

Waterfield Task Force

- Task Force Meeting #4 **5-7pm 9/30/21**
 - Review of Schedule
 - Continue Task Force written questions
 - Q/A, with discussion
 - Open Discussion
 - Q/A, with discussion



Schedule

- Draft reports due on the 4th in the morning
 - Staff will compile and offer comments on findings only
- Meet Friday the 8th 9-10:30am
- Meet Tuesday the 12th 1-2:30pm

Task Force Q&A

Market Rate Unit Comparison

Q: Did you ever look (or could you) at the project exactly as it sits now but with revenue from 60 market rate units? It would be helpful to know what the project would be worth as a traditional rental building. I would want that data to be able to make any educated comments. I also believe the tax payers in Winchester and its Town Meeting members deserve to know the details so they can make informed decisions.

A: We did not look into this as part of the current analysis. In Spring of 2018, Town Meeting approved the disposal of the property subject to the “Town’s acquiring a restriction requiring the property to be used for affordable housing purposes.....”

Site Appraisal

Q: Did an appraiser ever put a value on the Waterfield lot? Either as land or as a finished structure?

Q: It was discussed in a meeting that 2 downtown gas stations with approx. 11,000sq feet of land recently sold for \$3.5m. Strictly looking at acreage of for the Waterfield lot (43,389 sq ft), that sale comp would suggest that Waterfield lot is worth \$13.8M.

A: The lot was appraised at \$3.4M dated 10/30/2020, based on the Use of the land as 40B development (75% market/25%affordable), with no commercial/retail units and no public parking or underground garage.

A: Operable (at the time) gas station parcels were not used as comparable sales for the Waterfield Lot since their use could be different than mixed income residential. Looking strictly at acreage does not account for the limiting physical constraints of the site (MBTA, MWRA sewer easement, Chamber of Commerce building, etc.)

Length of Ground Lease

Q: The task Force is still waiting for financial analysis of the Town's return on a 99 yr. lease vs other time periods such as 30/40/50 years. This is necessary to understand the rationale for 99 yrs. vs a shorter term. Can you provide this?

A: JM Goldson and MassHousing (Quasi State agency that provides financing to Affordable Housing developments) recommended the 99-year lease for a number of reasons.

- 1. Standard practice for financing agencies. Lenders and the State expect a term nearing this length.**
- 2. Expect the buildings to have a long life (100 years) so should be managed as such while keeping the Affordable component.**
- 3. Helps secure the sustainability of the building**
- 4. Funding to the town will not be higher for a shorter lease**

Length of Ground Lease

Q: Can you give a comparison between a 45 yr vs 99 year ground lease as well as the pros and cons of both a 45 yr and 99 yr ground lease; in the documents, it looks like this project had a 50 year lease <https://www.thecoolidgeschool.com/>

A: Other projects listed on the Waterfield page (Similar Projects Tab) had various lease terms, some were all affordable and therefore, less risky for the developer.

Several were historic properties and benefited from historic tax credits, and therefore less debt was encumbered. In the case of the Coolidge School, the town also contributed \$390,000 to the project and the lease term was 50 years with renewal/extension options.

Shorter leases can make financing more challenging. In this case, Civico is essentially paying for the lot, and to build a parking garage, a benefit to the town of \$3,800,000.

Parking Garage Financial Offset

Q: The Task Force was waiting to get CIVICO's comments on giving the Town \$2.8 million in exchange for not building the 40 public spaces? \$2.8M is what the developer claims they are spending for the 40 unit underground garage. It would seem the Town would have many options related to parking if those funds were available.

A: Civico is willing to discuss a payment as part of the negotiations with the Town if they don't have to build a garage as part of the project. However, given the public comments about parking downtown, they have concerns that foregoing on site parking for the public will adversely impact their ability to receive local regulatory approvals.

Aberjona Lot Parking Garage

Q: Beth has mentioned a few times that the Town cannot/will not build a garage because the costs get elevated dramatically due to required Prevailing Wage Laws. What if we included Aberjona lot in the lease and required the developer to build the garage (then turn over operations to the Town.) There have been comments in our meetings that a private developer could build a garage for under \$2.8 million. They could just eliminate underground garage and build an above ground garage on Aberjona?

A: The Walker parking garage study was completed in 2017. The Select Board at that time decided not to move forward with further design due to the financial and logistic constraints identified by the consultant. Future boards could make a different decision.

The Walker options for the Aberjona created 84 – 86 additional spaces at an estimated cost of \$5.2 million (2017 \$). Concept plans would need to be reevaluated based on current MBTA station layout.

The Town may not require a developer to build and turnover a garage to the Town without triggering public bidding laws.

