

September 23, 2020

Lisa Wong  
Town Manager  
Town of Winchester

***Via Email***

Dear Town Manager Wong,

On behalf of the Waterfield Preservation Partners team, I want to thank you for your thoughtful questions regarding our proposal and for the opportunity to respond. We hope our proposal demonstrates our commitment to this important town-led initiative and our strong interest in working with the Town of Winchester. Below are our responses to those questions, and we look forward to elaborating on these topics during our discussion this evening.

- 1) Has the owner of the existing business building located on Waterfield Road agreed to the access provision in your proposal where delivery trucks will enter through the new gateway and then turn right to make their deliveries?

Waterfield Preservation Partners has had a preliminary discussion with the abutter, the Surabian family. During that discussion, we introduced our proposed site plan and the opportunity to have a shared accessway, eliminating the need for their current easement. Presently, our understanding is that they wish to keep the location of their existing easement in place and they expressed concern regarding their ability to access the side of their building directly off of the easement. If selected, we will continue to work with the Surabians to determine whether a solution to their concerns can be devised so that a stronger pedestrian experience can be provided with a pedestrian area in place of their easement. In the interim, we can move forward with much of our design since it does not rely on the abandonment of that easement. We could work to build in some flexibility should a decision be made later in the process to convert their easement into a pocket park or outdoor seating area.

- 2) How will you ensure that passersby feel welcome to enter the site through the Gateway "arch" and that the interior of the site is not perceived as private space?

The gateway into the site consists of two elements, the gateway itself and an intimate, landscaped walkway between the MBTA escarpment and our gatehouse with the entrance to the Chamber's retail space. We feel that these kinds of specialized pedestrian experiences, similar to the spot on Thompson Street, invites rather than discourages exploration. Whether it is on a grand scale like Rowes Wharf or an intimate scale like Brookline's S.S. Pierce building in Coolidge Corner, the historic urban fabric of Winchester's downtown is energized by these unique and historic pedestrian amenities.

Creating pedestrian friendly pathways that encourage and welcome public use is a critical component of TOD and neighborhood retail planning and programming. Our gateway arch will be designed to celebrate Winchesters historic downtown with appropriate scale, material choices, signage and proper lighting; it is intended to be a memorable component of residents' trips to the commuter rail and town common retail. We envision it becoming a central meeting place and will endeavor to lease the bordering space in the gatehouse to a retail use that encourages social interactions with friends and neighbors before and after work or during a weekend trip to shop and explore. Highlighting the ceiling of the archway with a mural depicting a scene specific to Winchester is one possible way in which specialized visual cues, along with appropriate signage and lighting, can be used to emphasize the public nature of the space and will encourage commuters and passers-by to enter.

The inner courtyard is intended to reflect the Town's emphasis on "living streets" referenced in the downtown guidelines. Inside the site, vehicles, bicycles, and pedestrians will share a semi-private courtyard experience with a



variety of surface treatments, landscaping, and carefully considered lighting that will provide an inviting route to parking, the pedestrian tunnel, and our main building's amenity areas. As part of our overall plan, we would hope we could improve the pedestrian tunnel with improved finishes and compatible lighting.

- 3) Please describe the specific form of Low Income Housing Tax Credit (LIHTC) you are proposing to use, and the associated benefits this would provide. Is there any associated downside risk?

Our proposal contemplates the use of the 4% LIHTC to finance the creation of the affordable units of the project. We believe the non-competitive 4% LIHTC will provide the appropriate level of subsidy and flexibility to our financing plan, enabling us to deliver this important project on a timeline that works best for the Town.

While we believe DHCD would strongly support the Town's efforts to create a mixed-income community, we are also realistic about the enormous constraints on the State's affordable housing resources, most notably the competitive 9% LIHTC. We believe a financing plan that instead relies on a private source of debt (the Urban Spaces Loan), which leverages State funds that address programming elements of our proposal (e.g. CATNHP, HOME) and the Massachusetts State LIHTC, which has been recently funded at an increased level, could require only one funding round.

