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#91-21 and #27-20(2)

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PUBLIC HEARING/WORKING SESSION MEMORANDUM

DATE: April 23, 2021

MEETING DATE: April 27, 2021

TO: Land Use Committee of the City Council

FROM: Barney Heath, Director of Planning and Development
Jennifer Caira, Deputy Director of Planning and Development
Neil Cronin, Chief Planner for Current Planning
Katie Whewell, Senior Planner

CC: Petitioner
Planning and Development Board

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

PETITIONS #91-21 & #27-20 (2) **355 and 399 Grove Street**

Petition #91-21 requesting amendments to Chapter 30, Newton Zoning Ordinance, in Sections 4.2.4 and 4.4.1 and 6.2.10 relative to the Mixed Use 3 District.

Petition #27-20(2) to amend the Special permit site plan as approved by Council Order #27-20 to allow changes to: the square footage of all of the approved buildings, the heights of Buildings 1, 2, 3, 4, 7, 8, 9 and 10, the building footprints shown on the site plan, the open space as shown on the approved site plan, the Comprehensive Sign Package, all at 355 and 399 GROVE STREET on land known as Section 42, Block 11, Lots 3, 4 and 4A, containing approximately 13.05 acres of land in districts zoned Mixed Use 3 Transit Oriented (MU3). Ref: Sec. 4.2.3, 4.2.4, 7.3.3, 7.4, 7.3.5 of the City of Newton Revised Zoning Ordinance, 2017. Proposed Amendments are subject to the proposed text changes to the MU-3 zoning district.

The Land Use Committee (the "Committee") opened the public hearing on these petitions on April 13, 2021. A tentative schedule for future Committee public hearings is included as an attachment to this

report (**Attachment A**). This memorandum is focused on the proposed changes in housing and economic impact aspects of the “Riverside Development” proposed for the subject parcels.

Background

The petitioners are seeking to amend Council Order #27-20 and the approved site plan to allow changes to: the square footage of the approved buildings; the heights of Buildings 1, 2, 3, 4, 7, 8, 9, 10, and 13; the proposed footprints of buildings; open space as shown on the approved site plan; and the comprehensive sign package for Building 2. The revised project eliminates the hotel use and incorporates 362,235 square feet of laboratory/research use into Buildings 1 and 2 instead. The revised project also eliminates the office space, except for the 7,500 square feet to be used by the MBTA; reduces the retail and commercial space from 39,014 square feet to 21,981 square feet; and reduces the number of residential units from 582 to 550.

In addition to amendments to the Council Order and approved plans, the petitioners are also proposing text amendments to the MU3 zone to permit the proposed changes to the project – primarily to allow additional height for Building 2 and to allow laboratory, research and development and business incubator uses.

Housing

The petitioners are seeking to modify the unit mix and the revised project represents an overall decrease in total number of units, from 582 units previously approved to 550 units proposed. The residential units are located in the same buildings as the approved special permit, Buildings 3-10.

In 2019, the current Inclusionary Zoning Ordinance was adopted. This Ordinance increased and restructured the total percentage of affordable units in a project based on the size of the project and whether the project offers units for rental or ownership. Effective January 21, 2021, there is a provision which states rental projects with 100 units or more are subject to increased inclusionary zoning requirements. The subject project with 550 residential dwellings is required to provide a total of 20% of affordable units to be designated as follows: 15% of residential units at Tier 1 and 5% of residential dwelling units at Tier 2. Tier 1, under which 15% of the units fall under must be available to those earning 50-80% of the Area Median Income (“AMI”) and Tier 2 designates 5% of units must be affordable to those earning 110% of the AMI. The previously approved project was subject to the 17.5% inclusionary requirement, with 15% of the units at 50-80% AMI and 2.5% of the units at 110% AMI.

The petitioners submitted a revised Inclusionary Housing Plan that included an updated unit mix for the affordable units. The number of studio units and two-bedroom units have decreased while the one-bedroom and three-bedroom units have increased slightly, resulting in an overall reduction of 32 units from the approved project. Table I shows the total unit breakdown and Table II shows details of the affordable unit mix. Table III compares the approved project to the March 2021 application and the April 2021 revised affordability mix.

