

Zoning and Planning Committee

December 11, 2017

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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”

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

Inclusionary Zoning Ordinance: Making it Work for Today's Newton

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Overview and History of Inclusionary Zoning

Overview and History of Inclusionary Zoning

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What is Inclusionary Zoning?

- Leverages private development to create affordable housing
 - On-Site Units
 - Off-Site Units
 - Payments In-Lieu
- Increasingly popular across the United States
 - More than 500+ municipalities have adopted some type of ordinance
 - Ordinances / policies vary widely by municipality

Overview and History of Inclusionary Zoning

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Inclusionary Zoning in Newton

- City has a leadership history both nationally and across the State
 - Informal policy in 1960s & 1970s negotiated by Alderman
 - Codified in 1977 as “10% Ordinance” (units created under original ordinance were not designated as affordable in perpetuity)
 - Targets low- and moderate income households; current ordinance is consistent with State regulations defining affordability

Overview and History of Inclusionary Zoning

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Inclusionary Zoning in Newton, cont'd

- Current ordinance was Adopted in 2003 when Sec. 30-24(f) was amended:
 - Increased percentage of inclusionary units from 10% to 15%
 - Allowed fee-in-lieu payments for projects with 6 units or less
 - Off-site units allowed when developer partners with a nonprofit
- However, current interpretation of the ordinance is losing out on projects containing 3 – 5 new dwelling units

Inclusionary Zoning Ordinance: Making it Work for Today's Newton

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IZ Ordinance Update: Why Now?

IZ Update: Why Now?

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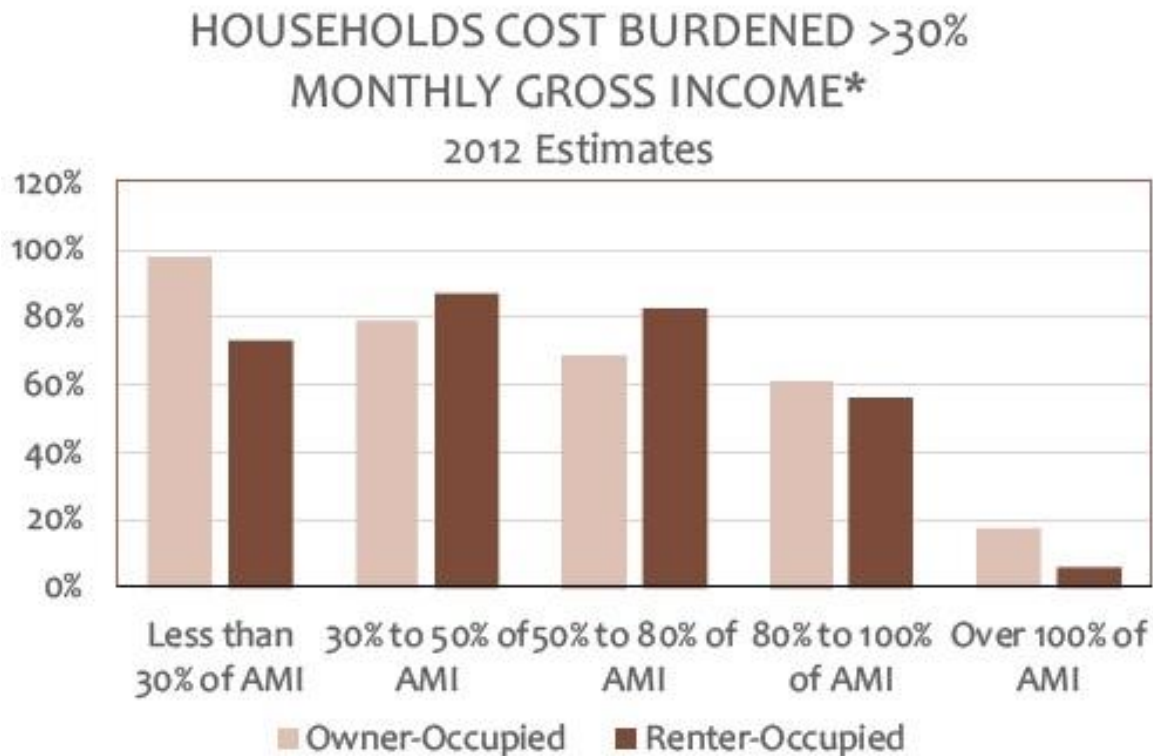
- The City's concentration of high value housing has created an ***extremely unaffordable environment*** for Newton's current population
- Newton's ***Middle-Class is shrinking***, and so is its ***workforce...***
- The City's population is ***aging*** and its ***household size is declining***, but there remains a lack of affordable options for smaller households and senior residents looking to downsize in Newton
- ***At 7.5%***, Newton's Subsidized Housing Inventory (SHI) falls short of the state's 10% threshold

IZ Update: Why Now?

