

Zoning and Planning Committee

June 10, 2019

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SECTION 5.11

INCLUSIONARY ZONING ORDINANCE

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

Overview and History of Inclusionary Zoning

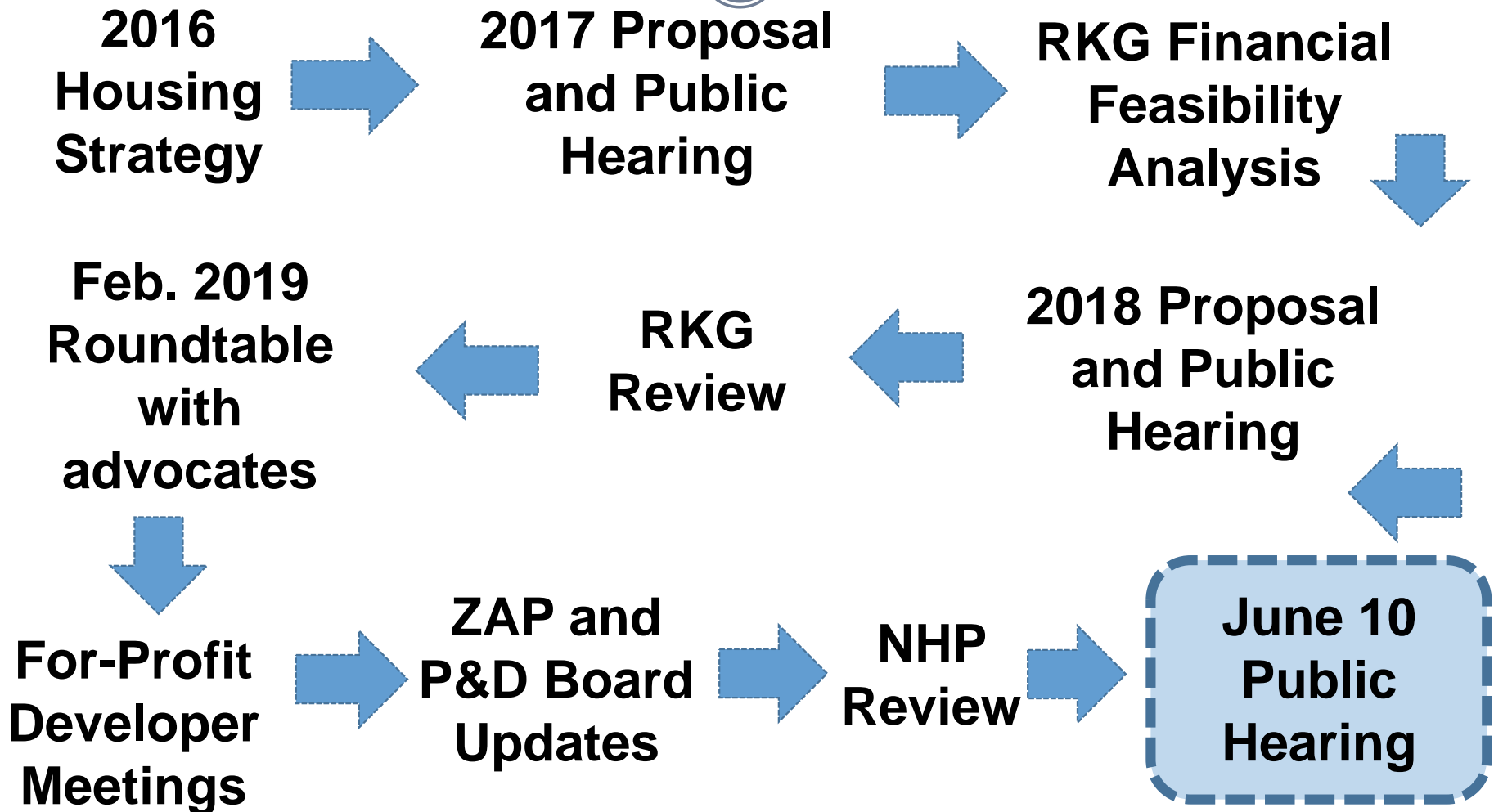
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What is Inclusionary Zoning?

