



Ruthanne Fuller
Mayor

Barney Heath
Director
Planning & Development

Rachel Powers
CD and HOME
Program Manager
Planning & Development

Members

Peter Doeringer, Chair
Kelley Brown, Member
Sudha Maheshwari, Member
Jennifer Molinsky, Member
Sonia Parisca, Vice Chair
Chris Steele, Member
Barney Heath, *ex officio*
Kevin McCormick, Alternate
James Robertson, Alternate

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CITY OF NEWTON

Planning and Development Board

AGENDA

DATE: **Monday, May 6, 2019**
TIME: **7:00 p.m.**
PLACE: **Newton City Hall, Room 204**

1. **Minutes:** Approve Minutes from April 2, 2019
2. **Presentation/Discussion:** Inclusionary Zoning
3. **Hello Washington Subcommittee Discussion**
4. **Northland Discussion:** Zoning Change Request Deliberation
(Continued from April 9th Land Use Hearing)
5. **Washington Street Vision Plan Updates**
6. **Riverside Vision Plan Updates**
7. **Upcoming Meetings:**

- Thursday, May 9, 2019 at 7:00PM, in Room 205, ZAP Meeting- *Washington Street and Riverside Vision Plan Discussion*
- Monday, May 13, 2019 at 7:00PM, in Room 205, ZAP Meeting- *Short term rentals and Inclusionary Zoning*
- Tuesday, May 14, 2019 at 7:00PM in the Council Chambers, Joint LUC/Planning & Development Board Public Hearing- *Northland Architecture and Design Guidelines/ Sustainability and Stormwater*
- Tuesday, May 28, 2019 at 7:00PM, in Room 205, ZAP Meeting- *Washington Street and Riverside Vision Plan Discussion*
- Monday, June 3, 2019 at 7:00PM, in Room 204, Regular Planning & Development Board meeting
- Tuesday, June 4, 2019 at 7:00PM in the Council Chambers, Joint ZAP/LUC/Planning & Development Board Public Hearing-*Riverside Rezoning/ Special Permit*
- Monday, June 10, 2019 at 7:00PM in Room 205, Joint ZAP/Planning & Development Board Public Hearing-*Riverside Rezoning and Inclusionary Zoning*
- Monday, June 24, 2019 at 7:00PM, in Room 205, Joint ZAP/ Planning & Development Board Public Hearing Hold- *Washington Street*
- Tuesday, June 11, 2019 at 7:00PM in the Council Chambers, Joint LUC/Planning & Development Board Public Hearing- *Northland Mitigations and Conditions*

The location of this meeting is wheelchair 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/Sec. 504 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.

PLANNING & DEVELOPMENT BOARD MEETING MINUTES

March 11, 2019



Ruthanne Fuller
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Full Members Present:

Peter Doeringer, Chair
Kelley Brown, Member
Sonia Parisca, Vice Chair
Barney Heath, *ex officio*
James Robertson, Alternate
Kevin McCormick, Alternate

Staff Present:

Rachel Powers, Community Development & HOME Program Manager
Amanda Berman, Director of Housing and Community Development
Eamon Bencivengo, Housing Development Specialist
Malcolm Lucas, Housing Planner
Tiffany Leung, Community Development Planner

1. Minutes from the Planning and Development Board Meeting held on March 11, 2019

2. Presentation/Vote: FY20 Annual Action Plan

3. Northland Discussion

1. Action Item: Approval of Minutes of March 11, 2019 meeting

Chair Doeringer opened the meeting at 7:02 p.m. The motion was made by Vice Chair Parisca and Mr. McCormick and passed unanimously 5-0-0, to approve the minutes of March 11, 2019, as amended by Chair Doeringer.

2. Presentation/Vote:

a. FY20 Annual Action Plan

Dir. Heath opened the presentation of the FY20 Draft Annual Action Plan, introducing members of the Housing and Community Development Division. He noted that the plan is based on estimates, as the City still awaits HUD's notification of FY20 awards. Division Staff, including Amanda Berman, Rachel Powers, Malcolm Lucas, Eamon Bencivengo and Tiffany Leung presented and discussed proposed activities, goals and outcomes to be undertaken by the Housing and Community Development Division during the July 1, 2019-June 30, 2020 program year. The City is currently expecting to receive \$1.9M in CDBG, \$1.437M in HOME and \$161,000 in ESG. The draft plan is available online on the City website. The public comment period officially begins this evening, April 2nd, and will conclude on May 1st. Submission is anticipated within 60 days of HUD's official award notification.

Chair Doeringer thanked the Division for their thorough presentation and opened the forum for public comment and questions.

Vice Chair Parisca inquired if Newton has quantified the need for affordable housing and/or WestMetro HOME Consortium. Division staff and attendees indicated that affordable housing needs are outlined in the Consolidated Plan; further, each year's

Consolidated Annual Performance and Evaluation Report (CAPER) describes the Division's progress in meeting the goals set forth in the Consolidated Plan. A 5-yr analysis will be conducted as the Division's close out their fifth-year CAPER. The 2016 Housing Strategy is another indicator of affordable housing need.

Mr. Robertson wondered if the 20% set-aside for Program Administration was typical. Staff indicated that 20% was the standard and max for this line item.

Public Comments

Dan Kunitz, Cousens Fund- Mr. Kunitz, a trustee of the Cousens Fund, recognized the complexity of the Annual Action Planning process. He further noted that the Cousens Fund was allocated \$12,000, up from \$10,000 the previous year and wondered about the evaluation process by which awards were decided.

