



Memorandum

To: Barney S. Heath, Director of Planning and Development
Jennifer Caira, Deputy Director
Zachary LeMel, Chief of Long Range Planning

From: Councilor Pam Wright

CC: City Council

Re: VCOD feasibility

Date: 12/31/23

Questions have been raised about the economic viability of new construction in VCOD, especially in the newly created VC2. Based on the 2022 economic study conducted by Landwise, I believe the recently adopted VCOD zoning will be conducive for new development, as the barriers identified in the Landwise study are no longer present.

For reference, here is a link to the Landwise study from 2022:

<https://www.newtonma.gov/home/showpublisheddocument/81553/637819174426530000>

2022 Landwise Study

Landwise’s test-fit feasibility study was completed during the height of COVID with high construction costs and supply chain issues. It was based on our current underlying zoning, including the special permit process, with a 1.25 parking ratio. While not all sites were found to be economically feasible, two selected sites in Newton Centre were financially feasible using the special permit process and a FAR (Floor Area Ratio) range of 1.15 to 1.71.

Landwise conclusions:

- **Parking requirements are the biggest limitation on building size**
- **Projects with FAR between 1.0 and 1.3 were considered borderline feasible**

Recently adopted VCOD

VCOD zoning has addressed the constraints listed as conclusions in the 2022 Landwise study and will incentivize redevelopment:

- Special Permits are not required in VCOD to go beyond the underlying zoning to the new VCOD limits.

- The VC2 and VC3 zones require no parking and will be well below 1.25 / unit and is expected to be much less if a developer decides to include any parking.
- Equivalent FARs for VC2 and VC3 may now exceed 3.0 and 4.0 (respectively) on 11,000 and 16,000 sf village center lots.
- Overall building height, floor-to-floor measures, and setbacks constraints have changed to be more conducive for redevelopment.

Conclusion

I expect that the findings of the updated economic feasibility study which will be completed soon by MAPC will show that VC2 and VC3 are economically feasible under our VCOD zoning. Any evidence to the contrary should be compared to the 2022 study for consistency before being submitted to EOHLC for compliance.

The following pages contain slides from the 2022 Landwise study for reference, as well as tables that compare VCOD and underlying (current) zoning on the same lots included in the original study.

Conclusion: Physical constraints under current zoning

Zoning Constraints

- Parking requirements are the biggest limitation on building size.
- Maximum allowable building heights often do not allow for market-typical floor-to-floor heights within the allowable number of stories.
- Setbacks requirements have a greater impact on smaller parcels.
- Setback requirements are also constraining because parking cannot be located within required side lot setback.

Conclusion: Financial constraints under current zoning

Residential

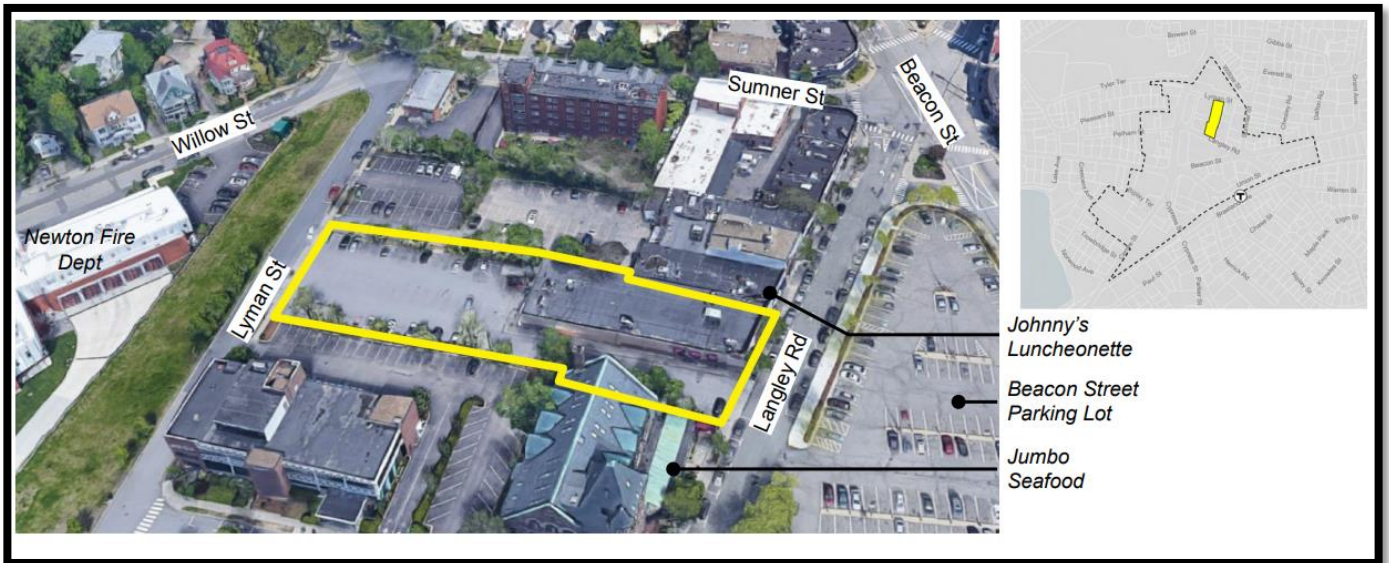
- Generally, projects with an FAR of less than 1.00 are not financially feasible.
- Projects with an FAR between 1.00 and 1.30 are borderline feasible.
- Typically parking needs to be located below-grade for projects to work on parcels in village centers
- For-sale is slightly more attractive than rental due to larger units/high price points

