Minutes
Housing Partnership
June 19, 2018
Town Administration Building

Members In Attendance
Fred Reynolds (Chair), Cliff Cook, David Leon, Helen Oliver, and Andrea Adams (Senior Planner, Department of Community Development & Planning (DCDP))

Others in Attendance: Abhi Bhakta and Arjundev Bhakta (Owners, 100 North Beacon Street), Tim Barlow (Construction Manager, 124 Watertown Street), Dan Hassan (President, Grand Senior Living), P.L. Hingorani (Owner, 124 Watertown Street), Attorney Ken Leitner, Jennifer VanCampen (Executive Director, MetroWest Collaborative Development), Curtis Whitney, Attorney Bill York, Councilor Lisa Feltner (came late) and Councilor Tony Palomba (came late)

I. Review of Draft Minutes: May, 2018

Mr. Reynolds asked for a motion to approve the Minutes of the May meeting, as amended by Mr. Hassan to ensure his comments were correct. Mr. Cook moved to approve the draft Minutes as presented. Mr. Leon seconded, and the Minutes as corrected by Mr. Hassan were unanimously approved.

II. Continued Discussion of Independent/Assisted Living – Proposed Changes to the Zoning Ordinance

Ms. Adams distributed color copies of a letter and sensitivity analysis done by Mr. Hassan, as well as a color copy of the proposed draft Text Amendment with additional comments by Mr. Steve Mackenzie, architect for the proposed project at 100 North Beacon Street. Ms. Adams also summarized the Housing Partnership's discussion of an affordable contribution by Continuum of Care facilities. She also explained why the first page of the proposed Text Amendment combined definitions for Assisted Living, Independent Living and Dementia Care/Skilled Nursing all in one definition: Economy of text changes to the Zoning Ordinance's Definitions section.

Attorney York said that the Proponents for 100 North Beacon Street, together with Mr. Hassan, were in support of the policy issue of creating "true" affordable Independent and/or Assisted Living units. He noted the central issue for those who develop such facilities is one of project cost. He noted that Mr. Hassan's sensitivity analysis provides data on a "bright line" above which a requirement for onsite units or for a cash in lieu of units' payment will make a project economically/financially infeasible.

Mr. Cook noted that one of the goals of the Housing Partnership's work on Inclusionary Zoning in general and this issue in particular is to reach the 10% requirement stipulated by Chapter 40(B) of Massachusetts' General Laws. He noted reaching this level would forestall "unfriendly" Comprehensive Permit projects in Watertown.

Mr. Leon said the Partnership had been wrestling with this topic for some time. He said the Members were aware of the critical distinction in the types of units relative to the cost factor attributed to the levels of care.

Ms. Oliver asked Mr. Hassan to elaborate on his sensitivity analysis.

Mr. Hassan explained the basis of his analysis and the conclusions drawn in the accompanying cover letter are for a facility with 100 Assisted Living Units. He said the sensitivity analysis looks at different financial factors, and the level of on-site affordable units that would still allow such a facility to achieve the required "benchmarks." He noted the facility that Grand Senior Living has in Newport, NH is partially supported by the State of New Hampshire. He said this changes the subsidy that is attributable to the onsite affordable Assisted Living units.

Ms. Oliver asked about the rental rates for such a facility – why select averages in the sensitivity analysis versus using new market comparisons? Mr. Hassan responded that a prospective lender would want the more conservative analysis in order to be comfortable providing such a facility with financing. Put another way, a prospective lending institution would questions higher rates.

Mr. Cook asked if the assumptions would change, and how they would change, if the theoretical unit mix changed? Mr. Hassan noted such facilities are typically financed as a package. For example, a facility that had 50% Assisted and 50% Independent would typically have better margins. At the same time, Mr. Hassan noted that his research in setting up the sensitivity analysis and for other reasons indicates that Assisted Living is a high demand housing type in the Watertown region.

Mr. Cook asked if there could or would be cross-subsidies between different types of units? Mr. Hassan said yes, but noted that the development pattern of these facilities differs in significant ways in a suburban setting versus an urban setting, such as Watertown.