Ms. Powers and participants provided an overview of the Human Service subcommittee process, which evaluates each application against criteria outlined in the Brookings Institute's Benchmarks for Success. Further, it was stressed that requests always exceed available resources. The subcommittee will try to reward high performers and those programs most aligned with Newton goals through allocations of level funding when possible. Factors such as the number of residents served, and timeliness of grant expenditures are all considered.

Kathy Laufer, Cousens Fund- Ms. Laufer is grateful for the additional award and provided an explanation of how these funds will assist 3 additional individuals. She spent 100% of FY19 funding during the 1st quarter and has seen an uptick in applications. She outlined data quantifying the need for access to emergency assistance, driving home the point that the Cousens Fund is truly assisting individuals who are struggling to stay in Newton. Funds awarded are directly allocated to helping residents stay sheltered, safe and warm.

Josephine McNeil, U-CHAN – Ms. McNeil was impressed with the presentation. She spoke to the substantiation of housing needs and pointed to the 2016 Housing Strategy. The Consolidated Plan is outdated, and substantial amendments are necessary in order to remain current to truly capture income inequality and need. She spoke to the lack of housing being produced. No one is providing housing for households earning under 50% AMI, the population this funding is intended to assist. She urged the City to focus funds toward housing extremely low-income individuals and families. We need to impact those not being assisted by the developers. Further, she believes accessibility or curb cut improvements should be paid for out of general funds, not federal funds. Ms. McNeil also inquired as to whether the loss of a Newton CHDO would eliminate HOME funding.

Staff expressed the desire to continue to work with the remaining WestMetro HOME Consortium CHDO's and explained that the CHDO set-aside funding can support eligible projects located throughout all Consortium communities. Further, staff attempts to target federal dollars to assisting the lowest income spectrum and highlighted several ongoing projects. Vice Chair Parisca echoed the importance of what Ms. McNeil was speaking to and assisting those at the lowest end of the spectrum. Dir. Berman also noted that it takes time for an affordable housing project to become fundable and highlighted the many visioning processes that are currently ongoing. The City is consistently building upon existing partnerships and leveraging federal resources.

Mr. Brown wondered why Newton's TBRA program ended, while Waltham's program has seen success. Division staff spoke to implementation challenges, which included the program design and marketing becoming defunct following the closure of the State's Motel Voucher Program for the homeless and the difficulty Newton TBRA participants experienced identifying housing in the community. Two Newton participants moved to Waltham during their tenure in the program. Staff is deeply interested in continuing dialogue and evaluating the feasibility of this program in the future.

Jayne Colino, Newton Senior Center- Ms. Colino is thankful for continued support of the Newton Senior Fitness Program, which assists individuals to age-in-place. CDBG and Newton contributions to support efforts to make Newton an age-friendly community. The Center collaborates with provides like the Cousens Fund, 2Life Communities, Riverside Community Care, and NCDF to help residents.

Sara Bellemore, EMPATH- Ms. Bellemore expressed her gratitude for continued CDBG funding to support their work with low-income families. She spoke to their support of 8 NHA residents as part of Newton's CFO program. They work with individuals and families over a five-year timespan. The extra support has benefited clients. She shared the success of current client in overcoming crisis and the impact of the CFO program in assisting. Ms. Bellemore welcomed questions and feedback.

India Arnold, Newton Community Development Foundation (NCDF)- Ms. Arnold is the Youth Program & Resident Service Coordinator with NCDF. She thanked staff for continued CDBG assistance and described the impact those funds make. She grew up in the NCDF community, went to school and came back to support NCDF efforts. CDBG provided kids an opportunity to participate in extracurriculars they otherwise would not have had the ability to participate in. The impacts have been amazing to see in a family, mixed-income setting. She spoke to the resources and partnerships NCDF leverages. Ms. Arnold also noted the benefit of their senior programming in helping residents age-in-place and remain engaged.

The Planning and Development Board thanked the community for their support, partnership and coming out to the presentation of the FY20 Annual Action Plan.

Upon a motion to close by Mr. McCormick, seconded by Vice Chair Parisca, and passed 6-0-0, the public hearing was closed.

Mr. Brown asked if the funds allocated to Neighborhood Improvements and Architectural Access could be reallocated to other priorities. He wants to ensure that we're addressing the greatest needs. Ms. Powers explained that the project presented is an older project from previously allocated funds. The Housing and Community Development Division does prioritize affordable housing, and while the City is beholden to accessibility requirements, CDBG enables the acceleration of accessibility improvements. Chair Doeringer also noted that there are not a lot of opportunities to spend funding on infrastructure; CDBG provides another outlet.

Mr. McCormick asked how the WestMetro HOME Consortium worked and funds allocated. Ms. Powers described HUD's distribution of funds and the 12-month exclusive-use period allowed to each member community. Any remaining, uncommitted funds are consolidated into a competitive pool to be used for any eligible project within the 13-Consortium communities. Dir. Heath spoke to the regional benefits of the Consortium.

Mr. Robertson asked if federal funds could be used to buy down units in projects like Northland to expand affordability for lower-income households? This could present additional compliance requirements. Mr. Brown also spoke to difficulties in housing voucher holders.

Upon a motion by Chair Doeringer, seconded by Mr. Brown, and passed 5-0-1, with Director Heath abstaining, the Board voted to adopt the FY20 Annual Action Plan as presented, within a 25% contingency based on HUD's notification of allocations.

3. Northland Continuation

Chair Doeringer introduced discussion of Northland, expressing his interest in the Board's perspectives and ongoing questions relative to the zoning change. This conversation is critical to the Board's final recommendations.

