City of Malden, MA

Inclusionary Zoning Feasibility Analysis

April 2026

PREPARED FOR:

MALDEN
MASSACHUSETTS

City of Malden, Office of Strategic Planning & Community Development

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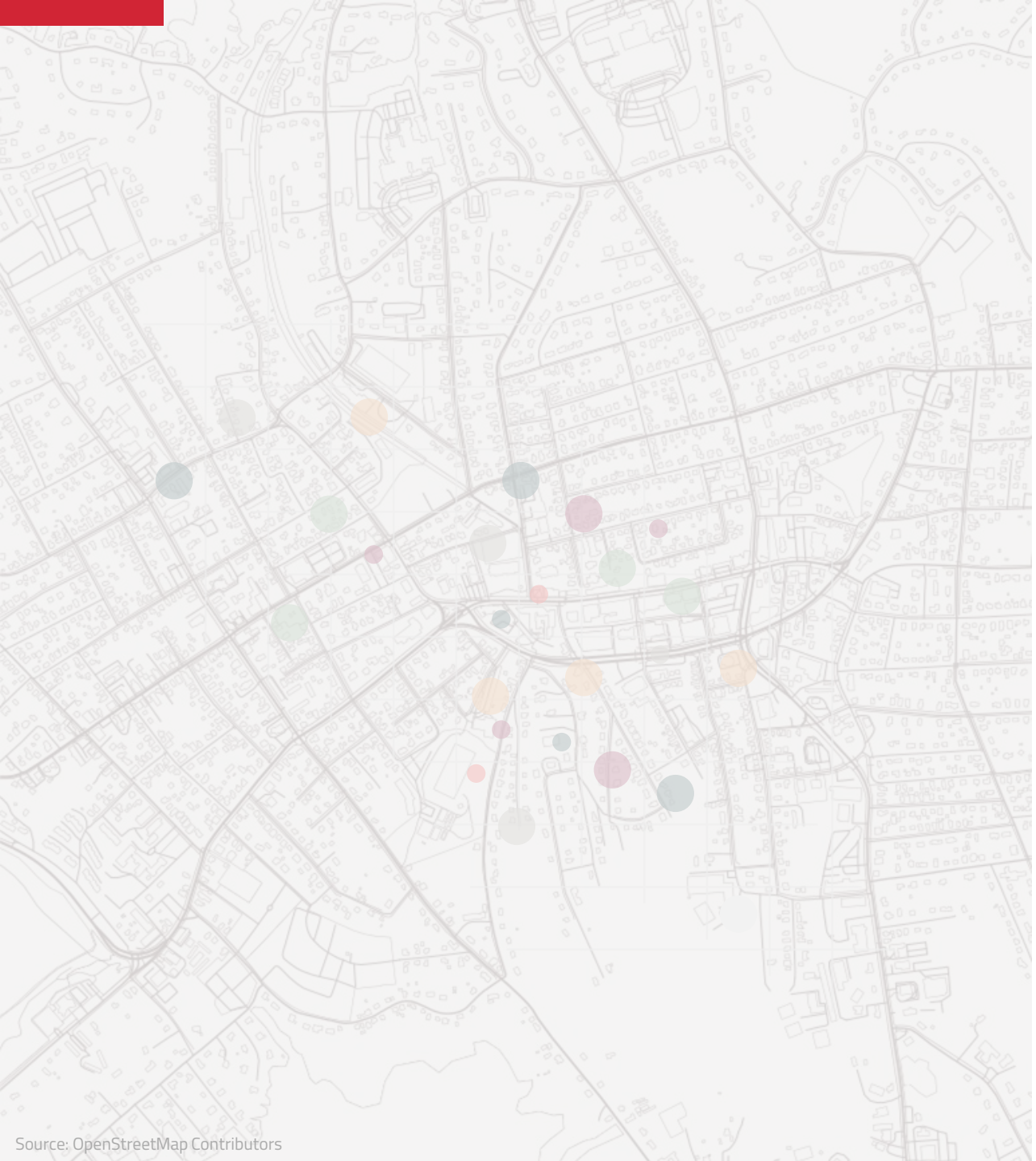

Source: OpenStreetMap Contributors

Introduction

Background

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Background

This analysis provides an understanding of the potential impact to financial feasibility of residential developments, in addition to recommendations for IZ policy updates

The City of Malden is evaluating its Inclusionary Zoning (IZ) policy to ensure it is working to create affordable housing and maintain an economically integrated community. The IZ policy, adopted in 2021, requires this evaluation every five years to ensure it achieves its stated goal.

The IZ policy includes affordable housing requirements and incentives for residential development. At current, developers creating eight or more net new dwelling units must designate at least 15% of these units to be affordable to households at or below 50% of the Area Median Income (AMI). "Affordable" is defined as paying no more than 30% of gross income on housing costs, including rent, mortgage payments, and essential utilities.

If IZ policy requirements are too stringent, development is impeded and fewer housing units, including affordable units, are created. If IZ requirements are too lax, developments include affordable housing units but not as many as could be required. Changes to market conditions shift this balance over time – a policy that works in one economy may not work in another.

This report provides an analysis of the City's IZ policy in today's economic climate, including the potential impact of existing IZ requirements on residential development. It then presents recommendations for updating the IZ policy based on current market realities in the Malden area.

Financial Feasibility Model

The financial feasibility model is a proforma-based Excel model that is designed to test the financial impact of potential policy changes against the financial risk/reward of a potential real estate investment

RKG Associates developed a financial feasibility model that estimates the potential financial return of a development project. While several return metrics are used to assess financial feasibility, the Malden financial feasibility model focuses on estimating the Internal Rate of Return (IRR). IRR is a standard metric used to evaluate the financial performance of a potential real estate investment. It measures whether the expected returns of a development project justify its costs and risks. The IRR is expressed as a percentage, with higher percentages indicating greater financial returns for the developer.

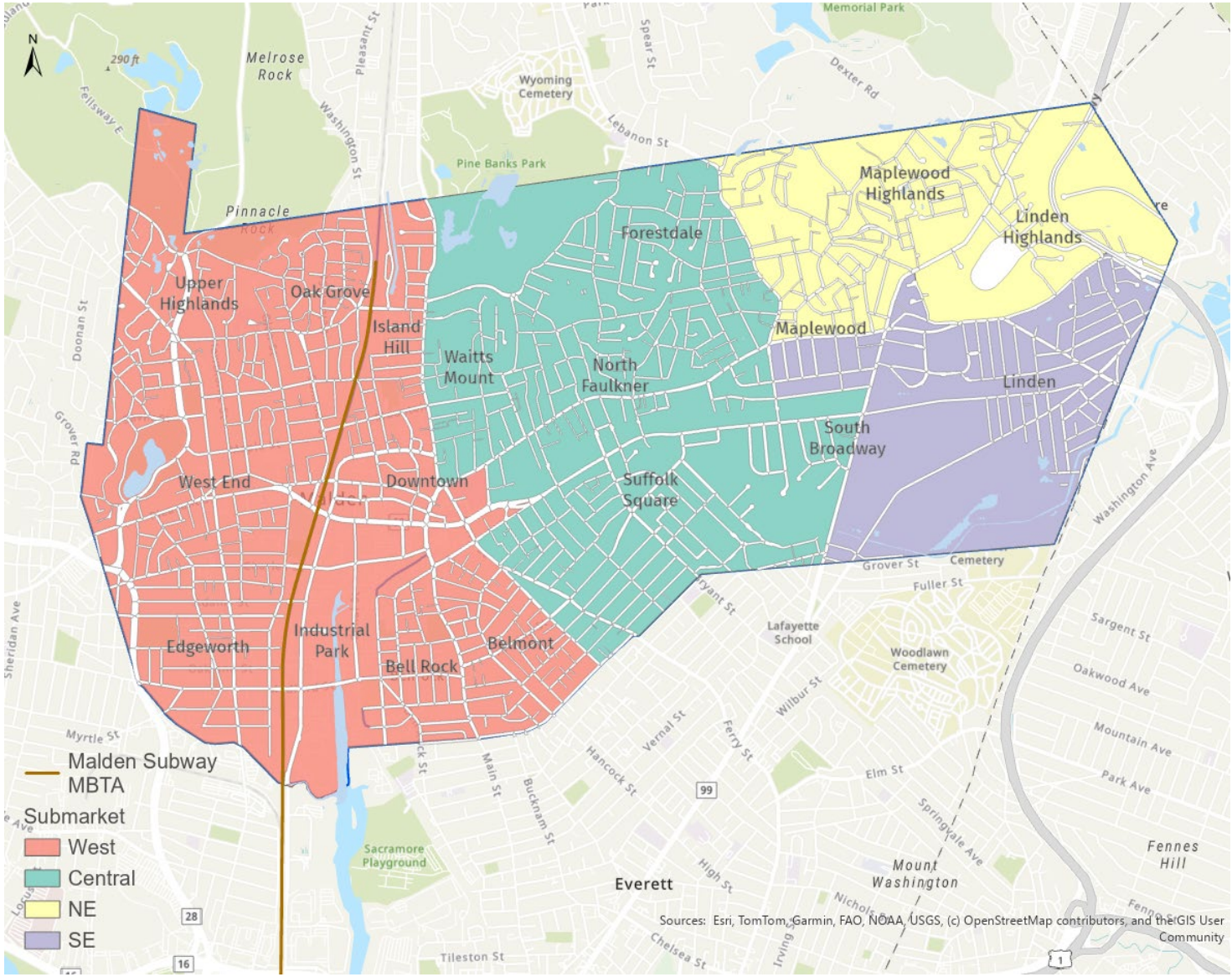
RKG Associates' financial feasibility model was designed to estimate the IRR while accounting for a variety of development factors. Such factors include the percentage of income-controlled units, targeted Area Median Income (AMI) levels, construction costs, land costs, operation costs, tenure (owner vs. renter), and several others. Each factor within the model can be adjusted to simulate a range of development scenarios. For example, the model can test different percentages of income-restricted units (e.g., 10% vs. 20%), which is commonly referred to as the set-aside percentage, and various AMI targets (e.g., 60% or 80% AMI). This flexibility allows the City of Malden to evaluate how different hypothetical inclusionary zoning policies may affect the financial returns of residential developments.

