



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](http://www.newtonma.gov)

Barney S. Heath  
Director

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## **City of Newton Inclusionary Zoning Ordinance Guidebook (as of staff's most current updated proposal – 11/9/18)**

### **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 the construction or substantial reconstruction of 7 or more 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 are not considered in the inclusionary zoning requirement calculation.

#### Examples:

- A developer proposes to build a large multifamily development on two contiguous parcels. The project contains the construction 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 units.
  
- A developer proposes to build a small multifamily development, containing the construction of 7 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 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 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.

Where the inclusionary zoning requirement results in a fraction of a unit less than 0.5, the developer may choose to provide one inclusionary unit to capture that fraction. Alternatively, the developer may contribute a fractional cash payment to the City to cover the fraction of that inclusionary unit requirement.

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												
Tier Level	7-9 units		10-20 units		21-34 units		35-64 units		65-100 units		101+ units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
<b>Tier 1, up to 50% AMI</b>	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	2.5%	0.0%	2.5%	0.0%
<b>Tier 2, 51%-80% AMI</b>	15.0%	15.0%	17.5%	5.0%	7.5%	10.0%	2.5%	7.5%	10.0%	10.0%	12.5%	12.5%
<b>Tier 3, 81%-110% AMI</b>	0.0%	0.0%	0.0%	10.0%	5.0%	7.5%	15.0%	10.0%	5.0%	7.5%	2.5%	5.0%

Number of Inclusionary Units Required: Project Examples												
Tier Level	7 units		16 units		24 units		47 units		78 units		225 units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
<b>Tier 1, up to 50% AMI</b>	0	0	0	0	1	0	0	0	2	0	6	0
<b>Tier 2, 51%-80% AMI</b>	1	1	3	1	2	2	1	4	8	8	28	28
<b>Tier 3, 81%-110% AMI</b>	0	0	0	2	1	2	7	5	4	6	6	11
<b>Total</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>9</b>	<b>14</b>	<b>14</b>	<b>40</b>	<b>39</b>

Examples:

➤ **31-unit rental development**

The required number of Inclusionary Units that must be provided on-site 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 (plus a fractional cash payment)
- 5% at Tier 3 = 1.55; a total of 2 units at Tier 3
- Total IZ Units Required On-Site: 6 inclusionary units on-site

➤ **16-unit ownership development**

The required number of Inclusionary Units that must be provided on-site 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 Units Required On-Site: 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, MA<sup>1</sup>

**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.

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<sup>1</sup> FY 2018 Income Limits Documentation System, Newton City FY 2018 Income Limits Summary:  
<https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>

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

**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 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 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.”

For projects where the inclusionary zoning requirement results in a fraction of a unit less than 0.5, the developer may contribute a fractional cash payment to the City to cover the fraction of that inclusionary unit requirement, without receiving permission from the City Council through the Special Permit process.

**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:<sup>2</sup>

- **\$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.<sup>3</sup> The cost limits reflect project type and location and are based on the Massachusetts Housing Partnership’s (MHP) extensive research on behalf of DHCD.<sup>4</sup>

<sup>2</sup> 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>

<sup>3</sup> 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

**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.

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 total percentage requirement for a project of that size and type (rental versus ownership), as detailed in the following calculation:

Inclusionary Zoning Cash Payment Calculation:	
A = # of dwelling units in proposed project X Total IZ Percentage Requirement for project (Section 5.11.4.B)	A
Multiplied by	
B = average of "Small Units" QAP index and "Large Units" QAP index for Production Projects in Newton	B
<b>Total Cash Payment Due for Project</b>	<b>Equals A X B</b>
<i>note: QAP = DHCD's Qualified Allocation Plan, as updated annually by DHCD</i>	

Examples:

- 18-unit rental project
  - 17.5% total IZ percentage requirement: 0.175 X 18 units = 3.15
  - 3.15 X \$389,000 = \$1,225,350 total cash payment
- 36-unit ownership project
  - 17.5% total IZ percentage requirement: 0.175 X 36 units = 6.3
  - 6.3 X \$389,000 = \$2,450,700 total cash payment
- 88-unit rental project
  - 17.5% IZ requirement: 0.175 X 88 units = 15.4
  - 15.4 X \$389,000 = \$5,990,600 total cash payment

**For projects that choose to make a fractional cash payment**, the fractional cash payment is equal to 5% of \$389,000, per decimal point of the resulting fraction (rounded to the nearest tenth), per Inclusionary Unit Tier, up to a maximum fractional cash payment per project of \$160,000.