Vice Chair Parisca referred to the huge effort made by the City to develop the Needham Street Vision Plan, explaining that she does not see a full integration of both processes. The plans seem to be in competition. **The Board would like to see a better system of open spaces, that integrates Needham Street.** The Northland design is insular and inward facing, and really omits the Needham Street perspective. Retailers have difficulty being open on both sides and would generally open to the side facing parking. The newer Nexus development on Needham Street was cited as an example of being inviting to pedestrians; it is unclear if Northland will do this. **Is it possible for the Northland design to be opened up to Needham Street? Can the Board see additional design perspectives?** If the Board is faced with the prospect of 800 more units, they would like to ensure these design questions are addressed. That said, Mr. Brown was impressed with Northland's second pass and how the design evolved.

Conversation shifted to parking, which the Board believes **parking belongs underground.** It's a massive amount of open space (22.2 acres). Mr. Robertson conveyed complaints overheard that related to the number of units, but not heights. Shadows don't appear to be a large concern and height has been scaled down. Besides Oak Street, there are not many residential neighbors. **Complaints have been noted along the Oak Street side about entrance and could be an issue from a traffic perspective if it is closed off.**

Mr. McCormick expressed concerned about the transportation issues. **Northland needs to reconfigure proposed transportation proposals to reduce routes and increase efficiency.** Dir. Heath indicated that Planning has spent time considering the issue behind the number of shuttle trips. Northland believes they that can ensure that 30% of trips are by means other than vehicles; but this will be extremely challenging. By the second year, Northland would need to comply with Planning recommendations to reduce the number of trips, otherwise they would need to amend their Special Permit. Giving tenants a T-pass has been suggested as an alternative to shuttle service.

Vice Chair Parisca inquired about an ongoing MassDOT Transportation Plan; there is currently a plan in place that will involve road improvements on Christina Street in Newton and addition of a bike path. This will be helpful but is not anticipated to reduce traffic volume. As part of the Northland project, the City will request upwards of \$4M in mitigation funds to accomplish a variety of projects within the area to address infrastructure needs.

The Board recognized that the real complaints are related to traffic and the number of units, but there are many complicated trade-offs. Chair Doeringer liked the Transportation Plan as an experiment, emphasizing its agility and flexibility to make adjustments through various means, such as surveying people. But he disliked that nothing runs often enough. Upon reviewing and comparing the proposed trips to existing vehicle trips, there is a tiny peak period (morning and evening) with a gain of about 120 trips. This is not a major concern and should ease neighbors' worries, however the City may want to increase its request of mitigation funds.

Members of the Board thought that the proponents may want to consider going to each councilor for feedback with a willingness to improve parks and islands. The Planning team have been really focused on reducing vehicle trips; failure to do this may prompt an amendment to the Special Permit and substantial penalty fees. Mr. Brown noted the trickiness of obtaining residential metrics. Northland would be responsible for funding surveys and peer reviews. Vice Chair Parisca was interested in the concept of a trolley being part of the equation. Several members shared concerns whether there was

enough room to implement this. The Greenway is little over a mile. Planning requested funding to support a study of increased transportation options.

Mr. McCormick would like to see more affordable housing in the proposal. Northland has made a big deal about the proposed number of new affordable units to be added, but the planned set-aside is exactly compliant with the existing ordinance. If the proposed Inclusionary Zoning ordinance was enacted before Northland received their permit, they would be subject to the increased level of affordability. Mr. Robertson would like to defer to the proponents on the proposed split of commercial and residential. It was noted that the Washington Place development exceeded the Inclusionary Zoning threshold, and the Austin Street development saw an increased percentage of 33% of affordable units. **The Board believes there's room to increase the public benefit.**

There has been a reduction in proposed retail, which was a market driven decision based on consultant feedback. Northland reduced parking and reconfigured buildings, which ultimately present a better configuration. Costs associated with criteria required of buildings exceeding 70 feet must be considered. Buildings will be approximately 100 feet.

There was disappointment in Northland's sustainability plans, as they only seek to achieve silver-level LEED Certification. **The project should involve green roofs, and solar and/or wind energy; it doesn't need to be net zero but should be as sustainable as possible.** Improved sustainability would increase the return on cash flow. **The Board may want to prioritize sustainability and transportation.** Vice Chair Parisca believes transportation to be the most important issue.

It was recommended that permit penalties could be earmarked for neighborhood improvements in the event of increased traffic. There should also be a bullet-proof permit parking plan, especially for spill over parking. Mr. Brown asked how common permit parking was in Newton, but there is difficulty in enforcing this. Overnight parking is the easiest to enforce. Mr. Robertson noted that the most successful commercial areas are those with parking in the middle; many do not like structured parking. Structured parking could be tougher for retail versus residential. Conversation shifted to concerns regarding the low projection of parking spots as many couples may have more than a single car. But at 1,550, down from 1,884 spaces, there may be enough shared-parking to provide up to 2 spaces per unit. Parking will be charged for separately, so that may dis-incentivize parking. It is uncertain whether there can continue to be a further reduction in parking.

Chair Doeringer asked if other projects in the pipeline would emulate the Northland Process and if it will set the norm in terms of scale, level of scrutiny and quality. Dir. Heath believed that this has set the standard in terms of review. It will either be held up as an example of what to do versus what not to do. The Board recommended dedicating time at each regular meeting to discuss Northland and its complexities. Mr. Brown would like to begin drafting a letter to influence voting and recommendations. Chair Doeringer would like to establish the same partnership with LUC as the Board has with ZAP. It was clarified that the Board's role in this project was related to specifically, not the special permit. As a project dedicated zoning change, the Board feels that they should have a voice related to special permit related conditions; perhaps this is addressed through a vote with conditions. The Board liked idea of prioritizing conditions. It might be beneficial to begin communicating with LUC. The Board invite the proponents and directly address concerns related to the project. Staff are recommending the summer to deliberate, with a potential vote in the fall. Northland would prefer a June vote, but this is not likely.

