

Northland Newton Development
RKG December 2018 Peer Review Responses
Northland Investment Corporation
February 2019

Planning Department comments:

1. The project proposes ground floor commercial uses for most buildings. The petitioner has stated the uses will vary from neighborhood-scale to medium-scale retailers with more of a regional draw. The petitioner has also committed to providing 10,000 square feet of commercial space at reduced rents for local retailers. **Planning Staff recommends the petitioner provide additional details on this proposal.**

Response:

The overall project ground-floor “retail/commercial/service/professional” square footage has been reduced to 115,000 square feet and will include not just traditional retail, but also personal/professional-service/office space. Despite the reduction in overall retail square footage, Northland remains committed to providing up to 10,000 square feet of retail/commercial/personal/professional space at discounts up to 25% of the typical market rents for the specific type of use.

2. As proposed, 45 of the 822 residential units would be designed and constructed as accessible units, meeting the Massachusetts Architectural Access Board 521 CMR 9.4, Group 2A Dwelling Unit requirements. At least 5%, or 41 units, must meet the Group 2A requirements. As analyzed by RKG and discussed further below, the units are proportionally distributed according to number of bedrooms, size, quality, price, and location. The exception is Building 13, where the petitioner has several options for providing an accessible unit in a building with townhomes. Of the 45 accessible units, 7 are identified as both affordable and accessible. While this meets the distribution requirements, given the need for affordable accessible units, **Planning Staff recommends that half of the accessible units also be deed-restricted affordable units.**

Response:

Note that the with the reduction of the unit count to 800 units from 822, Northland is maintaining the affordable unit count at 123

Per MAAB §9.4.2 The Group 2A units are required to be evenly distributed across the units according to price. As submitted in the Preliminary Inclusionary Housing Plans, per the MAAB requirements, 5% of the affordable units are proposed to be accessible to Group 2A standards.

Northland is willing to make such a shift, but understand we would be required to seek a variance with the State Accessibility Board for non-evenly distributing the Group 2a units toward the lower income units. Northland will need to seek advice of their Accessibility Consultant on viability of this variance with the MAAB.

3. The petitioner has proposed dedicating 10,000 square feet of commercial space to small and local businesses with some level of reduced rent. Planning Staff recommend the petitioner provide additional details for this proposal.

Response:

Please see response to comment number 1 above.

4. None of the accessible units would be a townhouse dwelling (located along the western boundary of the site), and, as the RKG report notes (see p. 31), the petitioner has not yet identified how it intends to satisfy applicable state accessibility regulations regarding townhouses. While the seven affordable and accessible units meet the distribution requirements, given the strong need for affordable and accessible units, **Planning Staff would like to see half of the 45 accessible units also be identified as deed-restricted affordable units.**

Response:

Please see response to comment number 2 above. In addition, Per MAAB §9.4.2, the Project will use the Townhouse exception (a) to substitute a fully accessible flat of comparable size, amenities, etc. elsewhere in the project.

5. Staff recommends that Northland comply with the proposed Inclusionary Zoning ordinance requirements that are currently before Council, which would provide for a total of 145 deed-restricted affordable units, broken down by the following income tiers:
 - Tier 1 (up to 50% AMI): 21 units
 - Tier 2 (51%-80% AMI): 103 units
 - Tier 3 (81%-110% AMI): 21 units
 - Total = 145 units

Response:

Northland is committed to complying with the inclusionary housing ordinance in effect at the time of project approval. Please note however, that despite reducing the number of units from 800 to 822, Northland will still provide 123 units of affordable housing. Northland notes that the project as proposed will be the largest contribution of affordable housing units in any project in the history of the City

6. Staff also recommends that 23 of the accessible units be included in the Tier 1 and Tier 2 affordable units. In addition, related to the community benefits / mitigation fees discussion that may take place throughout the planning approval process, we recommend that Northland consider a one-time contribution to the City's Inclusionary Zoning Fund, to be targeted for the creation of new affordable Tier 1 units.

Response:

Northland intends to comply fully with the ordinance in place at the time of approval and is proposing additional municipal improvements and mitigation in addition to its affordable housing.