Unaffordable Environment for Newton's Current Population

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Between 4,713 and 5,092 lower-income households in Newton cannot afford the home they live in, and are considered ***housing cost burdened***



IZ Update: Why Now?

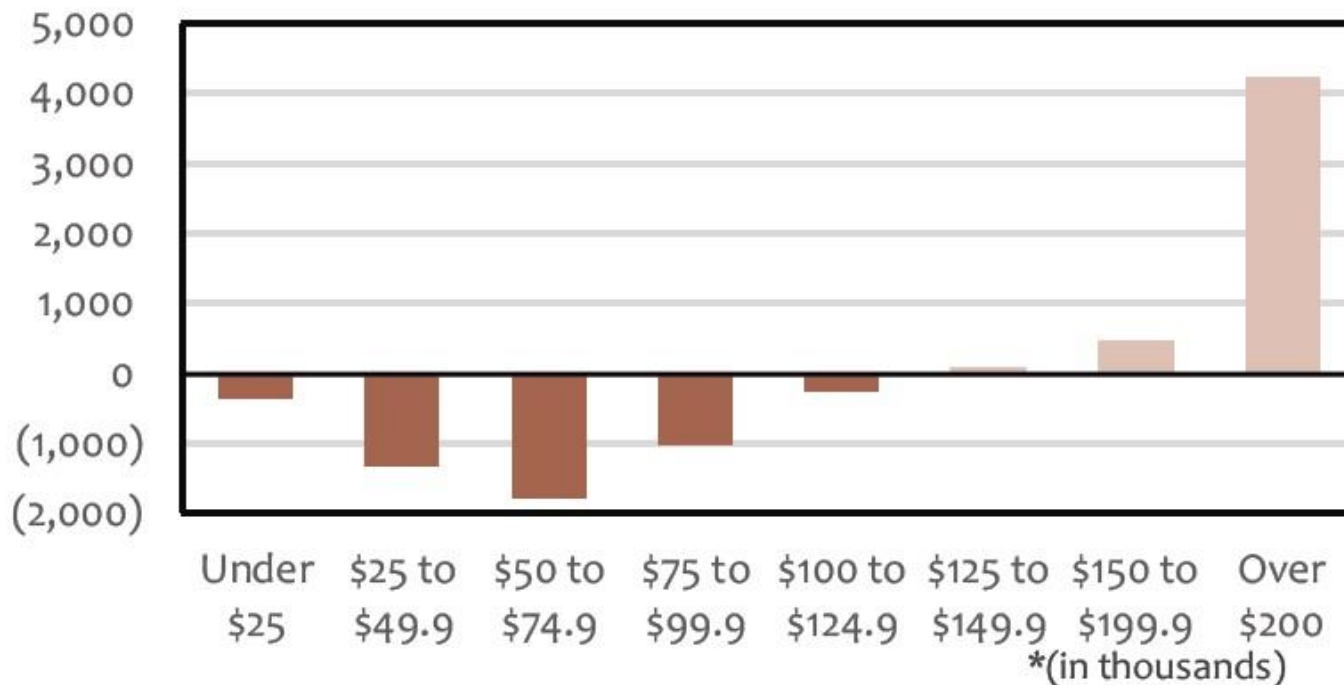
The Shrinking Middle-Class

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A shrinking middle-class, and a shrinking workforce

“Affordable Housing is where essential jobs go to sleep at night.”