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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.

<sup>4</sup> 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.

Example:

Note:  $5\% \times \$389,000 = \$19,450$

➤ 48-unit rental development

The Total Inclusionary Zoning / Fractional Cash Payment requirement would be calculated as follows:

- Tier 1:  $48 \times 0\% = 0$
- Tier 2:  $48 \times 2.5\% = 1.2$ , so the fractional requirement would be 0.2 ( $2 \times \$19,450 = \$38,900$ )
- Tier 3:  $48 \times 15\% = 7.2$ , so the fractional requirement would be 0.2 ( $2 \times \$19,450 = \$38,900$ )

= Total IZ / Fractional Cash Payment Requirement for Project =

Tier 1: 0 Inclusionary Units

Tier 2: 1 Inclusionary Unit *plus* a Cash Payment of \$38,900

Tier 3: 7 Inclusionary Units *plus* a Cash Payment of \$38,900

Which equals a total of 8 Inclusionary Units required on-site plus a total Fractional Cash Payment of \$77,800

**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:

- 24-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
- 78-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 80% AMI.

Appropriation of the funds for use by the City or the Newton Housing Authority must first be approved by the Mayor and then the 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:**

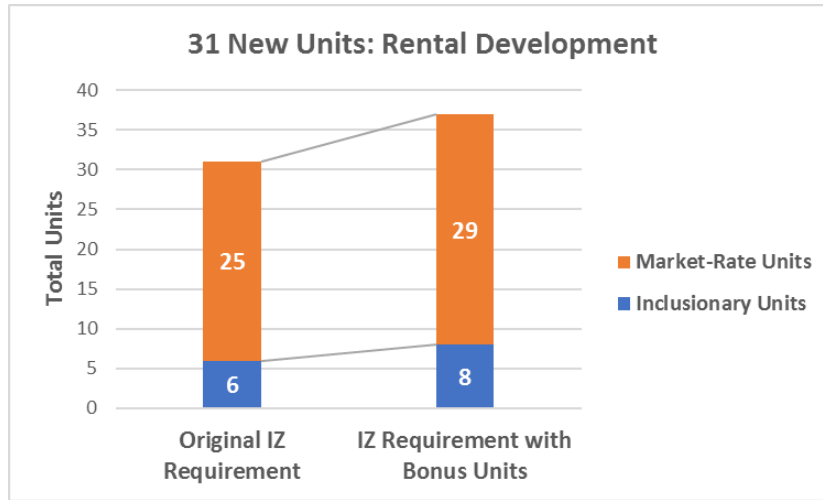
- A developer proposes to build a multifamily rental development, containing a total of 31 units; therefore, the total IZ requirement for the development would be 6 inclusionary units: 25 market-rate units and 6 inclusionary units:
  - 5% at Tier 1 = 1.55; a total of 2 units at Tier 1
  - 7.5% at Tier 2 = 2.325; a total of 2 units at Tier 2 (plus a fractional cash payment)
  - 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 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.*