4. Action Item: Adjournment

Upon a motion by Mr. Robertson and seconded by Mr. McCormick, and unanimously passed 6-0-0, the meeting was adjourned at 9:45 p.m.



Ruthanne Fuller
Mayor

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Barney S. Heath
Director

MEMORANDUM

DATE: April 5, 2019

TO: Councilor Albright, Chair
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, Director of Housing & Community Development
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: April 8, 2019

CC: Jonathan Yeo, Chief Operating Officer
Jonah Temple, Assistant City Solicitor
Andrew Lee, Assistant City Solicitor
Planning & Development Board
City Council

At our last meeting on March 11th, we provided the committee with an update on the work that the Department had accomplished on the inclusionary zoning ordinance update since the Public Hearing in December 2018. We summarized the February 19th roundtable discussion we had with the affordable housing advocates and RKG Associates and identified areas that the committee felt needed further clarification and/or exploration.

In addition, this memo offers a summary of the conversations that staff has had over the last month with for-profit developers. Finally, this memo presents some initial changes to our current proposal, which are reflective of the feedback received from all sources over the last few months.

Further Clarification Needed:

➤ **IZ’s connection to Land Values in Newton and neighboring communities**

As detailed in our March memo and presentation to ZAP, Kyle Talente from RKG has stressed that a significant increase in the IZ requirement would likely decrease the value of land in Newton, at least for an unforeseeable amount of time, thereby potentially chilling residential development throughout the city. The table below, created by RKG, shows the potential land value impact in Newton from increasing the city’s current Inclusionary Zoning policy.

LAND VALUE IMPACT FROM EXPANDING CURRENT IZ POLICY		
Unit Count	Adding 2.5% at 110% AMI	Adding 5.0% at 110% AMI
20 Units	10.7% Impact	10.7% Impact (no new units)
35 Units	6.1% Impact	6.7% Impact
50 Units	3.4% Impact	5.4% Impact
75 Units	5.6% Impact	7.7% Impact
105 Units	3.5% Impact	4.1% Impact
150 Units	1.9% Impact	4.0% Impact
205 Units	1.9% Impact	3.8% Impact
250 Units	2.6% Impact	4.7% Impact
400 Units	2.7% Impact	4.7% Impact

NB - Assumes no payment for partial units

On March 11th, some councilors expressed a desire to understand how increased IZ requirements have affected the land values in neighboring communities.

Over the past year plus, staff has been in communication with a number of neighboring communities regarding their inclusionary zoning policies. In particular, we have spoken with Cambridge and Somerville to better understand how their newly increased requirements have affected development in their respective cities, and the quick answer has been that they are not entirely sure.

In April 2017, changes were made to Cambridge’s inclusionary zoning ordinance for the first time in nearly 20 years. The City recently published a report on the status of its inclusionary housing program, detailing production from development approved both under the revised inclusionary provisions and those in effect prior to the 2017 amendments. As stated in the report, there continues to be a pipeline of developments that were permitted prior to the effective date of the new requirements and that have yet to get approvals for their inclusionary units or sought a building permit.

With its change in requirements came a new methodology for determining a project’s IZ requirement. Previously, the requirement as 15% of total project units, but not is 20% of total

dwelling unit net floor area. The City also instituted a transition period from December 1, 2016 to June 30, 2017, in which the requirement was 15% of total dwelling unit net floor area. Given these factors, and the strong difference between the old and new methodology for its IZ requirement, staff is still investigating how these changes may be affecting land values; and how the overall changes in the requirements may be influencing development throughout the city.

For Somerville, it has only been a year since the introduction of their new IZ requirements, and the city recently contracted with a consultant to study the effects of the new ordinance on residential development throughout Somerville. The City of Boston is also in the midst of putting together a similar study (March 26th Boston Globe article attached).

In an effort to help your committee better understand how Newton's IZ provisions compare to those of our neighbors, we have created the attached comparison table which highlights the requirements of Newton, Brookline, Cambridge, Somerville, and Watertown. We have also included a link below to Boston's Inclusionary Development Policy, which, in general, provides for a 13% inclusionary requirement on-site.

➤ **The connection between parking requirements and the level of affordability in a project**

Another question that came up was whether reducing or removing parking requirements would increase the level of affordability in a project. The short answer is yes. Parking is a huge expense for any project, especially underground parking. As discussed before, RKG assumed in its Financial Feasibility model that the cost of parking in Newton is as follows:

- Surface parking: \$8,000 per space
- Aboveground: \$25,000 per space
- Underground: \$40,000 per space

For a 140-unit project, at a parking ratio of 1.25, the developer would provide 175 spaces. Assuming 100% underground parking for a project of this size, the cost to the developer would be **\$7,000,000**.

In comparison, the differential between a market-rate one-bedroom unit and a 50% AMI one-bedroom unit, according to the RKG model, is approximately **\$441,491**. This value reflects the subsidy a developer would need to be "made whole," for that one 50% AMI unit.

In simple terms, the parking costs associated with this project (\$7,000,000) equals a little over **15 one-bedroom units set at 50% AMI**.

This example helps to show the correlation between the cost of providing parking and the potential for increased affordable units for a project whose parking requirements are reduced.

➤ **A new base number / calculation for payments-in-lieu and fractional cash payments**

Some councilors expressed the desire for staff to explore alternative options for calculating the payment-in-lieu and fractional cash payments to better address the concerns of the housing advocates, who felt strongly that this number was too low for Newton and did not result in a fair trade in terms of providing a cash payment in lieu of building an inclusionary unit on-site. There was agreement amongst the advocates that the cash payment should more closely resemble the cost of building an actual unit of housing in Newton, and that \$389,000 is not that number.