Additionally, the flexibility within the 4% credit could allow for additional LIHTC units should the project team choose to implement income-averaging and include some of the 80% "workforce" units into the eligible basis. DHCD currently does not allow income-averaging on 9% credit projects.

Both the 9% and 4% credits require the same level of compliance and allow for the ownership to transfer to a non-profit through the Section 42 Right of First Refusal (ROFR) process upon completion of the 15-year compliance period. From a programmatic and regulatory perspective, there are no differences or downside risks associated with the 4% LIHTC versus the 9% LIHTC. However, as we stated in our proposal and our introductory video, our guiding objective is to deliver the project that is best for the Town and its residents. The project's financing and funding plan will be an early and central point of discussion with the Town and stakeholders. If it is the Town's wish to pursue a financing plan that uses the 9% LIHTC instead of the 4% LIHTC, our team has plenty of experience structuring and closing transactions using either (and sometimes both) tax credits and we can state without hesitation that we will be able to deliver the preferred financing structure, in whatever final form it takes.

- 4) As the Managing Member of the new LLC, what specific responsibilities will POAH, Preservation of Affordable Housing, have for this project? Will Aaron Gornstein be actively involved in any way?

POAH will serve as the lead developer for the Waterfield Preservation Partners team. POAH will be involved in all aspects of the development process, but will be primarily responsible for project financing, building design, and sustainability. POAH will provide the long-term guarantees for the LIHTC investor and will secure long-term ownership of the project through the Section 42 Right of First Refusal (ROFR). Aaron Gornstein will be actively involved throughout the development process and will continue to be involved throughout POAH's ownership and management of the property. As CEO of POAH, Aaron oversees all of POAH's work and is continually updated and apprised of the status of POAH's development work and consulted on ownership decisions. POAH maintains a talented team of professionals who will be responsible for the day-to-day work associated with this project, but Aaron will be consistently informed of the project's status and needs.

- 5) Please describe the rationale for the proposed distribution of income limits you are proposing, where 31 of the 60 housing units will serve households earning less than 60% of the Boston Area Median Income (AMI).

The Waterfield Preservation Partners team supports the town's commitment to affordability and believes that, at a minimum, this project should contain at least 51% LIHTC-eligible units in order to make this an attractive investment for the State's extremely scarce affordable housing resources, which comprise the main financing sources for the project.



We also recognize the importance of a balanced program to meet both our financing and inclusionary goals. Our development plan includes providing housing options for the “missing middle” and have included a workforce housing income tier of 80% AMI for 14 units. As proposed, the development would offer a range of affordability options of future residents and allow for all units to be counted towards and remain on the town’s SHI.

6) Since the proposed floor area size of the affordable units as defined on Page 23 of the proposal is smaller than the size of the market rate units containing the corresponding number of bedrooms, will this be acceptable to the Massachusetts Department of Housing and Community Development (DHCD)?

We believe the strength of our proposal is based on providing comparable benefits to all our residents and generating a return on the market rate units so that no State subsidy is used for their production. To ensure our unrestricted units meet the demands of the market, we have included additional bathrooms to the one-bedrooms (half bath) and the two-bedroom units. Our plan also recognizes the need for larger family units for lower-income families and we are committing to maintain all the three-bedroom units as affordable LIHTC units. We are confident that there is precedent for a market-sensitive approach to unit design and that our plan will be approved by DHCD.

7) In addition to solar panels, what additional sustainability measures are you committing to implement?

We are committed to implementing passive house design for all of our midrise multifamily structures. The passive house aspect of our design work will involve a high thermal performing enclosure (slab, walls, roof, windows and doors). Our building will undergo rigorous testing of air-tightness and air quality and contain highly efficient heating and cooling systems as well as domestic hot-water equipment. We will implement storm water management protocols and enhanced resilient design. As part of our effort to curb our carbon footprint, we will seek to eliminate all fossil fuel sources from the building and will use air-sourced high-efficiency heat pumps for heating and cooling.

