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Barney S. Heath
Director

PUBLIC HEARING/WORKING SESSION MEMORANDUM

DATE: August 4, 2017
MEETING DATE: August 8, 2017
TO: Land Use Committee of the City Council
FROM: Barney S. Heath, Director of Planning and Development
Neil Cronin, Senior Planner
CC: Petitioner

In response to issues raised at the City Council public hearing, the Planning Department is providing the following information for the upcoming continued public hearing/working session. This information is supplemental to staff analysis previously provided at the public hearings.

PETITION #132-17

Lagrange Street/Kessler Woods

Request for Special Permit/Site Plan Approval to amend Board Order #102-06(15) to locate the inclusionary units off site at 219 Commonwealth Avenue.

The Land Use Committee (the "Committee") held public hearings on this petition on June 13, 2017 and on July 11, 2017, which were held open so that the petitioner could respond to questions and concerns raised by the Committee as well as the public. At those hearings, the discussions focused on the comparability of the inclusionary zoning units being proposed at 219 Commonwealth Avenue and the overall benefit to relocating the affordable units from Kessler Woods to 219 Commonwealth Avenue.

However, at the July 11th meeting, a suggestion was made asking the petitioner to consider an option which retained some affordable units at Kessler Woods and provided the remaining required units at the 219 Commonwealth Avenue location. In response, the petitioner has submitted a revised proposal which maintains the five (5) one-bedroom units at Kessler Woods and locates the eight (8) two-bedroom units at the to-be-renovated property located at 219 Commonwealth Avenue (**Attachment A**). The below table reflects the updated unit mix at 219 Commonwealth Avenue.

Table 1: Revised Commonwealth Avenue Mix

| Unit Type | Total Number of Units in Development | Number of Affordable Units | Average Sq. Ft. (Affordable Units) |
|------------------|---|-----------------------------------|---|
| One-Bedroom | 20 | 4 | 379 sq. ft. |
| Two Bedroom | 8 | 8 | 882 sq. ft. |
| Total Units | 28 | 12 | NA |

In addition to providing the eight (8) inclusionary units at the to-be-renovated 219 Commonwealth Avenue property, the petitioner proposes four (4) affordable units (for 12 total affordable at this site) and sixteen workforce housing units. These workforce units are expected to be eligible for financing under the State’s Workforce Housing Program. Lastly, the petitioner has also proposed that this revised plan be evaluated by an independent affordable housing consultant. Please note, staff included studios as 1-bedroom units in the above table.

Planning Department Analysis

Staff from the Planning Department’s Housing and Community Development Division, including, but not limited to the Housing Program Manager, Community Development Program Manager, and Community Preservation Manager have reviewed the petitioner’s revised proposal with respect to what was approved under Board Order #102-06(15) (**Attachment B**).

Comparability

Both the petitioner and the Planning Department have prepared a comparability analysis of the inclusionary units approved under Board Order #102-06(15) versus the proposed inclusionary units to be offered at 219 Commonwealth Avenue. In summary, the 13 inclusionary units under the current Special Permit offer the following benefits:

- ❖ larger units overall in terms of square footage
- ❖ new construction units with modern amenities, including in-unit washer/dryer, assigned garage parking spaces, a community playground and a free shuttle to the MBTA Green line.
- ❖ all of the 13 affordable units are accessible to visitors and adaptable should the need arise to become accessible.

The petitioner’s alternative proposal offers the following benefits:

- ❖ retaining the five (5) one-bedroom units at Kessler Woods
- ❖ adding a total of 12 more affordable units and 16 workforce units at 219 Commonwealth Avenue
- ❖ rehabilitating a property for permanent affordable housing in a location close to jobs and transit

Net Affordable Housing Benefit

Staff notes that there are affordable housing benefits to be gained under both scenarios. Kessler Woods offers a rare opportunity to gain larger family-friendly units in a brand new amenities-rich development. On the other hand, 219 Commonwealth Avenue offers a greater number of affordable units overall and the possibility of workforce housing units as well.