Over the past month, staff has been looking closely at the total development costs (TDC) per unit for affordable housing projects that have sought funding from the City's CDBG, HOME and CPA funds. While we are still investigating how each of these projects calculated their TDC (for example, was the cost of land factored into this number?), the average is looking to be close to \$500,000. After further research into these calculations, we will begin to test this number as the basis for the fee-in-lieu and fractional cash payments calculations.

Another possibility that we have begun to explore is to use the average differential between the value of a market-rate unit and an affordable unit, also known as the Value Gap Approach. As discussed above, the differential between a market-rate one-bedroom unit and a 50% AMI one-bedroom unit, according to the RKG model, is approximately **\$441,491**. This value reflects the subsidy a developer would need to be "made whole," for that one 50% AMI unit. By using this methodology to set the per-unit in-lieu cost, we would effectively be saying that the buy-out cost to the developer is the same as the "cost" to the developer of building the unit, in terms of lost revenue. As a way to define this average differential, staff could work with a consultant on an annual or bi-annual basis. Alternatively, staff could recalculate this differential each year based on the Construction Cost Index published annually by Engineering News Record.

Over the next month, staff will continue to better understand the implications of using each of these methods as the basis for the payment-in-lieu and fractional cash payments calculations.

For-Profit Developer Conversations:

Over the last month, staff has met or spoken with a number of for-profit developers that are either actively working in Newton or have developed in Newton in the past, including Scott Oran, Dinosaur Capital (developer of 28 Austin Street); William McLaughlin, Avalon Bay (developer of Avalon Needham Street and Avalon Chestnut Hill); Damien Chaviano, Mark Development (developer of Washington Street and Riverside); and Ward Shifman and attorney Laurence Lee (developer of 956 Walnut Street and other smaller Newton developments).

In general, the purpose of these meetings and phone conversations was to not only provide the developers with an update on the ordinance, but to gauge their comfort level with an increased IZ requirement at the middle-income tier (2.5%) and to understand their point of view on how an increased requirement may impact land values and residential development. While each developer had their own interpretation of how an increased IZ requirement could affect development, the

developers of larger-scale multifamily project felt in general that a 2.5% additional requirement at the middle-income tier was a reasonable and manageable change. The developers of the smaller-scale projects, however, were much more concerned about an increased requirement, stating that they don't have the same financial cushion as the larger projects to absorb these additional costs. And with many of these smaller-scale projects now incorporating underground parking, an increase in the affordable requirements becomes too financially burdensome.

The following are some additional points that came out of our discussions with this group:

- **Predictability is key.**

Knowing the IZ requirements (and other mitigation costs) up front is critical to determining a project's financial feasibility. Projects are underwritten to include those known costs. Placing increased requirements on a project after the land has been purchased and the deal has been put together can adversely affect a project to the point of infeasibility.

On the other hand, if a developer knows what will be required of a project prior to purchasing the land, they can properly factor those requirements into the project pro forma – and reduce the costs that they pay for that land.

- **Inclusionary Zoning requirements should be applied consistently and equally.**

Similar to the point above, developers felt strongly that whatever the requirement turns out to be, it should be applied consistently and equally. The potential for negotiation during the Special Permit process creates a strong level of uncertainty for developers, and the inconsistency in how the ordinance has been applied in the past does not create a level or fair playing field.

- **Developers of smaller-scale multifamily projects are concerned about an additional requirement.**

As mentioned above, these developers did not feel that their projects had the ability to withstand an additional affordability requirement, unlike the larger projects that tend to have more financial capital behind them.

- **Allowing for significant increase in density is a sure way to see greater affordability, a la Cambridge.**

There was consensus amongst the group that the best way to see additional affordability in a project is to allow for greater density. Appropriate density is essential to enabling a certain level of affordability, and for supporting other amenities and mitigation items often required of multifamily projects. Newton's incentive bonus is not as meaningful as it needs for projects to provide the level of affordability that Cambridge and Somerville are used to seeing.

- **There should be a transition period – giving developers time to reevaluate how to make their projects work under the new requirements.**

Some of the developers felt that there should be a transition period between the passage of an increased requirement and its implementation. The concern was that land was purchased

under the assumption of a 15% requirement, and project financing came together under those assumptions. To retroactively increase the requirement can be extremely challenging for projects that already have their financing in place.

A New Required Units Table:

As discussed in March, there was a strong desire on the part of the housing advocates to keep the current inclusionary zoning requirement at 15%, and to add on to that existing requirement a middle-income requirement. The advocates were clear that they did not want the updated ordinance to decrease the requirements at the 50% and 80% AMI levels.

Over the past few months, staff has considered this desire and attempted to balance it against our learnings and findings from the RKG Financial Feasibility Analysis and Model, as well as our discussions with for-profit developers in Newton.

We believe that the Required Units table below represents this balance in a fair and appropriate way. We adjusted the affordability requirements to match our current IZ requirements and added an additional requirement at the middle-income tier for projects over 20 units. This updated table honors our current ordinance requirements by not decreasing the number of required units at the 50% and 80% AMI levels and provides for an increase in requirement at a middle-income tier as project size increases.