Table I: Unit Breakdown, Total Units Approved and Proposed

Unit Type	Approved Market Rate Units	Proposed Market Rate Units	Change
Studio	51	27	-24
One-Bedroom	279	291	+12
Two-Bedroom	231	208	-23
Three-Bedroom	21	24	+3
Total	582	550	-32

Table II: Unit Breakdown, Proposed Affordable Units

Unit Type	Proposed Units at 50% AMI	Proposed Units at 80% AMI	Proposed Units at 110% AMI
Studio	2	2	1
One-Bedroom	23	23	12
Two-Bedroom	17	17	9
Three-Bedroom	2	2	1
Total	44	44	23

Table III: Proposed Affordable Units by Tier

	Approved July 2020	Application March 2021	Revised April 2021
Tier 1: 50-80% AMI	88 units	83 units	88 units
Tier 2: 110% AMI	15 units	28 units	23 units
Total	103 units	111 units	111 units

While the overall number of affordable units increased with the proposed project due to the increase in the inclusionary zoning requirements for Tier 2 units, the number of units at Tier 1 (50-80% AMI) decreased due to the decrease in the total number of units. The petitioners submitted an updated housing program which presents a greater number of units at the Tier 1 level, allowing deeper affordability levels for more units than originally proposed while meeting the requirements of the ordinance as the ordinance allows for Tier 2 units to be restricted to deeper affordability levels. The updated proposal maintains the number of 50-80% AMI units that were provided in the approved project and decreases the 110% AMI units by 5 units. Table III illustrated the proposed changes from the initial filing of the amendment application.

In addition to the number and distribution among unit types of inclusionary zoning units, the Project is required to comply with Massachusetts 521 CMR 9.4 which requires that at least 5% of the total number dwelling units in buildings that contain twenty or more dwelling units meet Group 2A accessibility standards, which requires the units to be constructed for the immediate use of those in a wheelchair. The petitioners have not yet broken out where these units would be located throughout the Project, but the locations will have to comply with the Fair Housing Act and the Massachusetts Architectural Access Board. The Planning Department suggests that the petitioners appear before the Fair Housing Committee, and the Commission on Disability as the plans get refined.

The Planning Department remains supportive of the proposed housing at this location. The project will provide much needed transit accessible multifamily housing at a range of unit sizes and income levels. The proposal is consistent with the Riverside Vision Plan and the Housing Strategy. The Vision Plan includes goals such as including a variety of housing types and affordability levels to address Newton's current and shifting needs and providing a significant number of permanently affordable housing units. The City's Housing Strategy also identifies diversity in housing options as Newton's greatest need, which is driven by an existing housing stock which is overwhelmingly large single-family ownership units at high price points; limited net new growth in dwelling units; and demographic trends that indicate Newton households are getting older and households smaller, with an increasing number of residents living alone. According to the Economic Development Strategy, two keys to supporting commercial development are transportation improvements and increasing the number and type of residential units. The Planning Department believes that the proposed number of dwelling units, the unit mix, as well as the location of the site proximate to the MBTA and to Interstates 95 and 90 would support City goals. The Newton Housing Partnership also reviewed the project and unanimously supported the proposal at their April 20, 2021 meeting.

Economic Impacts

The revised project eliminates the previously approved 254,120 square feet of office space, except for the 7,500 square feet to be used by the MBTA; reduces the retail and commercial space from 39,014 square feet to 21,981 square feet; and reduces the number of residential units from 582 to 550.

The petitioners engaged MuniCap to update the fiscal impact analysis for the revised project and the Planning Department re-engaged HR&A Advisors, Inc. ("HR&A") to peer review MuniCap's analysis. The full MuniCap report can be found [here](#). HR&A's analysis can be found as an attachment to this memorandum (**Attachment B**).

The petitioners propose to eliminate the previously approved hotel use and introduce laboratory and research uses to the site. The petitioners stated that a hotel use was no longer viable due to the pandemic and they had an opportunity to build upon laboratory and research uses being proposed at the adjacent Riverside Office Park by converting the office building and hotel to laboratory uses. The laboratory and research use would occupy 362,235 square feet across two buildings and accompany the previously approved residential, office, retail, and other commercial uses.