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

The Inclusionary Zoning Update Process

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Application of IZ Requirements

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7+ residential units

- All residential and mixed-used development
- By-right or Special Permit
- Existing units to be demolished not considered
- 100% Deed-Restricted Affordable Developments exempt from IZ % requirements
 - All units must average no more than 95% AMI

Required Units Tables

Rental

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Rental Projects: Number of Inclusionary Units Required		
Tier Level	7-20 UNITS	21+ UNITS
Tier 1: 50%-80% AMI	15%	15%
Tier 2: 110% AMI	0%	2.5%
Total	15%	17.5%

Rental Projects: Number of Inclusionary Units Required EFFECTIVE January 1, 2021			
Tier Level	7-20 UNITS	21-99 UNITS	100+ UNITS
Tier 1: 50%-80% AMI	15%	15%	15%
Tier 2: 110% AMI	0%	2.5%	5%
Total	15%	17.5%	20%

Required Units Tables

Rental

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Example: 31-unit rental development

- **IZ requirement: 17.5%**
 - **15% at Tier 1**
 - **2.5% at Tier 2**

- ❖ **15% at Tier 1 (50% - 80% AMI) = 4.65**
 - 5 units at Tier 1, which must average out at 65% AMI
- ❖ **2.5% at Tier 2 (110% AMI) = 0.775**
 - 1 unit at Tier 2

Total IZ Units Required On-Site: 6 inclusionary units,
no fractional cash payment required

Required Units Tables

Ownership

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Ownership Projects: Number of Inclusionary Units Required			
Tier Level	7-16 UNITS	17-20 UNITS	21+ UNITS
Tier 1: 50%-80% AMI	15%	10%	10%
Tier 2: 110% AMI	0%	5%	7.5%
Total	15%	15%	17.5%

Ownership Projects: Number of Inclusionary Units Required EFFECTIVE January 1, 2021				
Tier Level	7-16 UNITS	17-20 UNITS	21-99 UNITS	100+ UNITS
Tier 1: 50%-80% AMI	15%	10%	10%	10%
Tier 2: 110% AMI	0%	5%	7.5%	10%
Total	15%	15%	17.5%	20%

Required Units Tables

Ownership

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Example: 18-unit ownership development

- **IZ requirement: 15%**
 - **10% at Tier 1**
 - **5% at Tier 2**

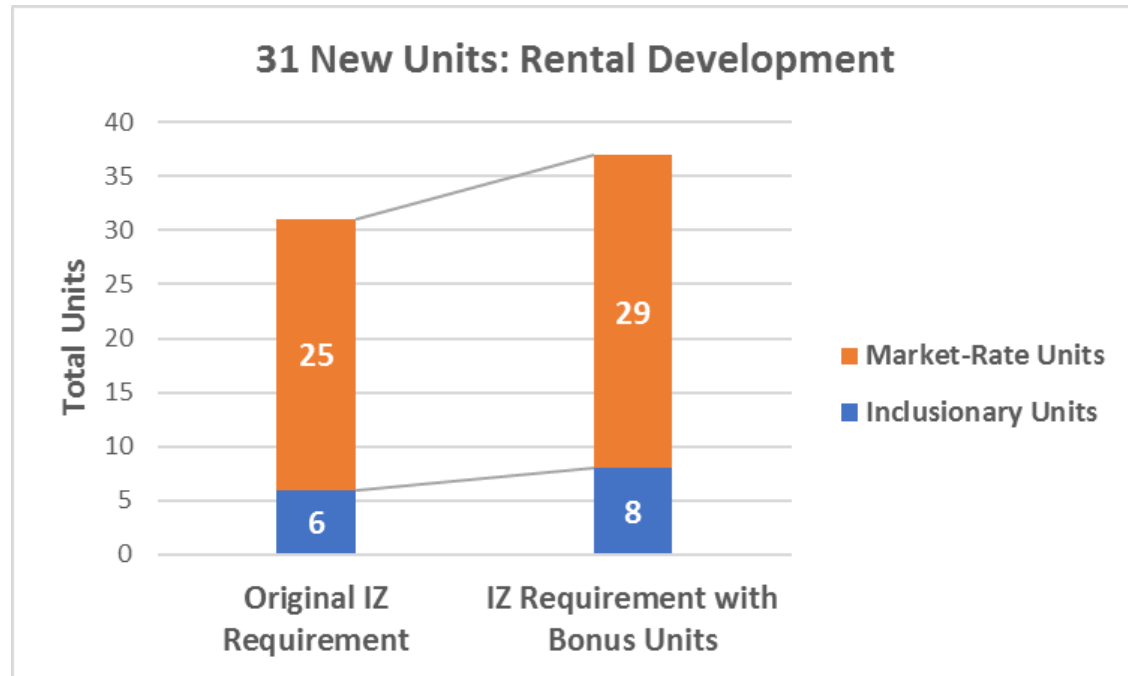
- ❖ 10% at Tier 1 (80% AMI) = 1.8
 - 2 units at Tier 1, set at 80% AMI, priced at 70% AMI
- ❖ 5% at Tier 2 (110% AMI) = 0.9
 - 1 unit at Tier 2, set at 110% AMI, priced at 100% AMI