Number of Inclusionary Units Required (April 2019 Concept)								
Tier Level	7-9 units*		10-16 units**		17-20 units***		21+ units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, 50% - 80% AMI	15.0%	15.0%	15.0%	15.0%	15.0%	10.0%	15.0%	10.0%
Tier 2, 110% AMI	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	2.5%	7.5%
Total	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	17.5%	17.5%
* 1 IZ Rental Unit: at or below 80% AMI								
* 1 or 2 IZ Ownership Units: at or below 80% AMI, priced at 70% AMI								
** 2+ IZ Rental Units: AMI must average out at 65% AMI (1/2 of IZ units at 50% AMI and 1/2 at 80% AMI)								
*** 3+ IZ Ownership Units: Tier 1 units must not exceed 80% AMI (priced at 70% AMI), Tier 2 units may be set up to 110% AMI (priced at 100% AMI)								

As you can see, this updated table closely resembles our existing ordinance, while accomplishing the objective of increasing the overall percentage requirement and adding a middle-income tier of affordability.

Number of Inclusionary Units Required (Existing Ordinance)						
Tier Level	6-9 units		10-16 units*		17+ units**	
	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, 50% AMI	0.0%	0.0%	7.5%	0.0%	7.5%	0.0%
Tier 2, 80% AMI	15.0%	15.0%	7.5%	15.0%	7.5%	10.0%
Tier 3, 110% AMI	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Total	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

* 2+ IZ rental units: AMI must average out at 65% AMI (1/2 of IZ units at 50% AMI and 1/2 at 80% AMI)
** 3+ IZ ownership units: 2/3 of IZ units must not exceed 80% AMI, remaining 1/3 may be set up to 120%

Next Steps:

On April 16th, the nine newly-appointment members of the Newton Housing Partnership will meet for their second meeting, where they will focus their time on the update to our inclusionary zoning ordinance. At their first meeting in March, staff presented an overview of the process and outlined the specific areas where we would like their input:

- Help determine an appropriate baseline IZ requirement (Required Units table)
- Identify new basis for cash payment and fractional cash payment calculation (rather than DHCD’s QAP Index of \$389,000)
- Alternative Compliance Option – worth pursuing?

The Housing Partnership plans to spend the majority of its April 16th and May 14th on this subject, with the goal of providing staff with specific recommendations for changes to our proposal prior to a potential Public Hearing in June.

In May, staff will present your committee with a new proposed ordinance, and we hope for a Public Hearing on this item in June.

Printed Attachments:

- IZ Comparison Chart, Newton Neighboring Communities
- March 26, 2019 Boston Globe article, “City to review affordable housing plan”

Digital Attachments / Additional Documents:

- 2018 Inclusionary Housing Report, Community Development Department, City of Cambridge, September 2018:
https://www.cambridgema.gov/CDD/housing/~/_media/152E5933A1404BEBB5619622FFF411F9.ashx
- City of Boston Inclusionary Development Policy:
<http://www.bostonplans.org/getattachment/91c30f77-6836-43f9-85b9-f0ad73df9f7c>
- Proposed Inclusionary Zoning Ordinance text (clean version), November 9, 2018:
<http://www.newtonma.gov/civicax/filebank/documents/92905>

- Proposed Inclusionary Zoning Ordinance Guidebook (November 9, 2018):
<http://www.newtonma.gov/civicax/filebank/documents/93001>
- City of Newton Inclusionary Zoning: Financial Feasibility Analysis, prepared by RKG Associates, Inc., March 2018 (not attached, but can be found on the City's IZ website:
<http://www.newtonma.gov/civicax/filebank/documents/91410>)
- Further detail and additional memos and supporting documents can be found on the City's Inclusionary Zoning website:
http://www.newtonma.gov/gov/planning/lrplan/inclusionary_zoning.asp

TABLE	Newton (2018 Proposed) <i>Population: 89,000</i>	Brookline <i>Population: 59,000</i>	Cambridge <i>Population: 110,700</i>	Somerville <i>Population: 81,300</i>	Watertown <i>Population: 35,000</i>
Project threshold	Any project with 7+ new units.	Any project resulting in the creation of 6+ units and requires a special permit. *Brookline is beginning the process of revising its IZ by-law by contracting with RKG Consultants. Brookline hopes to present to Town Selectmen for adoption in Fall/Winter 2019.	Any project applying for a special permit or building permit that creates at least 10+ units or a development containing 10,000+ s.f. of residential space.	Any project seeking a special permit with site plan review to develop 6+ dwelling units.	Any project with 6+ units requiring a special permit.
Inclusionary income eligibility	Tier system for both rental and ownership units: <ul style="list-style-type: none"> ➤ Tier 1: up to 50% AMI ➤ Tier 2: up to 80% AMI ➤ Tier 3: up to 110% AMI 	Up to 100% AMI. <ul style="list-style-type: none"> ➤ Unless, if Brookline does not satisfy the town-wide 10% level under 40B, then 2/3 of the affordable units in project must be 80% AMI. 	<ul style="list-style-type: none"> ➤ Rental: Between 50% AMI to 80% AMI ➤ Ownership: No more than 100% AMI 	Tier system for rental: <ul style="list-style-type: none"> ➤ Tier 1: up to 50% AMI ➤ Tier 2: 51% - 80% AMI ➤ Tier 3: 81% - 110% AMI Tier system for ownership: <ul style="list-style-type: none"> ➤ Tier 1: up to 80% AMI ➤ Tier 2: 81% - 110% AMI ➤ Tier 3: 110% - 140% AMI 	<ul style="list-style-type: none"> ➤ Rental: Between 65% - 80% AMI ➤ Ownership: 80% AMI