The cost of the garage CIVICO proposes at Waterfield Lot is offset by subsidy assistance, which would not carry over to the Aberjona Lot.

Future Overrides

Q: I have been asked by residents if the Town has any plans for additional overrides? This relates to finances here as some residents want to understand the overall financial impacts. Maybe Enzo could answer this one? Town leadership should have an idea of the impending Town's financial needs and how this piece impacts that.

A: Future potential overrides discussed include an operating override and funding for the Lynch School construction. Timing and amounts have not been discussed.

CIVICO Construction Schedule

Q: The Task Force was told we are 3yrs away (approx.) from starting construction after final approval. How do we have assurance that the developers number will be anywhere close to current numbers? Or at minimum, will not be worse?

- **A: Experienced developers deal with this timeframe as part of their business. This project and timeline is not unusual for mixed income deals.**
- **Federal and state government have made funding affordable housing during the most recent recession and COVID 19 downturn a priority due to the tremendous need to support the preservation and development of workforce housing.**
- **History has shown that developments with substantial amounts of affordable housing tend to be more resilient than a predominantly market rate development. The LIHTC program has been around since the 1980's and income limits change every year which impact rents.**
- **As with any development, we would expect the numbers to reflect changes to rents and operating expenses but not to fluctuate widely.**

Chamber of Commerce Building

Q: Can CIVICO provide their cost expectations to renovate the Chamber of Commerce building? Can you confirm that the finished product would be fully ADA accessible? This may be money the Town can also ask for to address parking issues assuming CIVICO did not renovate that building.

Q: Did you (or can you) look at what revenue would be available if COC building were leased for fair market rents to commercial tenants?

A: Once Civico has a Land Agreement with the Town, they can perform detailed building evaluation and design analysis for the Chamber of Commerce building in order to determine what the building can be used for. Therefore, they are not in a position today to provide an informed cost/income analysis.

A:It would be irresponsible to use market rate retail rents this early on this process for a number of reasons. Retail spaces are typically not leased on spec (i.e. before built) and coming off of COVID 19, it is even harder to determine what the leasing environment will be for retail. Therefore, CIVICO is being realistic by using conservative numbers for income for the COC space.

On-site Parking

Q: How many parking spaces would fit on grade in the footprint of the COC building? We could have developer take down the building but not replace it and this should still provide more expense reduction for the developer, and potentially revenue for the Town.

A: CIVICO could further evaluate this during the design and permitting process. Coordination with the MBTA and MWRA (sewer under building) would be required.

Unit Revenue Analysis

Q: Have you created (or can you create) a spreadsheet that shows which units create the most revenue and what unit tweaks on number of bedrooms and/or subsidy level to maximize revenue and still comply with State guidelines? Enzo correctly pointed out a real revenue opportunity by choosing the unit mix carefully.

Q: Would it make financial sense to make all the units affordable?

Q: The Task Force (and Winchester Finance Committee) is still waiting for Lynn to share her financial analysis numbers? She told us “no” until she received a release from CIVICO? Since the Town paid for this work, we should have access to all numbers and any data that was used for the financial analysis?

Q: Preparing a pro-forma model showing developer and Town investment and return calculations – As I mentioned in the meeting, a key requirement of both the “Yes” and “No” sides of the question was to get a clear understanding of the financials of the deal from both the Town AND developer points of view, so that everyone can understand the relative risk / reward for both parties. While FinCom tried to develop a working model with input from key stakeholders, it really requires deep expertise in affordable housing real estate to get right, as well as independence to ensure both camps believe in its conclusions. This was the main reason Lynne Sweet was brought in – to help develop financials that we can all analyze, trust, and use as the basis for a fact based discussion.

A: LDS’s memo addresses this, and we will review it now. If units are larger, it may push the building up a floor. Project based vouchers are limited to 8 in total without triggering Federal prevailing wages for the construction of the entire project.

Comparative Financial Analysis

Proceeds to the Town	50% Affordable	2/3rds Aff. with 80s	2/3rds Aff. all below 60	100% Affordable
Acquisition	(620,000)	(440,000)	1,000,000	1,200,000
Parking	2,812,603	2,812,603	2,812,603	2,812,603
Real Estate Taxes (15 years)	3,782,211	3,427,371	3,296,426	2,324,857
Supplemental Ground Lease	384,442	346,239	327,637	192,993
Repayment of Town AHT Loan w. Int	1,012,273	969,295	904,039	228,748
Refiannce Proceeds	466,452	360,404	321,269	6,979
Total 15 year Return	7,837,981	7,475,912	8,661,974	6,766,180

FinCom Q&A

Pro-Forma Model

Q: Preparing a pro-forma model showing developer and Town investment and return calculations – As I mentioned in the meeting, a key requirement of both the “Yes” and “No” sides of the question was to get a clear understanding of the financials of the deal from both the Town AND developer points of view, so that everyone can understand the relative risk / reward for both parties. While FinCom tried to develop a working model with input from key stakeholders, it really requires deep expertise in affordable housing real estate to get right, as well as independence to ensure both camps believe in its conclusions. This was the main reason Lynne Sweet was brought in – to help develop financials that we can all analyze, trust, and use as the basis for a fact based discussion.

