development cost**
 - Land Cost
 - Construction Cost
- **Rate of return**
- **Affordability gap**



**Is the
development
proposal
financially
viable?**

Pro Forma Modeling



Go – No Go Decision

- **Internal rate of return**
 - Measure of investment efficiency
 - The annual rate of investment value escalation
 - Similar to a savings account interest rate
- **How does it work?**
 - Measure against other investment types
 - Reflects opportunity cost for risk-reward analysis
- **What can I “live with?”**
 - Rental Housing = 12% IRR
 - For Sale Housing = 20% IRR
- **What happens when I cannot reach my goal?**
 - Offer less for land
 - Go somewhere else
 - Sit on my money
 - Bite the bullet



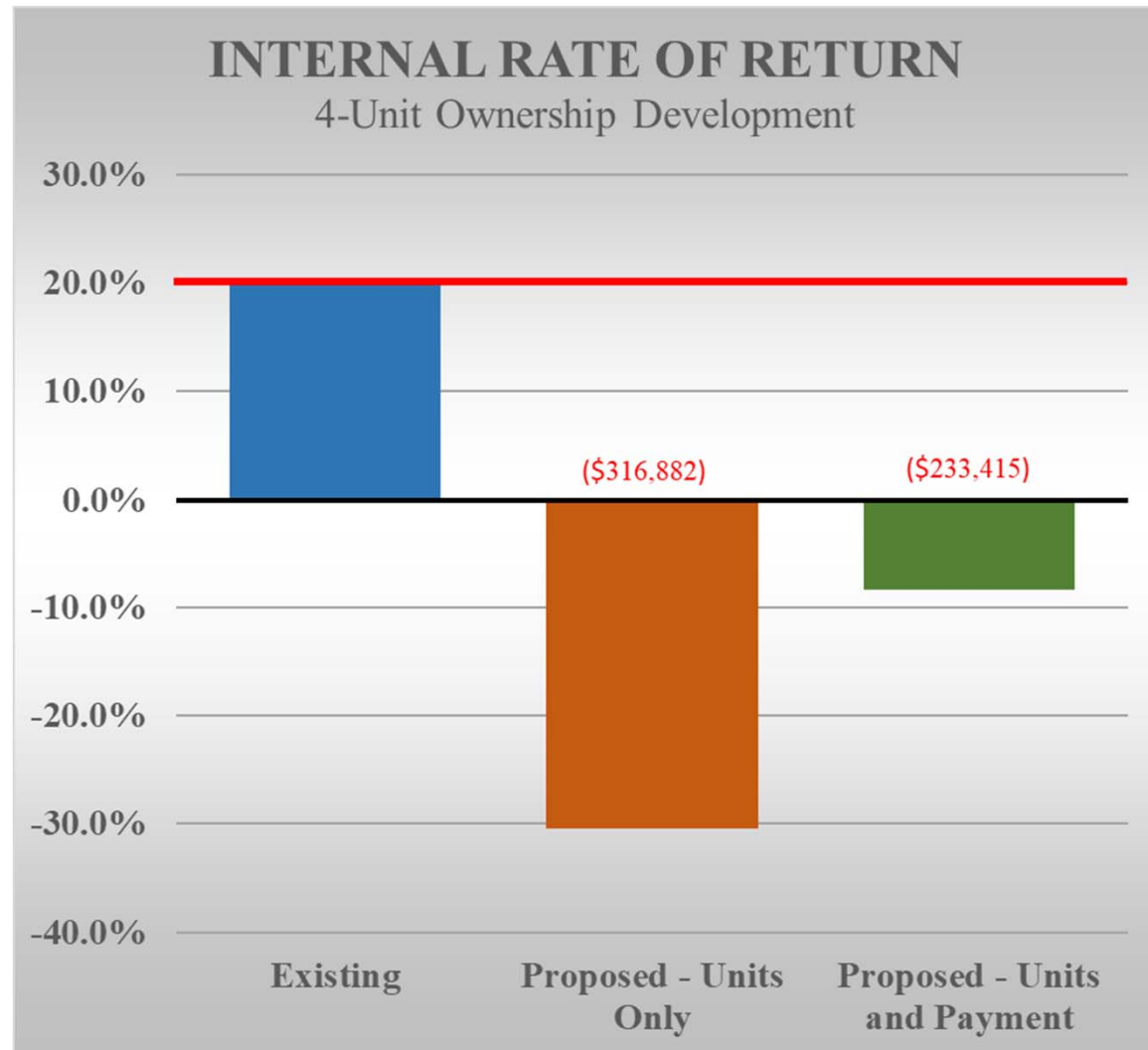
Scenario Analysis



Tier Level	6+ Units [1]	
	Rental	Owner
Tier 1, Up to 50% AMI	7.5%	-
Tier 2, 51% - 80% AMI	7.5%	15.0%
Total	15.0%	15.0%