As has been stated by Newton's Planning staff previously, there is tremendous need for affordable housing at all levels. The Inclusionary Zoning Ordinance is one of the tools to address this need by securing affordable units in multi-unit developments which require a Special Permit. There is a dual benefit to be had both in terms of the creation of affordable units and in terms of the income diversification of the individual development. In the present example, the 88 unit development at Kessler Woods offers that clear opportunity. The petitioner has proposed retaining some of the diversification in its revised proposal (5 units) but at the expense of relocating the 8 two-bedroom family units to 219 Commonwealth Avenue. Staff believes that there is an inherent benefit in both providing the larger 2-bedroom units at this location and maintaining minimum level of diversity (at 15%), which outweighs the benefits offered by the petitioner even under the revised proposal.

The City's ADA/Section 504 Coordinator and Fair Housing committee have both advocated strongly in favor of maintaining the 13 affordable units at Kessler Woods. The basis for their argument lies in the paucity of accessible/visitable units throughout the City and the prospect of gaining another 13 affordable units which are visitable and adaptable (**Attachment C**). The off-site units proposed by the petitioner, with exception of the one unit proposed at 219 Commonwealth Avenue, do not offer this net gain. Staff shares the belief that accessible/visitable/adaptable affordable housing units are a rare and valuable commodity in Newton, making the Kessler Woods units more valuable in terms of an overall affordable housing benefit.

Need for Independent Review

While the petitioner and Planning staff had contemplated engaging an independent consultant to evaluate the proposal, it is the considered opinion of the Planning Department that such an analysis has been undertaken by a professional staff with significant affordable housing experience as well as unique knowledge of the Newton affordable housing landscape; therefore, the Planning Department does not believe an independent consultant is necessary.

Off-Site Development Applicability

The petitioner has cited the off-site development provision in the Newton Zoning Ordinance as the principal basis for the proposed amendment sought. The provision language is relatively straightforward and the petitioner has met the basic provision. However, the intent of the ordinance would seem to suggest that any agreement to allow off-site units to substitute for on-site units should be structured such that the affordable units are completed no later than the market-rate units. In the present example, the petitioner has proposed the substitution of off-site units just as the market-rate units are coming on-line. Staff believes that this provision was clearly intended to be considered in the context of the original Special Permit discussion and not to be used as a basis for amending a previously approved Special Permit.

Recommendation

In view of the above analysis, it is the opinion of the Planning staff that the petition to amend the current Special Permit for Kessler Woods be denied.

ATTACHMENTS:

- Attachment A: Hancock Estates Enhanced, Combined Proposal, dated July 26, 2017**
- Attachment B: Planning Department Comparability Analysis**
- Attachment C: Fair Housing Committee Letter, dated August 3, 2017**

Kessler Woods and 219 Comm Ave

Enhanced Combined Proposal for On-Site and Off-Site Inclusionary Housing



Comparison: Kessler vs. Enhanced Combined Proposal

| | Kessler Special Permit | Enhanced Combined Proposal | Net Benefit |
|---|------------------------|------------------------------|--|
| Total Affordable Units | 13 | 33* | <input checked="" type="checkbox"/> 20 units |
| 1-bedroom Units | 5 | 25[†] | <input checked="" type="checkbox"/> |
| 2-bedroom Units | 8 | 8 | = |
| Average Affordability (50-80% AMI) | 65% AMI | 65% AMI[‡] | = |
| Workforce Units (100% AMI) | 0 | 16 | <input checked="" type="checkbox"/> |
| Type 2 Accessible Affordable Units | 2 | 2 | = |
| Total Affordable Square Footage | 12,242 ft ² | 22,412 ft² | <input checked="" type="checkbox"/> 10,170 ft² |
| Additional Capital Invested in Newton Housing Stock | \$0 | \$3,000,000 | <input checked="" type="checkbox"/> |
| Nearest Public Transit | T stop – 1.7 miles | T stop - 0.5 miles | <input checked="" type="checkbox"/> |
| Near Employment | No | Yes - Boston College | <input checked="" type="checkbox"/> |

*All 33 units from the Enhanced Combined Proposal will be affordable in perpetuity and will count towards Newton's SHI.