IZ Comparison Chart; Newton & Neighboring Communities

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Inclusionary percentage requirement	15% up to 17.5%. Increasing percentage as project size increases. Requirement differs between rental and ownership units.	15% of new units for both rental and ownership projects.	20% of total Dwelling Unit Net Floor Area.	Increase percentage as project size increases: ➤ 6 unit projects: 1 IZ unit or fractional payment for 0.4 units. ➤ 7 unit projects: 1 IZ unit or fractional payment for 0.6 units. ➤ 8 - 17 unit projects: 17.5%. ➤ 18+ unit projects: 20%.	Increase percentage as project size increases: ➤ 6 – 19 units (rental and ownership): 12.5% at 80% AMI ➤ 20+ units (rental): 5% at 65% AMI and 10% at 80% AMI ➤ 20+ units (ownership): 15% at 80% AMI
Round Up and Build	➤ Where project results in a fraction of an IZ unit ≥ 0.5 , one IZ unit must be provided. ➤ Where project results in a fraction of an IZ unit ≤ 0.5 , project may choose to provide one IZ unit or contribute a fractional cash payment to the City.	➤ Any calculation resulting in a fraction of ≥ 0.5 shall be increased to the next whole number. ➤ No mention of fractional payment.	In residential projects of at least 30,000 s.f., 3-BR units shall be provided at a ratio of at least one unit per 6,000 s.f., rounded to the nearest whole unit with fractions of 0.5 or more rounded up and 0.5 or less rounded down.	➤ Any calculation resulting in a fraction of an IZ unit shall not be rounded up. ➤ Resulting fractional units require fractional payment by the developer to the City.	➤ Any calculation resulting in a fraction of ≥ 0.5 shall be increased to the next whole number. ➤ No mention of fractional payment.

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Cash Payment Option in Lieu	<ul style="list-style-type: none"> ➤ For projects containing 7-9 units. ➤ For projects with 10+ units, eligible only through Special Permit when City Council makes specific findings to unusual net benefit to allowing a fee rather than an IZ unit. 	For projects with 6 – 15 units, developer may make a cash contribution to Brookline Housing Trust.	When City and developer agree that total Dwelling Unit Net Floor Area of all affordable units is less than the Affordable Dwelling Net Floor Area (ADNFA) required, the IZ requirement shall be met through a contribution to the Affordable Housing Trust (AFT) equal to the amount necessary to create an equivalent amount of ADNFA in a project assisted by the AFT.	<ul style="list-style-type: none"> ➤ For all fractional units, payment allowed. ➤ For whole units, cash payment must be permitted by the Special Permit Granting Authority, but is strongly discourage. 	For projects containing 6 – 10 units.

<u>TABLE</u>	Newton (2018 Proposed) Population: 89,000	Brookline Population: 59,000	Cambridge Population: 110,700	Somerville Population: 81,300	Watertown Population: 35,000
Cash Payment Calculation	<ul style="list-style-type: none"> ➤ Utilizes the average of DHCD’s QAP “Total Residential Development Cost Limits” index for small and large units, which is \$389,000 for 2018-19. ➤ For projects with 7 – 9 units, payment is adjusted at a decreasing percentage depending on unit count. Ex: Cash payment formula for a 7-unit project is 70% of \$389,000 (QAP average index). The resulting payment would be \$272,300. ➤ For 10+ unit projects, payment is the result of multiplying the number of units in the project by the IZ requirement for that project and then multiplying by the QAP average index. 	<p><u>Ownership:</u> Unit sales price minus \$125,000* multiplied by Contribution Factor (where contribution factor begins at 3% for a 6 unit project and increases 0.75% for every 1 unit increase until reaching 15 units.)</p> <p>*\$125,000 reflects the cost of constructing an additional unit as determined by Brookline in 2004.</p> <p>Ex: Fee in lieu is \$30,375 for an 8-unit project with an initial unit sale price of \$800,000.</p> <p>$\\$800,000 - \\$125,000 = \\$675,000$ $\\$675,000 * 4.5\% = \\$30,375$</p>	<ul style="list-style-type: none"> ➤ City’s AFT periodically provides a report to Planning Dept. on projects AFT has assisted from which the Planning Dept. calculates the amount of subsidy necessary to create a s.f. of Dwelling Unit Net Floor Area in an affordable housing project assisted by the AFT. ➤ Planning Dept. multiplies this calculated per s.f. amount by the outstanding Affordable Dwelling Net Unit Floor Area necessary to satisfy the IZ requirement. 	<p>Rental: Number of affordable units not constructed multiplied by Current low HOME rent for average bedroom size in project divided by market rate rent charged for the average bedroom size in the project multiplied by Net Operating Income divided by Capitalization Rate = Market Value of the Property divided by total number of bedrooms in the project = per bedroom price multiplied by average bedroom size</p>	<ul style="list-style-type: none"> ➤ Cash payment equals the most current Total Development Cost as stated in DHCD’s current QAP for the areas described as Within Metro Boston/Suburban Area, as adjusted for the type of project and number of units. ➤ Projects with 6 – 10 units may opt out of providing IZ units on-site by using the QAP with a decreasing percentage of cash payment depending on the project’s unit count. ➤ Ex: Developer pays 100% of QAP value for 10 unit project of 80% of QAP value for 8 units project.