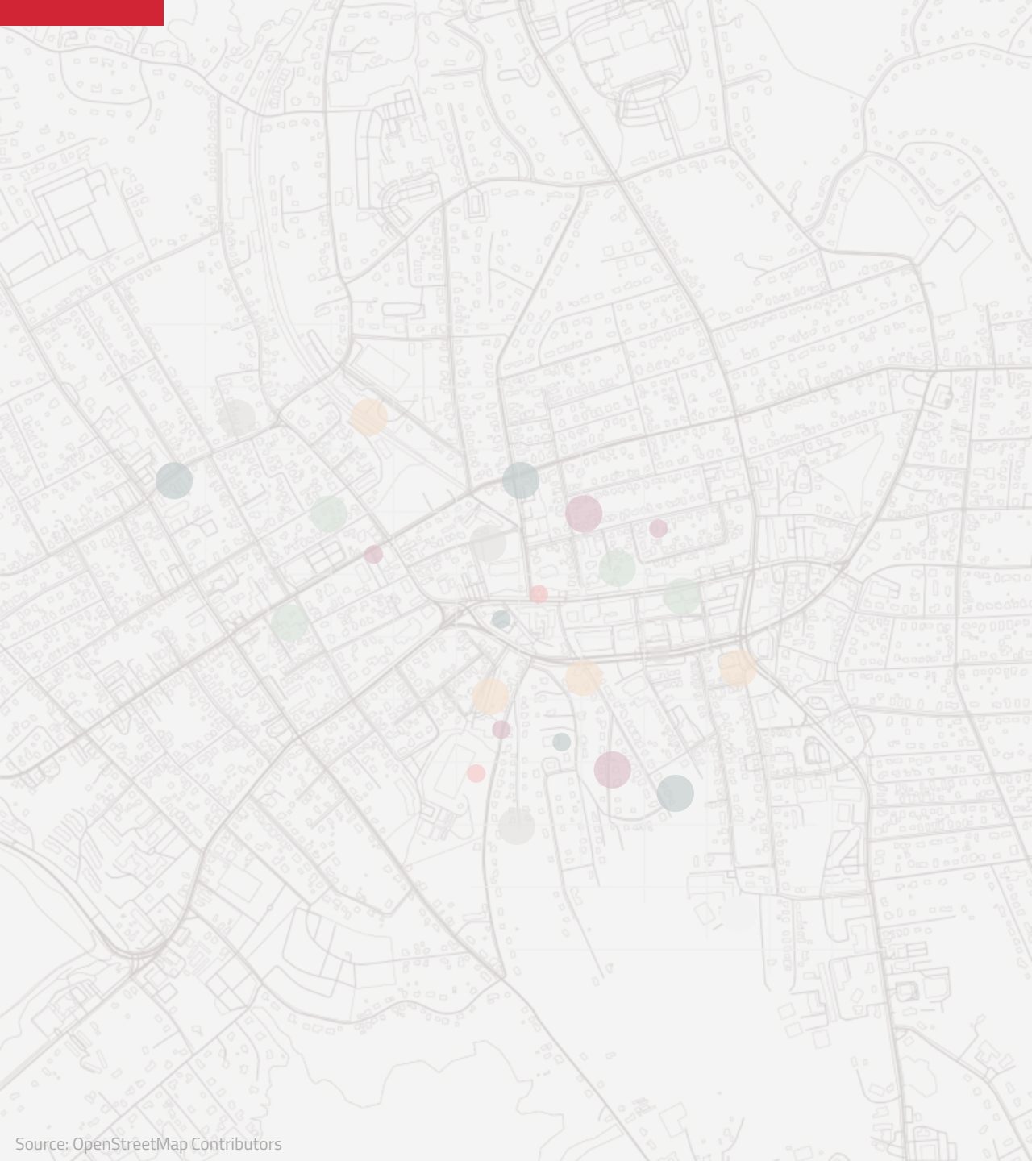
City Submarkets

Location within the city was a key factor in modeling the financial performance of residential developments under the IZ policy. RKG's market research revealed that monthly rents, home values, and household incomes vary significantly across the City of Malden. Accounting for these differences is critical to accurately reflecting prevailing market conditions and modeling hypothetical development scenarios. As a result, we used this market data to divide the city into distinct submarkets with similar characteristics. As a rule of thumb, submarket boundaries should align with existing Census block groups rather than split across them to maintain data integrity.

This approach allows the City to identify whether the IZ policy may produce disproportionate impacts based on location, as well as project type and size. For instance, RKG Associates' market research concluded that land costs, monthly rental prices, incomes, and home sales values are much higher in West Malden than in Central Malden. Therefore, RKG Associates utilized higher price points for modeling potential real estate investments in the West Malden submarket. Capturing these price variations across submarkets was essential to producing accurate financial performance projections for residential developments.

Submarkets Used for Financial Modeling





Modeling Inputs

Methodology

Inputs

Implications

Source: OpenStreetMap Contributors

Methodology

Financial feasibility modeling is built on three principal components: construction costs, operational revenues, and operational costs. Each component draws on locally-derived data to accurately reflect Malden's market conditions and ensure that development scenarios are realistic and grounded in current market realities. RKG Associates collected Malden-specific data for each of these categories through interviews, research, and additional data collection. The primary locally-derived inputs include, but are not limited to:

Construction Costs

- Soft costs – design and preparation
- Hard costs – materials and construction
- Parking costs – construction costs per parking space
- Land costs – depend on the physical location within the city

Operation Costs

- Financing costs – debt and equity to pay for the project
- Operating expenses – marketing, management, repairs, property taxes

Operational Revenues

- Rental rates and sale prices

Construction Costs

To estimate hard construction costs, RKG Associates interviewed both for-profit and non-profit developers and utilized regional data and RSMeans data to develop customized per-square-foot cost estimates for three building typologies: stick frame, stick over podium, and steel frame construction. Parking construction costs were similarly assessed across three configurations: surface, aboveground structured, and underground parking. Additionally, a land cost analysis was conducted based on recently completed residential projects to determine the land price per unit that developers have paid, with findings verified through developer interviews.

Operation Costs

Development financing is among the most critical components of any real estate transaction. The type and structure of financing available typically vary depending on the scale of the project. Through interviews with both for-profit and non-profit developers, RKG Associates gained insight into the debt structures, operating expenses, and vacancy assumptions commonly used in developer pro formas. Additionally, developers provided information on their financial return expectations for the Malden market area, which served as a benchmark for the feasibility model to assess how potential policy changes may affect a project's overall financial performance.

[1]RSMeans is a national data vendor that analyzes real estate construction cost data.

Methodology

Income Levels by Number of Bedrooms

Because the analysis models financial feasibility, where rent is determined by bedroom count rather than household size, RKG translated HUD income thresholds by household size into household income levels by bedroom count.

As it is impossible to know the size of every household that lives in all existing and future development projects in Malden, RKG's approach is to create average household sizes by bedroom count to simulate the likely mix of households. For example, we assume an average of 2.5 people for 2-bedroom units, considering the income thresholds for both 2-person and 3-person households, from which an average income is derived and applied to calculate rent. We recognize that this is not exact, but RKG's experience shows that this approach is sufficiently accurate for an IZ analysis. Our assumptions are as follows:

- studios: 1 person
- 1-bedroom: 1.5 persons
- 2-bedroom: 2.5 persons
- 3-bedroom: 3.5 persons

RKG then calculates AMI levels based on these average household sizes by bedroom count. RKG has applied and tested this methodology in every IZ analysis we conducted in the Boston metropolitan area. Based on market data and developer interviews, market-rate rents in Malden are equivalent to 95% of the AMI for the Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area.

Income Thresholds by Number of Bedrooms
Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area

AMI	Studio	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
30% AMI	$34,740	$37,230	$42,195	$47,145	$51,615
40% AMI	$46,320	$49,640	$56,260	$62,860	$68,820
50% AMI	$57,900	$62,050	$70,325	$78,575	$86,025
60% AMI	$69,480	$74,460	$84,390	$94,290	$103,230
70% AMI	$81,060	$86,870	$98,455	$110,005	$120,435
80% AMI	$92,640	$99,280	$112,520	$125,720	$137,640
90% AMI	$104,220	$111,690	$126,585	$141,435	$154,845
100% AMI	$115,800	$124,100	$140,650	$157,150	$172,050

Source: U.S. Department of Housing and Urban Development, and RKG Associates, 2026

Methodology

Operational Revenues

Market-rate data were collected for ownership residential projects completed since 2018 and rental apartment developments built since 2014, ensuring a sufficiently robust and meaningful sample size. Rent levels for income-controlled units were calculated based on the maximum affordable rent for various AMI thresholds, as indicated in the table. Note that Malden is located in the Boston-Cambridge-Quincy region. According to HUD, the maximum affordable monthly housing cost is no more than 30% of a household's monthly gross income. For instance, as a 50% AMI 2-bedroom household earns $70,325 annually, their maximum affordable monthly housing cost is $1,758 (70,325 *.0.3/12), which includes rent and essential utilities. Subtracting an estimated monthly utility cost of $246 for a 2-bedroom unit (according to the Malden Housing Authority 2026 utility allowance schedule), the income-restricted monthly rent of a 2-bedroom unit for a household earning 50% of AMI is $1,512. Market-rate rental data and income-restricted rental data were used as revenue inputs for hypothetical rental developments in the model.

RKG determined the market-rate sales prices of ownership homes through market research, supplemented by the most recent sales values by unit type from the City's property assessment and sales data. Income-restricted for-sale prices were calculated using a methodology consistent with that applied to income-restricted rental rates, while also accounting for additional costs associated with homeownership, such as mortgage payments, insurance costs, and property taxes.

Income Thresholds by Number of Bedrooms

Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area

AMI	Studio	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
30% AMI	$34,740	$37,230	$42,195	$47,145	$51,615
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Source: U.S. Department of Housing and Urban Development, and RKG Associates, 2026

Inputs: Construction Costs

Hard Cost, Soft Cost, Parking Cost

As noted previously, hard and soft construction cost data were gathered through interviews with local for-profit and non-profit developers. The financial feasibility model applied these hard costs based on the construction typology used: stick frame, stick over podium, and steel frame. It is worth noting that stick frame construction costs can vary for ownership developments, particularly for single-story townhome units. As shown in the table, soft costs, such as engineering and architectural fees, average approximately 15% of hard costs, as reported by local developers.

Parking construction costs per space represent the third and final category of construction costs considered in the model. As indicated in the table, RKG Associates modeled three different types of parking. Surface parking is the least expensive option, with a construction cost of $15,000 per space. Surface parking is more likely to be incorporated into properties with sufficient land area, typically in less dense areas of a city. Structured belowground parking, the most expensive type at $75,000 per space, will typically be incorporated into areas with more land constraints, such as in the West Malden submarket.

Hard, Soft, and Parking Construction Cost Inputs

City of Malden, MA

Hard Construction Costs (PSF)	Apartment	Condominium	Townhouse	Single-Family
Stick	$270	$297	$200	$200
Stick Over Podium	$350	$385	N/A	N/A
Steel Frame	$550	$605	N/A	N/A
Soft Costs (% of Hard Cost)				
Soft Costs	15.00%	15.00%	15.00%	15.00%
Parking Costs (Per Space)				
Surface	$15,000	$15,000	$15,000	$15,000
Structured Aboveground	$45,000	$45,000	$45,000	$45,000
Structured Belowground	$75,000	$75,000	$75,000	$75,000

Note: Values are based on data collected from stakeholder interviews.
Source: RKG Associates, 2026

Inputs: Construction Costs

Land Cost

Land cost is a critical component of the financial feasibility of residential development projects. Higher land values push developers to offset costs through increased density, reduced parking, or higher sales prices and rents.

The price of land in the West Malden submarket, particularly areas close to the MBTA rapid transit line, has increased substantially in recent years. Developer interviews reveal that land costs in the West Malden submarket are generally higher than the rest of the city. Therefore, RKG Associates modeled higher land costs in the West Malden submarket for most development types.

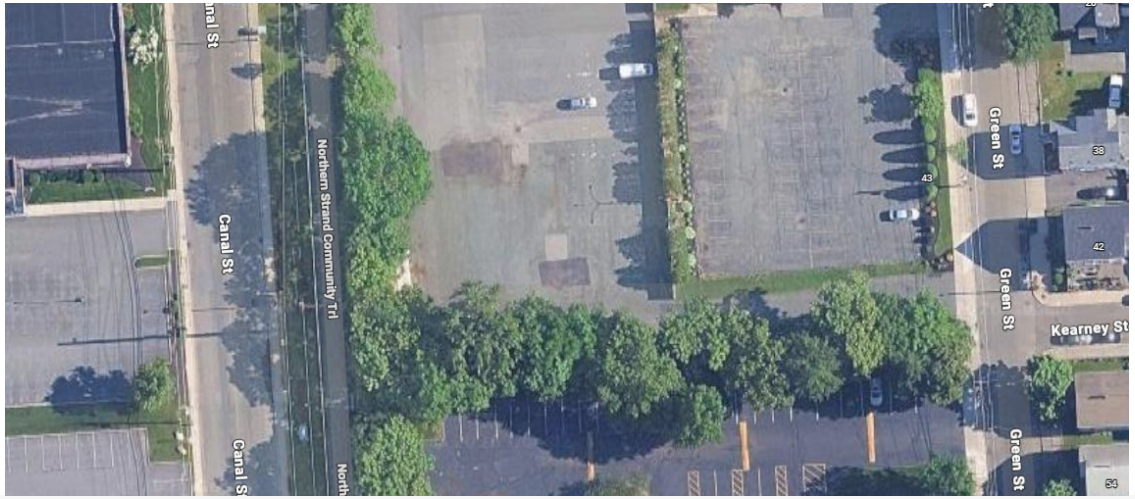
However, note that land costs for apartment developments were modeled uniformly across all submarkets. Recent apartment construction has been concentrated in the West Malden submarket, with limited activity in the Northeast (NE) submarket and no recent development in the Southeast (SE) or Central submarkets. As a result, no local land cost data is available for the SE and Central submarkets, which currently lack an active new apartment market. Developer interviews and supplementary data research indicate that land costs for recent apartment developments in the West Malden and NE submarkets are comparable. On this basis, a uniform land cost assumption was applied citywide.