NET CHANGE: HOUSEHOLDS BY INCOME*
2000-2013 City of Newton

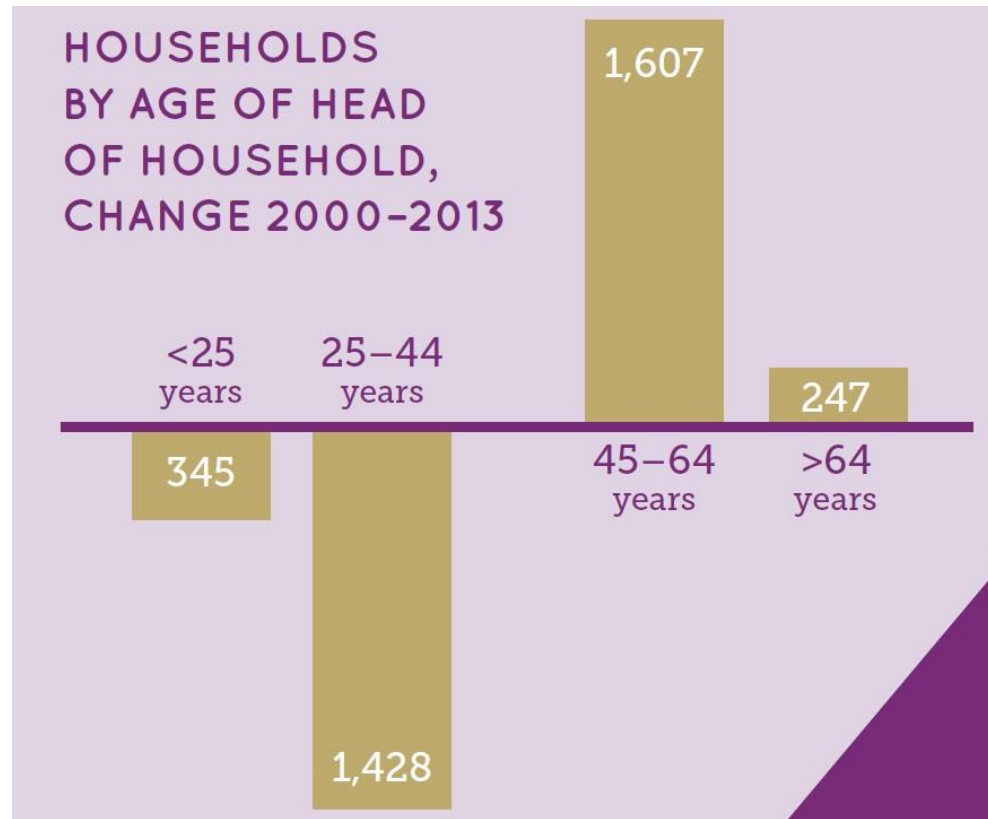


IZ Update: Why Now?

Newton's Aging Population and Shrinking HH Size

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There is a lack of affordable housing options for smaller households and residents seeking to downsize



IZ Update: Why Now?

Striving to Meet Our 10% SHI Requirement

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According to MGL Chapter 40B, subsidized housing units (SHI) should represent 10% of all housing units in Newton

➤ Newton's Current SHI: 7.5%

**Additional SHI
Units Needed:**



**Over 800 units needed
to get to 10%!**

Inclusionary Zoning Ordinance: Making it Work for Today's Newton

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Newton's Increasingly Unaffordable Housing Market

An Increasingly Unaffordable Newton: Newton's For-Sale Market

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- **70%** of Newton households cannot afford a median-priced single-family home in Newton

*Household Income
Required to Buy*

\$1.1 mil

MEDIAN SALE PRICE FOR A
SINGLE FAMILY
HOME IN NEWTON IN 2016

Buying a Home in
Newton Requires

\$202,247
ANNUAL INCOME

+

\$220,000
DOWN PAYMENT

An Increasingly Unaffordable Newton: Newton's For-Sale Market

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Recent Home Sales In Newton, Sept. 2017			
Number of Bedrooms	HH Size	Avg. Sale Price*	Maximum Sales Price (120% AMI)
2 Bedrooms	3	\$693,275	\$348,250
3 Bedrooms	4	\$915,737	\$387,250
4 Bedrooms	5	\$1,187,548	\$424,750

- # of for-sale units affordable to households with incomes \leq 120% AMI: **ZERO**
- % of Newton households with incomes \leq 120% AMI: **Over 51%**

An Increasingly Unaffordable Newton: Newton's Rental Market

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Market Rents In Newton, Sept. 2017

Number of Bedrooms	HH Size	Avg. Rent (Listing Price)	Maximum Affordable Rent (80% AMI)
2 Bedrooms	3	\$3,486	\$1,759
3 Bedrooms	4	\$4,012	\$1,954