[†]25 one-bedroom units include two studios at 219 Commonwealth Avenue.

[‡]65% AMI is the average of 13 units (5 one-bedrooms at Kessler and 8 two-bedrooms at 219 Comm) between 50-80% AMI.

City of Newton's Affordable Housing Goals

| Inclusionary Zoning Ordinance (sec. 5.11) | Enhanced Combined Proposal | Goal Achieved? |
|--|--|-------------------------------------|
| Adding to the diversity of housing opportunities | New Construction and Historic Rehabilitation | <input checked="" type="checkbox"/> |
| Offering more housing choices including all incomes, ages and unit sizes | Four AMI tiers: 50%, 65%, 80%, 100% Units include studios, 1BRs, and 2BRs | <input checked="" type="checkbox"/> |
| More overall affordable housing units | 20 additional units | <input checked="" type="checkbox"/> |

| Housing Needs Analysis and Strategic Recommendations, June, 2016 by RKG Associates | | |
|---|--|-------------------------------------|
| Pursue diverse housing choices | Same as Above | <input checked="" type="checkbox"/> |
| Locate housing to promote access and choice | 219 Comm Ave is near transit and Newton's second-largest employer | <input checked="" type="checkbox"/> |
| Providing a mix of housing in all parts of the city | Units in both Ward 8 (Kessler Woods) and Ward 7 (219 Comm Ave) | <input checked="" type="checkbox"/> |

Enhanced Combined Proposal: 33 Affordable Units

| Location of Units | Unit Type | 50% AMI Affordable Units | 65-80% AMI Affordable Units | 100% AMI Workforce Units |
|-------------------|-------------------|--------------------------|-----------------------------|--------------------------|
| Kessler | 1-bedroom | 5 | - | - |
| 219 Comm | Studio | - | 2 | - |
| 219 Comm | 1-bedroom | - | 2 | 16 |
| 219 Comm | 2-bedroom | 1 | 7 | - |
| | Total | 6 | 11 | 16 |
| 100% | Affordable | 33 units | | |

All 5 one-bedroom affordable units from the Kessler Woods Special Permit will remain at Kessler Woods.

Enhanced Combined Proposal: 33 Affordable Units

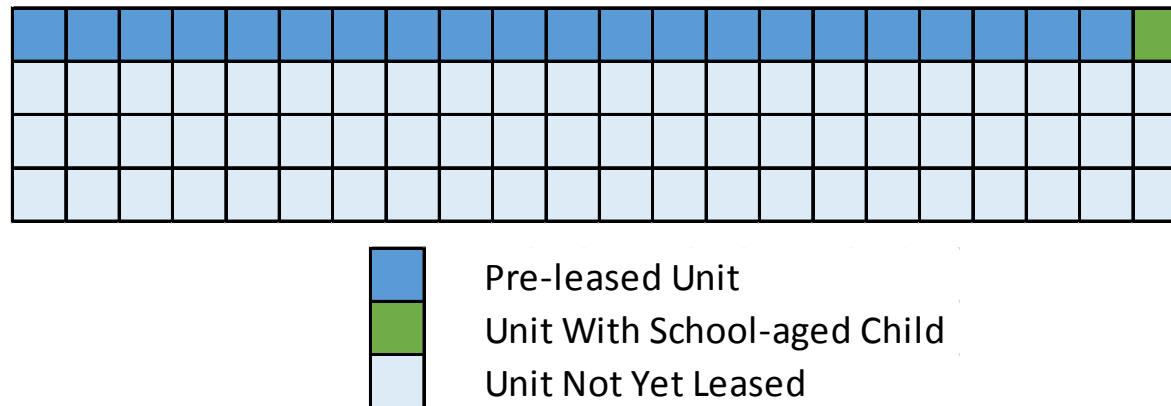
| Location of Units | Unit Type | 50% AMI Affordable Units | 65-80% AMI Affordable Units | 100% AMI Workforce Units |
|-------------------|-------------------|--------------------------|-----------------------------|--------------------------|
| Kessler | 1-bedroom | 5 | - | - |
| 219 Comm | Studio | - | 2 | - |
| 219 Comm | 1-bedroom | - | 2 | 16 |
| 219 Comm | 2-bedroom | 1 | 7 | - |
| | Total | 6 | 11 | 16 |
| 100% | Affordable | 33 units | | |

All 28 affordable and Workforce Housing units at 219 Commonwealth Avenue will be income and rent restricted in perpetuity.