7. Planning Staff acknowledges that there is likely limited potential for additional significant office space at the proposed site, beyond the 180,000 square feet proposed. However, given the analysis from RKG and Camoin, **staff recommends the petitioner explore diversifying the proposed commercial space and evaluating the potential for additional small office space, coworking space, lab space, or unique hotel models.**

Response:

The Project as submitted does propose a mix of flexible uses. One example, within the "Retail" GFA designation that was proposed, was to include up to 10,000 SF of Medical Office Space. The Project is requesting flexibility for future tenants within the Special Permit that would allow, among other potential program elements, the following uses: for-profit schools and laboratory or research facilities.

The Project team is currently reviewing the possibility and feasibility of including "flexible commercial" to be an allowable use within the proposed "Retail" GFA. Approval of this concept would allow smaller professional office spaces, medical office spaces, co-working spaces, and a wider variety of commercial space to be distributed through-out the intended active ground-floor areas of the project.

8. Planning Department recommends that the petitioner consider including additional uses to the project, such as hotel space, co-working space, and other possible uses to further diversify the economic activity at the site and increase the project's resiliency for shifting economic conditions.

Response:

The Project is requesting flexibility for future tenants within the Special Permit that would allow, among other potential program elements, the following uses: for-profit schools, and laboratory or research facilities consistent with residential uses.

The Project team is currently reviewing the possibility and feasibility of including "flexible commercial" to be an allowable use within the proposed "Retail" GFA. Approval of this concept would allow smaller professional office spaces, medical office spaces, co-working spaces, and a wider variety of commercial space to be distributed through-out the intended active ground-floor areas of the project. Northland will ask the City Council to allow flexibility as to future uses with controls as to the aggregate number of dwelling units, aggregate parking or other metrics

9. Planning Staff assumes students are unlikely to affect Newton Public Schools prior to 2023 at the earliest but requests the petitioner provide additional details as to when units will come on-line

Response:

The first units would be available for occupancy approximately four years after special permit approval (est 2023). It will take approximately four years from the start of occupancy to have all of the units completed.

RKG Comments:

1. Does the proponent have rent projections for the housing units by size and type?

Response:

Since the units will not be coming “online” for nearly four years, it is too early to establish accurate or reliable rent projections.

2. What is the anticipated allocation of the affordable units by AMI?

Response:

Per the Inclusionary Housing Ordinance, the allocation of the 123 units will be as follows:

- 62 units at 80% AMI
- 61 units at 50% AMI

As part of the final Inclusionary Housing Plan, the distribution will be proposed to be allocated proportionally across all unit types, subject to approval by the City. Northland intends to propose that Building 8 be an “age friendly” building which may include a slightly disproportionate (increased) ratio of affordable units and accessible units and other features catering to a senior demographic.

3. If first floor retail/commercial space remains vacant for a substantial period of time, does the proponent anticipate changing the use from commercial to residential through a change to the Special Permit?

Response:

No. Northland anticipates that the number of dwelling units to be capped at 800. It may be prudent to provide flexibility as to whether some of those units might be on the ground floors of certain buildings excluding the ground floors of certain other buildings. For example, we contemplate either residential or commercial uses in the “Laneway” in Building 6.

4. Request a market study and market plan for the 180,000 square feet of office space from Northland.

Response:

Northland has engaged Newmark Knight Frank (NKF) as the commercial broker for the 180,000 square foot Saco Pettee Mill. NKF was selected to represent and market the building based on their extensive knowledge of the specific market area that the Saco Pettee Mill Building is in. They have also participated in and informed the redesign of the Mill based on their market knowledge.

5. Are there more specifics on the tenants being sought, or are there any letters of intent?

Response:

No, it is too early in the development process for letters of intent given that we cannot promise a delivery timeframe to potential tenants. The Mill building is being reconfigured a from single-tenant building to a flexible multi-tenant Class A office building.

6. Is the intent to create Class A office space with competitive spaces and amenities?

Response:

Yes.

7. Are there plans to divide up the building into a series of smaller spaces, or is Northland intending to secure one or two large leases with anchor tenants?

Response:

*See response to 5 above. We will market to tenants that need large spaces as well as tenants that need smaller spaces **to the extent the building configuration will allow.***

8. Request a market study and marketing plan for the 185,200 square feet of ground floor space from the proponent. RKG's estimate of supportable retail is substantially less than what is proposed at Northland Newton. RKG has concerns that this space may sit vacant if built or result in sales transfer from other commercial activity centers across the City.

Response:

Northland has engaged an additional retail consultant, Streetsense, who was instrumental in reassessing the market in light of RKG's concerns, resulting in a reduction to 115,000 square feet of retail/commercial/flexible space.