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%

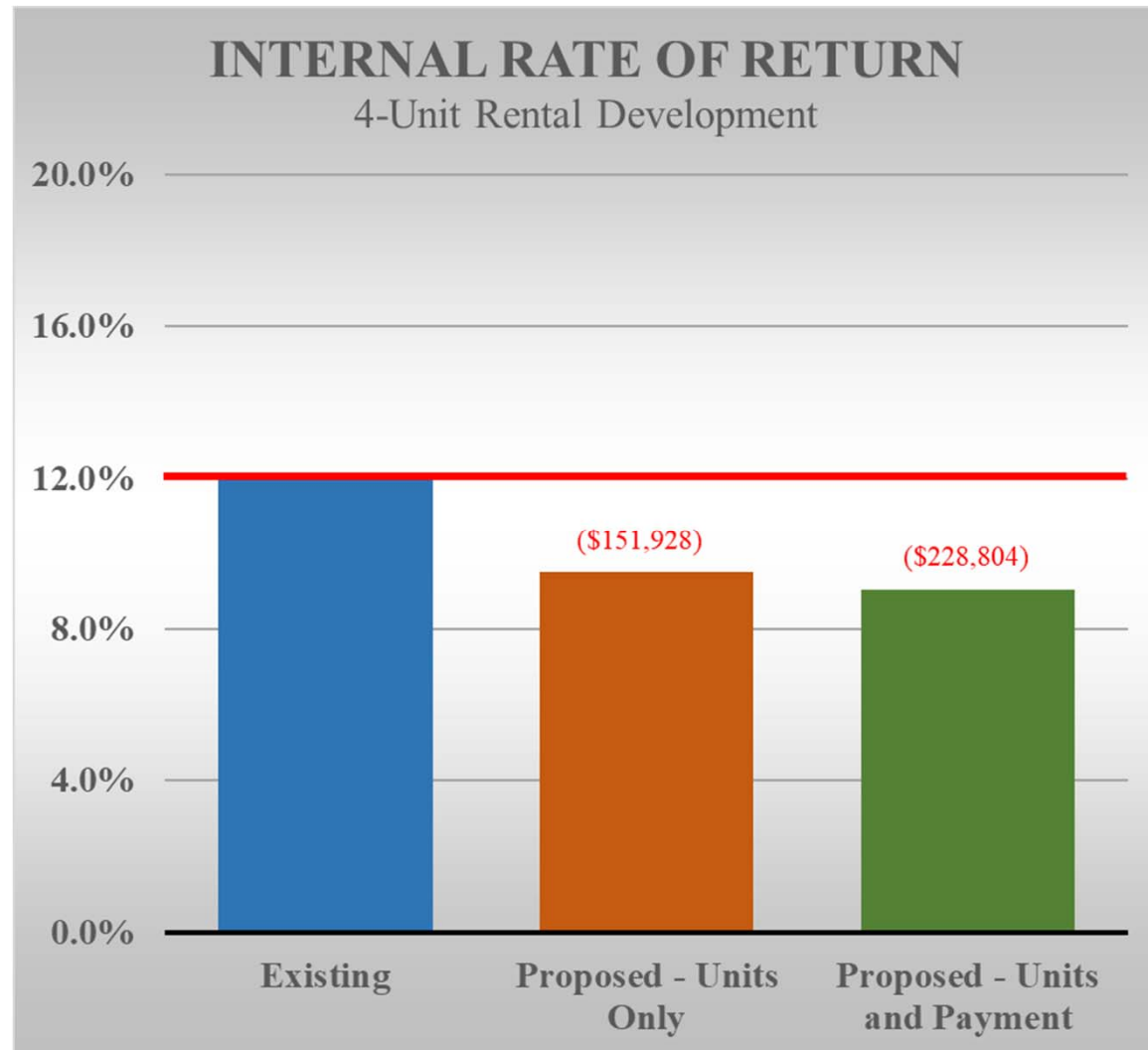
SMALL: 4-Unit Ownership



Four Unit Ownership Development

	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
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
Payment in Lieu	\$0	\$0	\$233,400
AMI Split	80% AMI	80/110 AMI	80/110 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%
NPV	--	(\$316,882)	(\$233,415)