The Market for Units at Kessler Woods

25% of the units at Kessler Woods have been pre-leased.

All but one of the units are leased by seniors and empty-nesters.



Parking at 219 Commonwealth Avenue

- The off-street parking lot at 219 Comm Ave. has been used by up to 14 cars
- This lawful, pre-existing non-conforming parking has existed at the building for decades
- Enhanced Combined Proposal doesn't add units or foreseeable parking demand to the building
- Tenants have always been able to self-manage shared parking arrangements in the parking lot
- If rental of off-street parking is available in the neighborhood and is requested, CHR can facilitate that for tenants



Existing Off-street Parking Lot at 219 Comm. Ave

Walking Distance & Route to Nearest Public Schools

Kessler Woods



- At least 16 minute walk (0.8 miles)
- Segments of Vine St. have no sidewalk at all (¼ of walk)
- Must cross LaGrange St. twice (major thoroughfare)
- Must cross street at least 6 times

219 Comm Ave



- 12 minute walk (0.6 miles)
- All streets have sidewalks
- Only three street crossings required

Public Benefit Comparison Between Proposals

| Proposal | Affordable Units | Effective Market Rent Range [†] | Restricted Rent Range | Rent Differential | Capitalized Public Benefit [‡] |
|----------------------------|------------------|--|-----------------------|-------------------|---|
| Kessler Special Permit | 13 | \$3,125 - \$4,050 | \$970-\$1939 | \$29,051/month | \$6,972,240 |
| Enhanced Combined Proposal | 33 | \$1,650 - \$3,350 | \$970-\$1939 | \$36,566/month | \$8,775,840 |
| Difference | | | | | \$1.8 million |

The Enhanced Combined Proposal includes the following significant public benefits:

- Maintains 13 affordable units
 - 5 one-bedroom units at 50% AMI are staying at Kessler Woods property
 - 8 two-bedroom units between 50-80% AMI are rehabilitated at 219 Commonwealth Avenue
- Adds 20 new units of Workforce/Affordable Housing
 - 16 new units of Workforce Housing at 100% AMI are created in Newton
 - 4 additional units of affordable housing at 65-80% AMI are created in Newton
- 33 units (rather than 13 units) will be added to Newton's Subsidized Housing Inventory
- Rehabilitation and preservation of a National Registry Historic Building

[†]Effective Market Rent Range takes current market rents (\$3,350-\$4,585) and factors in contingencies including: higher operating costs, delayed lease commencements, commitments that don't close, leasing commissions, and other marketing costs.

[‡]Capitalized Public Benefit is the value to the public of the annual affordable rent differential capitalized at a Cap Rate of 5%, industry standard for Newton.

Developer Earnings Analysis

The Enhanced Combined Proposal includes the developer (CHR) laying out \$6.3 million[†] today.

Converting the eight 2BR units at Kessler Woods to market will earn the developer \$155,424 annually.