Land Cost Inputs

City of Malden, MA

Housing Type	West	Central	NE/SE
Apartment	$45,000/Unit	$45,000/Unit	$45,000/Unit
Condominium	$110,000/Unit	$82,000/Unit	$74,000/Unit
Townhouse	$310,000/Unit	$250,000/Unit	$290,000/Unit
Single-Family	$338,000/Unit	$296,000/Unit	$324,000/Unit

Note: Values are based on data collected from stakeholder interviews, CoStar, and property assessment data.
Source: RKG Associates, 2026



Inputs: Operating Costs

Operating Expenses

Upon the completion of development construction, rental apartment property owners accrue costs related to marketing, maintaining, and managing a rental property. These costs are known as operating expenses, which can include, but are not limited to, utility, labor, property taxes, and cleaning-related costs. Ownership housing types do not generate operating expenses for developers.

Operating expenses are consistent across market-rate and income-restricted apartment units, as costs are not significantly affected by tenant type. Therefore, operating expenses accounted for 42.0% of the total effective gross income generated from both market-rate and income-restricted rental apartment units. Note that according to developer interviews, assisted living charges roughly $9,000 per month, but that figure includes medical and personal care services that drive operating expenses 5 to 10 times higher than traditional multifamily. These service-related costs can account for up to 70% of monthly fees.

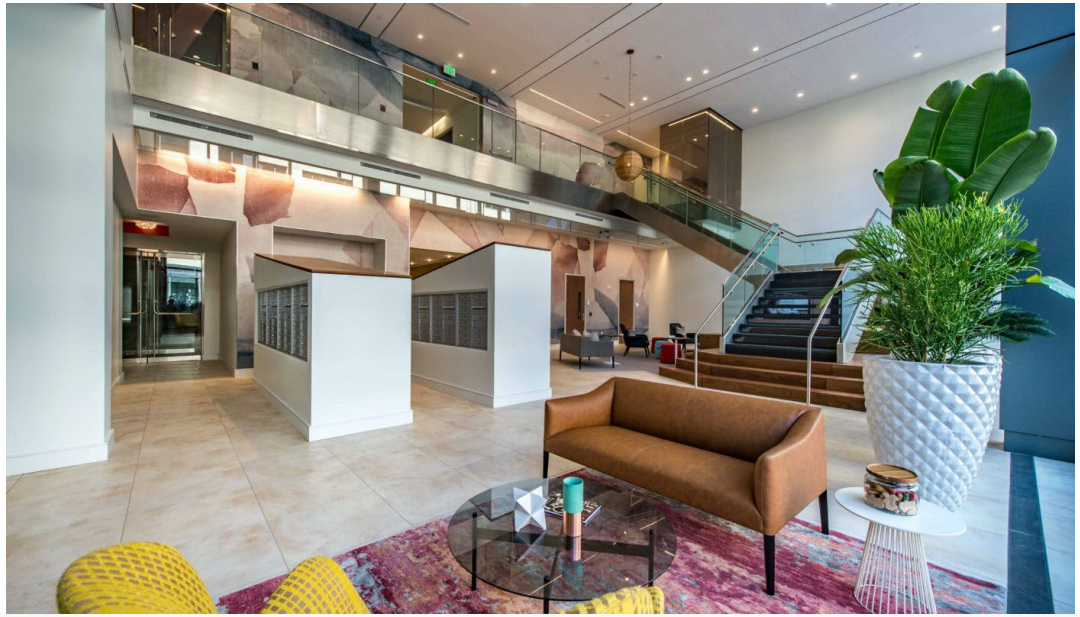
Vacancy and collection loss for new construction projects are consistent throughout Malden, with most uncollected rent due to turnover. Turnover is the period from when a unit is listed on the market to when a tenant moves in.

Operating Expense Inputs

City of Malden, MA

Operating Expenses (As a % of Rental Revenue)	
Operating Expenses	42.0%
Vacancy and Collection Loss	6.5%

Note: Values are based on data collected from stakeholder interviews and CoStar.
Source: RKG Associates, 2026



Inputs: Operating Costs

Financing Cost

The most common approaches for financing residential development are through equity investment and debt financing.

Equity is the upfront capital a developer contributes to a project. By securing outside financing, developers can reduce their out-of-pocket exposure. This is a preferred approach, as it limits risk while improving overall project returns. Based on interviews with local developers, RKG Associates set the equity requirement to 35% for both ownership and rental developments.

Obtaining long-term debt financing at affordable rates has grown increasingly challenging, according to interviewed stakeholders. The rise in interest rates, particularly since the COVID-19 pandemic, has adversely impacted the financial performance of new residential development nationwide. Based on developer interviews, RKG Associates set the expected interest rate to 6.5%. Target financial return metrics were established using industry benchmarks for the Boston metropolitan area, informed by developer interviews specific to Malden.

Financing Cost and Financial Return Inputs

City of Malden, MA

Financing Costs	
Interest Rate	6.5%
Equity Required	35.0%
Expected Financial Return	
Internal Rate of Return (Rental)	15.0%
Internal Rate of Return (Ownership)	30.0%
Return on Cost	6.0%

Note: Values are based on data collected from stakeholder interviews.
Source: RKG Associates, 2026

Inputs: Operational Revenues

Rental Revenues

RKG collected market rental rate data for relatively new apartment developments built since 2018 in Malden and supplemented with developments delivered since 2014 to ensure an adequate number of apartments were analyzed. Among the apartments built during this period that CoStar tracks and reports (usually larger or investment-grade) are efficiency (studio), one-bedroom, and two-bedroom units, with only one three-bedroom unit. Therefore, three-bedroom units were excluded from this analysis to reflect recent development trends.

The market rental rates were used as a baseline for the analysis and compared to information obtained from developers. Studios generate the highest rental income on a per-square-foot basis. For one-bedroom and two-bedroom units, a new construction rental apartment unit is priced between $2.50 and $3.75 per square foot citywide. Developer interviews indicate that Malden's rental rates are relatively lower than those of other similar communities in the Boston metro area.

The West Malden submarket, which offers the most convenient accessibility to the MBTA Orange Line, has some of the highest rents in Malden. In comparison, only one apartment with two-bedroom units was recently built in Central Malden, and none were delivered in the Southeast (SE) Malden submarket. Therefore, RKG supplemented with submarket-wide rental apartment rates for unit types lacking recent data for these two submarkets, regardless of construction year.

Rental Revenue Inputs (Per Square Foot)

City of Malden, MA

Submarket	Studio	1 Bedroom	2 Bedrooms
West	$4.57	$3.75	$3.27
Central	$4.51	$3.58	$3.12
NE	$4.44	$3.40	$2.96
SE	$4.22	$3.23	$2.81

Note: Values are based on data collected from stakeholder interviews and CoStar.
Source: RKG Associates, 2026

Inputs: Operational Revenues

Ownership Sale Price

RKG Associates used the City's property assessment database and Redfin data to analyze ownership sales prices by neighborhood for new construction ownership housing units built since 2018.

The West Malden submarket generally has the highest per-square-foot prices, particularly for new condominium developments near downtown Malden, where new units can range from $425,000 to $760,000, depending on bedroom counts. Note that due to the lack of data, citywide averages were used for the condominium housing type in NE and SE Malden submarkets.

Recent ownership housing developments in Malden are mostly condominiums in West Malden, with limited new townhouses and single-family homes built since 2018. Therefore, RKG supplemented the townhouse and single-family sales data with sales across all years, particularly in the Central, NE, and SE submarkets.

Ownership Sale Price Inputs (Per Square Foot)

City of Malden, MA

Submarket	Condominium	Townhouse	Single-Family
West	$796	$420	$470
Central	$606	$419	$449
NE	$593	$444	$430
SE	$593	$335	$446

Note: Values are based on data collected from stakeholder interviews, Redfin, and property assessment data.
Source: RKG Associates, 2026

Insights and Implications

The financial feasibility model is limited by its inputs.

Financial feasibility pro forma modeling requires the use of several development, operational, financing, and market assumptions. RKG understands that, as each development project is different, costs and revenues can vary substantially, even within the same market. Unfortunately, one of the limitations of a financial feasibility analysis is the lack of an infinite model that covers every combination of development type, scale, and location. RKG does its best to account for unique factors (e.g., wood frame costs versus concrete and steel costs), but it is impossible to model every potential permutation. Generally, there are three approaches:

- Best-Case Planning – The model uses the most beneficial assumptions that result in an aggressive IZ policy.
- Worst-Case Planning – The model uses the most challenging development assumptions to help understand how a policy decision would impact the weakest project.
- Mid-Point Planning – The model uses means and medians to simulate the "middle of the pack", trying to find a balance point between production and financial impact.

None of these three approaches is perfect. Best-Case Planning is based on the most financially beneficial development examples, leading to the most aggressive IZ policy thresholds (e.g., set-aside requirements and target AMIs). However, this approach is the most financially punitive to all but these ideal projects and can adversely impact residential development potential.