Mr. Leon asked Mr. Hassan to further describe some of the assumptions in the sensitivity analysis. Mr. Hassan noted that the facility in Newport, NH has Assisted Living, which provides a "high" level of care as it is defined by the industry, but not Dementia Care or Skilled Nursing. He noted that going from Assisted Living to Dementia Care increases the staff costs by approximately 40-50%. He noted that the facility in Newport, NH gets various sources of funds in addition to whatever funds the "tenants" can bring to the table. This includes Medicare reimbursement. Mr. Hassan also noted that the State of New Hampshire Housing Finance Authority provided capital, which lowered the facility's debt service.

Mr. Leon asked if there was a "sweet spot" in terms of the sensitivity analysis? Mr. Hassan said that if a project was based on vacant land, and had 100 total units, the unit mix would probably be something like 50 Independent Living, 30 Assisted Living and between 16-18 Dementia Care units.

Mr. Reynolds noted the sensitivity analysis assumed a 17% net margin. He asked if this was after "paying everything?" Mr. Hassan said yes. He also noted the data in the sensitivity analysis was based on national industry data as well as regional data. He noted that the net margin had dropped since 2008, when the-then expected figure was closer to 20%.

A member of the audience questioned whether the Department of Housing and Community Development (DHCD) would accept and count "affordable" Assisted Living Units on Watertown's Subsidized Housing Inventory (SHI).

Mr. Cook said his experience is yes, DHCD will count such units on the SHI. Ms. Adams added that Brigham House, the only current facility in Watertown that provides affordable Assisted Living units, counts on Watertown's SHI.

Mr. Reynolds noted the preference of the Housing Partnership was to have the units (apartments, Independent Living, Assisted Living) on site, as part of a development, rather than a cash in lieu contribution. He noted Mr. Hassan's analysis suggested an in-lieu payment for Assisted Living of approximately $67,000, but noted that in the Watertown market, that would not be enough to replicate a unit, which was a goal of the cash in lieu payment.

Mr. Reynolds, noted that MetroWest Collaborative Development was an organization that had worked for many years in developing various types of affordable housing, and asked Ms. VanCampen her thoughts on "affordable Assisted Living."

Ms. VanCampen said that the idea of new affordable Assisted Living units was great, given that this area had so few, and that there was such a need for this type of housing. As the same time, she said a deeper public policy consideration was not to create an unintended incentive for the cash in lieu payments, or for the "overdevelopment" of any particular single type of housing, thereby exacerbating the ongoing problem of achieving the 10% goal.

Attorney York suggested that the Town move forward with a Text Amendment, recognizing that the Town could also amend the zoning and requirements again, if in the future, the market or other factors (such as the ones that Ms. VanCampen was highlighting) indicated a change was warranted.

Mr. Reynolds asked if Mr. Hassan had analyzed what the minimum number of Assisted Living units in a facility could be and still make the project economically viable? Mr. Hassan suggested it was approximately 55-65 Assisted Living units.

Attorney York asked the Partnership to consider all deliberate speed in forwarding a Text Amendment to the Council, as his clients had already done a lot of preparatory work, and the market is changing, such that the underlying assumptions of their economic model were changing, and could further change, the longer the project was in process.

The Partnership discussed where to set the bar in terms of a unit contribution by Assisted Living facilities.

Ms. Oliver suggested a 5% contribution.

Mr. Leon suggested a tiered contribution by facility size, such as 0-50 units = 5%.

Ms. Oliver suggested a facility with 0-99 units of Assisted provided 5%. She also suggested that a facility with 100 Assisted Living units provide 10%, and that the cash in lieu payment be $200,000 per unit, specifically as a dis-incentive for a cash payment.

Mr. Cook agreed there should be a disincentive for a cash payment.

Council Member Palomba asked if the Partnership had received any feedback on this idea from municipalities or other industry groups?