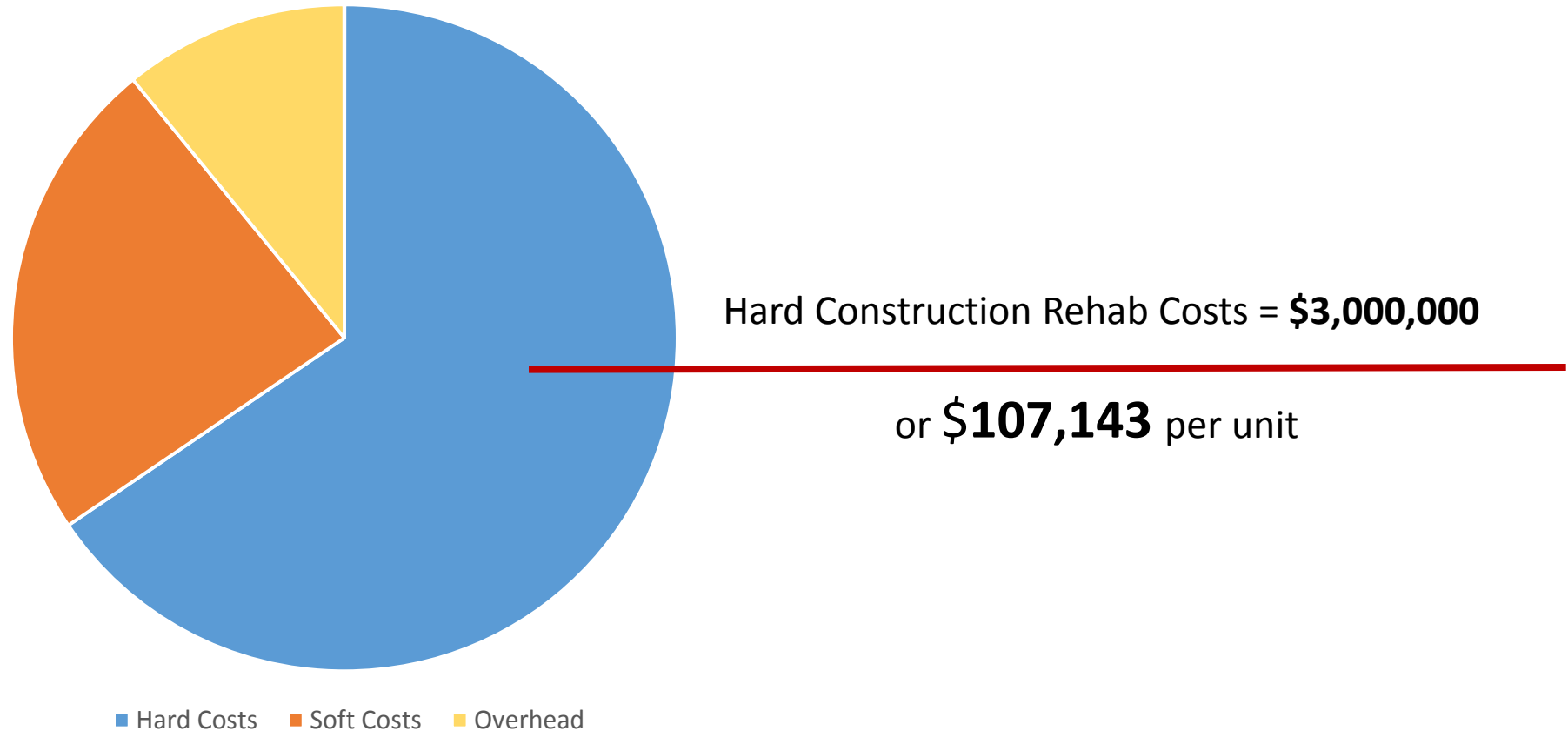
It will take at least 15[‡] years for the developer to recoup the \$6.3 million invested at 219 Comm Ave.

[†] \$6.3 million is the difference between total development costs of \$13.9 m, a mortgage loan of \$4.9 m, and Workforce Housing funds of \$2.7 m

[‡] The following assumptions were made:

- Annual income from 28 units at 219 Comm Ave after debt service of \$79,124 in year 1, grown at 2% annually for 16 years
- Difference between market and restricted rents for the eight 2BR units at Kessler of \$155,424 in year 1, grown at 3% annually for 16 years
- The break even point between today's cash outlay and future earnings based on a discount rate of 5.50% is between 15 and 16 years

Rehabilitation Costs at 219 Comm Ave



Enhanced Scope of Rehabilitation at 219 Comm Ave

- Adding a fully accessible Type 2 unit where none exists now
- Adding a fire protection sprinkler system for the entire building
- Updating bathrooms for all 28 units
- Upgrading electrical and plumbing in units where necessary
- Replacing all kitchen cabinets with new white cabinetry in all 28 units
- Replacing all appliances with new stainless or white appliances in all 28 units
- Upgrading all kitchen countertops to white quartz in all 28 units
- Adding dishwashers and microwaves to units where physically possible
- Painting all 28 units and adding new crown molding

Scope has been updated since July 11th public hearing.