SMALL: 4-Unit Rental

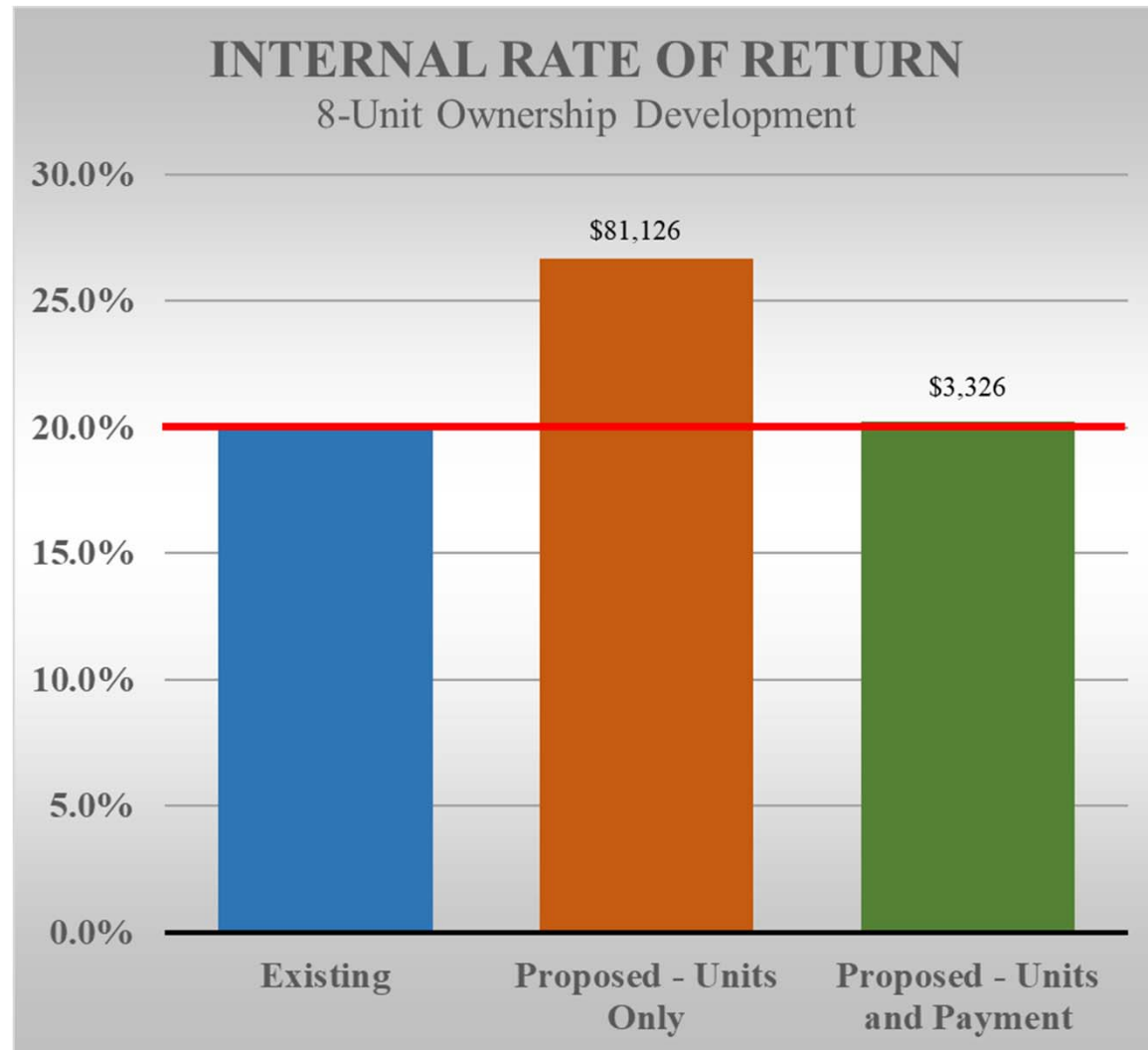


Four Unit Rental Development			
	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
Location	TOD	TOD	TOD
Unit Type	Rental	Rental	Rental
Number of Units	4	4	4
Parking	Surface	Surface	Surface
Special Permit	Yes	Yes	Yes
Inclusionary %	15%	15%	15%
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional
Inclusionary Units	0	1	0
Payment in Lieu	\$0	\$0	\$233,400
AMI Split	65% AMI	50/80/110% AMI	50/80/110% AMI
All Costs	\$1,884,619	\$1,846,276	\$1,884,619
Land Cost	\$885,986	\$885,986	\$885,986
Land Cost Per Unit	\$221,497	\$221,497	\$221,497
Average Cost Per Unit (Inclusive of Land)	\$471,155	\$461,569	\$471,155
IRR	12.0%	9.5%	9.0%
NPV	--	(\$151,928)	(\$228,804)