Insights and Implications

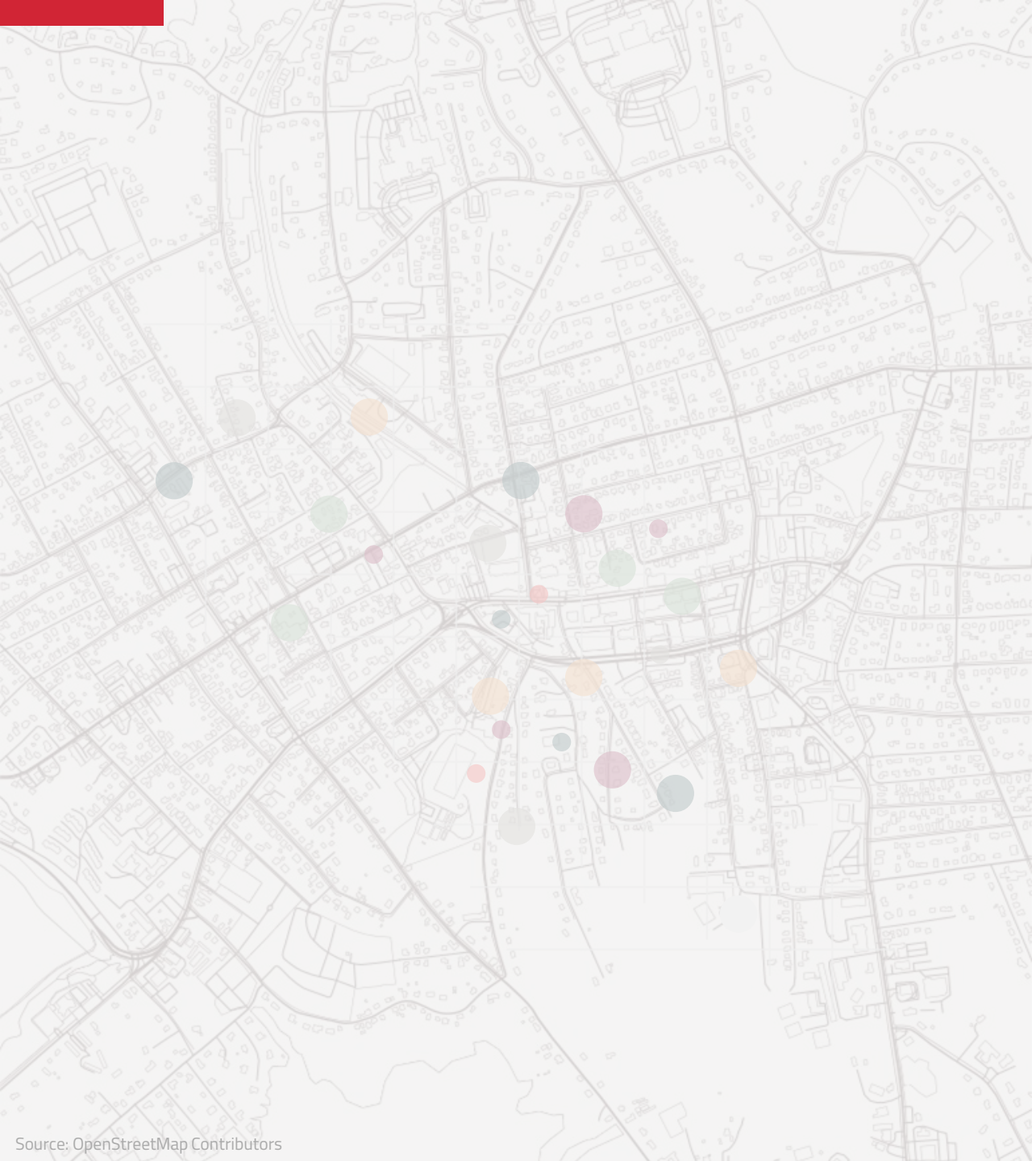
Conversely, the Worst-Case Planning approach focuses on the most difficult financial projects, and therefore, leads to lower set-aside requirements and/or higher AMI targets. While the worst-case approach ensures financial feasibility impact is minimized or even eliminated, it generates the least amount of price diversity without capturing the full contribution potential of stronger projects.

As a result, RKG Associates uses the "mid-point" approach, balancing potential impact and price diversity delivery as fairly as possible.

Regardless of which approach is used, any actual project will likely differ somewhat from the modeled assumptions. Therefore, RKG tries to remediate this limitation by interviewing for-profit and non-profit developers and using locally-sourced data when creating the model.

Financial performance is just one factor in the decision-making process for developers.

It is important to acknowledge that the financial performance of a project is only one of many factors developers and investors consider. Developers also assess project risk and feasibility based on the ease of approval and permitting processes, flexibility in zoning, location and amenities, strength of the market, and strategic value. Given the variability of decision-making considerations and the difficulty of assessing all these additional factors, the model focuses primarily on the financial aspects of development projects.



Financial Sensitivity and Scenario Analysis

Financial Feasibility Model for the IZ Policy

Source: OpenStreetMap Contributors

Financial Sensitivity and Scenario Analysis

The financial sensitivity analysis reveals how various development scenarios affect project feasibility, measured against developer return expectations for both rental and ownership housing. Each scenario accounts for multiple variables, including, but not limited to:

- **Project Size** – The total number of units in a rental or ownership development. While the model can test an infinite number of units, the following analysis evaluates the impacts on returns based on the typical project sizes within the City of Malden. For both rental and ownership developments, RKG Associates modeled projects between 10 units and 75 units.
- **Household Income Level** – The household income level is expressed as a percentage of Malden's Area Median Income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD). Income level thresholds range between 30% and 120% of the city's Area Median Income, with 30% AMI representing the lowest earning households. RKG Associates modeled projects at 50% and 60% of AMI for rental projects and 80% of AMI for ownership projects to evaluate the relationship between financial returns and income-restricted housing units. As lower target AMI levels of income-restricted housing units are associated with lower rents and prices, this analysis reveals how AMI levels affect revenues generated.
- **Set-Aside Percentage** – The set-aside percentage is the share of required income-restricted units in a development project. Holding other factors constant, the increase in inclusionary unit set-aside percentage will generally lower financial returns.

Financial feasibility is measured with the Internal Rate of Return (IRR). The minimum acceptable IRR is 15% for rental developments and 30% for ownership developments in Malden.

Rental Development Returns

Multifamily rental residential development in Malden is challenging in the current market climate. The lingering impact of materials costs from the COVID-19 pandemic, combined with the recent upswing in tariffs on imports, has increased and maintained high prices for construction materials. Simultaneously, the cooling of the life science development market in the greater Boston region has suppressed demand for new housing, rippling through the market in the form of stagnating rents (Colliers, *Greater Boston Multifamily Report — Q3 2025*; Colliers, *Greater Boston Life Sciences Report — Q3 2025*). The effect has made secondary markets such as Malden more financially challenged since costs have risen above what local rents support.

This is evident in the results presented in the following tables. RKG tested a 40-unit multifamily development scenario in each of the submarkets with various inclusionary unit set-aside percentage requirements. The data indicate that currently, none of the simulated projects achieve the target IRR for new construction development (15%), including those without any inclusionary zoning (IZ) requirement. The City's current IZ policy yields returns that range between 10.38% (Southeast) and 12.27% (Central). The financial gap to reach market returns ranges from $1.2 million to $2.1 million for these projects. Based on recent development trends, structured aboveground parking was modeled for the West Malden submarket, while surface parking was modeled for the rest of the city.

Decreasing the set-aside requirement to 10% and increasing the target AMI to 60% AMI provides 110 to 120 basis-point increases in IRR and reduces subsidy needs by 25% to 40% to reach market returns.

The color coding and shading of the IRR figures in the following tables should be interpreted as follows:

- Green: IRR meets market expectations
- Orange: IRR is slightly below market expectation
- Red: IRR is well below market expectations

Rental Development Returns: 50% of AMI

Impact on IRR, ROC and Gap Value by Set Aside and Target Income

West Submarket – 40-Unit Project – 50% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	12.58%	5.20%	($1,035,189)	($25,880)
10%	11.24%	4.89%	($1,691,256)	($38,438)
15%	10.47%	4.72%	($2,091,795)	($45,474)
50%	6.38%	3.91%	($4,605,547)	($76,759)
100%	1.89%	3.22%	($8,210,749)	($102,634)
100%*	N/A	0.83%	($8,206,621)	($205,166)

Central Submarket – 40-Unit Project – 50% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	14.40%	5.61%	($244,294)	($6,107)
10%	13.06%	5.27%	($837,661)	($19,038)
15%	12.27%	5.09%	($1,206,047)	($26,218)
50%	8.21%	4.22%	($3,497,939)	($58,299)
100%	3.84%	3.46%	($6,804,231)	($85,053)
100%*	N/A	0.91%	($7,590,998)	($189,775)

Impact on IRR, ROC and Gap Value by Set Aside and Target Income

Northeast Submarket – 40-Unit Project – 50% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	13.35%	5.37%	($665,284)	($16,632)
10%	12.08%	5.06%	($1,238,822)	($28,155)
15%	11.32%	4.89%	($1,603,889)	($34,867)
50%	7.45%	4.09%	($3,846,166)	($64,103)
100%	3.31%	3.41%	($7,075,583)	($88,445)
100%*	N/A	1.05%	($7,441,360)	($186,034)

Southeast Submarket – 40-Unit Project – 50% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	12.26%	5.13%	($1,070,107)	($26,753)
10%	11.08%	4.85%	($1,617,480)	($36,761)
15%	10.38%	4.70%	($1,959,136)	($42,590)
50%	6.81%	4.00%	($4,078,849)	($67,981)
100%	3.04%	3.39%	($7,135,477)	($89,193)
100%*	N/A	1.26%	($7,096,430)	($177,411)

*Note: The last 100% target set-aside scenario assumes no density bonus, simulating a LIHTC project, which usually needs to have 100% affordable units to be competitive in Massachusetts

Green: IRR meets market expectations. Orange: IRR is slightly below market expectation. Red: IRR is well below market expectations

Rental Development Returns: 60% of AMI

Impact on IRR, ROC and Gap Value by Set Aside and Target Income

West Submarket – 40-Unit Project – 60% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	12.58%	5.20%	($1,035,189)	($25,880)
10%	11.61%	4.97%	($1,536,858)	($34,929)
15%	11.03%	4.84%	($1,856,397)	($40,356)
50%	8.13%	4.23%	($3,818,352)	($63,639)
100%	5.21%	3.71%	($6,633,818)	($82,923)
100%*	-18.86%	1.78%	($6,629,690)	($165,742)

Central Submarket – 40-Unit Project – 60% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	14.40%	5.61%	($244,294)	($6,107)
10%	13.43%	5.36%	($683,263)	($15,529)
15%	12.83%	5.22%	($970,649)	($21,101)
50%	9.94%	4.56%	($2,710,744)	($45,179)
100%	7.04%	3.99%	($5,227,301)	($65,341)
100%*	-14.15%	1.92%	($6,014,068)	($150,352)

Impact on IRR, ROC and Gap Value by Set Aside and Target Income

Northeast Submarket – 40-Unit Project – 60% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	13.35%	5.37%	($665,284)	($16,632)
10%	12.47%	5.15%	($1,084,424)	($24,646)
15%	11.90%	5.02%	($1,368,491)	($29,750)
50%	9.23%	4.44%	($3,058,971)	($50,983)
100%	6.59%	3.93%	($5,498,652)	($68,733)
100%*	-11.64%	2.05%	($5,864,429)	($146,611)

Southeast Submarket – 40-Unit Project – 60% AMI Target Income

Target Set Aside	IRR	ROC	GAP	GAP/UNIT
0%	12.26%	5.13%	($1,070,107)	($26,753)
10%	11.48%	4.94%	($1,463,082)	($33,252)
15%	10.99%	4.83%	($1,723,738)	($37,473)
50%	8.66%	4.34%	($3,291,653)	($54,861)
100%	6.39%	3.92%	($5,558,546)	($69,482)
100%*	-8.33%	2.27%	($5,519,500)	($137,987)

*Note: The last 100% target set-aside scenario assumes no density bonus, simulating a LIHTC project, which usually needs to have 100% affordable units to be competitive in Massachusetts

Green: IRR meets market expectations. Orange: IRR is slightly below market expectation. Red: IRR is well below market expectations

Rental Development Returns: Project Size

RKG also tested the impact that the size of a development would have on returns. The adjoining table details the change in IRR based on the size of a project, the set-aside requirement, and the location of the project. The data indicate that the number of units in an IZ rental development has a slight impact on return, but nothing that affects overall financial feasibility. In other words, the IZ policy does not impact smaller rental projects materially different than larger rental projects.

While the Central submarket performs the best due to having stronger rent levels than the eastern part of the city and addressing parking through surface spaces rather than podium spaces, as in West Malden, returns remain below the preferred market threshold.

Projects that offer larger shares of income-controlled units fare much worse financially. The analysis shows that projects that offer 50% of the units at IZ rent thresholds achieve IRR levels between 6% and 9%, well below market expectations. The table on the previous page details the financial gap for 40-unit projects that offer 50% IZ units, requiring millions of dollars to offset the impact. Ultimately, projects willing to offer high set-aside restrictions are exclusively going to be those that seek local, state, and federal subsidies. This finding is consistent with all other jurisdictions RKG has analyzed in Massachusetts.