Other sustainable features will include:

- Primary amenity spaces on the ground level and outside the building "footprint" allowing for skylighting and natural illumination.
- Dedicated spaces for the storage of bicycles directly adjacent to street level with a secured room for the storage and charging of e-bikes.
- Parking spaces will have access to electrical charging stations, both interior and exterior.
- Indigenous and low maintenance plantings will be employed that will contribute to the local ecosystem.
- All appliances and fixtures will be Energy Star rated, and all plumbing will be lo-flow to the highest standards.
- Resilient floors will be used throughout to optimize indoor air quality.
- All exterior lighting will respect "dark sky" objectives.
- Recycled materials will reflect the Passive House strategies, and we also emphasize products sourced in the USA.

8) What is the footprint of the building?

18,110 square feet

9) What is the project FAR?

Approximately 1.5

10) What is the overhead clearance at the service access?

The clearance is 16 foot vertical, which is a standard DOT requirement and adheres to fire apparatus clearances.



11) Does the other income include revenue from the public parking spaces?

The income included in our pro-forma includes income from the garaged spaces contained in our building. We envision an opportunity for the town to benefit from day-time use of the spaces for commuter and retail users. As dual-use spaces, they could become available overnight for the use of our residents.

12) Does the other income include revenue from the retail/Chamber space? If so, how much?

To ensure maximum flexibility on neighborhood retail tenant selection and stability, the commercial income included in our proforma is modest. Presently, we have underwritten rent on less than 2/3 of the retail space (approximately 1,500 SF), leaving the option open for the Chamber of Commerce to relocate to the remaining retail space (approximately 1,000 SF) without an on-going lease payment. We welcome their tenancy and will work to find retail that complements the current retail mix.

### **Additional Possible Interview Questions**

1) What do you see as major challenges or concerns in undertaking this development; and what are your plans for overcoming them?

All development projects can be shaped and characterized by the programmatic and technical challenges encountered while advancing a project. We prefer to recharacterize these “challenges” as project milestones that will be addressed by our team as part of our open and inclusive development process with the Town, neighbors and stakeholders. Instead, we see our major challenge – or, rather, objective – to be delivering to the Town of Winchester more than just a residential property to their much-admired town commons. As the Town’s partner, we will work to bring meaningful community involvement in a project that supports social and economic advancements for an underserved population and demonstrates how to incorporate this key consideration into Winchester’s future growth. We will be challenged to ensure our project reflects a level of design that adds to Winchester’s beautiful and vibrant downtown, that expands the sense of inclusivity that permeates the downtown, and that embraces and celebrates change and progress. As long-term owners, we will remain feeling challenged to be good partners and eventual neighbors to the Town of Winchester.

2) Share your thoughts on how your development will add vitality to Winchester’s Town Center.

Our proposal is based on maximizing the opportunity to reinforce, rather than compete with, Winchester's downtown. Our proposed program strengthens Waterfield Road with small retail spaces, one of which is dedicated as a public use benefit. Our gatehouse appropriately frames the edge of the Town common, and lays the groundwork for consideration of a similar urban design response on the opposite, south side of the MBTA escarpment in future planning. We have attempted to establish the appropriate amount of retail to reinforce the streetscape while not overloading the site to the detriment of successful existing retail patterns. All of this is accomplished in an intimate, pedestrian friendly experience that directly reflects downtown Winchester's unique ambiance.

A primary contribution, of course, will also be to bring 60 apartment homes to Winchester's urban experience, and with these residents comes access to an alternative community meeting space in the base of the residential structure. This skylit space will be programmed to become the interface between residents of Waterfield Place and the larger community.

3) Describe three specific examples of support services that will be provided to residents in the building.

POAH and POAH Communities provide services and develop partnerships that improve the lives of our residents and strengthens our communities. Our resident services work, which we call Community Impact, is based on the specific needs of our residents and the communities in which they live. Involving our residents in our management goal-setting



means we don't adhere to a "one-size fits all" approach, allowing us to tailor our work and outreach ensuring participation and successful outcomes for our residents. POAH's site teams administer a resident survey to identify resident needs and interests. This data is combined with key property demographics, including residents age, income, assets etc. The result is a comprehensive needs assessment report, published by POAH's central data team. The site team reviews the report and utilizes this information to determine service needs. Site staff then track program attendance, referrals, and specific needs and supports provided to each resident through POAH's centralized database, POAH Intel. Each quarter POAH's central office reviews the activity data with staff to determine whether services are being utilized and are effective.