Small Project Findings

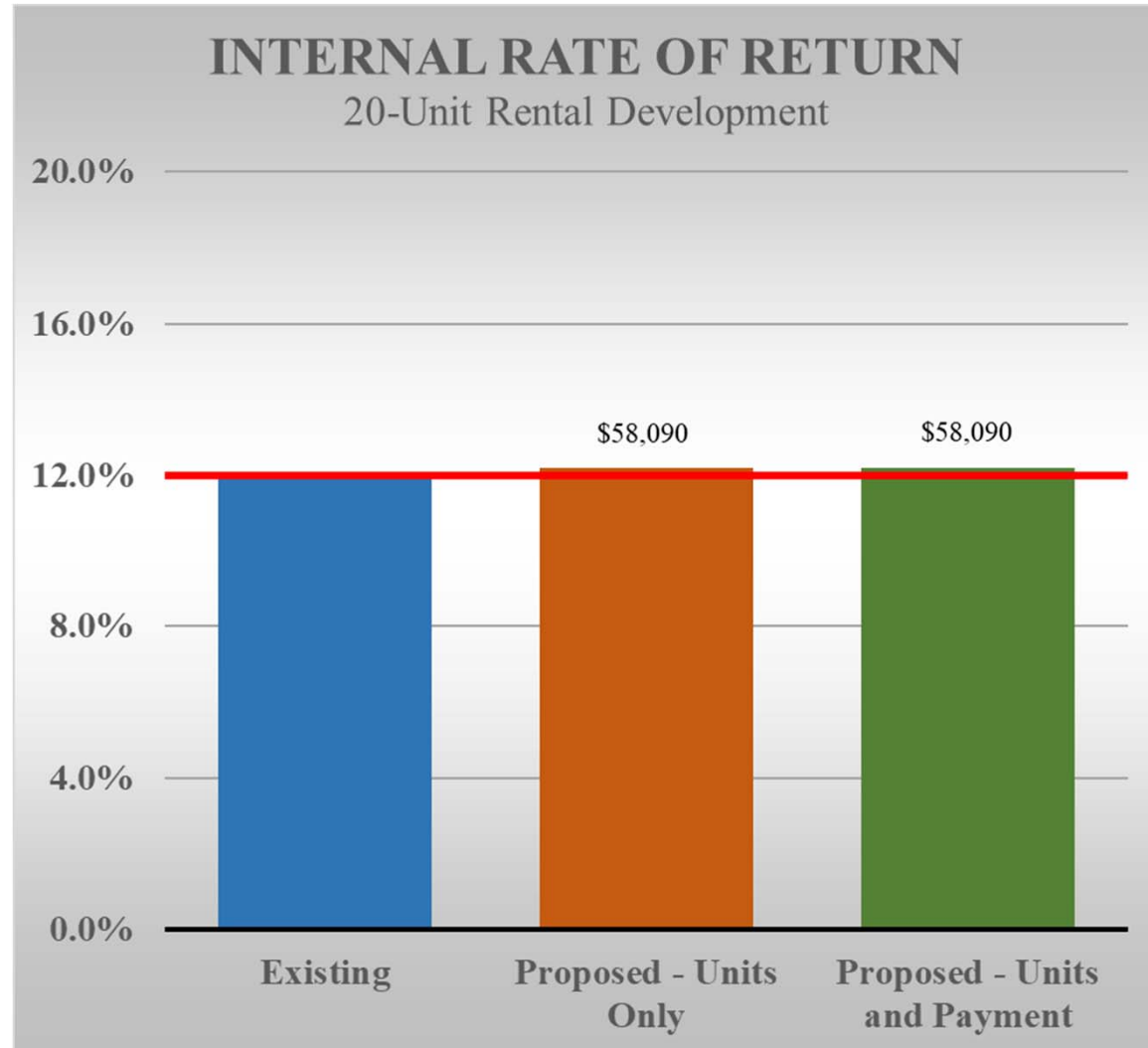
- **Proposed IZ Ordinance creates negative impact for 4-unit and 5-unit projects**
 - Existing IZ Ordinance requires no units or payment below 6 units
- **Impacts vary based on project tenure**
 - Cash better deal for ownership; worse for rental
 - Unit value between market and IZ different for rental and ownership
- **Effective impact will be more 3-unit projects**

MID-SIZED: 8-Unit Ownership



Eight Unit Ownership Development			
	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
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
Payment in Lieu	\$0	\$0	\$77,800
AMI Split	80% AMI	80/110 AMI	80/110 AMI
All Costs	\$4,765,791	\$4,765,791	\$4,765,791
Land Cost	\$2,363,788	\$2,363,788	\$2,363,788
Land Cost Per Unit	\$295,474	\$295,474	\$295,474
Average Cost Per Unit (Inclusive of Land)	\$595,724	\$595,724	\$595,724
IRR	20.0%	26.7%	20.3%
NPV	--	\$81,126	\$3,326