Inclusionary Zoning is only one tool to increase the supply of affordable housing in a community.

Rental Development Returns: Project Size

50% of AMI

Impacts on IRR by Subarea and Unit Count
Targeting 50% of AMI

10% Set Aside

Project Size	West	Central	Northeast	Southeast
10 Units	11.41%	13.27%	12.33%	11.30%
20 Units	10.99%	12.80%	11.81%	10.86%
40 Units	11.24%	13.06%	12.08%	11.08%
75 Units	11.13%	12.93%	11.96%	10.96%

15% Set Aside

10 Units	10.27%	11.97%	11.07%	10.07%
20 Units	10.45%	12.23%	11.30%	10.36%
40 Units	10.47%	12.27%	11.32%	10.38%
75 Units	10.38%	12.19%	11.24%	10.31%

Impacts on IRR by Subarea and Unit Count
Targeting 50% of AMI

50% Set Aside

Project Size	West	Central	Northeast	Southeast
10 Units	6.21%	8.23%	7.40%	6.82%
20 Units	6.56%	8.34%	7.63%	6.96%
40 Units	6.38%	8.21%	7.45%	6.81%
75 Units	6.33%	8.16%	7.41%	6.77%

100% Set Aside

10 Units	2.15%	4.11%	3.63%	3.32%
20 Units	1.96%	3.94%	3.43%	3.16%
40 Units	1.89%	3.84%	3.31%	3.04%
75 Units	1.93%	3.91%	3.39%	3.11%

Green: IRR meets market expectations. Orange: IRR is slightly below market expectation. Red: IRR is well below market expectations

Rental Development Returns: Project Size

60% of AMI

Impacts on IRR by Subarea and Unit Count
Targeting 60% of AMI

10% Set Aside

Project Size	West	Central	Northeast	Southeast
10 Units	11.66%	13.59%	12.63%	11.57%
20 Units	11.34%	13.22%	12.20%	11.23%
40 Units	11.61%	13.43%	12.47%	11.48%
75 Units	11.42%	13.29%	12.29%	11.28%

15% Set Aside

10 Units	10.47%	12.23%	11.31%	10.28%
20 Units	10.93%	12.77%	11.83%	10.88%
40 Units	11.03%	12.83%	11.90%	10.99%
75 Units	10.84%	12.71%	11.74%	10.80%

Impacts on IRR by Subarea and Unit Count
Targeting 60% of AMI

50% Set Aside

Project Size	West	Central	Northeast	Southeast
10 Units	7.83%	9.88%	9.09%	8.55%
20 Units	8.21%	10.02%	9.34%	8.72%
40 Units	8.13%	9.94%	9.23%	8.66%
75 Units	7.96%	9.83%	9.10%	8.50%

100% Set Aside

10 Units	5.19%	7.10%	6.67%	6.42%
20 Units	5.09%	7.02%	6.55%	6.34%
40 Units	5.21%	7.04%	6.59%	6.39%
75 Units	5.05%	6.97%	6.50%	6.29%

Green: IRR meets market expectations. Orange: IRR is slightly below market expectation. Red: IRR is well below market expectations

Rental Development Returns: Parking Ratio

The City sought to understand how parking requirement relief would impact financial feasibility. To test this, RKG first assessed the current policy (one parking space for each bedroom in a unit) and compared those results to three alternative approaches:

- 1 space per unit, regardless of bedrooms
- 0.75 spaces per bedroom
- 0.75 spaces per unit, regardless of bedrooms

The analysis revealed that parking reductions provided little financial assistance for rental projects. Simply put, the monthly parking fees charged at new rental residential development projects in Malden defray much of the carrying costs for having to build additional spaces. In other words, parking fees effectively pay for parking costs. As seen in the adjoining table, the most aggressive reduction scenario only provides 7 to 15 basis point increases to IRR. Simply put, these reductions do not provide much financial support.

Generally, projects where developers do not charge for parking above base rent would benefit from the reduction in parking requirements. That said, available data for recent multifamily projects in the City indicate that these communities charge for parking.

Impacts on IRR by Parking Requirement Change
Current IZ Policy Set-Aside (15%) and Target AMI (50%)

Project Size	Subarea			
40-Unit Building	**West**	**Central**	**Northeast**	**Southeast**
Current Policy (1 Space Per Bedroom)	10.47%	12.27%	11.32%	10.38%
1 Space Per Unit	10.62%	12.41%	11.45%	10.51%
0.75 Spaces Per Bedroom	11.15%	12.41%	11.45%	10.51%
0.75 Spaces Per Unit	11.54%	12.50%	11.54%	10.60%

Green: IRR meets market expectations. Orange: IRR is slightly below market expectation. Red: IRR is well below market expectations

Rental Development Returns: All Affordable

As noted previously, projects that offer the most units as income-controlled have severe financial feasibility challenges without subsidy. The most common tool available for these projects is the federal Low Income Housing Tax Credit (LIHTC) program. In short, this program offers tax credits to developers that meet minimum development requirements. To understand the feasibility of LIHTC projects, RKG modeled projects that offer 100% of the units at 50% of AMI. This threshold reflects the level typically necessary to be successful in securing 9% LHTC credits in Massachusetts.

As noted earlier, efforts to achieve substantial affordability in a development project are not well served by an IZ policy, but rather a financial strategy for municipalities like Malden.

As detailed in the adjoining table, LIHTC credits alone generally are not sufficient to make these projects feasible. Additional subsidy (presumably from the City and the state) would be necessary to reach a Debt Coverage Ratio (DCR) necessary to secure financing (typically 1.25, or having a net operating income 25% higher than the debt service costs).

It is important to note that LIHTC funds are capped at $10 million per project in Massachusetts. This is why the subsidy required for projects above 40 units requires substantially more local and state funds (as reflected in the table). To this point, almost all LIHTC projects are less than 40 to 50 units statewide.

LIHTC and 100% Affordable Development by Debt Coverage Ratio (DCR)
Within and Outside a Qualifying Census Tract (QCT)

Project Size	Subarea			
20-Unit Project	**West**	**Central**	**Northeast**	**Southeast**
Within QCT	N/A	1.54	N/A	2.13
Outside QCT	1.04	1.03	1.06	1.13
Total Subsidy @ 1.25 DCR	$346,390	$388,164	$325,542	$207,394
Per Unit Subsidy @ 1.25 DCR	$17,320	$19,408	$16,277	$10,370
40-Unit Project	**West**	**Central**	**Northeast**	**Southeast**
Within QCT	N/A	0.90	N/A	0.99
Outside QCT	0.98	0.90	0.92	0.99
Total Subsidy @ 1.25 DCR	$974,178	$1,374,812	$1,314,944	$1,006,832
Per Unit Subsidy @1.25 DCR	$24,354	$34,370	$32,874	$25,171
75-Unit Project	**West**	**Central**	**Northeast**	**Southeast**
Within QCT	N/A	0.46	N/A	0.51
Outside QCT	0.48	0.46	0.48	0.51
Total Subsidy @ 1.25 DCR	$10,502,511	$11,247,124	$11,134,653	$10,565,083
Per Unit Subsidy @1.25 DCR	$140,033	$149,962	$148,462	$140,868

Ownership Development Returns

Like the rental housing market, external forces have impacted the financial feasibility of condominium development within the greater metropolitan Boston market. Higher costs with stagnated price points have impacted secondary markets.

Unlike the rental housing market, ownership development is financially feasible in certain areas of Malden. As seen in the following tables, developing ownership condominiums in West Malden is feasible under the current IZ requirements of 15% of the units at 80% of AMI. This is because sales prices in West Malden, particularly close to the City's MBTA subway stations and downtown, are suitable for development. Note that structured aboveground parking was modeled for the West Malden submarket, while surface parking was modeled for the rest of the city.

However, sales prices for condominiums further east are not as strong, leading to substantial challenges for larger ownership projects to meet a 15% set-aside requirement. However, note that this is likely associated with the limited number of new condominium developments and sales outside of West Malden in recent years. The analysis indicates that a 10% requirement would help smaller condominium developments (10 units).

Ownership Development Returns

Impacts to Return By Changing Set Aside Requirement
Targeting 80% of AMI Households

10% Set Aside

Project Size	West	Central	Northeast	Southeast
10 Units	47.75%	26.68%	27.36%	27.36%
20 Units	34.88%	11.46%	7.29%	7.29%
40 Units	39.13%	15.61%	12.91%	12.91%
75 Units	37.94%	15.03%	12.07%	12.07%

15% Set Aside

10 Units	35.04%	14.20%	14.67%	14.67%
20 Units	32.71%	10.27%	7.03%	7.03%
40 Units	34.00%	11.91%	9.03%	9.03%
75 Units	34.12%	12.25%	9.45%	9.45%

Impacts to Return By Changing Set Aside Requirement
Targeting 80% of AMI Households

20% Set Aside

Project Size	West	Central	Northeast	Southeast
10 Units	21.82%	1.30%	-3.66%	-3.66%
20 Units	30.66%	9.15%	6.78%	6.78%
40 Units	31.91%	10.73%	8.72%	8.72%
75 Units	31.20%	10.50%	8.05%	8.05%

25% Set Aside

10 Units	12.50%	-7.47%	-11.94%	-11.94%
20 Units	31.15%	11.18%	10.35%	10.35%
40 Units	26.17%	5.95%	3.40%	3.40%
75 Units	25.50%	5.61%	3.13%	3.13%

Green: IRR meets market expectations. Orange: IRR is slightly below market expectation. Red: IRR is well below market expectations

Insights and Implications

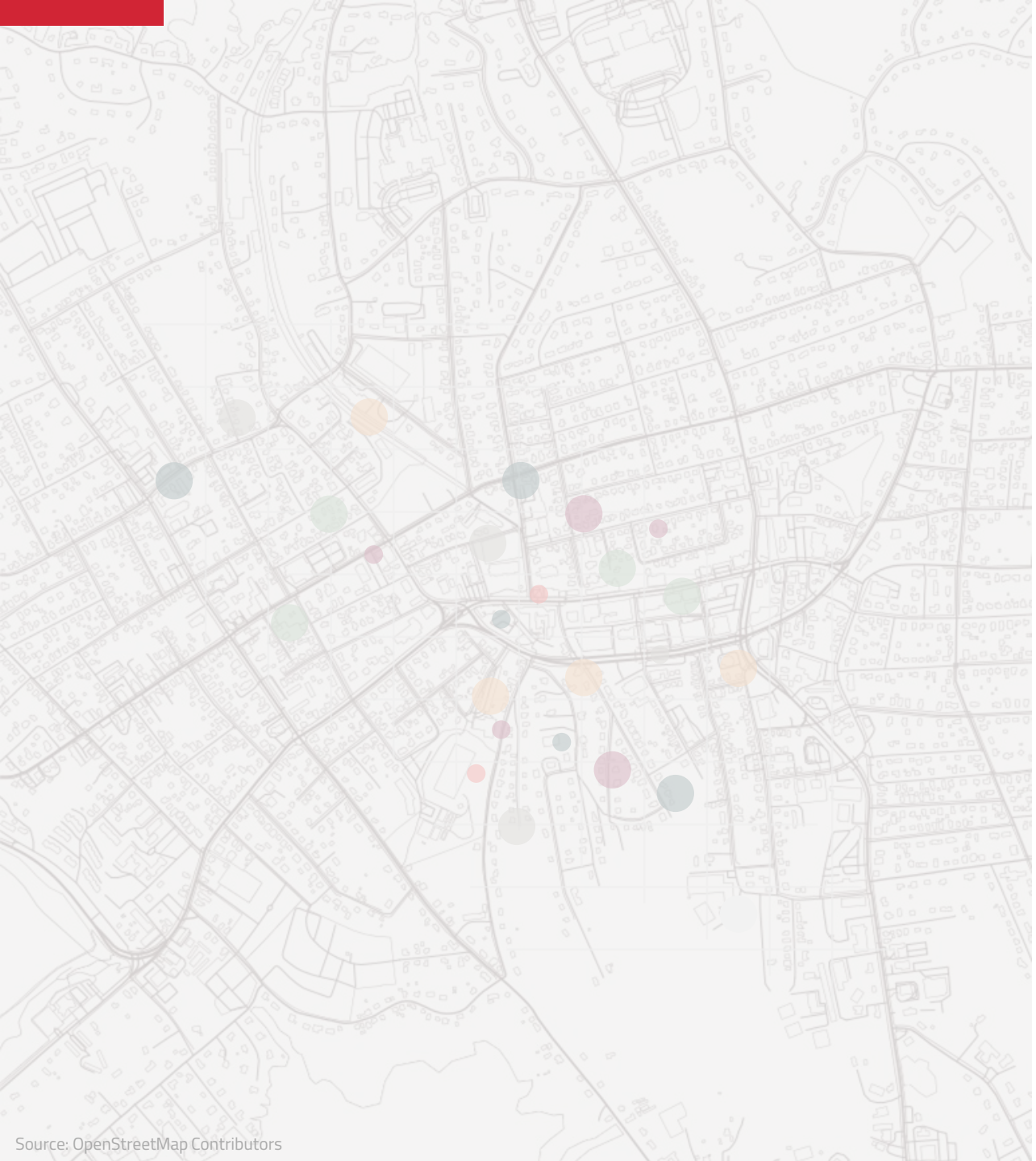
The current market climate for multifamily development makes new projects in Malden financially challenging

