

Zoning and Planning Committee

November 14, 2018

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SECTION 5.11

INCLUSIONARY ZONING ORDINANCE

***MAKING IT WORK FOR
TODAY'S NEWTON***

Why Are We Here Tonight?

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“Housing Is Urban Infrastructure”
“Cities Work Only If Housing Works”

Inclusionary Zoning

leverages private development to create affordable housing through on-site units, off-site units, and payments-in-lieu

The Inclusionary Zoning Update Process

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One of the priority actions to come out of the 2016
“Newton Leads 2040 Housing Strategy”
was an amendment to the
City’s Inclusionary Zoning Ordinance

**2017
Proposal**



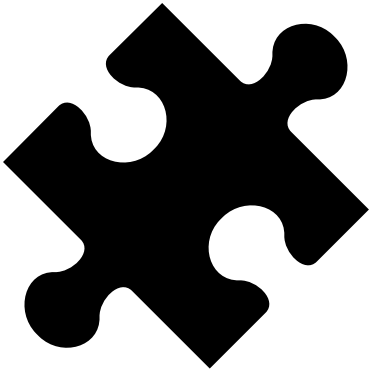
**RKG Financial
Feasibility Analysis**



**2018
Proposal**

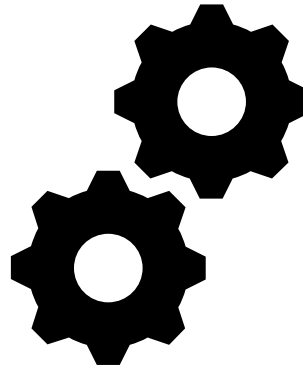
RKG's Financial Feasibility Analysis

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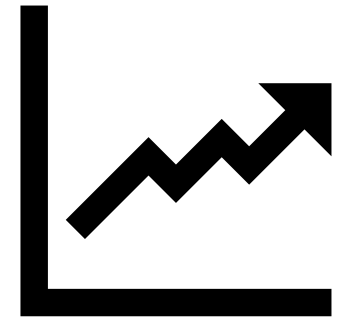
Data Collection

- 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

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Change #4: Institute the “Round Up and Build Units” methodology with “Fractional Cash Payments”

Example: 31-unit rental development

- 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
(plus a fractional cash payment)

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Change #5: Allow for cash payments in lieu of providing inclusionary units on site for projects with 7-9 new units

- Utilize DHCD's QAP Index as basis for payment-in-lieu: \$389,000
 - 7-unit project: 70% of \$389,000 = \$272,300
 - 8-unit project: 80% of \$389,000 = \$311,200
 - 9-unit project: 90% of \$389,000 = \$350,100

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Change #6: Amend the Cash Payment and Fractional Cash Payment Amounts and Calculations

- For projects with 10 or more units that receive a Special Permit:
Utilize DHCD's QAP Index as basis for payment-in-lieu: \$389,000
 - Example: 18-unit rental project
 - 17.5% IZ requirement X 18 units = 3.15
 - 3.15 X \$389,000 = **\$1,225,350 total payment-in-lieu**

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Change #6: Amend the Cash Payment and Fractional Cash Payment Amounts and Calculations

Fractional Cash Payment Calculation:

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

48-unit rental development

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

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Change #6: Amend the Cash Payment and Fractional Cash Payment Amounts and Calculations

Fractional Cash Payment Calculation:

48-unit rental development

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*

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Change #7:

Do not require 100% deed-restricted, affordable projects to comply with the “Number of Inclusionary Units Required” section of the ordinance

- Example: 25-unit rental project at 100% Tier 3
 - No units required at Tier 1 (normally 5%) or Tier 2 (normally 7.5% requirement)
- Example: 75-unit rental project at 85% Tier 3 and 15% Tier 2
 - No units required at Tier 1 (normally 2.5% requirement)

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Change #8:

**Provide for a density bonus of 2:1
(market-rate to additional affordable units)**

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Change #9:

Generally discourage off-site units

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Change #10:

Provide the option for “Elder Housing with Services” to provide 5% of on-site beds as affordable, or pay a fee-in-lieu

- Basis for determining payment-in-lieu:
 - 5% of total beds provided in project
 - DHCD's QAP Index for Assisted Living units: \$259,000
- Example: 115-bed assisted living project
 - $0.05 \times 115 = 5.75$; $5.75 \times \$259,000 =$ **\$1,489,250 total payment**

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Change #11:

Institute an Effective Date for the ordinance

Zoning and Planning Committee

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QUESTIONS?