MID-SIZED: 20-Unit Rental

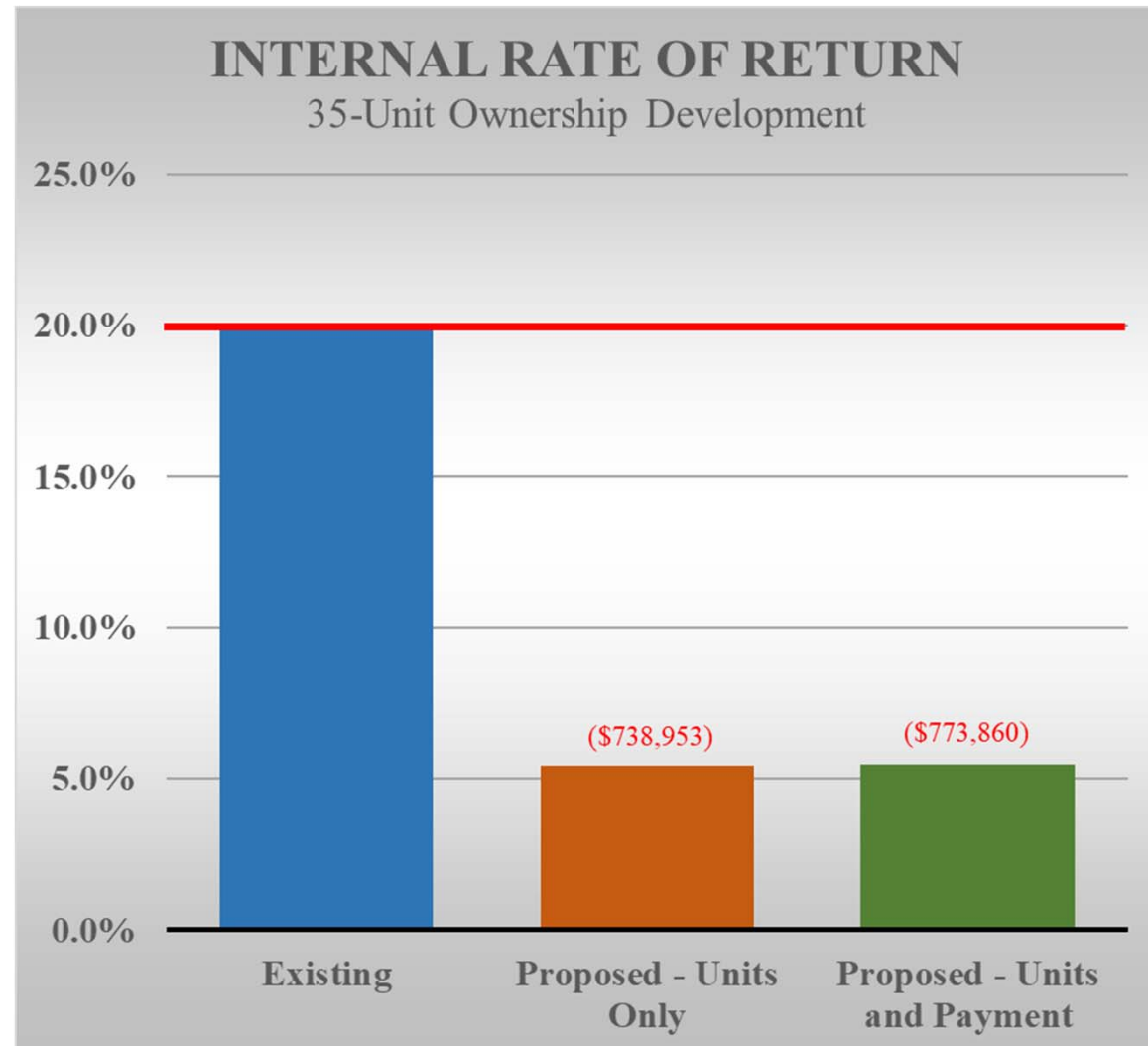


20 Unit Rental Development			
	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
Location	TOD	TOD	TOD
Unit Type	Rental	Rental	Rental
Number of Units	20	20	20
Parking	Surface	Surface	Surface
Special Permit	Yes	Yes	Yes
Inclusionary %	15%	20%	20%
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional
Inclusionary Units	3	4	4
Payment in Lieu	\$0	\$0	\$0
AMI Split	65% AMI	50/80/110% AMI	50/80/110% AMI
All Costs	\$8,608,682	\$8,543,611	\$8,543,611
Land Cost	\$3,851,810	\$3,851,810	\$3,851,810
Land Cost Per Unit	\$192,590	\$192,590	\$192,590
Average Cost Per Unit (Inclusive of Land)	\$430,434	\$427,181	\$427,181
IRR	12.0%	12.2%	12.2%
NPV	--	\$58,090	\$58,090