Enhanced Scope – 219 Commonwealth Ave.



B'NAI B'RITH HOUSING

Creating Places to Call Home



Chestnut Hill Realty

Illustrative Example of Comparable Unit Rehab



B'NAI B'RITH HOUSING

Creating Places to Call Home

700-800 sq. ft. 2-bedroom unit



Chestnut Hill Realty

Illustrative Example of Comparable Unit Rehab



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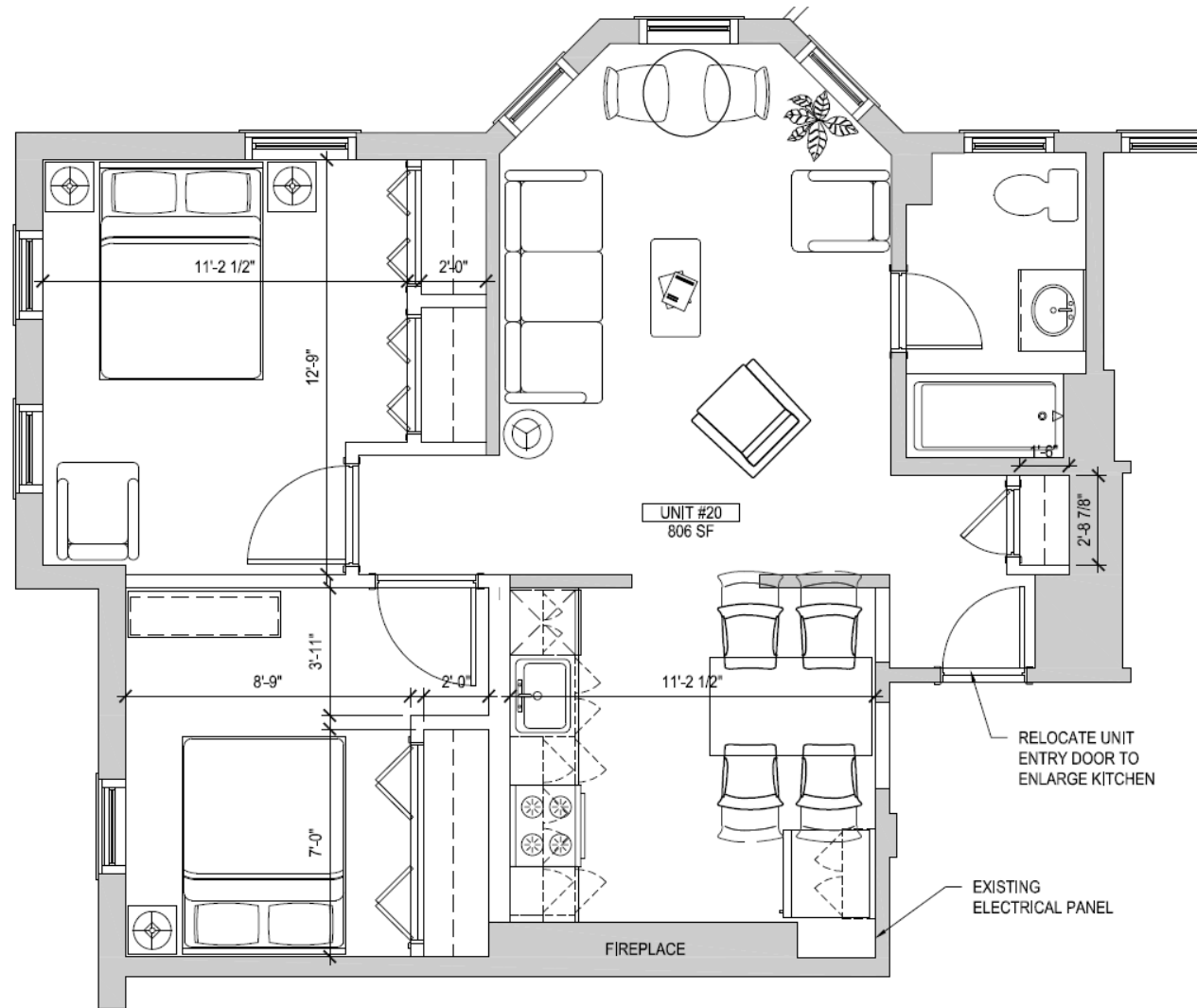
Chestnut Hill Realty