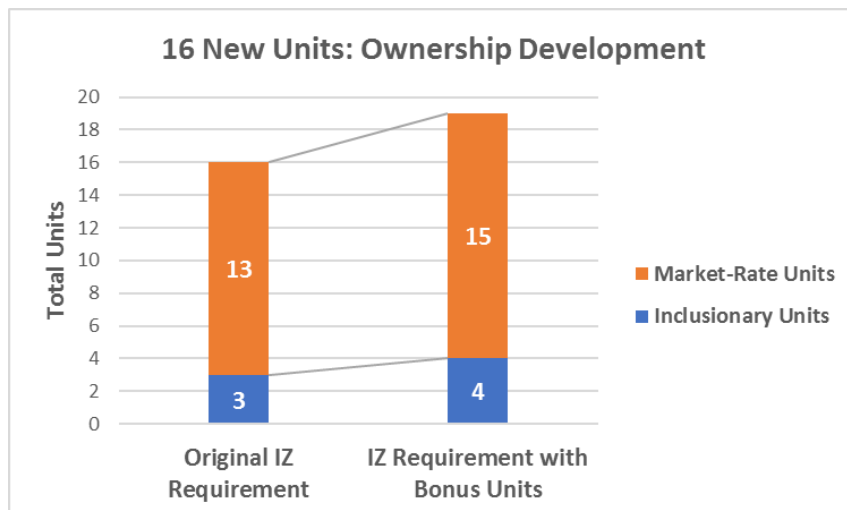




- A developer proposes to build a multifamily ownership development, containing a total of 16 units; therefore, the total IZ requirement for the development would 3 inclusionary units: 13 market-rate units and 3 inclusionary units:
  - 0% at Tier 1 = 0; a total of 0 units at Tier 1
  - 5% at Tier 2 = 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 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, MA<sup>5</sup> is provided below.

FY 2018 Income Limits Summary - Newton, MA						
Income Level	Household Size					
	1	2	3	4	5	6
<b>50% AMI</b>	\$37,750	\$43,150	\$48,550	\$53,900	\$58,250	\$62,550
<b>80% AMI</b>	\$56,800	\$64,900	\$73,000	\$81,100	\$87,600	\$94,100
<b>100% AMI</b>	\$75,500	\$86,300	\$97,100	\$107,800	\$116,500	\$125,100
<b>110% AMI</b>	\$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.

<sup>5</sup> FY 2018 Income Limits Documentation System, Newton City FY 2018 Income Limits Summary: <https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>

<b>2018 Calculation of Maximum Affordable Rent - 50% AMI</b> (all utilities included in rent)				
<b>Unit Type</b>	<b>Household Size (# of BR + 1)</b>	<b>50% of Adjusted Median Family Income*</b>	<b>Monthly Income</b>	<b>Maximum Gross Rent (30% of income)</b>
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.

<b>2018 Maximum Affordable Rents, City of Newton</b> (all utilities included in rent)				
<b>Unit Type</b>	<b>Household Size (# of BR + 1)</b>	<b>50% AMI</b>	<b>80% AMI</b>	<b>110% AMI</b>
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.

<b>2018 Max Affordable Sale Price Calculator</b>			
<b>Ex: 2-bedroom affordable condo set at 80% AMI</b>			
	<b>80% AMI Limit</b>	<b>70% AMI Limit</b>	
<b>Sales Price</b>	<b>\$253,000</b>	<b>\$222,000</b>	
<b>5% Down payment</b>	\$12,650	\$11,100	
Mortgage	\$240,350	\$210,900	
<b>Interest rate</b>	<b>4.83%</b>	<b>4.83%</b>	
Amortization	30	30	
Monthly P&I Payments	\$1,265.40	\$1,110.35	
<b>Tax Rate</b>	<b>\$10.82</b>	<b>\$10.82</b>	
monthly property tax	\$228	\$200	
<b>Hazard insurance</b>	<b>\$84</b>	<b>\$74</b>	
PMI	\$156	\$137	
<b>Condo/HOA fees (if applicable)</b>	<b>\$84</b>	<b>\$74</b>	
<b>Monthly Housing Cost</b>	<b>\$1,818</b>	<b>\$1,596</b>	
<b>Necessary Income:</b>	\$72,736	\$63,824	
<b>Household Income:</b>			
# of Bedrooms	2	2	
Sample Household size	3	3	
110% AMI Limit	\$100,375	\$100,375	
<b>Target Housing Cost (110% AMI)</b>	<b>\$2,509</b>	<b>\$2,509</b>	
10% Window	\$91,250	\$91,250	
<b>Target Housing Cost (100% AMI)</b>	<b>\$2,281</b>	<b>\$2,281</b>	
80% AMI/"Low-Income" Limit	\$73,000	\$73,000	
<b>Target Housing Cost (80%AMI)</b>	<b>\$1,825</b>	<b>\$1,825</b>	
10% Window	\$63,875	\$63,875	
<b>Target Housing Cost (70%AMI)</b>	<b>\$1,597</b>	<b>\$1,597</b>	

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.

<b>2018 Maximum Affordable Sales Prices, City of Newton</b>					
<b>Unit Type</b>	<b>Household Size (# of BR + 1)</b>	<b>70% AMI</b>	<b>80% AMI</b>	<b>100% AMI</b>	<b>110% AMI</b>
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 and must provide an equivalent level of accessibility as what would have been provided if the required IZ units were to remain on-site.

**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.