

Instructions for Economic Feasibility Analysis - as required for Inclusionary Zoning that applies to zoning established for compliance with Section 3A MGL c40A, where the percentage of required affordable units exceeds 10% and/or where required units must be affordable to households with less than 80% AMI.

A complete Economic Feasibility Analysis (EFA) must include the following:

1. The **complete zoning bylaw/ordinance**, as provided in a district compliance or pre-adoption review application.
2. Completion of Section 5 of the District Compliance or Pre-Adoption Review Application, which requires information on the inclusionary zoning requirements in the municipality to support a professional conclusion that the market in the district supports economically feasible production of a reasonable variety of multi-family housing types at the proposed affordability levels contained in the ordinance or bylaw. Materials required in the application include:
 - a. A narrative providing a concise overview of recent housing market trends in the municipality including housing rents, home sales prices, and land sales prices sufficient to support a professional conclusion that the market in the district supports economically feasible production of a reasonable variety of multi-family housing types at the proposed affordability levels contained in the ordinance or bylaw. Such analysis should include:
 - i. Median of market rate rents for 2 bedroom apartments, median market rate sales price for 2 bedroom multi-family (including condominium and cooperative units), and any apartment building sales prices if available.
 - ii. Calculation of the median income required to afford median-priced 2-bedroom rental unit or condominium which can be derived from interviews with qualified real estate professionals with expertise in the area.
 - iii. Other factors that may apply to the local housing market in the municipality.
 - b. The following materials, to be submitted within the online EFA application, will need to be completed for each example development:
 - i. The **EFA Assumptions Checklist**, available for download on the MBTA Communities website, which includes all inputs and sources for EOHLC to understand the local conditions in the community and gauge the accuracy of the information used in conducting the EFA.
 - ii. Financial feasibility documentation taking the form of an **Excel-based development proforma** using locally relevant and locally sourced data to assess how an inclusionary zoning policy (or modifications to an existing inclusionary zoning policy) impacts the financial feasibility of future development projects. The analysis should be performed against an appropriate range of project sizes, representing the variety of multi-family housing allowed as of right in the district, taking into account what could be developed based on existing conditions such as parcel configurations. The range of projects must demonstrate feasibility for projects with the minimum number of units that trigger inclusionary zoning requirements. The range of projects should include the various sizes (number of units), typologies (e.g., low-rise apartment, condominium...), and number and type of on-site parking spaces required.

Existing economic feasibility analyses, conducted no earlier than 5 years from the date the analysis is submitted must include a copy of the independent third party analysis that identifies the entity that conducted the analysis including the date of the analysis. Existing analyses should address all the factors above, including a copy of an

Excel-based development proformas. Additionally, the EFA Assumptions Checklist must be filled out using the assumptions used in the analysis. If a community is relying on an existing analysis, that analysis must be relevant to the zoning district designated for compliance with Section 3A, and EOHLC may require updates to the analysis.

More questions about the EFA and inclusionary zoning in Section 3A compliant districts? Please refer to the *EFA Details* document for more information and if you still have questions, please submit them to DHCD3A@mass.gov.