Illustrative Example of Comparable Unit Rehab



700-800 sq. ft. 2-bedroom unit

Illustrative Example of Comparable Unit Rehab



**Kessler Woods / 219 Commonwealth Avenue, Newton, MA
33 SHI Unit Scenario - Unit Detail**

| Unit | Unit Type | # BR | SF | Income Tier (AMI) |
|---|-----------|------|-----|-------------------|
| Kessler Woods Affordable Housing - 5 units | | | | |
| 110 | 1 | 1 | 842 | 50% |
| 128 | 1 | 1 | 842 | 50% |
| 210 | 1 | 1 | 842 | 50% |
| 228 | 1 | 1 | 836 | 50% |
| 310 | 1 | 1 | 842 | 50% |
| Count - Kessler Woods | 5 | | | |

219 Commonwealth Avenue Affordable Housing - 28 units

| Unit | Unit Type | # BR | SF | Income Tier (AMI) |
|-----------------------------|-----------|------|-------|-------------------|
| 4 | 2 | 2 | 743 | 50% |
| 1 | 2 | 2 | 898 | 65% |
| 12 | 2 | 2 | 915 | 80% |
| 16 | 2 | 2 | 1,050 | 80% |
| 20 | 2 | 2 | 806 | 80% |
| 24 | 2 | 2 | 795 | 80% |
| 30 | 2 | 2 | 926 | 80% |
| 34 | 2 | 2 | 926 | 80% |
| 11 | Studio | 1 | 308 | 65% |
| 15 | Studio | 1 | 311 | 65% |
| 41 | 1 | 1 | 454 | 80% |
| 45 | 1 | 1 | 444 | 80% |
| 3 | 1 | 1 | 698 | 100% |
| 5 | 1 | 1 | 661 | 100% |
| 10 | 1 | 1 | 523 | 100% |
| 14 | 1 | 1 | 522 | 100% |
| 21 | 1 | 1 | 538 | 100% |
| 22 | 1 | 1 | 520 | 100% |
| 25 | 1 | 1 | 554 | 100% |
| 26 | 1 | 1 | 523 | 100% |
| 31 | 1 | 1 | 574 | 100% |
| 32 | 1 | 1 | 516 | 100% |
| 35 | 1 | 1 | 572 | 100% |
| 36 | 1 | 1 | 524 | 100% |
| 40 | 1 | 1 | 789 | 100% |
| 42 | 1 | 1 | 652 | 100% |
| 44 | 1 | 1 | 784 | 100% |
| 46 | 1 | 1 | 682 | 100% |
| Count - 219 Comm Ave | 28 | | | |

Count - KW / 219 Comm Ave

33

**PLANNING &
DEVELOPMENT
DEPARTMENT**

**Analysis for Special Permit
Amendment Request #132-17
August 4, 2017**

Comparability Analysis: Current Inclusionary Housing Benefit at Kessler vs. Proposed Hybrid Approach