A: Lynne has completed this for 20 market/40 Affordable split scenario, in the memo for 9/29/21 meeting

“Net Operating Revenue” Definition

Q: FinCom would like a review of the language in Exhibit C.3.c that details the annual rent payment to the Town. The current percentage (10%) appears low, but this should be calculated via the analysis in #1 above to justify how much the total truly would be. The other major concern is that the DEFINITION of Net Operating Revenue is vague and appears to include lots of costs that can be used to reduce the Town’s annual payment. For instance, it is not clear if principal loan payments are subtracted as costs (“debt service”), as well as capital expenditures that could increase rents to the developer but limit rental payments to the Town. We should get a 2nd review of this language to ensure the rental payment is sufficient.

A: Definitions could be reviewed as part of LDA renegotiation – Task Force can make specific recommendations

Section 13D (Sale of Refinance)

Q: This section was a late add to the agreement and on paper is a great benefit that allows the Town to participate in the profit from a sale or refinance resulting from appreciation of the land. However, the current definition of the “Excess Profit” may allow the developer to avoid a fee to the Town. The current language is tailored mainly for a sale and not a refinance. For instance, once the loan is paid back after 30 years, the developer can refinance the property for 10’s of millions of dollars and pocket that money, as it would not be covered by the current definition. We should get a 2nd review of this language as well from lease accounting / legal professionals well versed in this area.

A: Definitions could be reviewed as part of LDA renegotiation – Task Force can make specific recommendations

8% Guaranteed Equity

Q: Lynne rightly pointed out that the current language of the LDA allows the developer to get a guaranteed return of 8% of their developer equity in perpetuity. If this is truly a holdback for the parking garage, the 8% payments should end once the full \$600k fee is fully paid. This would be visible in the financial model in #1.

A: This has been completed. 8% ends once the \$600,000 is paid back. Will need to be include in Task Force recommendations and renegotiated LDA

Availability of Public Parking

- Q: How many public parking spaces exist in the core downtown? Can we see that on a map similar to the “lost spaces’ map we received There are different reports on what the Downtown zoning requirements are?
- A: The Town Center parking plan is available here with space counts:

<https://www.winchester.us/DocumentCenter/View/1054/Town-Center-Regulatory-Map---FINAL-adopted-by-BOS---201y-11-2?bidId>

Parking Ratios

Q: -Can you clarify what .5 spaces per unit vs .75 spaces per unit used in Waterfield. Also what is the State zoning threshold? Additionally does the Town or staff have market data on what similar towns use for a requirement? Like Weston, Wellesley, Needham, Melrose, etc.? It would help to see a list of all surrounding Towns with tight parking in their downtown. Many of these towns have extensive public parking in their downtowns but still could give the Task Force some valuable insight. This would give guidance towards how downtown development will impact overall Parking Availability.

A:The CBD min requirement is 0.75 spaces/unit. Civico is proposing 0.75 spaces/unit. Developments within 800' of the train station may go down to 0.5 spaces/unit.

A: There is no state threshold for parking minimums. Buildings are being built right now in Massachusetts near transit with zero parking.

A:Parking minimums are anywhere from 0.75-1.5 in some similar districts (though not exactly the same as Winchester), but Special Permits and Payments in Lieu of off-street parking occur frequently, especially for Affordable Housing developments. Staff/Boards rely on targeted market and parking studies specific to the Town Center. The most recent study recommended 0.5 spaces/unit. Further studies are underway.

Parking Passes

Q: Can the Task Force get a detailed list of Town parking passes issued to town employees, downtown employees, commuters, residents and any other? It will help to see a few years prior to COVID, maybe 2018, 2019, 2020, 2021. The Chamber believes strongly that available parking thru this program has been instrumental in a viable downtown. The Waterfield development eliminates a large percentage of the inventory for this program.

A: 6/30-19 through 7/1/20. These numbers are rather consistent from year to year. There are 56 permit spaces in the Waterfield Lot (28 of which are early bird permits) that will be lost. The other 36 spaces in the Lot are free, 2-hour parking.