Mid-size Project Findings

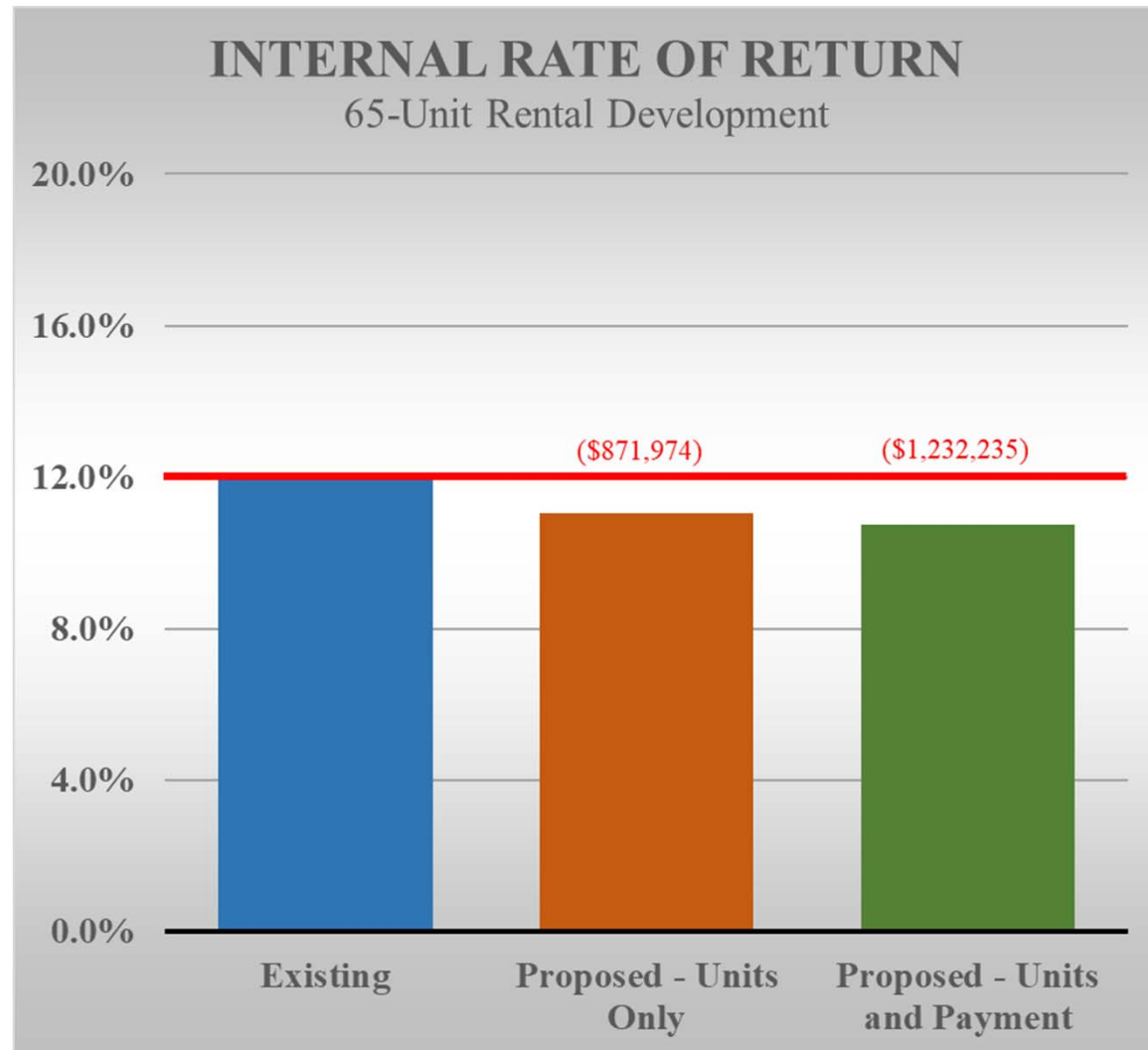
- **New formula delivers more units without harming financial performance**
- **Balances ‘carrots’ and ‘sticks’**
 - Stick - increase IZ requirement to 20%
 - Carrot – increase income requirement
- **Math shows increased revenues compensates for greater unit requirement (or unit and partial payment)**