Total IZ Units Required On-Site: 3 inclusionary units,
no fractional cash payment required

Incentives for Additional IZ Units

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- **2 to 1**: For every additional inclusionary unit proposed, the project will be allowed to include 2 additional market-rate units
- **3 to 1**: For every additional 3-bedroom IZ unit proposed, the project will be allowed to include 3 additional market-rate units



Housing Costs: Max Rents and Sale Prices

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- **Total monthly housing costs must not exceed 30% of the applicable household income limit for the IZ unit**
- **Ownership units must be priced 10 percentage points lower than HH income limit for that unit**

Rental:

- Monthly Rent
- Utility costs for:
 - Heat
 - Hot water
 - Water
 - Electricity
 - 1 parking space
 - Access to all on-site amenities

Ownership:

- Mortgage principle & interest
- Private mortgage insurance
- Property taxes
- Condo / HOA fees
- Hazard insurance
- 1 parking space

Cash Payment Option

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Eligibility:

3 circumstances:

- ❖ Projects with 7-9 units
- ❖ Projects with 10+ units: by Special Permit
- ❖ Fractional Cash Payments: Where IZ requirement = fraction of a unit less than 0.5

Cash Payment Option

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Cash Payment Calculation:

- **TDC / unit in Newton:**
 - **\$550,000**

Inclusionary Zoning Cash Payment Calculation	
A = # of dwelling units in proposed project	FORMULA
B = Total Inclusionary Percentage Required for the project	STEP 1: A X B = total inclusionary units required (round to nearest 10th)
C = average total development costs (TDC) per unit in Newton	STEP 2: (A x B rounded) x C = Total cash payment

Cash Payment Option

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Example: 18-unit rental:

- 18-unit rental development
 - A = 18
 - B = 15%, Total IZ percentage requirement for the project
 - C = \$550,000
 - Step 1: $A \times B = 18 \times 0.15 = 2.7$
 - Step 2: $2.7 \times \$550,000$
 - = \$1,485,000 total cash payment

Example: 36-unit ownership:

- 36-unit ownership project
 - A = 36
 - B = 17.5%, Total IZ percentage requirement for the project
 - C = \$550,000
 - Step 1: $A \times B = 36 \times 0.175 = 6.3$
 - Step 2: $6.3 \times \$550,000$
 - = \$3,465,000 total cash payment

- **TDC / unit in Newton:**
 - **\$550,000**

Cash Payment Option: 7-9 Units

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- **TDC/unit is reduced per # of units in project:**

SMALL PROJECT CALCULATION EXAMPLES

*7 Unit Project: $0.7 \times \$550,000 = \$385,000$
Total Payment*

*8 Unit Project: $0.8 \times \$550,000 = \$440,000$
Total Payment*

*9 Unit Project: $0.9 \times \$550,000 = \$495,000$
Total Payment*

Fractional Cash Payments

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Illustration: Fractional Payment Calculation Methodology

sample TDC: \$550,000 (May 2019 figure)

EXAMPLE: 48 Unit Rental Project

Tier 1: $0.15 \times 48 \text{ units} = 7.2 \text{ units}$

TOTAL UNITS = 7 units

*FRACTIONAL PAYMENT = $0.2 \times \$550,000$
= \$110,000*

Tier 2: $0.025 \times 48 \text{ units} = 1.2 \text{ units}$

TOTAL UNITS = 1 unit

*FRACTIONAL PAYMENT = $0.2 \times \$550,000$
= \$110,000*

*Total Inclusionary Requirement = 8 deed-restricted
units and \$220,000*

Cash Payment Recipient

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City of Newton

and

**Newton Housing
Authority (NHA)**

- Restoration, creation, preservation, and associated supportive services, of deed-restricted units at or below 80% AMI, as well as costs incurred by the City that are related to the monitoring of these units
- Appropriation of the funds must first be approved by the Planning & Development Board, and then the Mayor