POAH is committed to connecting residents with local services and supports based on their needs and goals. At the center of our work, POAH provide our residents with services that support housing stability, health, and financial stability. Examples of our housing stability services include enrolling residents in POAH's online resident portal, Rent Café for easy rent payment and maintenance work order submission; emergency rental assistance application support, and legal services education. Our services focused on health and health homes include exercise classes, access to meals on wheels, educational workshops such as healthy cooking classes, and clinical programs such as on-site dental or flu vaccine clinics.

An important program that POAH offers their qualified residents is the ability to participate in the Family Self Sufficiency (FSS) program. The FSS program allows families with rental assistance to capture in savings account escrow their share of rent associated with their increased income which would have otherwise required them to make an increased rent payment to POAH. The program allows participants to convert their increased monthly rent payment into a monthly saving deposit while receiving program specific financial coaching from trained coordinators. The financial coaches assess resident's needs, work with them to define near and long-term financial goals, help to connect them to community resources and work with them to stay on track. Other examples of POAH's financial stability services which are available to all residents include benefits screenings, budgeting workshops, and tax education and support services (such as VITA, EITC, and Child Tax Credit).

4) Describe your strategy for identifying tenants for the commercial spaces in your building. How have you handled vacant retail spaces in other buildings?

Our team has extensive experience bringing retail to downtown locations, most recently across from the Reading MBTA commuter rail station, in downtown Marshfield, at the Porter Square/Cambridge MBTA Red Line, and down the street from the Lechmere/Cambridge MBTA Green Line. Our tenant strategy is to attract small-scale owner-operators who provide high-quality goods and services to neighborhood residents. A hallmark of our strategy is to offer creative rental terms, such as rent as a percentage of sales, as opposed to fixed monthly rent.

Our approach to vacancy is anchored in our belief that it is better to diligently pursue and patiently wait for the right tenant than to fill the space with the first potential tenancy that presents itself. Our financial model assumes modest/subsidized commercial rents so that we can ensure flexibility to lease the commercial space to dedicated entrepreneurs with diverse concepts, not necessarily those businesses which can occupy the fastest or pay the highest rental rates.

Our neighborhood retail strategy not only enables us to attract great tenants, but also helps us retain them. Even In the most challenging retail environment like that which we've been experiencing due to COVID, a significant majority of our tenants have continued to stay open for business and pay rent.



- 5) If we have a continuing recession during the period of construction of the development, do you have resources that you can access that will enable you to complete the development?

The nature of most real estate development is cyclical and all members of the Waterfield Preservation Partners team have worked through economic downturns. We have an extremely experienced team backed by a strong balance sheet, and we have been successful in closing and delivering projects in all market conditions. Our financing plan is flexible and can be adapted in response to changes in the investing and lending landscape. The need for transit-oriented affordable housing will remain (and even strengthen) during a recession. The onset of a recession will typically affect the construction industry first, resulting in lower pricing for labor and materials. We believe our project would be well positioned to benefit from the possible reduction in construction costs because of the strength of our team and balanced approach to financing.

- 6) If the MBTA for some reason decides to delay the planned reconstruction of the Winchester Center Commuter Rail Station and the Town decides to go forward with the Waterfield development first, are you prepared to do that?

Our team has experience working with the MBTA and is committed to a collaborative approach to this important site. Although the renovation of the Winchester Center Station is an exciting opportunity that would bring with it benefits to the Town and to our property and residents, a delay in implementing those plans would not seriously affect our project. Our site plan supports the MBTA's reconstruction work by keeping their construction easement unbuilt and available whether they begin their work prior to, during, or after ours. As with all neighbors and abutters, we will coordinate construction schedules, create open and continuous lines of communication, and work earnestly to promote all investment in the community.

- 7) How long will you commit to be the owner of the development?

POAH is committed to long-term ownership of the property. POAH's ability to secure the non-profit's Right of First Refusal will ensure not just long-term ownership but our commitment to long-term affordability with financial sustainability.

