

# Zoning and Planning Committee

## September 25, 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

# Presentation Outline

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1. Overview and History of Inclusionary Zoning
2. IZ Ordinance Update: Why Now?
3. Newton's Increasingly Unaffordable Housing Market
4. Strengthening the Ordinance for Today's Newton
5. Next Steps

# 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

# 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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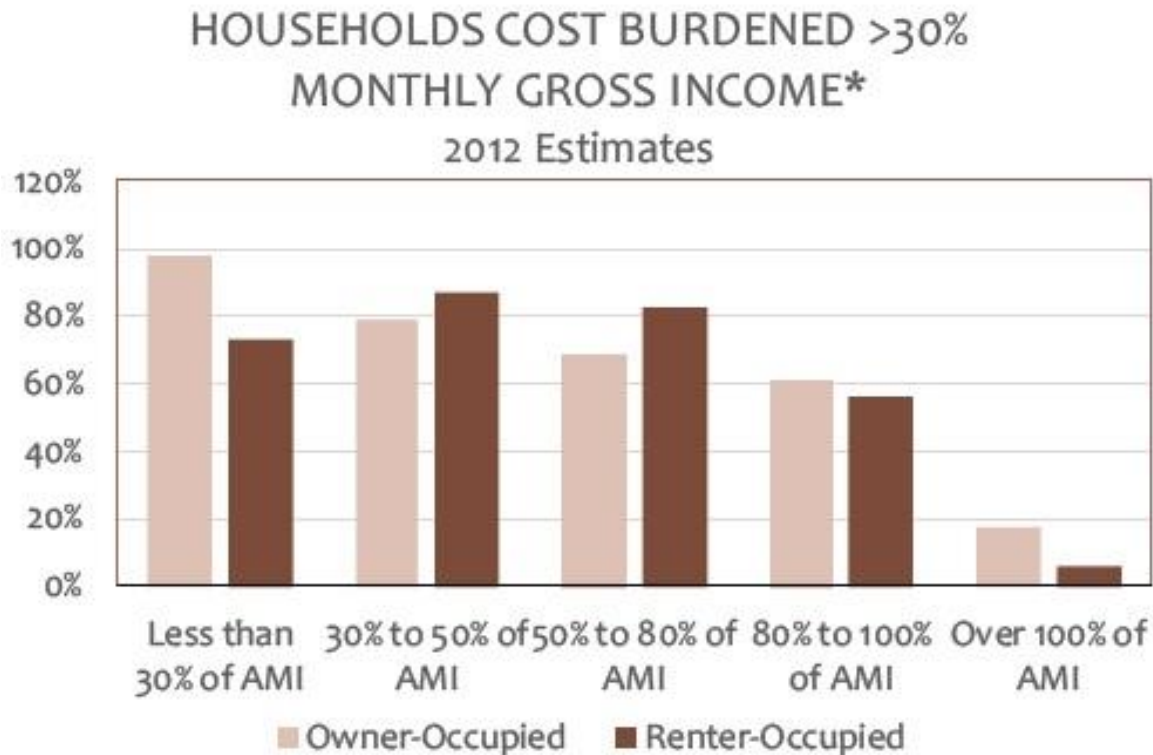
- The City's concentration of high value housing has created an ***extremely unaffordable environment*** for Newton's current population
- Newton's ***Middle-Class is shrinking***, and so is its ***workforce...***
- The City's population is ***aging*** and its ***household size is declining***, but there 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***



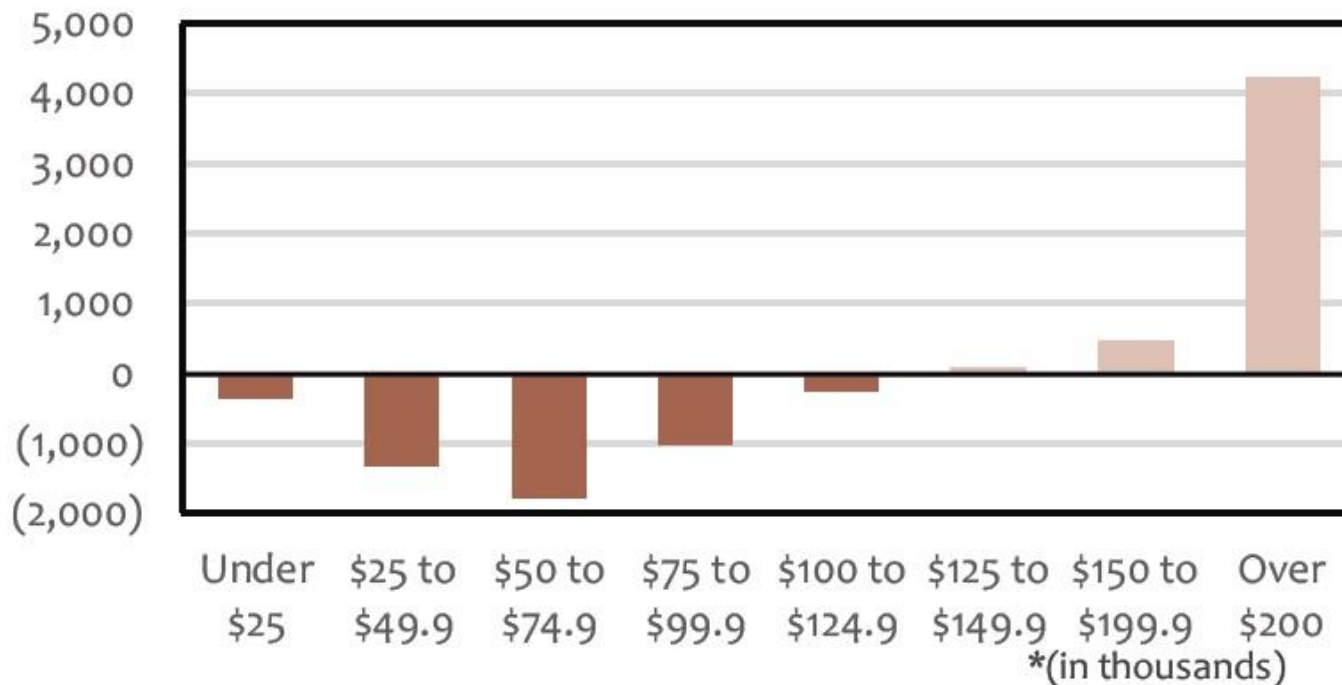
# IZ Update: Why Now?