LARGE: 35-Unit Ownership



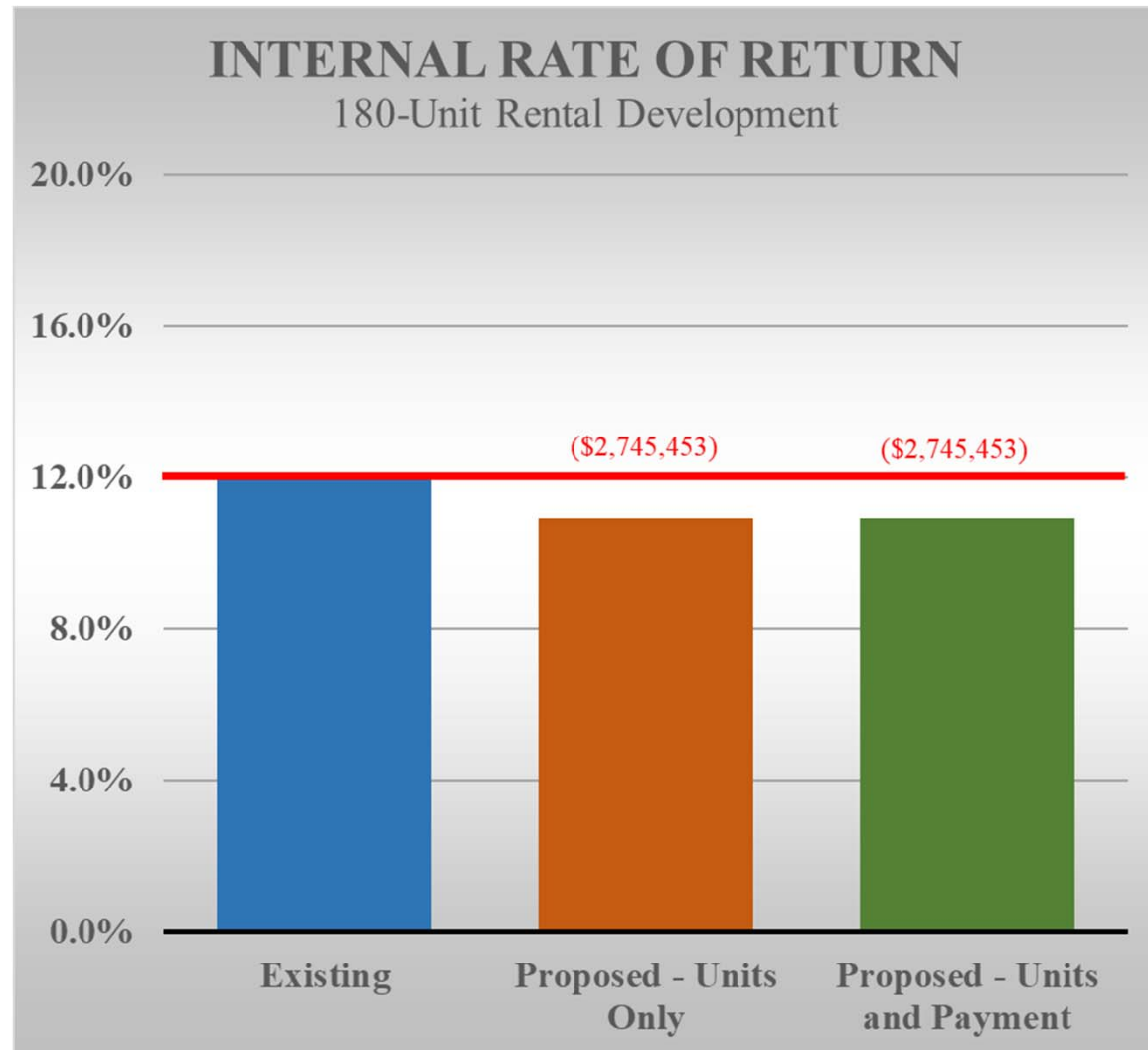
35 Unit Ownership Development			
35 Unit	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
Location	TOD	TOD	TOD
Unit Type	Owner	Owner	Owner
Number of Units	35	35	35
Parking	Underground	Underground	Underground
Special Permit	Yes	Yes	Yes
Inclusionary %	15%	25%	25%
Inclusionary Treatment	Build Affordable Unit	Round and Build Units	Build Units and Pay Fractional
Inclusionary Units	5	9	8
Payment in Lieu	\$0	\$0	\$291,750
AMI Split	80% AMI	80/110 AMI	80/110 AMI
All Costs	\$20,088,791	\$19,810,352	\$19,875,424
Land Cost	\$8,004,241	\$8,004,241	\$8,004,241
Land Cost Per Unit	\$228,693	\$228,693	\$228,693
Average Cost Per Unit (Inclusive of Land)	\$573,965	\$566,010	\$567,869
IRR	20.0%	5.4%	5.5%
NPV	--	(\$738,953)	(\$773,860)

LARGE: 65-Unit Rental



65 Unit Rental Development			
	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
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
Payment in Lieu	\$0	\$0	\$875,250
AMI Split	65% AMI	50/80/110% AMI	50/80/110% AMI
All Costs	\$27,859,441	\$27,464,233	\$27,632,267
Land Cost	\$7,250,499	\$7,250,499	\$7,250,499
Land Cost Per Unit	\$111,546	\$111,546	\$111,546
Average Cost Per Unit (Inclusive of Land)	\$428,607	\$422,527	\$425,112
IRR	12.0%	11.1%	10.8%
NPV	--	(\$871,974)	(\$1,232,235)

**LARGE:
185-Unit
Rental**



180 Unit Rental Development			
180 Unit	Existing IZ Ordinance	Proposed IZ Ordinance (Round and Build Unit)	Proposed IZ Ordinance (Build Unit and Fee in Lieu)
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
Payment in Lieu	\$0	\$0	\$0
AMI Split	65% AMI	50/80/110% AMI	50/80/110% AMI
All Costs	\$77,004,058	\$76,020,347	\$76,020,347
Land Cost	\$20,078,304	\$20,078,304	\$20,078,304
Land Cost Per Unit	\$111,546	\$111,546	\$111,546
Average Cost Per Unit (Inclusive of Land)	\$427,800	\$422,335	\$422,335
IRR	12.0%	10.9%	10.9%
NPV	--	(\$2,745,453)	(\$2,745,453)

Initial Findings

Proposed IZ ordinance creates substantial cost impact to development

- **Increases IZ requirement from 15% to 25%**
 - Delivers substantially more units
 - Creates substantial cost increase, particularly ownership projects
- **Distribution of income requirements diminishes ‘carrot’ from higher Tier 3**
 - 10% at 50% AMI
 - 10% at 80% AMI
 - 5% at 110% of AMI
- **Existing bonus density does not mitigate the impact**
 - 1:1 ratio not sufficient ‘carrot’



Potential Solutions

Payment In Lieu of Units

- **Proposed payment in lieu pegged to DHCD construction threshold for LIHTC units**
 - \$389,000
- **Value gap between market rate and IZ units ranges**
 - Bedroom count (efficiency – 3BR)
 - Income threshold (50%, 80%, 110% of AMI)
- **Actual gap range by income threshold (rental)**
 - 50% - \$275,000 to \$734,000
 - 80% - \$179,000 to \$596,000
 - 110% - \$50,000 to \$412,000
- **Ownership gap similar**
 - 80% - \$199,000 to \$570,000
 - 110% - \$81,000 to \$424,000