- 8) Your response to the sustainability objectives for this development of the Waterfield site, consistent with the RFP, focus on energy conservation features associated with the proposed building. The interests and scope of the Town's recently updated Climate Action Plan, though, also extend to the external environment of a building or development, so as to encompass the entire site. Are there ways in which you may be able to enhance your proposal to include the full environment, including green infrastructure, nature on the site, green in general? Doing so would enable this site and the associated development to serve as an example of holistic design for the town going forward. Is your team currently constituted to be able to accomplish this?

The Waterfield Preservation Partners team is committed to considering all steps to reduce the environmental impacts of our buildings. Our sustainability consultants, Building Evolution Corporation (BEC), are industry leaders in their field and have instilled their passion for a sustainable environment in our projects and approach to our work. POAH currently has five new construction projects underway that will meet Passive House standards supported by the work and studies performed by BEC.

Our commitment is supported by the work each firm has already completed to address the environmental concerns of their communities. Urban Spaces development of The Lancaster to be Boston's first LEED gold certified condominium building evidences their commitment to challenging the built environment to be responsive to energy goals of a community. POAH participation in DOE's Better Buildings Challenge resulted in a 20% portfolio-wide reduction in energy use and allow us to develop maintenance protocols to further address environmental impacts of our buildings. POAH's work on Cape Cod highlights our willingness to create affordable communities that protect environmental sensitive area through appropriate investments in sustainable design features.



9) How will the public parking spaces be monitored after completion of the project to make sure they are available for public use?

Our site staff would work collaboratively with the town to ensure public access and continued availability of the dual-use. Closely monitoring those spaces, including the use of cameras and foot patrols, coupled with enforcement and ticketing will be implemented. The acknowledgement of the use of those spaces for public use will be included in our lease riders so our residents are aware of enforceable actions.

10) Are you confident you will be able to secure the anticipated funds for your proposal? How long will it take you to secure them?

The Waterfield Preservation Partners team is confident in our ability to secure the anticipated funds for our proposal. Our financing plan for the project is predicated on a collaborative approach to housing production – particularly through meaningful investments from the developer and the Town – and therefore doesn't rely as heavily on scarce State affordable housing resources as do some of our competitors. We believe our plan will be supported at the State level because it leverages their resources with and private equity and municipal investments and secures the property under the long-term stewardship of a highly capable non-profit, POAH. Limiting our asks of the State to programmatic soft funding and the newly-funded State LIHTC should allow for a single application into the funding round. POAH's strong track record and relationships with lenders and investors have allowed us to move quickly and reliably to a closing once awards are secured.

11) Can you give us examples of how your proposal is adequately conservative in its financial assumptions?

Our balanced approach to our underwriting relies on our expertise and experience in meeting the expectations of our lenders and investors and doesn't risk the financial health of our project on the continued strength of the market. For example, we are assuming no growth in rents for tax credit units between now and estimated project delivery in 2024, and we are assuming a 15% discount to the maximum allowable rent on the 80% workforce units, although we believe there is ample demand for these units in the Winchester market. Our initial rents and trending assumptions will provide proper debt service coverage for our first mortgage lender under sensitivity testing. Our assumptions on LIHTC prices and associated equity raised rely on our extensive experience raising LIHTC investor equity, our extensive and deep network of investor relationships, and our strong compliance and property management experience.

12) How do your financial assumptions manage potential risks, including changes in the real estate market, economic fluctuations, or other external factors?

Our financial assumptions manage potential risks with sound underwriting, thoughtful design that does not over-commit to costly features, and a focus on sustainability. Our proposal doesn't burden any one source of funding and recognizes the need for assurances in our construction costs, management budgets, and appropriately-sized reserves.

13) Is the cost of demolition of the Chamber of Commerce building included in your proposal? (if applicable)

Yes, the cost of the demolition of the Chamber of Commerce building is in our construction pricing.

14) What funds will you request from the Town of Winchester to enable you to go forward if you are selected?

We believe that the proposed \$350,000 contribution from Winchester's AHT fund demonstrates a meaningful contribution from the town. Our hope would be that, except for a certificate of occupancy retainage or hold back, the AHT funds would be made available to the project during the first few months of construction.