Proposed Laboratory and Research Use

The petitioners are seeking to amend their special permit to eliminate the approved hotel use and to convert the office use to the laboratory and research use. If approved, the laboratory and research use

would occupy Buildings 1 and 2, and total approximately 362,235 square feet. The City's Economic Development Strategy (the "Strategy"), published in January 2019, identifies lab uses as a market opportunity for Newton due to the soaring rents and growth in Cambridge and Boston. Laboratory and research companies are pursuing other locations, such as West Cambridge, Boston's Seaport District, and the Longwood Medical Area. Due to this, suburban areas are also experiencing greater interest in companies seeking to locate laboratory and research companies there such as Bedford, Lexington, Waltham, and Watertown. Laboratory and Research companies tend to cluster and are often looking to locate near similar uses.

The Strategy identified two areas with high potential in Newton that would be well suited for the laboratory use – Riverside and Wells Avenue. The Strategy outlined several steps in its Action Plan to achieve its goals. Goal 1 of the action plan is to "Take steps to pursue development types that make Newton both commercially successful and a great place to live, work, and play." The first objective to that goal is to increase lab space in Newton to capitalize on highly skilled workforce with science background and regional economic trends. This can be achieved by identifying a corridor or parcels that will be geared towards laboratory and research to explore rezoning as necessary. The proposed conversion to laboratory and research use requires an amendment to the Special Permit as well as text amendments to the Mixed Use 3 (MU3) zoning district.

Reduction in Retail

The petitioners propose to reduce the retail and commercial space from 39,014 square feet to 21,981 square feet. The previously approved plans included retail space located within the ground floors of Buildings 4, 6, 7, 8, and 9. The amended application indicates Buildings 6, 7, 8, 9 will house the 21,981 square feet of retail commercial space. The Planning Department recommends the petitioners provide additional detail regarding the ground floor uses in the former retail spaces. The petitioners should also consider identifying ground floor spaces that will definitely be retail and spaces that may be flexible depending upon market conditions. These 'flex spaces' should still be active uses but could possibly transition between amenity spaces or other uses and retail if additional retail becomes more viable in the future. The MU3 zoning currently limits the commercial space on the site to no more than 40% of the project, or 410,000 square feet at the current maximum floor area of 1.025 million square feet. The proposed project currently has 391,716 square feet of commercial space, which would allow for approximately 18,000 square feet of additional commercial space (assuming the additional commercial space is taken from the residential amenity space).

Fiscal Impact Analysis

MuniCap's revised report as of April 13, 2021 estimated that the project, at stabilization, will generate \$2,304,189 in net fiscal revenue for the City of Newton. This represents an increase of \$662,721 in revenue as compared to the approved project. The increase in net revenue is due to the increase in commercial space, which is taxed at a higher rate than residential, and the higher assessed value associated with lab space as compared to traditional office space. The revised report reflects the input of HR&A and HR&A is in agreement with the assessment with the exception of the lack of analysis of potential impact on City services outside of those related to students, police, EMS, and fire.

In their report, MuniCap found that additional general fund expenditures for City departments such as Assessing, Treasury, Public Works, Health and Human Services Senior Services, Library, and Parks and Recreation were not impacted as they are either expected to be offset by corresponding additional

revenues or are negligible to corresponding departments. HR&A tested a scenario where these additional costs are not offset in order to understand the potential marginal increases to general fund expenditures. HR&A used a per capita multiplier method and it applied it to the expected additions to the City's permanent population (1,160) and total service population (2,236) and found this resulted in an additional cost to the City of \$673,822.

The Riverside Vision Plan states that Riverside offers a significant opportunity to provide highly desirable commercial space in an accessible location and that the development should provide a net fiscal impact to the City. The proposed amendments to the approved project not only provide a net fiscal benefit to the City, but they also provide increased revenue as compared to the approved project.

The Planning Department is supportive of the changes as the proposed amendments for laboratory and research buildings represent an exciting opportunity to fulfill the goals of the Economic Development Strategy and Riverside Vision Plan and for Newton to capitalize on a growing suburban cluster of life sciences uses. The location of the laboratory and research uses at a transit station also offers opportunities to incentivize transit use amongst employees and the increase to laboratory and research office space above the previously approved office space also helps ensure an active daytime population at the site.