Potential Solutions

- **Small Scale (under 6 units)**
 - Do not require unit ‘round-up’
 - Projects too small to absorb impacts
 - Reduce payment in lieu for partials requirement
 - 25% - 50% of rate
 - Reduce the unit value threshold from proposal
 - Currently \$389,000 per unit for all units
 - Go to value differential by BR count
 - Keep existing six-unit threshold
 - No benefit, no impact
- **Mid Scale (6 to 20 units)**
 - Modify income requirements to maximize SHI results
 - 0% at 50% AMI
 - 15% at 80% of AMI
 - 5% at 110% of AMI

Potential Solutions

- **Large Scale (over 20 units)**
 - Implement a similar requirement as the mid-scale
 - 20% IZ requirement
 - 0% at 50% of AMI
 - 15% at 80% of AMI
 - 5% at 110% of AMI

OR

- Adjust the share of units by AMI
 - 5% at 50% AMI
 - 10% at 80% AMI
 - 10% at 110% AMI
- Eliminate partial unit payments (round down)
- Enact 2-1 bonus density distributed at the income thresholds (5%-10%-10%)

Table 9. Four-Unit Ownership Development					
	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build Fee)
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	80/110 AMI	80/110 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)

Table 10. Four-Unit Rental Development

	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build + Fee)
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	50/80/110% AMI	50/80/110% AMI		
All Costs	\$1,884,619	\$1,846,276	\$1,884,619		
Land Cost	\$885,986	\$885,986	\$885,986		
Land Cost Per Unit	\$221,497	\$221,497	\$221,497		
Average Cost Per Unit (Inclusive of Land)	\$471,155	\$461,569	\$471,155		
IRR	12.1%	9.5%	9.0%	-2.6%	-3.0%
NPV	\$4,596	(\$151,928)	(\$228,804)	(\$156,524)	(\$233,400)

Table 11. Eight-Unit Ownership Development					
	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build + Fee)
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	80/110 AMI	80/110 AMI		
All Costs	\$4,765,791	\$4,765,791	\$4,765,791		
Land Cost	\$2,363,788	\$2,363,788	\$2,363,788		
Land Cost Per Unit	\$295,474	\$295,474	\$295,474		
Average Cost Per Unit (Inclusive of Land)	\$595,724	\$595,724	\$595,724		
IRR	20.0%	26.7%	20.3%	6.6%	0.3%
NPV	\$72	\$81,126	\$3,326	\$81,054	\$3,254

Table 12. 20-Unit Rental Development

	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build + Fee)
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	50/80/110% AMI	50/80/110% AMI		
All Costs	\$8,608,682	\$8,543,611	\$8,543,611		
Land Cost	\$3,851,810	\$3,851,810	\$3,851,810		
Land Cost Per Unit	\$192,590	\$192,590	\$192,590		
Average Cost Per Unit (Inclusive of Land)	\$430,434	\$427,181	\$427,181		
IRR	12.0%	12.2%	12.2%	0.2%	0.2%
NPV	\$4,633	\$58,090	\$58,090	\$53,457	\$53,457

Table 13. 35-Unit Ownership Development

	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build + Fee)
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	\$20,088,791	\$19,810,352	\$19,875,424		
Land Cost	\$8,004,241	\$8,004,241	\$8,004,241		
Land Cost Per Unit	\$228,693	\$228,693	\$228,693		
Average Cost Per Unit (Inclusive of Land)	\$573,965	\$566,010	\$567,869		
IRR	20.0%	5.4%	5.5%	-14.6%	-14.5%
NPV	\$748	(\$738,953)	(\$773,860)	(\$739,701)	(\$774,608)

Table 14. 65-Unit Rental Development					
	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build + Fee)
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	\$27,859,441	\$27,464,233	\$27,632,267		
Land Cost	\$7,250,499	\$7,250,499	\$7,250,499		
Land Cost Per Unit	\$111,546	\$111,546	\$111,546		
Average Cost Per Unit (Inclusive of Land)	\$428,607	\$422,527	\$425,112		
IRR	12.0%	11.1%	10.8%	-0.9%	-1.2%
NPV	(\$15,208)	(\$871,974)	(\$1,232,235)	(\$856,766)	(\$1,217,027)

Table 15. 180-Unit Rental Development					
	Existing IZ Policy	Proposed IZ Policy (Round and Build Unit)	Proposed IZ Policy (Build Unit and Fee-in-lieu)	Existing IZ vs Proposed (Round)	Existing IZ vs Proposed (Build + Fee)
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	\$77,004,058	\$76,020,347	\$76,020,347		
Land Cost	\$20,078,304	\$20,078,304	\$20,078,304		
Land Cost Per Unit	\$111,546	\$111,546	\$111,546		
Average Cost Per Unit (Inclusive of Land)	\$427,800	\$422,335	\$422,335		
IRR	12.0%	10.9%	10.9%	-1.1%	-1.1%
NPV	\$110,259	(\$2,745,453)	(\$2,745,453)	(\$2,855,712)	(\$2,855,712)