9. Are there more specifics on the tenants being sought, or are there any letters of intent?

Response:

As in the response to question 5 above, it is too early in the development process to negotiate letters of intent.

10. Will the ground floor space include small offices for personal and professional services, or will the space be 100 percent occupied by retailers and restaurants?

Response:

The Project as submitted does propose a mix of flexible uses within the ground floor, the "Retail" GFA is intended to include restaurants up to 1,595 seats, retail and personal services up to 115,000 sf including Medical Office up to 10,000 sf. The Project as submitted also requests a special permit to maximize the flexibility of leasing of the ground floor by making allowable: ground-floor residential, restaurants with more than 50 seats, for-profit schools, educational uses, drive-in businesses, open air businesses ,

places of amusement, radio or TV broadcasting studios as well as lab and research facilities without the need for additional special permits.

11. If ground floor occupancy is slow and vacancies remain, are there any plans to shift the use of that ground floor space?

Response:

The Project as submitted proposes a flexible mix of approved uses at the ground floor in order to achieve a functional capacity to adapt within a variety of uses without requiring the project to seek additional approvals. We expect the aggregate number of units and the aggregate parking demand to be capped.

12. Were hotel uses considered for the site?

Response:

The Project as submitted does request a special permit to maximize the flexibility of future tenants by making hotels allowable without the need for additional Special Permits. Northland does not believe a hotel at this location is a feasible idea at this time.

13. RKG understands that Landwise used the IMPLAN model to present Newton specific economic impacts of the Northland proposal. Further explanation is needed from Landwise as to how they estimated IMPLAN economic impacts specific to Newton. Were Newton specific multipliers used or a factor that brings region/state level economic impacts down to the city level?

Response:

*We rely on the IMPLAN data to model the impacts at the zip code level (with the City representing ten different zip codes). In order to get zip code level data IMPLAN has a process that brings county level data down to the zip code level through a "share" style analysis. More detail about the specifics can be found here:
<https://implanhelp.zendesk.com/hc/en-us/articles/115009506087-How-Zip-Code-Files-are-Estimated>*

14. Why was a factor of 50% used to estimate construction wages for the project? In RKG's experience, this figure is usually between 30%-35%.

Response:

The short answer is that the 50% is an IMPLAN number. Even so let us try to explain the difference.

IMPLAN defines "Labor Income" more broadly than just construction wages and includes benefit and proprietor income, which RKG may not include in their calculation.

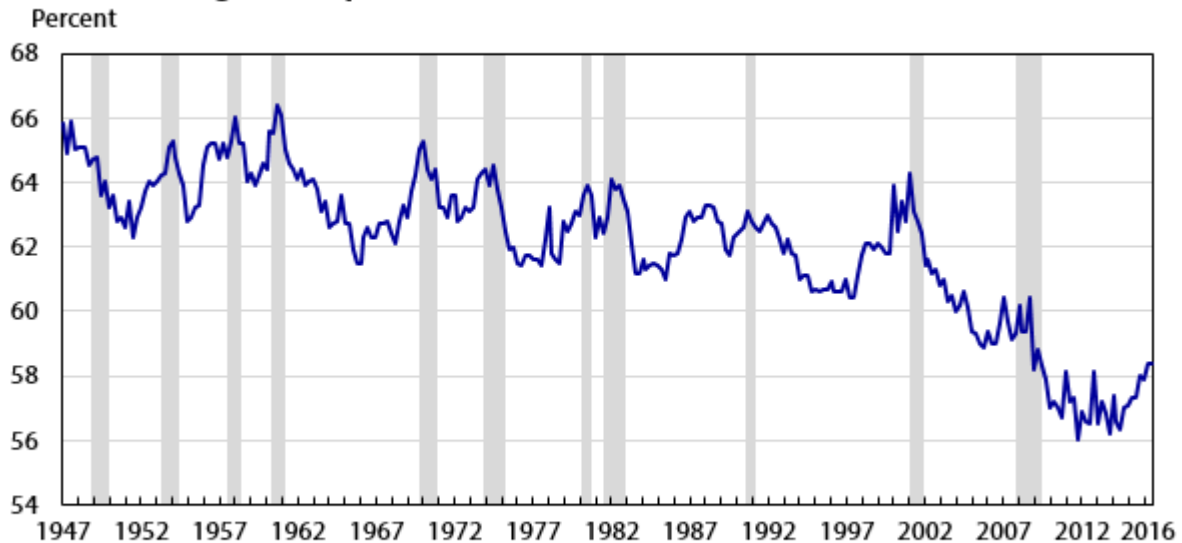
Labor Income = Employee Compensation + Proprietor Income