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Cash Payment Calculation (continued)	<p>Ex: 18 unit project: 18 <i>multiplied by</i> 0.175 (17.5% is the IZ requirement for this sized project) <i>multiplied by</i> \$389,000 = \$1,225,350 cash payment</p>	<p>Rental: Market value* of residential portion of project <i>minus</i> total number of units <i>multiplied by</i> \$125,000. <i>multiplied by</i> Contribution Factor *Assessing Dept. estimates a market value for the property. Ex: Fee in lieu is \$99,000 at initial occupancy of an 8 unit rental property with a total market value of \$3.2 million. [\$3,200,000 – (8 * \$125,000)] x 4.5% = \$99,000.</p>	<p>➤ This calculation may be adjusted by the Planning Dept. from time to time.</p>	<p>Ownership: Number of affordable units not constructed <i>multiplied by</i> the median market sales price for comparable unit types over the preceding four quarters <i>minus</i> the purchase price affordable to a moderate-income household with an income of 65% AMI of Boston-Cambridge-Quincy, MA-NH HUD Metro FMR</p>	<p>➤ Projects with more than 10 units may provide cash payment based upon QAP in certain extraordinary circumstances approved by the SPGA.</p>
Density bonus	<p>➤ For every additional IZ unit provided above the original required IZ units, the project will be awarded 2 additional market-rate units. ➤ These additional IZ units shall be affordable up to 80% AMI.</p>	<p>No provisions for density bonus.</p>	<p>Residential floor area ratio increased by 30%, provided that 50% of the additional s.f. is devoted to affordable units.</p>	<p>➤ For every additional IZ unit provided above the original required IZ units, the project will be awarded 2 additional market-rate units. ➤ These additional IZ units shall be affordable at not less than 50% AMI.</p>	<p>➤ Available to developers who target lower income households more than the required set-aside percentage. ➤ Rents for such units must be set at or below 65% AMI.</p>

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Off-site units	<ul style="list-style-type: none"> ➤ Generally discouraged, but allowed if developer receives special permit and has agreement with nonprofit housing developer. ➤ Off-site units must be completed before CO issued for the on-site market units. 	<p>May be allowed, preferably in the same neighborhood as the project. May be located in an existing structure, but potential for displacement of existing tenants will be considered by Town.</p>	<p>Not specifically allowed.</p>	<ul style="list-style-type: none"> ➤ May be allowed but preferably in the same neighborhood at sites suitable for housing use. ➤ Off-site units may be located in an existing structure, provided that their construction constitutes a net increase in the number of affordable dwelling units in the structure. ➤ The number of off-site units shall be, at minimum, equal to that number of units otherwise required to be provided on-site. 	<p>Not specifically allowed.</p>

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Elder Housing with Services	<ul style="list-style-type: none"> ➤ 5% of beds on-site must be designated as affordable for elderly households at or below 80% AMI. ➤ Monthly housing plus base service costs not to exceed 80% of elderly household's annual gross income. 	No provision.	No provision.	No provision.	<p>Restricted to 80% AMI, with total IZ requirement differentiated by project type and increasing with project size.</p> <p>Independent Living:</p> <ul style="list-style-type: none"> ➤ 6 – 19 units at 12.5 % ➤ 20+ units at 15% <p>Assisted Living*:</p> <ul style="list-style-type: none"> ➤ 10 – 75 units at 5% ➤ 76+ units at 10% <p>*max rent includes required services costs: i.e. meals, transportation, medication management, etc.</p>

Note: Planning Staff is in communication with the Cities of Cambridge and Somerville to better understand their fractional unit and cash payment calculations. Planning Staff will update this chart table when new information is received from these cities.

Boston to review affordable housing plan



KEITH BEDFORD/GLOBE STAFF/FILE

Boston Mayor Martin J. Walsh toured this renovated house in 2017.

By [Tim Logan](#)

GLOBE STAFF MARCH 26, 2019

Boston officials plan to revamp the city's largest affordable housing program this year, and may require market-rate developers to contribute more to it.

The Boston Planning & Development Agency is pushing ahead with a long-discussed review of its Inclusionary Development Policy, which requires most housing developers to set aside 13 percent of units in new buildings at affordable rents, or pay money into the city's affordable housing funds.

The 19-year-old program is coming off one of its most successful years.

A report set to be released Tuesday shows that 546 inclusionary units opened in 2018 — about one-fourth of its total production since launching in 2000 — with 834 more under construction or permitted.

But the Walsh administration faces mounting pressure from housing advocates to mandate more affordable housing in new projects, especially in parts of the city where fast-rising rents threaten to push lower-income renters from their homes.

The agency recently hired a consulting firm to analyze the city's development market to help determine how much affordable housing to require. City officials will also discuss the issue with developers and housing advocates, and plan to hold a series of community meetings on the plan this spring and early summer.

“Any change to IDP or linkage (a similar program requiring developers of commercial buildings to contribute funding for affordable housing) will come down to the economics of development here in Boston,” said Sheila Dillon, the city's chief of housing.

Years into a building boom that has transformed the city's skyline and pushed large-scale development into neighborhoods across the city, construction costs have risen to a point that even a modest apartment can cost \$400,000 to build.

Meanwhile, the surge of new apartments are starting to put a lid on rent growth, especially on pricier new apartments.

That dynamic, real estate specialists say, could prompt developers and investors to put the brakes on new development.

At the same time, advocates point out that many Bostonians have been left behind, and are facing rents they can no longer afford.

Some groups are pushing for much higher affordability requirements, or for more units that are affordable to lower-income residents.

Many units are set at rents affordable to a family of four earning \$75,000 or more, when [nearly half of city residents earn \\$35,000 or less](#) a year.

Many of the affordable apartments created by the program in the last few years have been downtown and in the Seaport District, where large-scale new development has been concentrated.

Nearly half of the 546 apartments that opened in 2018 came in one building, The Beverly, a fully-affordable 239-unit building near North Station, while several other large Seaport developments added big blocks of affordable housing.

As they look to tweak the program for the future, city officials say they're trying to strike a balance, creating enough housing to better meet the need without mandating so much that they squelch development altogether.

"It is really expensive to build housing of any kind in Boston," said agency director Brian Golden.

"We want a program that is workable," he said.

They expect to finalize a new plan — which needs approval from the agency's board but not the City Council — later this year.

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