| Comparative Category | Current Special Permit | Hybrid Proposal | | Net Benefit |
|---|---|---|--|-------------|
| | | Kessler | Commonwealth | |
| Delivery of Affordable Units | Fall, 2017 (13) | Fall, 2017 (5) | Unknown | Current |
| Size of Affordable Units | | | | |
| 2 bedroom | 1000 sq.ft. (8) | 0 | 882 sq.ft. (8) | Current |
| 1 bedroom | 893 sq.ft. (5) | 842 sq.ft. (5) | 449 sq.ft. (2) | Hybrid |
| Studio | 0 | 0 | 313 sq ft. (2) | Hybrid |
| Accessibility of Affordable Units | 2 unit full accessible 11 visitable/adaptable | 1 unit fully accessible/ 4 visitable/ adaptable | 1 unit fully accessible | Current |
| Unit Amenities | All 13 Playground, In-unit Washer/Dryer, Fitness Center, Home/Office Center, Community Garden, Gourmet Kitchen | 5@ Kessler | No Amenities | Current |
| Parking Availability | 13 Assigned Garage Parking Spaces | 5@ Kessler | No Assigned Spaces | Current |
| Affordability Range | 65% Average | 65% | 65% | Even |
| Access to MBTA | Free Shuttle to MBTA (13) | Free Shuttle (5) | ½ Mile Walk | Current |
| Public Subsidy Needed for Affordable Units | Private Funding Only | Private Funding Only | Mix of Private and State Funding (\$2.7Million) | |

Kessler Development Earnings Analysis Reduction of (8) Two Bedroom Affordable @ Kessler

| | |
|--|-----------------------------|
| Monthly Market Rate for Two Bedroom Unit ⁽¹⁾ | \$6,307 |
| Current Affordable Rent Calculation for Two Bedroom Unit ⁽²⁾ | \$1,512 |
| Monthly Differential | \$4,795 X 12 |
| Annual Per Unit | \$57,540/month * 8 Units |
| Total Additional Revenue | \$460,320/year |
| <p>(1) Average Rent of Available Two-bedroom Units Advertised on Web-site (2) Maximum Affordable Rent for Two-bedroom Unit at 65% AMI</p> | |

CITY OF NEWTON, MASSACHUSETTS

Fair Housing Committee



Setti D. Warren
Mayor

Barney Heath
Director of
Planning & Development

Malcolm Lucas
Housing Planner

Members

Phil Herr, Chair
Esther Schlorholtz, Vice-Chair
Karen Allschwang
Kathy Laufer
Councilor Ted Hess-Mahan
Sheila Mondshein
Josephine McNeil
Susan Paley

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August 3, 2017

Scott F. Lennon, President, and Members of the Newton City Council
1000 Commonwealth Avenue
Newton, MA 02459

RE: Kessler Woods Special Permit Amendment Proposal

Dear Council Members:

On behalf of the Newton Fair Housing Committee, we are writing to offer comments on the special permit amendment request by Chestnut Realty, the developers of the Kessler Woods development, proposing to commit eight of their two-bedroom apartment units at the Kessler Woods site to market rate and to commit their eight two-bedroom units at 219 Commonwealth Ave. to rents between 50% and 100% of AMI. Their proposal would result in two buildings having between them 17 apartments with rents no higher than 80% of AMI and 16 additional units no higher than 100% of AMI. However, we do not consider the fair housing benefits of that change to be comparable to the fair housing benefits of retaining the affordability at Kessler Woods. We therefore do not recommend acceptance of the proposed amendment.

To be fair housing, the eight affordable two-bedroom units at 219 Commonwealth Avenue would have to be comparably beneficial for its residents as they would have been at Kessler Woods. These are among the concerns.

- Two of the eight units are on a floor below the first floor at 219 Commonwealth Avenue, with concrete wells to provide space for windows.
- Only one of the eight units has floor area as large as is required for new inclusionary two bedroom units under Newton Zoning section 5.11.7.
- Accessibility problems are numerous and serious, as documented by the July 11, 2017 memo from Jini Fairley, Newton's ADA/Sec.504 Coordinator.
- The parking deficiency is a serious concern without any solution having been offered.

The intentions of the City of Newton in acquiring Kessler Woods 20 years ago included wanting to provide there an outstanding example of housing development. Hancock Estates may well achieve that, but not if it fails to provide at that site housing for as broad a range of residents as it had been proposing prior to this proposed change.

Please let us know if you have questions. Thank you.

Sincerely,



Philip Herr
Chair



Esther Schlorholtz
Vice Chair

cc: Barney Heath, Director of Newton Planning & Development