

TO: Richard Mucci; Chair, Select Board, John Suhrbier; Chair, Housing Partnership Board  
CC: Michael Bettencourt, Beth Rudolph, Mark Twogood, Marty Jones, Jennifer Cafarella  
FROM: Lynne D. Sweet, Managing Member, LDS Consulting Group, LLC  
DATE: June 24, 2023  
RE: Changes Proposed for 87-89 Cross Street

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The purpose of this memo is to address the questions raised by the Housing Partnership Board in their letter dated June 14, 2022, and provided to the Applicant by the BOS on June 17, 2023.

For the record, I called and emailed the Town Manager on June 26<sup>th</sup> about the change after having spoken several times to the state and Mario and our lawyers. We also had our lawyer call your lawyer. I also called John Suhrbier that day and followed up with an email to him and others that he suggested I reach out to about the matter. The Applicant has done its best to be transparent about this change from the beginning. The team chose to pause the ZBA process because of the Applicant's long standing relationship in the community and because he did not want to be accused of a bait and switch. We hope this memo and our conversation later today will put an end to that line of questioning.

You may recall that the Applicant was very patient during the initial application process to meet numerous times with the Partnership and the BOS rather than go the traditional 40B route with MassHousing. More importantly, it has been a very cordial and productive process with the ZBA, including several meetings with the planning board. These discussions resulted in substantial changes to the front façade of the property that make it more aesthetically pleasing on the street view.

The basis for the change in plans is due to increasing construction costs as well as increasing interest rates. Construction interest rates have gone from 4% to 8% in the past year and construction costs have increased by 20% or more, for labor and materials. In addition, we had kept the operating costs very low since Mario will be managing the property, however, we have since learned that the banks will underwrite operating costs at 30% of income, much higher than our estimates. Therefore, the supportable debt on the project has decreased significantly to \$3,300,000 and increasing the developer's equity requirement by \$1,780,000 and lowering the ROC from 6.1% to 5.8%. **We are not aware of any state program that will provide \$1.7M gap financing for two affordable units at 50% of AMI.** The Applicant still wants to provide affordable housing on this site and believes the condominiums will be the way to accomplish this goal. That is why we are looking to convert the project to homeownership and provide two affordable units at 80% of AMI.

Below are my specific answers to the questions from the Housing Partnership Board.

- The condominium fees and special assessments for the affordable units are to be prorated in proportion to the ratio of the sale price of the affordable units to the expected sale price for the market rate units. They are now the same.

*Mass condo law allows for two ways in calculating condominium fees, square footage, or price. It is the choice of the developer. The developer has chosen to make all the condominium fees the same as the*

*unit square footage for all of the units are the same. This provides the affordable unit owners with the same % interest and therefore equal voting rights as the market rate owners. In addition, it reduces the purchase price as a lower condominium fee would result in a higher purchase price.*

- The sale price for an affordable unit is shown as \$274,700. This may be higher than what HLC will allow. Using HLC's required spreadsheet and prorating the condominium fee results in an allowed sale price of approximately \$268,000. If condominium fees and assessments are not prorated, then the allowed sales price for an affordable unit may be closer to \$236,000. HLC will establish the allowed sales price.

*The purchase price is set by the developer and approved by EOHLC at final closing, and then often adjusted at the time of the lottery. It is not approved locally. The interest rate is increased by .25 when calculating the affordable sales price to address any potential changes, which we have seen a lot of in the past year.*

- An initial assessment based on analysis of seventeen Winchester townhouses either recently built or renovated indicates that the proposed market rate sales price of \$1,050,000 is on the high side. The average price/sq. ft. of sold units is \$426. When multiplied by the 1,700 sq. ft. size of the 87-89 Cross Street units, this results in a sales price of \$724,200. The average list price/sq. ft. of the reviewed townhouse units is \$482, or \$819,400 for 87-89 Cross Street. The conclusion, therefore, is that the currently assumed \$1,050,000 sales price is too high based on recent real estate data, especially given the location, proximity of the units to the street, and limited outdoor space. A suggestion is to keep the projected list price to no more \$950,000. which allows for some continued growth in real estate prices.
- *There are no comparable units on the market today. None with underbuilding garages and the new modern amenities that will be offered at the property. The developer will keep an eye on the market and pricing.*
- The plan currently shows 5 outdoor parking spaces in addition to the 8 garage spaces, making a total of 13 parking spaces. In contrast, the draft application refers to a total of 15 parking spaces. In a revision to the previous design, two outdoor parking spaces were added on the side towards the front. Do these spaces continue to exist in the proposed revised design? If so, they should be clearly shown on the site plan.

*There are eight garage spaces and seven surface spaces for a total of 15 spaces.*

- The price of an additional outdoor parking space for the owners of an affordable unit should be prorated in the same manner as the condominium fees and special assessments.

*This is not allowed under 40B.*

- Page 10 of the draft application indicates that each housing unit contains 2.5 bathrooms. In contrast, the plans for the rental proposal indicated that each unit contained three full baths? In this proposed revision, has one full bath been reduced to a half-bath?

*This is a typo, each you will have 3 bathrooms.*

- The name of the Town Council should be changed from the former to the current Counsel.

*Done*

- While a private school is located across the street, the Muraco Public School is an easy walk

using the adjacent bicycle/pedestrian path. The Muraco school's location also should be referenced.

*Done*

- The MBTA 134 Bus Route on North Main Street is located 0.7 miles from this 87-89 Cross Street location. This route should either replace or be added on Page 15 to the currently listed bus service that is 1.9 miles away.

*Done*

- The Section XI Development Schedule on Page 20 should be updated, as it is unlikely that all permits will be granted by the end of July, 2023.

*Done*

- The signature of the Chair of the local Housing Partnership Board is required, if such a local board exists. The town should confirm from HLC that this signature is not needed to support the change being requested.

*It would be helpful to have a signature of the Partnership on the amended application.*

- The LIP form indicates that supporting letters are required from both the Select Board and the Housing Partnership Board. Since the previous letters of support no longer are valid given the scope of the proposed changes, the town should confirm from HLC that a supporting letter is not needed from the Housing Partnership Board as part of the currently requested update submittal. Even if it not required by HLC, it is recommended that the Select Board prepare a transmittal letter summarizing the board's overall reaction the changes to the original proposal being requested by Mario Covino and his development team.

*EOHLC has not requested additional letters of support. They are viewing this as an amended application and therefore look to issue an amended PEL.*