Off-Site Development

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- Generally discouraged
- Special Permit: “unusual net benefit...”
- Development Agreement with Non-profit housing developer:
 - Off-site units must be completed and occupied no later than the project’s on-site market-rate units
 - Must provide a greater number of affordable units at a deeper level of affordability
 - Must provide an equivalent unit mix and comparable sized units
 - Must provide an equivalent level of accessibility

Public Funding Limitation

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- Inclusionary Housing Projects cannot use public development funds, except for projects that are found by the Director of Planning & Development to:
 - Represent a greater number of affordable units than otherwise required;
 - Those that are at a deeper level of affordability than what is required (by at least 10 percentage points); and
 - Those that exceed regulatory requirements in providing for persons with disabilities

Extremely Low Income (ELI) Option

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By Special Permit for rental projects with 21+ units

- Required % of units affordable to HH at or below 30% AMI
- 5% reduced total IZ requirement
- May accept public development funds
- Must provide and pay for on-going regular support services
- Partnership with qualified agency

Extremely Low Income (ELI) Option

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Extremely Low Income (ELI) Alternative Compliance Option: Number of Inclusionary Units Required	
Tier Level	21+ UNITS
ELI Tier: 30% AMI	2.5%
Tier 1: 50% - 80% AMI	7.5%
Tier 2: 110% AMI	2.5%
Total	12.5%

Extremely Low Income (ELI) Alternative Compliance Option: Number of Inclusionary Units Required EFFECTIVE January 1, 2021		
Tier Level	21-99 UNITS	100+ UNITS
ELI Tier: 30% AMI	2.5%	5%
Tier 1: 50% - 80% AMI	7.5%	5%
Tier 2: 110% AMI	2.5%	5%
Total	12.5%	15%

Extremely Low Income (ELI) Option

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Example: 74-unit rental development

- 2.5% at ELI Tier: $0.025 \times 74 = 1.9$
 - 2 units at the ELI Tier (at or below 30% AMI) with support services
- 7.5% at Tier 1: $0.075 \times 74 = 5.6$
 - 6 units at Tier 1 (must average out at 65% AMI)
- 2.5% at Tier 2: $0.025 \times 74 = 1.9$
 - 2 units at Tier 2 (at or below 110% AMI)

= Total IZ Units Required On-Site: 10 inclusionary units on-site

Elder Housing with Services

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5% of total beds provided on-site

- Monthly housing and service costs:
 - Independent Living: not to exceed 15% of HH income limit
 - Assisted Living: not to exceed 30% of HH income limit

IZ Beds: at or below 80% AMI

- 100% Deed-Restricted Affordable Facilities (up to 150% AMI) exempt from IZ % requirements
 - All units must average no more than 110% AMI

Elder Housing with Services

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Cash Payment Calculation:

- **TDC / unit in Newton:**
 - **\$550,000**

- **2019 Care Cost:**
 - **\$306,600**
 - \$28 per hour X
3 hrs. per day X
365 days per
year X 10 yrs.

Elder Housing with Services: Inclusionary Zoning Cash Payment Calculation	
A = average total development costs (TDC) per unit in Newton	FORMULA
B = average cost of providing long-term care for an elderly individual at 3-hours per day over a 10-year period	STEP 1: $A + B = \text{Total cost per bed}$
	STEP 2: $C \times 0.05 = \# \text{ of inclusionary beds required (rounded to nearest 10th)}$
C = # of beds in proposed project	STEP 3: $(A+B) \times (C \times 0.05 \text{ rounded}) = \text{Total Cash Payment}$

Elder Housing with Services

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Illustration: Elder Housing with Services Cash Payment Calculation Methodology

sample TDC: \$550,000 (May 2019 figure)

sample care cost = \$306,600

\$28 per hour x 3 hrs/day x 365 days/year x 10 years

(2019 avg. Home Health Aide hourly rate, Genworth Cost of Care Survey)

EXAMPLE: 115-bed Assisted Living Facility

STEP 1: \$550,000 + 306,600 = \$856,600/bed

*STEP 2: 115 beds x 0.05 = 5.8 inclusionary beds
required*

*STEP 3: \$856,600 x 5.8 beds = \$4,968,280
Total Payment*

Program Reevaluation & Effective Date

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5-year IZ Program Reevaluation

- Full reevaluation and report to City Council every 5 years
- Annual review and report by Planning Dept.

Effective Date: August 1, 2019

- Only applies to projects that receive a Special or Building Permit after this date
- Effective Jan. 1, 2021: projects with 100+ units subject to increased IZ requirement

Zoning and Planning Committee

June 10, 2019

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DISCUSSION