Office

- Generally, projects with an FAR of less than 1.00 are not financially feasible.
- Projects with an FAR between 1.00 and 1.30 are borderline feasible.
- Office/retail development economics are largely driven by parking requirements and costs. In general, feasible projects will minimize parking ratios and provide a hybrid of surface and subsurface spaces

Comparing the two sites in Newton Centre, Walgreens (22-28 Langley Rd at 35,900 sf) and the combined Shell station and insurance building lot (1359 – 1365 Centre St at 18,024 sf) with special permit and the new by right zoning.

Walgreens: 22-28 Langley Rd



Walgreens 22-28 Langley Rd; test fit

	Special Permit BU1	New Zoning VC3	New Zoning VC3; subdivided lot
Lot size (sf)	35,900	35,900	17,950
1st floor retail	yes	yes	Yes, front lot only
Stories, max	3	5	5
FAR, max special permit	1.5	4.0+	4.0+
FAR, test case	1.21	2.0	4.0
Units	30	52	119
Parking Ratio	1.25	0	0
Expected parking spaces	44	25	50
Economic feasibility	borderline	All indications Yes	All indications Yes

Shell Station (combined, split) 1359-1365 Centre St.



**Shell St combined lot 1359-1365 Centre St;
test fit; abut residential at rear**

	Special Permit BU2	New Zoning VC2
Lot size sf	17,700	17,700
1st floor retail	no	no
Stories, max	4	4
FAR, max special permit	2.0	3.0+
FAR, test case	1.71	2.1
Units	19	56
Parking Ratio	1.25	0
Expected spaces	44	25
Economic feasibility	borderline	All indications Yes

Insurance building only: 1359 Centre St

	Special Permit BU2	New Zoning VC2
Lot size sf	6,496	6,496
1st floor retail	no	no
Stories, max	4	4
FAR, max special permit	2.0	3.0+
FAR, test case	0.75	3.1
Units	5	20
Parking Ratio	1.25	0
Expected spaces	5	10
Economic feasibility	no	All indications Yes

With the removal of special permit and FAR plus no parking required (even if some is provided), these borderline feasible test cases seem to be economically feasible.

Slides from the 2022 Landwise/Utile feasibility study presentation:

Initial Pro Forma Input Ranges

Cost	Range
Hard (\$ / SF)	\$275 → \$325
Soft (% Hard)	20% → 25%
Site (% Hard)	4% → 8%
Operating (\$ / unit)	\$10,000 → \$14,000
Total Development (\$ / SF)	\$450 → \$650
Land (\$ / Land Foot)	\$70 → \$100
Parking (\$ / space)	\$50,000 (podium) → \$100,000 (underground)

Revenue	Range
Rents (\$ / SF)	\$4.25 → \$4.75
Sales (\$ / SF)	\$700 → \$1,000
Parking (per month)	\$100 → \$150
Return on Cost	5.25% → 6%

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Walgreens site test fit – Special Permit, 3 stories and first floor retail, 30 units and borderline feasible. VC3 lot could be subdivided through the ANR (Approval Not Required) process