The cost of construction in Malden is disproportionately high relative to the potential revenue generated by new rental units, creating a challenging financial environment for residential development. In part, this reflects the influence of life sciences and laboratory development in the region, which has driven up labor costs by competing for the same construction workforce. At the same time, the COVID-19 pandemic and recent regulatory changes, including the imposition of tariffs on building materials, have significantly increased materials costs, further squeezing development budgets. On the revenue side, market-rate rents in Malden range from approximately 95% to 120% of Area Median Income (AMI), reflecting the influence of higher-cost markets elsewhere in the region but still falling short of the levels needed to offset elevated construction costs.

These findings are corroborated by development trends, permitting data, and developer interviews, which collectively indicate that virtually no market-rate residential development involving eight or more net new units has moved forward in Malden since the adoption of the inclusionary zoning ordinance in 2021.

Lowering the set-aside requirement can help support ownership development outside of West Malden

Ownership condominiums in West Malden are feasible under the current IZ requirements. Feasibility depends on various factors (e.g., pricing, site conditions, etc.) alongside zoning, but lowering the set-aside to 10% would improve the feasibility of smaller condominium developments (e.g., 10 units) in submarkets outside of West Malden.



Source: OpenStreetMap Contributors

Evaluation of Existing Policies

Possible Challenges in Existing Zoning

12.12.300 Inclusionary Zoning Analysis Findings

Inclusionary zoning requires a special permit
Special permits introduce an additional layer of review that can significantly delay the permitting process and extend overall project timelines. For developers, this added step translates directly into increased carrying costs and prolonged uncertainty, eroding project feasibility and potentially discouraging the very developments the inclusionary zoning program seeks to promote.

15% affordability requirement on the total number of units
Set-aside rates across the region generally range from 10% to 20%, with higher-income primary markets typically requiring set-asides at the upper end of that range. Incremental increases in the set-aside rate, rather than large step changes, can help moderate the financial impact on development and preserve overall project feasibility.

Require that assisted living units meet the same requirements
Assisted living facilities operate under a rent structure that incorporates medical and care-related costs, which substantially alter their income and expense ratios compared to conventional rental multifamily developments. Applying a standard non-medical rent rate to this structure creates a disproportionate financial burden that can significantly undermine project feasibility.

Incentives not proportional to impacts
The current one-for-one bonus density match does not sufficiently offset the financial impact of the inclusionary requirement, as research suggests a ratio closer to 2.5:1 is needed to meaningfully mitigate that burden. Similarly, a uniform parking reduction to one space per unit does not account for site-specific factors, such as proximity to transit, that can significantly influence feasibility.

Possible Challenges in Existing Zoning

12.12.300 Inclusionary Zoning Analysis Findings

Development standards are inflexible
Ratio requirements for tenure type or bedroom mix may not always align with market conditions at the time of construction or reflect the full range of local housing needs. Section B.4 currently allows no variance from any provision in Section 12.12.300, leaving no flexibility to adapt to project-specific circumstances. The City should consider establishing the ability to waive these requirements where doing so would serve the public benefit and remain consistent with state law and the Fair Housing Act.

Compliance Alternatives
The City should review whether the off-site unit option is consistent with broader housing goals and consider whether the relevant language should be more precisely defined. For example, Malden should establish a clear geographic definition of "the same neighborhood." Separately, the City should clarify in the Zoning Ordinance that the "round up" alternative is just an option.

Eligibility: Income and SHI
The current income eligibility thresholds for the IZ policy may not accurately reflect the household income profile of Malden. The City should confirm the financial feasibility of the 50%, 80%, and 100% AMI thresholds to ensure the IZ policy is appropriately calibrated to local conditions.

The table on the following page compares Malden's IZ requirements with those of its neighboring communities. Those same communities are used to compare other aspects of permitting later in this report. In general, **Malden has higher permitting costs for special permits, requires more documentation sets for applications, and has fewer permitting process "best practices" than its neighboring communities.**

Possible Challenges in Existing Zoning

Comparison of Inclusionary Zoning Requirements for Neighboring Communities

	Malden pop.65,906	**Everett** pop.50,045	**Medford** pop.59,354	**Melrose** pop.29,650	**Revere** pop.60,012
Requires special permit?	Yes	Yes	Yes	No	Affordable housing overlay for one district.
Threshold	8 net new units	10 or more units	10 or more units over a five-year period	5 or more units over 3 years	
Other	8 or more assisted living units in any nursing/convalescent home	No	Senior housing with ten or more assisted living units	Lodging and rooming houses	
Percentage requirements	15% of all units	15% of units at 80% AMI or 10% of units at 60% AUL/FEMA Floodplain: 10% of units at 80% AMI or 7% of units at 60%	10-24 units or lots: 10% 25-49 units or lots: 13% 50+ units or lots: 15%	15%	
Income requirements	51%-80% AMI for required units 100% AMI for incentive units			80% AMI	
Local Preference?	Yes	Yes	No	No	
In lieu payment?	Full and partial	No	No	Yes	
Fractional round-up	Yes – or fee-in-lieu	No	Yes – required	Yes – required if above 1/2	
Off-site allowed?	Yes – same neighborhood	No	No	By special permit	
Incentives:	Yes	Yes	None	Yes, by special permit	
Density bonus	One market-rate unit to one affordable unit	Waivers of any dimensional restrictions; 25% of bonus units must be affordable; no more than 50% of units permitted without waivers	-	One market-rate unit to one affordable unit	
Parking reduction	1 space for Affordable Units		-	Reduced by 0.5 spaces per unit but not less than 1 unit	

Development Process Review

Fee Structure

Malden's Inclusionary Zoning policy currently applies to projects with eight or more net new units, with compliance administered through a special permit process. The first applicable fee on the Planning Board's Fee Schedule is a "Special Permit for a Dwelling of Over Six Stories (§300 and §700.1.3)" at $1,000. Inclusionary units created through the subdivision process are subject to a separate set of fees.

Applicants are also responsible for advertising fees associated with public hearing notices and recording fees, and any subsequent plan amendments or rescissions trigger additional charges, collectively contributing to a fee structure that can impose a financial burden on applicants.

Malden's fees for projects that trigger the IZ threshold are **significantly higher than special permit fees in surrounding municipalities** and are comparable to subdivision application fees charged by neighboring communities.

	Malden pop.65,906	**Everett** pop.50,045	**Medford** pop.59,354	**Melrose** pop.29,650	**Revere** pop.60,012
Special Permit	$1,000 (Dwelling 6+ units)	$300 $500 (inclusionary housing)	$300 (for use)	No fee (for Affordable Housing Incentive)	$400
Site Plan Review	-	$400 (change of use) or $1,500 or $.10 per sf	$500 base fee + $0.10 for each square foot over 3,000 sf (residential)		-
Residential Preliminary Plan (Subdivision)	$500	$500 and $50 per lot after the first three lots	$500	-	-
Definitive Plan (Subdivision)	$1,000 plus $200 per building	$1,000 and $250 per lot w/o a Preliminary Subdivision	$1,000 plus $200 per building	-	N/A
More than One Residential Building Per Lot	$500	-	-	-	-

Development Process Review

Submission Requirements

Beyond application fees, applicants also bear the cost of preparing and transmitting the required application materials.

Notably, while neighboring communities typically require these documents as part of a site plan review process, which is often integrated into the special permit process, Malden's submission requirements stand out in several respects.

Though other communities do still require paper copies. Malden is the only community that does not require a PDF of the application documents. It also has the highest number of required hard copies at 15, though 12 of those may be submitted at a reduced size.

	Malden pop.65,906	**Everett** pop.50,045	**Medford** pop.59,354	**Melrose** pop.29,650	**Revere** pop.60,012
Site Plan	15 copies	1 original, 12 copies, electronic version	No requirements for number of documents; online permitting portal	2 copies + electronic version	3 copies
Other studies	Traffic	Impact studies, including shadow or wind	-	-	-

