

# Zoning and Planning Committee

April 8, 2019

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## **SECTION 5.11 INCLUSIONARY ZONING ORDINANCE**

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

# The Inclusionary Zoning Update Process

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**2016 Housing  
Strategy**



**2017  
Proposal**



**RKG Financial  
Feasibility  
Analysis**



**Feb. 2019  
Roundtable**



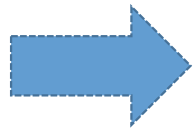
**RKG  
Review**



**2018  
Proposal**



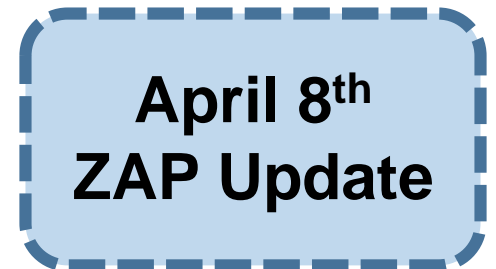
**March 11<sup>th</sup>  
ZAP Update**



**For-Profit  
Developer  
Meetings**



**April 8<sup>th</sup>  
ZAP Update**



# Further Clarification Needed

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## IZ's Connection to Land Values

### 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*

# Further Clarification Needed

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## Connection between parking & affordability

### The Cost of Parking in Newton:

- Surface parking: \$8,000 per space
  - Aboveground: \$25,000 per space
  - Underground: \$40,000 per space
- Example: 140-unit project; parking ratio of 1.25
- 175 parking spaces
  - Assuming 100% underground parking



Cost to the developer would be **\$7,000,000**



# Further Clarification Needed

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## Connection between parking & affordability

### Value of Affordable Unit vs. Market-Rate Unit:

- 1-bedroom, market-rate unit: \$487,364
  - 1-bedroom, 50% AMI unit: \$45,873
  - Value Gap, (aka “differential”): **\$441,491**
- Differential = the subsidy a developer needs to be “made whole”

Cost of parking for 140-unit project (\$7,000,000) =

**15, one-bedroom units at 50% AMI**

# Further Clarification Needed

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## A new calculation for payments-in-lieu

- Consensus that the QAP (\$389,000) should not be the basis for this calculation

### Alternative #1:

- Average TDC in Newton  
= ~**\$500,000**

### Alternative #2:

- Value Gap Approach
- **\$441,491** (from previous example)
- “Cost” to the developer in terms of lost revenue

# For-Profit Developer Conversations

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- **2.5% increase at Middle-Income Tier**
  - Reasonable and manageable change for larger-scale developers, but
  - Concerning for smaller-scale developers
- **Predictability is key**
- Inclusionary Zoning requirements should be applied **consistently** and **equally**

# For-Profit Developer Conversations

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- **Allowing for significant density** is a sure way to see greater affordability in a project, a la Cambridge
- **Transition period needed** to give developers time to reevaluate their projects under new requirements



# A New Required Units Table

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**At 21+ Units: 2.5% Increase at Middle-Income Tier**

**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
<b>Tier 1, 50% - 80% AMI</b>	15.0%	15.0%	15.0%	15.0%	15.0%	10.0%	15.0%	10.0%
<b>Tier 2, 110% AMI</b>	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	2.5%	7.5%
<b>Total</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>17.5%</b>	<b>17.5%</b>

# Newton Housing Partnership Review

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## The Newton Housing Partnership will...

- Help determine an appropriate baseline IZ requirement (required units table)
- At what project size could an additional % requirement come into play (economies of scale)?
- 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?

# Next Steps

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## April:

- Update to ZAP, 4/8
- Newton Housing Partnership, 4/16 Mtg.
- Further research / consideration of stakeholder ideas and questions
- Elder Housing with Services section
- Alternative Compliance Option

## May:

- Newton Housing Partnership, 5/14 Mtg.
- Presentation to ZAP: new proposed ordinance
- Assign public hearing

**June 2019:  
Public Hearing**



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## **DISCUSSION**