Test-fit under existing zoning: Central Site 35,900 sf

Zone BU1
Special Permit
1 level of below-grade parking

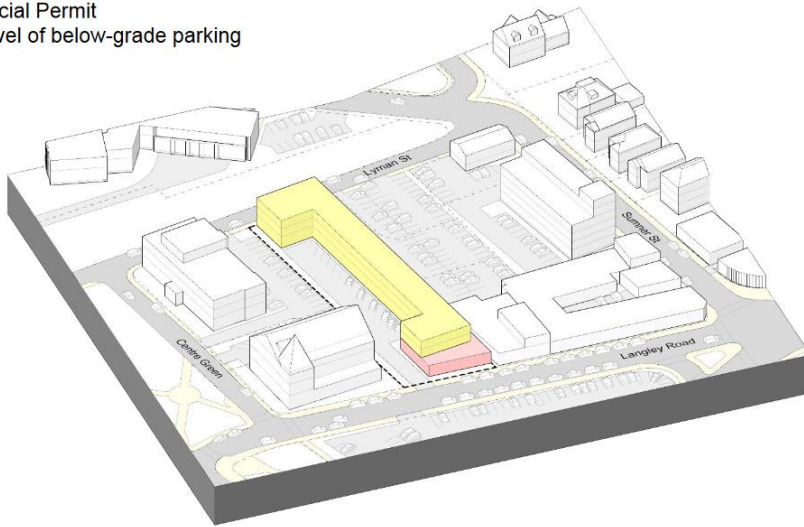
FAR	1.21
Height	3 stories, 36 ft
Number of Units	30*
Area Retail	4,600 gsf
Rqd Parking Resi 1.25 per unit	37 (below-grade)
Rqd Parking Retail 1/300	15 (at-grade)
Total Parking	53
Setback: Front	12'
Setback: Side	10' and 0'
Setback: Rear	0'

* Total number of units are capped by the minimum lot area per unit requirement, resulting in larger units.

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Initial Pro Forma: Central Site 35,900 sf

Zone BU1
Special Permit
1 level of below-grade parking



■ Retail ■ Residential

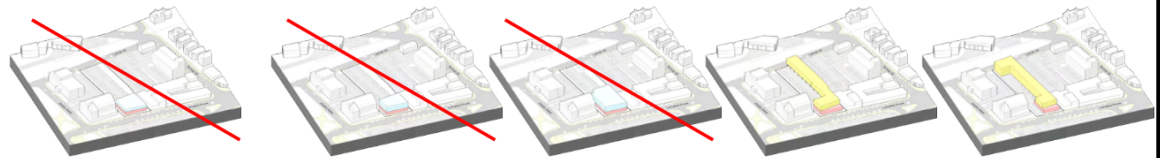
BORDERLINE FEASIBLE:
TARGET 5.5% NOI/COST

	Low Rise / 3 stories
	Underground Parking
	Residential Rental
Site (Acres)	0.84
FAR	1.21
Total Units	30
Affordability %	17.5%
Affordable Units	5
Average Unit Size	1025
Residential Efficiency	80%
Total GSF (building only)	44,274
Total GSF (including parking)	60,244
Parking Ratio	1.25
Parking Cost (underground)	\$ 70,000
Parking Spaces	44
Rent/SF	4.60
AMI %	65%
Affordable Rent/SF	\$ 1.34
Hard Cost (Includes Fit out)	315.00
Soft Cost/Site	25%
Land Cost (per land foot)	85.00
Total Cost/GSF	\$ 396
Parking fee (per space per month)	125.00
Cap Rate	4.50%
NOI/Cost	5.43%