- *Employee Compensation – wages and benefits for employees in a corporation.*

- *Definition and data from by the Bureau of Economic Analysis (BEA)*
- *Includes: wages and salaries, commissions, tips, bonuses, severance payments, regular supplementary allowances, transit subsidies, employer contributions to employee pension and insurance funds*
- *Proprietor Income – labor compensation of a proprietor business*
 - *Definition and data from by the Bureau of Economic Analysis (BEA)*
 - *Does not include capital income*

Figure 1 shows the evolution of the labor share across all industry sectors from 1947 to 2016. The 52% figure calculated for the Northland project is consistent with the overall average.

Figure 1. Labor's share of output in the nonfarm business sector, first quarter 1947 through third quarter 2016



Note: Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.

Additionally, IMPLAN provides the share of “Employee Compensation” to “Total Output” by sector and region. This metric excludes proprietor income and as such better correspond to RKG’s definition.

The table below outlines the percentages by industry sector in both Newton and State of Massachusetts. The development costs provided by Northland were allocated across these industry sectors, with most of the costs attributed to the Construction sector.

Industry Sector	Share of Total Development Cost	% of Total Output attributed to Employee Compensation	
		Newton	State of MA
57 – Construction of new commercial structures, including parking lots	70%	29%	22%
449 – Architectural, engineering and related services	17%	33%	31%
62 – Maintenance and repair construction of nonresidential structures	8%	18%	13%
56 – Construction of new highways and streets	4%	16%	11%
395 – Office furniture merchant wholesalers	1%	30%	25%
	100%	29%	22%

The weighted average of the percentages for Newton is 29%, a figure that relates more closely to the 35% figure provided by RKG.

- RKG understands that Landwise is considering the full 185,200 square feet of future retail space to all be net new to the project. There is a possibility that some portion of the proposed retail will be filled by tenants in the retail center that exists on the property today. RKG suggests the economic model offer a low and high estimate of impacts to reflect the possibility that not all the planned retail space will be net new.

Response:

The comment is noted. Northland does not currently have any agreements in place that would extend the leases of the existing retail tenants. Northland does not know if any retail tenants will return, so Landwise assumed that the retailers would be net new. We can run numbers on different assumptions, but we do not believe the results would be significantly different or affect the developer’s plans.

16. Since none of the townhouses in Building 13 are proposed to be accessible to Group 2A, how does the proposed project meet the Townhouse exception noted in 521 CMR 9.4.2? Is the Group 2A accessible live/work unit in Building 5 intended to serve as a substitute flat of comparable size and amenities? Will one of the townhouse units provide space for the future installation of a wheelchair lift for upper story access? Will one of the townhouse units provide space for the future installation of a residential elevator for upper story access?

Response:

Per MAAB §9.4.2, the Project will use the Townhouse exception (a) to substitute a fully accessible flat of comparable size, amenities, etc. elsewhere in the project.

17. How will the proposed project meet the accessibility requirements for persons who are deaf or hard of hearing as stated in 521 CMR 9.7? Which of the 822 total units will be set aside to fulfill the 2 percent requirement?

Response:

Per MAAB §9.6, 2% of the total number of dwelling units in the complex, and within each constructed phase of the project shall comply with the section. Although not yet defined, the units will be evenly distributed throughout the Project unless an additional unit is added to Building 8

18. Under the current Inclusionary Plan Set, 82 percent of the Group 2A accessible units will be located in market rate apartments and only 16 percent will be located in the affordable units. Would the developer be amenable to shifting more of the accessible units to the affordable side rather than the market rate side? It is plausible that there may be a greater demand for units that are both accessible and affordable compared to accessible at market rate price

Response:

Per MAAB §9.4.2 The Group 2A units are required to be evenly distributed across the units according to price. As submitted in the Preliminary Inclusionary Housing Plans, per the MAAB requirements, 5% of the affordable units are proposed to be accessible to Group 2A standards.

Northland is willing to make such a shift, but we understand it would be required to seek a variance with the State Accessibility Board for non-evenly distributing the Group 2a units toward the lower income units. Northland will need to seek advice of their Accessibility Consultant on viability of this variance with the MAAB.