Mr. Reynolds noted the Partnership had met with Elizabeth Valenta, a Housing Planner in Newton, MA and the Director of the WestMetro HOME Consortium, in October 2017. He noted some of the important points of that conversation:

- Facilities that are classified as *"Elder Housing with Services"* to provide a 2.5% of the facility's annual gross revenue.
- These monies are then used to support low and moderate income households to live in the facility.
- The facility in Newton with the longest compliance/monitoring history is a Benchmark facility with 80 units, permitted in 2000.
- The municipal staff burden to annually monitor compliance with this requirement for the two facilities in Newton that have been subject to it is significant.
- Issues have included how to determine that the facilities are contributing 2.5% of gross annual revenue, as the facilities are extremely reluctant to release data on expenses, and when they do, it's very hard to verify the monetary contribution is, in fact, 2.5% of gross annual revenue.
- Because the allocation is 2.5% of annual gross revenue, the number of "affordable" varies yearly.

Mr. Reynolds also said Ms. Adams had been seeking input from the industry on these issues since at least October 2017, but the only entity to respond to her inquiries had been Mr. Hassan's company, despite Watertown having The Residence, a facility with Assisted Living units, located on Summer Street.

Mr. Whitney said the increase from 5% onsite to 10% onsite was an aggressive increase.

Mr. Cook acknowledged this, but suggested one of the rationales was to not overly incentivize the development of Assisted Living facilities, along the lines of the public policy issue highlighted by Ms. VanCampen.

Council Member Palomba cautioned the Partnership not to look too closely at a particular project when crafting a potential Text Amendment. At the same time, he said the Council as a whole values the recommendation of the Partnership on affordable housing matters.

Mr. Hassan said that his analysis was based on industry data, and the regional market, so that while his company was involved with a particular project, and sensitivity analysis reflected the conditions in the industry as a whole.

Mr. Cook brought the discussion back to the concept of the onsite unit set aside. He suggested a tiered system of a 5% onsite up to 75 units of Assisted Living, with a 10% set aside of units onsite for 76 or more Assisted Living units. He also asked Ms. Oliver, given her background in project financing, whether this split seemed reasonable, given her review of Mr. Hassan's sensitivity analysis.

Ms. Oliver agreed with the two-tiered split of the onsite unit set aside:
- 0-75 Assisted Living Units = 5% onsite affordable
- 76 and up Assisted Living Units = 10% onsite affordable
- Cash in lieu of $200,000 per unit

Mr. Cook said he had additional corrections to the draft Text Amendment which were:
- Strike the last part of the insertion in Section 5.07(c)(1) that reads *"…shall be subject to Section 5.07…."* because it is redundant
- Make the onsite affordable Assisted Living Units subject to Section 5.07(g) and 5.07(f) *except* for 5.07(f)(4)

Mr. Reynolds asked for a motion.

Mr. Cook moved that the Housing Partnership recommend a draft Text Amendment to the Watertown Zoning Ordinance that:

1. Amends the *Definitions* section as described in the amended draft Text Amendment version dated June 13, 2018, as updated by Mr. McKenzie's June 15, 2018 comments, and as further corrected by Mr. Cook's changes at the June 19, 2018 Housing Partnership meeting, and

2. Amends Section 5.07 of the Zoning Ordinance as described in amended draft Text Amendment version dated June 13, 2018, as updated on by Mr. McKenzie's June 15, 2018 comments, and

3. Amends Section 5.07 of the Zoning Ordinance to require:
    a. 0-75 Assisted Living Units = 5% onsite affordable
    b. 76 and up Assisted Living Units = 10% onsite affordable
    c. Cash in lieu of $200,000 per unit, and

4. Amends Section 5.07 of the Zoning Ordinance to require a tiered onsite set aside for Independent Living Units as if they "traditional" apartments according to the chart in Section 5.07(d)(4), and

5. Exempts *Dementia Care* and *Skilled Nursing* as defined in the *Definitions* section as described in the amended draft Text Amendment version dated June 13, 2018, as updated by Mr. McKenzie's June 15, 2018 comments, and as further corrected by Mr. Cook's changes at the June 19, 2018 Housing Partnership meeting, from the requirements of 5.07.

Ms. Oliver seconded Mr. Cook's motion. It was unanimously approved.

Adjourn

Noting the lateness of the hour, Mr. Reynolds asked that the remaining Agenda items scheduled for discussion be continued to the next meeting. He also asked for a motion to adjourn the meeting.

Mr. Cook moved to adjourn the meeting, and Ms. Oliver seconded the motion, which was unanimously approved. Meeting adjourned at 7:45 PM.