1 Test-fit under existing zoning: Central Site 35,900 sf - L

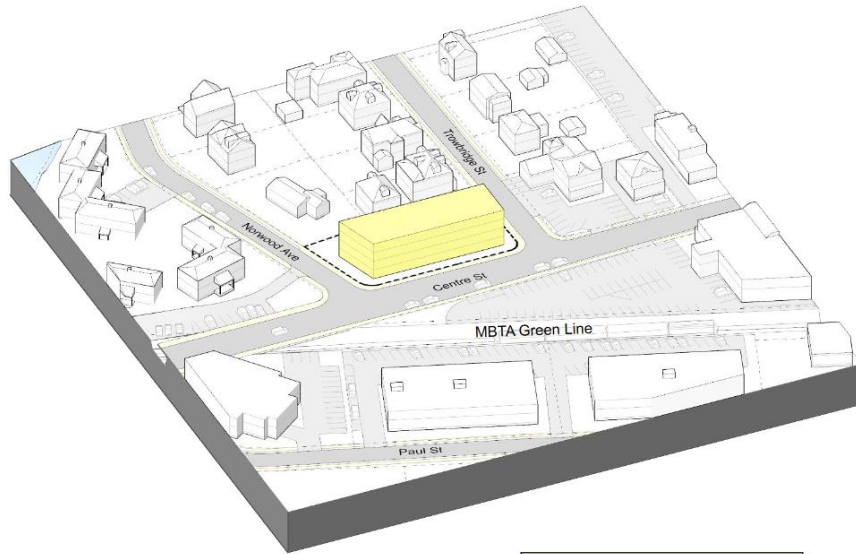
Zone BU1

■ Financially Infeasible
■ Borderline Financially Feasible



	By-Right Regulations	By-Right: Office and Retail	Special Permit Regulations	Special Permit: Office and Retail	Special Permit: Office and Retail. Below-grade Parking	Special Permit: Office and Residential	Special Permit: Retail and Resi. Below-grade parking
FAR	1.0	0.41	1.5	0.45	0.86	1.15	1.21
Height	2 stories, 24 ft	2 stories, 24 ft	3 stories, 36 ft	3 stories, 36 ft	3 stories, 36 ft	3 stories, 36 ft	3 stories, 36 ft
Area Office		6,900 gsf		10,000 gsf	20,600 gsf		
Area Retail		7,800 gsf		6,000 gsf	10,300 gsf	6,000 gsf	4,600 gsf
# of Units						29	30
Total Parking	1/300 retail 1/250 office	54	1/300 retail 1/250 office 1.25 per unit	60	116	57	53

Initial Pro Forma: Edge Site 17,700 sf

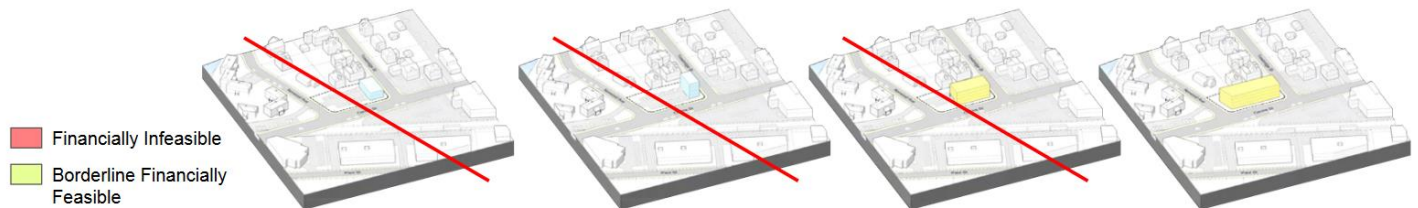


BORDERLINE FEASIBLE:
TARGET 5.5% NOI/COST

	Low Rise / 3 stories
	Under Ground Parking
	Residential Rental
Site (Acres)	0.41
FAR	1.71
Total Units	15
Affordability %	17.5%
Affordable Units	3
Average Unit Size	1600
Residential Efficiency	80%
Total GSF (building only)	30,267
Total GSF (including parking)	36,650
Parking Ratio	1.25
Parking Cost (underground)	\$ 40,000
Parking Spaces	19
Rent/SF	\$ 4.15
AMI %	65%
Affordable Rent/SF	\$ 0.97
Hard Cost (Includes Fit out)	\$ 315.00
Soft Cost/Site	25%
Land Cost (per land foot)	85.00
Total Cost/GSF	\$ 384
Parking fee (per space per month)	125.00
Cap Rate	4.50%
NOI/Cost	5.49%

5 Test-fit under existing zoning: Edge Site 17,700 sf - M

Zone BU2



■ Financially Infeasible
■ Borderline Financially Feasible

	By-Right Regulations	By-Right: Office	Special Permit Regulations	Special Permit: Office	Special Permit: Residential	Special Permit: Residential Below-grade parking
FAR	1.0	0.32	2.0	0.38	0.90	1.71
Height	2 stories, 24 ft	2 stories, 24 ft	4 stories, 48 ft	4 stories, 48 ft	4 stories, 42'-8" ft	4 stories, 42'-8" ft
Area Office		5,600 gsf		6,800 gsf		
# of Units					13	15
Total Parking	1/300 retail 1/250 office	22	1/300 retail 1/250 office 1.25 per unit	27	17	19