ATTACHMENTS

Attachment A: Tentative schedule for Land Use Committee public hearings
Attachment B: HR&A Advisors, Inc., Peer Review, dated April 23, 2021

TENTATIVE LAND USE COMMITTEE SCHEDULE

As of April 23, 2021

#91-21 Amendments to MU 3 zone and #27-20 (2) Special Permit

355 AND 399 Grove Street "RIVERSIDE"

Land Use Committee Date	Topic	Description
4/27/2021	Housing and Fiscal Impact	Review of the proposed changes in residential and commercial programs, including affordable units (Inclusionary Housing Plan), and Fiscal Impact Analysis
5/11/2021	Transportation	Review of traffic impacts of proposed use and program changes
TBD June 2021	Site and Building Design	Site and Building Design, Design Guidelines



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MEMORANDUM

To: **Katie Whewell, City of Newton**

From: Jon Meyers, HR&A Advisors, Inc.

Date: **4/23/21**

Re: Peer Review – Riverside Development Proposal, Economic and Fiscal Impact

Economic and Fiscal Benefits Analysis

HR&A was re-engaged by the City of Newton to review the revised economic and net fiscal impact of the new Riverside program estimated by MuniCap and submitted on April 13, 2021. In this section we consider the methods, approach, data sources and conclusions reached by MuniCap and compare the impact of this proposed program to that of the February 5, 2020 program we reviewed previously. We believe that MuniCap appropriately considers the net impact to the city resulting from the program change, and that the revised program will result in greater revenue for the city when compared with the prior proposal.

Mark Development proposes to eliminate the hotel use, eliminate the traditional office aside from the MBTA space, reduce retail uses and reduce the number of housing units. These spaces will be replaced with commercial lab space for life science companies managed by Alexandria Real Estate a leading life sciences development company. Below is a comparison of the plans used to estimate the February 5, 2020 and April 13, 2021 Economic and Net Fiscal Impact reports.

Figure 1. Development Program Changes (in square feet)

	February 2020 Economic & Fiscal Impact Report	April 2021 Economic & Fiscal Impact Report	Difference
Residential			
For Rent			
Market rate apartments	539,169	505,326	(33,843)
Inclusionary income apartments			
50% AMI	48,726	47,087	(1,639)
80% AMI	48,726	47,087	(1,639)
100% AMI	16,948		(16,948)
110% AMI		32,157	32,157
Sub-total residential	653,569	631,657	(21,912)
Commercial			
Retail	43,241	22,442	(20,799)
Office3	243,388		(243,388)
Lab/research		363,401	363,401
Hotel	77,300		(77,300)
Sub-total commercial	363,929	385,843	21,914
Total	1,017,498	1,017,500	2

Source: MuniCap



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Economic Impact

MuniCap estimated the on-going annual economic impacts of the proposed Riverside development at stabilization. Using IMPLAN software, MuniCap predicted the site would support 2,666 total jobs and \$280.7M in annual compensation. As shown Figure Two below, the higher wages and additional employees added from the new lab space is projected to raise the annual compensation impact of the project by three-fold.

Figure 2. MuniCap Economic Impact Summary

February 2020 Report				April 2021 Report			
	Permanent Jobs (FTE)	Annual Compensation	Income per Employee		Permanent Jobs (FTE)	Annual Compensation	Income per Employee
Retail:				Retail:			
Direct impacts	95	\$3,398,458	\$32,743	Direct impacts	51	\$1,670,908	\$32,969
Indirect impacts	26	\$1,786,765	\$62,914	Indirect impacts	14	\$878,557	\$63,206
	121	\$5,185,223			65	\$2,549,465	
Office:				Lab/Research			
Direct impacts	649	\$50,254,265	\$77,429	Direct impacts	969	\$172,782,044	\$178,297
Indirect impacts	407	\$22,044,436	\$54,168	Indirect impacts	1,544	\$101,882,878	\$65,999
	1,056	\$72,298,701			2,513	\$274,664,922	
Hotel:				Apartment Management:			
Direct impacts	60	\$3,799,735	\$63,078	Direct impacts	56	\$1,570,103	\$27,804
Indirect impacts	32	\$1,996,057	\$62,572	Indirect impacts	32	\$1,919,430	\$59,425
	92	\$5,795,792			88	\$3,489,533	
Apartment Management:				Total			
Direct impacts	49	\$1,353,144	\$27,665	Direct impacts	1,076	\$176,023,055	
Indirect impacts	28	\$1,654,200	\$58,868	Indirect impacts	1,590	\$104,680,865	
	77	\$3,007,344			2,666	\$280,703,920	
Total							
Direct impacts	862	\$58,805,602					
Indirect impacts	495	\$27,481,458					
	1,357	\$86,287,060					

Source: MuniCap

Fiscal Impacts

MuniCap estimated that the project, at stabilization, will generate \$2,304,189 in net fiscal revenue for the City of Newton. As shown in the table below this new program would generate an additional \$662,721 in revenue compared to the previous program. This growth is similarly driven by the addition of lab space which as commercial property is taxed at a higher rate than the residential units it replaced and has a higher estimated assessed value per square foot as compared to the traditional office space it replaced, overall more than outpacing the hotel revenues replaced.