## The Shrinking Middle-Class

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A shrinking middle-class = a shrinking workforce  
“Affordable Housing is where essential jobs go to sleep at night.”

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

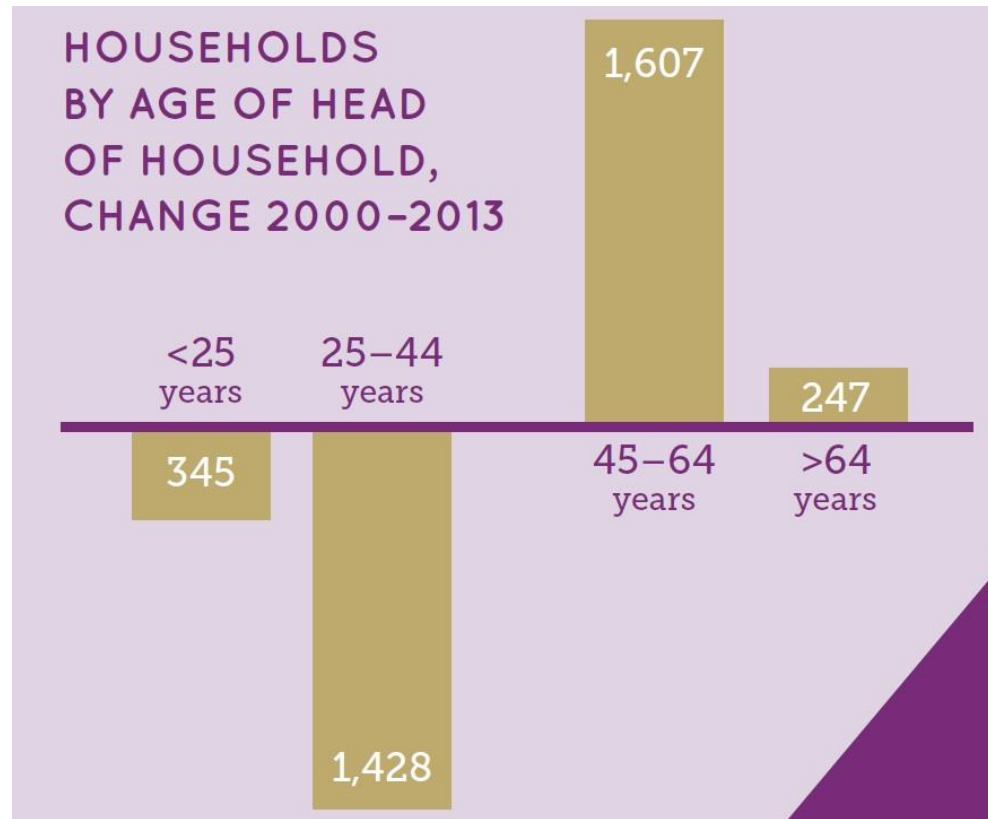


# IZ Update: Why Now?

## 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**

# Strengthening the Ordinance for Today's Newton

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## **Proposed Changes to IZ Ordinance:**

1. Apply to all new residential development, including single- and two-family homes
2. Expand the definition of affordability and percentage of inclusionary units
3. Redefine requirements and calculation for fractional payments in-lieu
4. Discourage off-site development
5. Revise elder housing with services requirements

# Strengthening the Ordinance for Today's Newton

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## Change #1:

Apply ordinance to *all* new residential development, including single- and two-family homes

**Current ordinance:** Applies to residential development requiring special permit with three or more housing units



# Strengthening the Ordinance for Today's Newton

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## Change #3:

**Redefine requirements and calculation for  
fractional payments-in-lieu**

Tier Level	1-6 new units	
	Rental	Owner
Tier 1, up to 50% AMI	Fractional payment option (10%); or 1 unit	
Tier 2, 51%-80% AMI		
Tier 3, 81%-120% AMI		
Total		

# Strengthening the Ordinance for Today's Newton

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## ➤ **Redefine requirements and calculation for fractional payments in-lieu**

- For projects with 1-6 new units: option for payment in-lieu of development of on-site unit
- Testing a formula that utilizes the average cost of residential development per square foot in Newton, coupled with the average size of the proposed unit(s) to be created
- Fractional unit formula would also be used for larger projects (7-plus units) where the required number of inclusionary units results in a fraction less than 0.5

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

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## Next Steps



# Zoning and Planning Committee

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**THANK YOU**