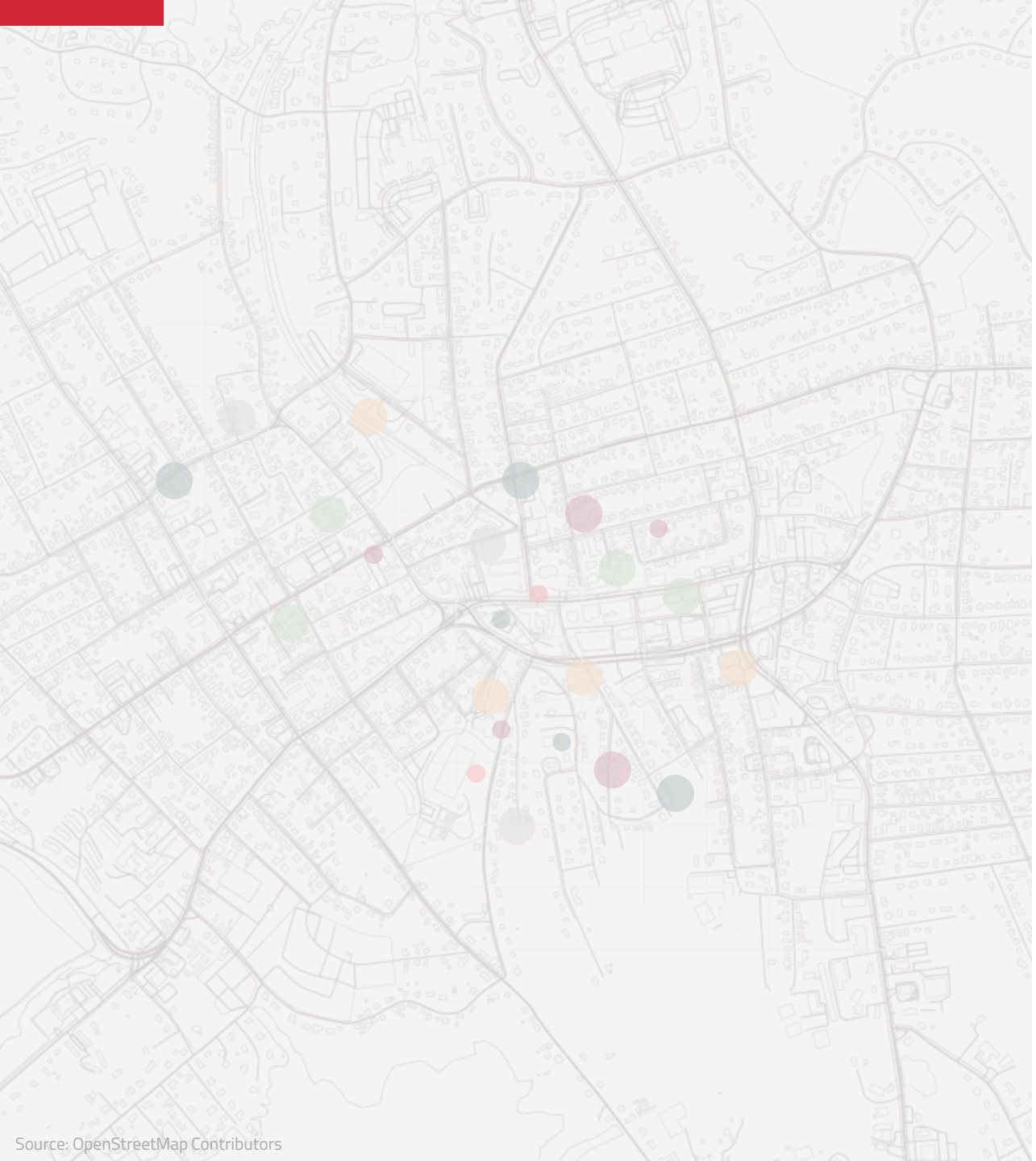
Development Process Review

Best Practices for the Permitting Process

Other best practices include conducting a preliminary application review, establishing an administrative site plan review process, and implementing a structured community engagement process for larger projects. Note that, though according to the City, informal practices exist for preliminary application review and community engagement, the City should consider officially defining or requiring such practices in its policies.

Singly or in combination, these practices can encourage a shorter, more streamlined permitting process. Preliminary reviews help identify technical problems, such as incomplete applications, early in the process, reducing delays down the line. Flowcharts and plain-language guidance documents can provide applicants with clearer information before filing, while design review processes and neighborhood meetings can help surface and address potential community concerns proactively.

	Malden pop.65,906	**Everett** pop.50,045	**Medford** pop.59,354	**Melrose** pop.29,650	**Revere** pop.60,012
Preliminary Application Review?	Informal practice (not officially defined)	Yes, with DPD and ISD	No	Yes, reviewed for completeness by staff within 7 days	See below
Administrative Review?	No	Yes, within 45 days of submission. May require additional review.	No	No	Site Plan Review Committee reviews all projects over 1,000 GSF
Design Review Process?	No	No	No	Yes, subcommittee of the Planning Board	No
Community engagement process?	Informal practice (not officially defined)	May require a neighborhood open house.		PDF guide to how to participate	No
Online permitting platforms?	Yes	Yes	Yes	Yes	Yes, including Spanish translation
Process flow charts or how-to guides?	Yes	No	No	Yes, on webpage	Yes, on webpage



Developer Interview Summary

Source: OpenStreetMap Contributors

Summary of Interview Responses

RKG Associates conducted one-on-one interviews with eight for-profit and non-profit residential developers active in Malden and the broader regional market in March 2026. The interviews focused on current market realities, approval and permitting processes, in addition to challenges and opportunities for housing development in Malden. The interviews yielded the following key takeaways:

1. Municipal Attitude, City Staff Responsiveness, and Process Friction

Municipal receptiveness is identified as the single most important factor for several developers. Everett is cited as a positive example, while Malden is characterized as resistant to development outside the Central Business District. According to several respondents, staff responsiveness is inconsistent and a recurring problem across departments. In one rezoning case that stretched to two years (versus the typical one), a developer arrived at what they expected to be a formality meeting only to be told materials were missing, which is information that should have been communicated well in advance, according to the respondent. Several developers noted a general sense of uncooperativeness and resistance to development. Conversely, at least one respondent had a positive experience, noting that staff were candid and willing to convene all department heads in one room before submission, a contrast to other cities like Boston.

2. Zoning Rigidity and Lack of Flexibility

Zoning requirements, particularly around parking ratios, height, and density, are seen as overly strict and a barrier to feasibility. Even in a 100% affordable project in the MBTA overlay district, parking minimums are only modestly reduced (to 1 per unit), and density bonuses tied to affordable unit set-asides don't always translate to financial viability given site constraints. Developers want more flexibility, including the ability to blend AMI tiers (e.g., choosing a mix of 60%, 80%, and 100% AMI units) rather than being locked into a single set-aside structure. Several developers described the inclusionary zoning (IZ) requirement as too burdensome, with 80% AMI seen as a more workable threshold, particularly when paired with public subsidies.

3. Cost and Market Feasibility

Building permit fees are described as unusually high, on par with Boston. In addition, high construction costs, coupled with local rents that are lower, create a cost-to-revenue mismatch that makes market-rate development difficult to pencil out. This dynamic particularly squeezes projects that aren't fully subsidized.

Summary of Interview Responses

4. Incentives and Fee Relief for Affordable Housing

While the City is seen as generally supportive of affordable housing, developers note there are no significant fee waivers or reductions tied to affordable units. Greater financial incentives, such as permit fee reductions or waivers, and more options for structuring affordability levels would meaningfully improve project feasibility.

5. Community Opposition (NIMBYism)

Residents, especially in lower-density neighborhoods, tend to accept owner-occupied housing but resist higher-density rental developments. This community resistance adds uncertainty to the approval process, particularly for affordable rental projects.

6. Policy and Process Certainty

Across the feedback, a common thread is the need for predictability: clear timelines, upfront communication of requirements, and consistent staff engagement. Developers want to know the rules of the road before they invest significant time and resources, not discover gaps mid-process.

Summary of Interview Responses

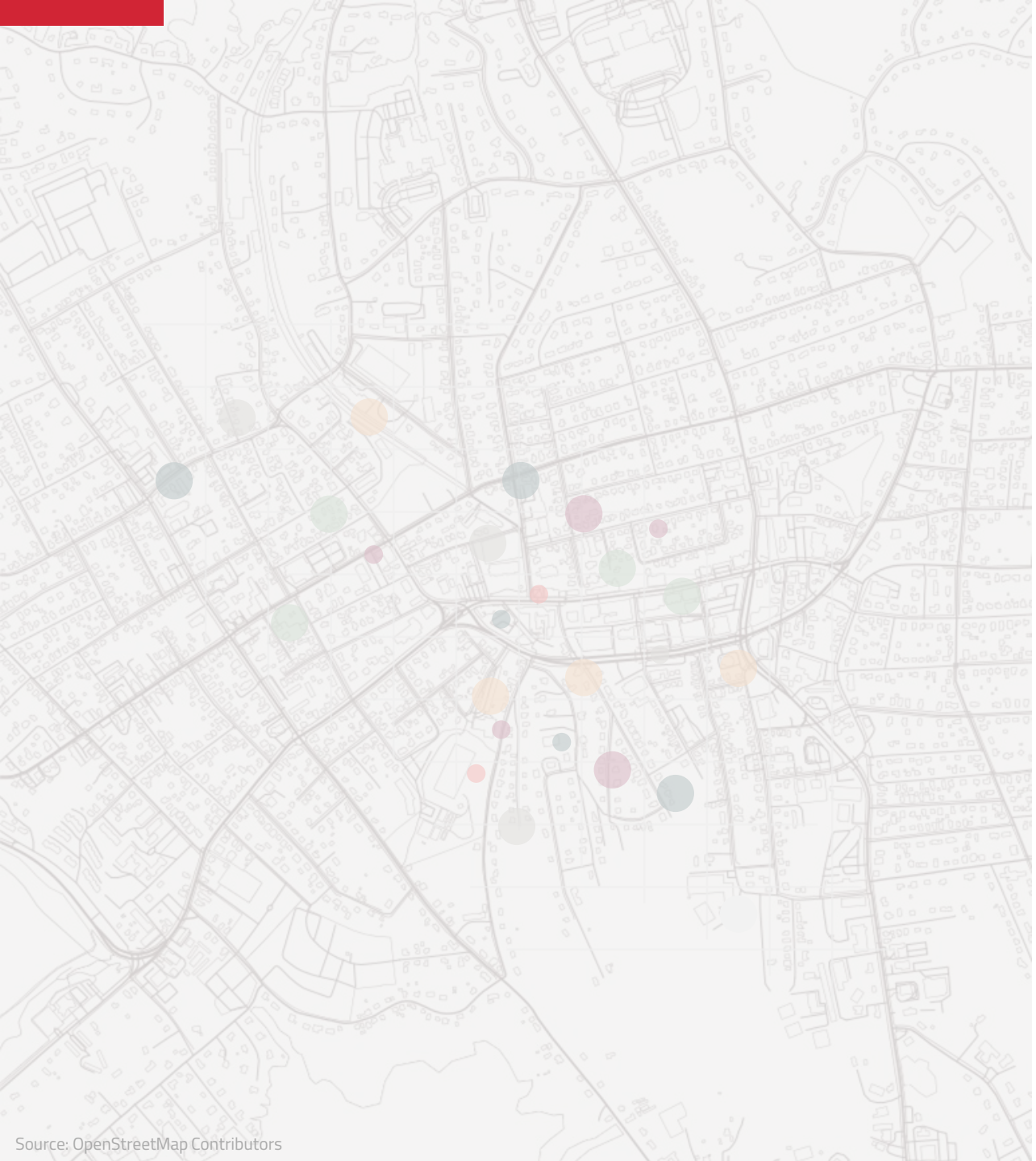
7. Senior Care Development

There is a notable disconnect between AMI requirements in the IZ policy and the actual income profiles of seniors, whose wealth is often held in real estate equity rather than earned income. IZ requirements on assisted living projects would make such developments infeasible, as the monthly fees charged include wrap-around services and partial medical costs, which are not included in the traditional multifamily apartment rent structure. Senior care is also argued to function more as a commercial use than a residential one. Other IZ communities in the region apply lower requirements to assisted living, with some granting exemptions or reduced payment-in-lieu options. Newton, for example, requires only 5% at 80% AMI for senior care and has established a separate zoning district with distinct IZ standards for this use.

Promising approaches observed for senior care development include reserving assisted living units for Medicaid/Medicare-eligible residents, leveraging public funding such as real estate tax abatements (e.g., Philadelphia's automatic abatement upon permit issuance and real estate tax abatement granted through negotiation contingent upon affordable unit provision in the Boston area).

8. Regional Best Practices

Significant new multifamily inventory has been added in the region over the past 5 to 10 years. Everett has been particularly successful in attracting multifamily development by reducing administrative and permitting barriers, improving certainty, and actively welcoming large-scale projects. Malden, by contrast, appears stagnant in comparison.



Source: OpenStreetMap Contributors

Policy Recommendations

IZ Policy Recommendations

Based on the results of the financial feasibility modeling and zoning policy analysis, recommendations are organized around three areas: 1) inclusionary zoning policy design, 2) the development review and permitting process, and 3) additional policy tools and approaches to advance affordable housing production. The following recommendations are centered around the IZ policy design.