Figure 3. MuniCap Net Fiscal Impact Projection

<u>New Development</u>	2020 (Scenario B)	2021	Difference (2021 vs 2020)
Revenues			
Real property tax revenues	\$4,148,231	\$5,357,012	\$1,208,781
Motor vehicle excise tax revenues	\$32,138	\$28,648	(\$3,490)
Hotel room occupancy tax revenues	\$569,875	\$0	(\$569,875)
Hotel meals tax revenues	\$118,043	\$0	(\$118,043)
Additional revenues	\$107,545	\$89,598	(\$17,947)
Total Revenue	\$4,975,831	\$5,475,258	\$499,427
Costs			
Police, EMS, and fire	(\$461,343)	(\$402,161)	\$59,182
Students	(\$1,670,045)	(\$1,594,013)	\$76,032
Other general fund	\$0	\$0	\$0
Total Costs	(\$2,131,388)	(\$2,875,387)	(\$743,999)
Existing Development			
Existing Revenues			
Real property tax revenues	\$595,608	\$601,588	\$5,980
Hotel room occupancy tax revenues	\$525,742	\$553,413	\$27,671
Hotel meals tax revenues	\$118,043	\$14,165	(\$103,878)
Personal property tax revenues		\$42,149	\$42,149
Additional revenues	\$204	\$202	(\$2)
Total Existing Revenue	\$1,239,597	\$1,211,517	(\$28,080)
Existing Costs			
Police, EMS, and fire	(\$36,622)	(\$36,622)	\$0
Students	\$0	\$0	\$0
Other general fund	\$0	\$0	\$0
Total Existing Costs	(\$36,622)	(\$36,622)	\$0
Total			
New development	\$2,844,442	\$3,479,084	\$634,642
Less existing costs	(\$1,202,975)	(\$1,174,895)	\$28,080
Net Impact	\$1,641,468	\$2,304,189	\$662,721

Potential Impact on City Services

Beyond costs associated with students, police, EMS, and fire, MuniCap found that “additional general fund expenditures were not impacted as they are either expected to be offset by corresponding additional revenues or are negligible to corresponding departments.” While this assumption may be the case, HR&A also tested a scenario in which these costs are not offset to understand how the impacts to the City would change in the event this project did require marginal increases in relevant general fund expenditures. HR&A used the per capita multiplier method which MuniCap uses to estimate additional revenues to the City, and the list of City expenditures laid out in Schedule X: Additional Expenses to the City of Newton – Annual. Using the MuniCap estimates for the Riverside project’s expected additions to the City of Newton’s Permanent Population (1,160) and Total Service Population (2,236) this results in an additional cost of **\$673,822**. While there is certainly an opportunity that some portion of that potential cost will be offset with private funding associated with open space, this analysis is not accounting for that given that no existing financial commitments have been made as of the writing of this report.

Figure 4. Potential additional impact on City Services

General Fund Category	Factor Used	Additional Costs
Assessing	Per Capita	(\$16,272)
Treasury and Collection	Per Capita	(\$17,228)
Public Works	Per Service Population	(\$402,728)
Health and Human Services	Per Capita	(\$58,319)
Senior Services	Per Capita	(\$10,284)
Newton Public Library	Per Capita	(\$77,813)
Parks and Recreation	Per Capita	(\$91,178)
Total		(\$673,822)

Other Points of Discussion:

- Other City Costs/Revenues
 - This analysis is based on the FY2020 budget. We think this is reasonable given the abnormal impact COVID-19 has had on the current year’s operating budget which we do not expect to persist for the full development timeline.
- Assessed values:
 - The value of lab space was estimated based on income capitalization. This is a reasonable approach given the lack of comparable lab buildings in close proximity to the site.
- School children
 - In this report MuniCap uses an average of the three student generation rate methods presented in the 2019 NPS Enrollment Analysis report.