Parking Passes

Type of Permit	Cost	# Permits Sold
Early Bird – Waterfield Lot	\$10/year	28
CBD Residents	\$10/year (25 max)	18
Town Center Employee	\$10/year	776
Resident Commuter		
Annual Permit	\$500/year	65
Q1 – July to September	\$125/quarter	176
Q2 – October to December	\$125/quarter	173
Q3 – January to March	\$125/quarter	173
Q4 – April to June	\$125/quarter	51

No public parking as part of the deal?

Q: There have been recent negotiations with CIVICO to amend some of the affordable units make up and to amend revenue /expense allocations. The Task Force requested CIVICO's opinion on giving the Town the \$2.8 million needed to build the 40 public spaces in exchange for not building the spaces. CIVICO has not responded yet but this is an important question to help us make recommendations. I am optimistic that since CIVICO is negotiating now on items that they may be interested in exploring this option.

A: Civico is willing to explore this option as part of the renegotiation of the LDA with the Select Board.

Public parking for residents?

Q: I Has any discussion occurred with CIVICO to get an agreement that residents of the building will not be permitted to use the included Town public spaces? Or any Town downtown permitted spaces? s it true that CIVICO can opt out completely from building the 40 Town public spaces? What would trigger this and what recourse does the Town have?

A: Not at this time. The Town does currently sell up to 25 “CBD Resident” permits for \$10 each year for residents who can show that they have no off-street parking options, and any Winchester resident can purchase a permit for \$500/year. Additionally, the lots are open between 6pm and 8am for anyone to park. Permits are only required for daytime parking.

Number of Cars

Q:Has any study been done, or could it be, to determine how many actual cars will exist in the current Waterfield design with 106 bedrooms?

A: This is required during the permitting process, and a peer reviewer would be hired to analyze the study performed by the Applicant.

Downtown Parking Plan

Q: Can the Town confirm if there is a global plan for parking with 500-600 bedrooms potentially being added downtown (and an unknown number of additional cars) and what these additional cars will do to Parking Availability?

A: Toole is currently in the process of complete a parking management study to look at short-term mitigation strategies associated with the loss of parking to the MBTA project and other downtown initiatives. Their study will include a limited discussion of long-term opportunities, but it is expected that a larger parking study would be completed at some point in the future.

Prior Parking Studies

Q: Beth has mentioned prior studies and a lack of financial viability due to lack of revenue from any parking structure. Do these reports have options for garages that could be created as a capital investment? This would be a key factor in potential Parking Availability.

A: The Select Board hired Walker Parking Consultants in 2016 to evaluate the cost and feasibility of parking garages behind the Public Safety Building, at the Jenks Lot, the Aberjona Lot and at Wedgemere Station. The consultant developed a series of concept plans and high level cost estimates. This information was presented to the Select Board, who decided not to move forward at the time with pursuing further design or analysis for any of the locations. Future Boards could make a different decision and initiate additional investigations.

Parking appraisal

Q: 2 small lots recently sold for \$3.5m for approximately 15 parking spaces. Has there been any analysis of what the 93 spaces at Waterfield are actually currently worth?

A: No, but see parking permit sales above for current revenue.

Operable (at the time) gas station parcels were not used as comparable sales for the Waterfield Lot since their Use could be different than mixed income residential. Current appraisal is \$3.4M.

Parking Inventory

Q: Parking inventory has changed dramatically since RFP was created. Has the Town or Staff looked how these changes impact the overall “availability of parking” in the Town with the addition of Waterfield units?

A: Since the RFP was issued, we have *lost* less than 5 spaces due to some construction in the town center. We have *lost* 20 on-street 2-hour spaces to Outdoor Dining, but have *gained* 77 new free 2-hour spaces in Aberjona and Waterfield Lots.

Parking inventory for 2-hour spots has *increased* by 50+ due to the elimination of commuter spots during covid. Staff has not looked at how temporarily eliminating commuter spots for 2-hour spots during covid could affect the Waterfield development.

No public parking as part of the deal?

Q: Is it true that CIVICO can opt out completely from building the 40 Town public spaces? What would trigger this and what recourse does the Town have?

- **A:** This question is answered by Section 6(a) of the LDA. In short, the Developer can submit plans for less than the 40 public spaces, but it is up to the Town whether or not to approve those plans.
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- Specifically, pursuant to Section 6(a) of the LDA, the Developer must submit its development plans to the Town for approval in its reasonable discretion, which must be consistent with and the logical evolution of their RFP response. Because the Developer's RFP response proposes the 40 public spaces, it would be reasonable for the Town to withhold its consent to any development plans that do not provide these spaces.

Action

- “What do you need to finish the report?”
- **Homework**
 - Review any new materials from LDS Consulting
 - Send report ASAP
 - Examine all documents to date
 - Determine Findings and Recommendations for the 6 categories
 - Review public comments