Retain the IZ ordinance, and adjust IZ requirements while waiting for the market to readjust

Retaining the existing IZ ordinance is advisable, as reinstating it later would be significantly more difficult and could undermine long-term affordable housing goals. In the interim, making targeted adjustments to IZ requirements while the market readjusts can help reduce financial burdens on projects during a period of constrained feasibility, keeping development viable without abandoning affordability commitments. Once elevated development costs, such as materials and labor, normalize and market conditions stabilize, the IZ design can be revisited and updated to reflect a stronger development environment.

<u>Lower the set-aside requirement from 15% to 10%, and update the target AMI from 50% to 60% AMI</u>

Lowering the IZ set-aside to 10% would bring Malden to the lower end of the regional range of 10% to 20%, better aligning requirements with current market realities and making projects more financially feasible without significantly compromising affordable unit production. Similarly, shifting the target AMI from 50% to 60% would have a marginal effect on achievable rents but could meaningfully ease concerns among developers, particularly those less familiar with IZ programs.

IZ Policy Recommendations

Increase bonus density from 1 to 2 additional market-rate units for every IZ unit

The current bonus density provision does not offer sufficient financial offset to compensate for the cost of providing IZ units, and a more generous density bonus would strengthen the incentive structure, making it a more effective tool for encouraging IZ compliance while supporting overall project feasibility.

Clarify the language around the option of rounding up

The existing "round up" method for calculating IZ unit requirements produces one fewer market-rate unit than the partial unit alternative, resulting in revenue and feasibility gaps. The City can keep this method, but should clarify in the zoning ordinance that developers have the option to choose between rounding up to deliver a full unit and paying for the partial unit. Though developers will most likely choose the partial unit payment approach, keeping the “round up” option leaves room for negotiation between the City and developers to add more IZ units.

Consider removing or updating the payment-in-lieu option for a full unit

The City should consider removing the payment-in-lieu option for full units to encourage the production of on-site affordable housing, ensuring that inclusionary zoning requirements translate directly into deed-restricted units. Alternatively, the City could increase the amount of the full-unit in-lieu payment or require City approval for the full-unit payment-in-lieu option.

IZ Policy Recommendations

Consider allowing parking reductions based on proximity to public transit
Revisiting parking requirements is recommended, particularly for multifamily developments located near public transit. The current standard of one parking space per bedroom is high relative to comparable developments across the region and may unnecessarily constrain project feasibility. In areas on the west side of Malden with strong MBTA access, a reduced ratio of 0.5 to 0.75 spaces per bedroom would better reflect actual demand and lower development costs, making projects more viable without compromising resident needs.

Consider a sliding scale for IZ requirements
Introducing a sliding scale for IZ requirements would add flexibility to the program by offering a wider range of affordability targets tied to corresponding unit bonuses. Under this structure, developers who commit to deeper levels of affordability would receive greater density bonuses, creating a meaningful incentive for projects that serve lower-income households while accommodating a broader spectrum of affordability outcomes. Additionally, providing options for units that do not count toward the Subsidized Housing Inventory (SHI) could expand the range of affordable housing tools available to developers and the City, capturing affordability benefits that might otherwise go unrealized under the current framework.

Consider additional benefits for projects providing income-restricted units above the IZ requirement
Providing multiple compliance pathways for different affordability percentage targets can help expand the supply of affordable units, especially for projects that provide a higher percentage of income-restricted units than the IZ requires. The City could consider providing additional benefits for these developments, such as more streamlined permitting requirements, additional density bonus, and reduced parking requirements.

IZ Policy Recommendations

Consider a conditional waiver for development standards to promote policy flexibility
Finally, consideration should be given to offering waivers for development standards, such as requirements for tenure mix or bedroom distribution, when a developer proposes a project that meaningfully addresses the city's housing needs and is consistent with state law and the Fair Housing Act. Though not directly mentioned in developer interviews, this flexibility would encourage creative, community-responsive development of affordable units and signal a development-friendly environment, while still advancing broader housing goals.

Mixed-tenure developments typically involve public-private-nonprofit partnerships and can serve as powerful models for combining housing production with broader community benefits. The redevelopment of the former Boston State Hospital campus in Mattapan illustrates this well. The multi-building, campus-style project has produced 596 housing units across 850,000 square feet, with 74% of units deed-restricted as affordable, incorporating a mix of rental housing, homeownership units, and senior housing alongside community amenities. Parcel R-1 at 55 Hudson Street in Boston's Chinatown similarly demonstrates the model, combining 110 affordable housing units, split between rental and homeownership, with a new Chinatown branch of the Boston Public Library, developed through the City's Housing with Public Assets initiative. Recent state funding tools, such as the Momentum Fund, which supports mixed-income developments, may improve the feasibility of similar projects going forward. Allowing flexibility in mixed-tenure housing development can help communities meet a broader range of housing needs by accommodating both renters and homeowners within a single project. This approach also strengthens financial feasibility by enabling developers to cross-subsidize affordable units with revenue from other unit types. The integration of public amenities, as seen in both examples, can generate broader community support and advance multiple municipal goals simultaneously.

Another example of how flexible development standards benefit housing production and affordability is a public housing redevelopment project led by the Chelsea Housing Authority. The DUO project on Central Avenue in Chelsea is a $155 million mixed-income development replacing aging public housing with a modern complex of 96 affordable public housing units, 40 workforce units, and 194 market-rate units. All units share the same finishes and amenities, with no apartments permanently designated as public housing, and any unit can serve either purpose as long as the overall proportion is maintained. Financed through a $30 million state grant under the Public Housing Innovations Program and $120 million in private financing, the project demonstrates how mixed-income models can attract private capital to support public housing redevelopment, and Chelsea officials have expressed interest in replicating the approach citywide.

IZ Policy Recommendations

Consider removing assisted living units from the IZ section and creating a specific requirement for assisted living, depending on the structure of the development and use type.

Consideration should be given to removing assisted living units from the standard IZ framework and establishing a separate, use-specific requirement tailored to the structure and operational characteristics of assisted living developments. Applying traditional IZ standards to assisted living projects overlooks fundamental differences in how these facilities operate and generate revenue. Unlike conventional multifamily housing, assisted living facilities carry substantially higher operating costs due to the medical and personal care services bundled into their monthly fees. With typical monthly charges around $9,000 per resident, operating expenses related to medical and personal services can account for up to 70% of that fee, driving overall operating costs five to ten times higher than those of a traditional multifamily apartment. These elevated cost structures make assisted living developments a fundamentally different financial proposition than standard residential projects.

As a result, unless the IZ requirement applies only to the base rent with medical and personal care services funded with public subsidies for income-eligible residents, imposing income restrictions on assisted living units is largely impractical without public financial support. The bundled nature of housing and care services means that restricting rents would simultaneously restrict the revenue needed to cover medical and personal care operations, rendering such projects financially unviable. A dedicated policy framework that acknowledges these distinctions would allow the City to set realistic and effective affordability expectations for assisted living development while avoiding the unintended consequence of discouraging much-needed senior housing investment.

IZ Policy Recommendations

Update the current IZ Ordinance references

The City should modify Section "A. Purpose" of the Zoning Ordinance to reflect any updated dates for the referenced documents, ensuring the language remains current and accurate.

Additionally, all references to the Department of Housing and Community Development (DHCD) should be updated to reflect the agency's current name, the Executive Office of Housing and Livable Communities (EOHLC).

Streamline references to requirements that are governed by state law and regulations

In Sections H and I, the City should confirm that the existing language remains consistent with any legislative or regulatory updates enacted since February 2023.

Additionally, the City should consider adding an explicit reference to Local Action Units (LAUs) to ensure the ordinance aligns with the state's affordability tracking framework.

Procedural Recommendations

Procedural improvements are equally critical as the policy design update to ensuring the IZ program functions as intended. Streamlining application processes, reducing administrative burdens, and improving program and timeline transparency and predictability can meaningfully increase developer participation and help translate policy goals into actual affordable housing units. Malden can strengthen its inclusionary zoning program by improving the application, review, and permitting process in the following ways.

Consider incorporating the requirements into the relevant permitting process rather than requiring a separate special permit

Integrating inclusionary zoning requirements directly into the existing permitting or site plan review process would reduce procedural complexity, shorten overall project timelines, and lower administrative costs for both applicants and the municipality. This approach would also help normalize inclusionary housing as a standard component of the development review process.

Consider reducing the application fees for special permits for projects with inclusionary housing requirements

This would reduce the upfront financial burden on developers and signal the municipality's commitment to facilitating affordable housing production. Fee reductions could be scaled to the number of inclusionary units provided or the overall share of affordable units in a project.

Procedural Recommendations

Consider reducing the number of site plans and other materials required for the application and substituting electronic submission of all materials
Streamlining submission requirements by eliminating redundant or unnecessary materials would reduce the time and cost associated with preparing an application. Transitioning to a fully electronic submission process would further improve efficiency for both applicants and staff, expedite review timelines, and create a more organized and accessible record of application materials.

Provide a summary handout on the inclusionary zoning requirements to guide both future applicants and the public on the requirements
A clear, plain-language summary handout outlining the IZ program's key requirements (e.g., affordability thresholds, unit set-aside percentages, and alternative compliance options) would help applicants navigate the process more efficiently and reduce confusion. Making this resource readily available on the City's website would also improve public transparency and awareness of the program.

Pair with predictable timelines, pre-approval meetings, multi-department concurrent reviews, required material checklists, and permitting liaisons
Drawing on regional and national best practices, the City can further reduce uncertainty and administrative friction through targeted procedural supports. Firm review timelines with automatic approval provisions if no decision is rendered within a set period (e.g., 30 days) would provide developers with greater predictability. Pre-application meetings, required materials checklists, and a designated permitting liaison would streamline submissions and improve communication between applicants and City staff, while concurrent multi-department reviews would shorten overall timelines and reduce administrative burden.

Other Policy Recommendations

Zoning is an imperfect tool for producing affordable housing. Other tools can more directly support production. Malden has some of these tools in place, but not others.

Malden already has an Affordable Housing Trust Fund and has adopted the Community Preservation Act, both of which directly fund affordable housing development projects. The City also has an established Housing Development Incentive Program (HDIP) Zone and Plan that supports market-rate housing production. All these are existing tools for advancing affordable housing.

The City might additionally consider establishing an Urban Center Housing Tax Increment Financing (UCH-TIF) Zone and Plan as a complementary tool to incentivize affordable housing development. Finally, the City could identify municipally-owned properties suitable for housing or mixed-use development and dispose of them to a developer through a Land Disposition Agreement, providing an additional mechanism to shape the housing mix and establish affordability requirements.

Other Policy Recommendations

Reducing permitting requirements from special permit to as-of-right with site plan review could encourage a wider variety of housing types throughout the city.

The City could consider supporting affordable-by-design strategies by allowing Starter Home Districts (MGL c. 40Y), opening non-conforming lots for small house development, and reducing the special permit requirement for certain residential uses to a site plan review with a combination of development standards and design guidelines.

The City should analyze non-conforming lots to better understand how average lot sizes vary across neighborhoods. This analysis could inform a more nuanced approach to minimum lot size requirements, one that varies by both neighborhood context and proposed density. For example, the minimum lot size required for a duplex in one neighborhood might differ from that in another neighborhood with distinct characteristics, allowing zoning standards to better reflect local conditions rather than applying a one-size-fits-all threshold.

Malden should also consider adjusting dimensional standards to be responsive to the neighborhood rather than the use. This may reduce nonconforming properties in established neighborhoods and open possibilities for infill development on nonconforming lots.

Innes Land Strategies Group recently assisted the City of New Bedford with the analysis to support an infill development ordinance. Following an analysis of minimum lot sizes across residential zoning districts and discussions around preferred infill development strategies, the City established minimum lot sizes ranging from 3,000 to 4,500 square feet for infill development, varying by zoning district.

INCLUSIONARY ZONING FEASIBILITY ANALYSIS
City of Malden, MA

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