- # of units affordable to households with incomes $\leq 80\%$ AMI:
2 out of 40 (5%)
- % of Newton households with incomes $\leq 80\%$ AMI:
Approx. one-third

Inclusionary Zoning Ordinance: Making it Work for Today's Newton

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Strengthening the Ordinance for Today's Newton

- Six Major Proposed Changes -

Strengthening the Ordinance for Today's Newton

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Change #1:

Apply ordinance to all new residential development, where there is a net increase of 4 or more new dwelling units

Number of Inclusionary Units Required												
Tier Level	4-6 new units		7-9 new units		10-20 new units		21-50 new units		51-100 new units		101+ new units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, up to 50% AMI	-	-	-	-	-	-	5.0%	-	7.5%	-	10.0%	-
Tier 2, 51%-80% AMI	15.0%	15.0%	15.0%	-	10.0%	10.0%	10.0%	10.0%	10.0%	15.0%	10.0%	15.0%
Tier 3, 81%-110% AMI	-	-	-	15.0%	10.0%	10.0%	10.0%	15.0%	7.5%	10.0%	5.0%	10.0%
Total	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Current ordinance: Special permit; net increase of 2 or more new residential units, less the number of units allowed by right; any fractional unit of 0.5 or greater shall constitute a whole unit; usually kicks in with net increase of 6 or more new dwelling units, not 4 or more units

Strengthening the Ordinance for Today's Newton

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Change #2:

Where IZ requirement results in a fraction of a unit, a cash payment may be made to cover that fraction

Current ordinance: Through special permit; developments containing 6 dwelling units or less

Strengthening the Ordinance for Today's Newton

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Change #3: Redefine calculation for fractional payments in-lieu

Inclusionary Housing Cash Payment Calculation:

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

Current ordinance: First 2 units in development are exempt; remaining units – 12% of sales price or assessed value of each rental unit

Strengthening the Ordinance for Today's Newton

Examples of IZ Fractional Cash Payment Calculation:

Net Increase of 4 new units (rental) - Inclusionary Housing Cash Payment Calculation:							
A =							
Tier 2:	15% X 4						0.6
<i>Multiplied by</i>							
B =							\$389,000
Total Cash Payment Due for Project							\$233,400

Net Increase of 66 new units (rental) - Inclusionary Housing Cash Payment Calculation:							
A =							
Tier 1:	7.5% X 66	<i>equals</i>	4.95		0.95	X	Cash Payment Due Per Tier:
Tier 2:	10% X 66	<i>equals</i>	6.6		0.6	X	\$389,000
Tier 3:	7.5% X 66	<i>equals</i>	4.95		0.95	X	\$389,000
Total Cash Payment Due for Project							\$972,500
Total IZ Requirement: 14 Inclusionary Units plus Cash Payment of \$972,500							

Strengthening the Ordinance for Today's Newton

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Change #4:

**Implement 3 tiers of income eligibility
and link affordability to
project size and type**

Number of Inclusionary Units Required

Tier Level	4-6 new units		7-9 new units		10-20 new units		21-50 new units		51-100 new units		101+ new units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, up to 50% AMI	-	-	-	-	-	-	5.0%	-	7.5%	-	10.0%	-
Tier 2, 51%-80% AMI	15.0%	15.0%	15.0%	-	10.0%	10.0%	10.0%	10.0%	10.0%	15.0%	10.0%	15.0%
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Total	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Current ordinance: Average 65% AMI, regardless of project size; no IZ units provided for households above 80% AMI

Strengthening the Ordinance for Today's Newton

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Change #5:

Employ rising IZ percentage requirements to project size,
15% to 25%

Number of Inclusionary Units Required

Tier Level	4-6 new units		7-9 new units		10-20 new units		21-50 new units		51-100 new units		101+ new units	
	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner	Rental	Owner
Tier 1, up to 50% AMI	-	-	-	-	-	-	5.0%	-	7.5%	-	10.0%	-
Tier 2, 51%-80% AMI	15.0%	15.0%	15.0%	-	10.0%	10.0%	10.0%	10.0%	10.0%	15.0%	10.0%	15.0%
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Total	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Current ordinance: 15% for all IZ projects, regardless of size

Strengthening the Ordinance for Today's Newton

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Change #6: Revise elder housing with services requirements

Current ordinance: 2.5% of annual gross revenue from project to be contributed to City; City Council determines whether contribution should be residential beds or unit, or a cash payment

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QUESTIONS?