

Waterfield Lot Task Force – Stephanie Zaremba Draft

All findings and recommendations contained in this DRAFT are mine and do not necessarily reflect the views of the entire Task Force. These findings and recommendations are subject to change pending further Task Force Meetings. Items are listed in the order they were presented in our report template and do not reflect personal or Task Force rankings of priority.

1. Parking

Findings:

- The existing Waterfield Lot provides frequently used parking spaces to residents, patrons of local businesses, commuters, and Town Center employees.
- Parking in the Waterfield Lot is currently free for any uses between 6pm and 8am.
- [Insert numbers from Beth's presentation on permit #s]
- Patrick Fortin, representing the Chamber of Commerce and local business community, represented that on-street parking is more critical to businesses in the Central Business District, and those businesses seek to ensure that residents and employees are not utilizing those spaces, but instead have lots or garages nearby.
- Any future Land Development Agreement or Ground Lease that does not address the public parking lost in the Waterfield Lot will be met with significant opposition from the business community.
- Some public comments suggest that the local businesses do not believe that they have been sufficiently engaged by the Town.
- The Town is engaging in a complementary process currently to study parking in town, understand issues, and determine viable solutions.
- The Task Force believes that the Aberjona lot space is currently underutilized and that the parking here could be better maximized, perhaps through a garage. Town Engineer Beth Rudolph has advised that based on all studies to date, a garage is not feasible in that or other locations, either because of engineering or financial limitations.
- The inclusion of public parking in the Waterfield Lot development adds a significant layer of cost and complexity for any developer.
- The Chamber of Commerce building is not necessarily a requirement of this project.

Recommendations:

- The Select Board and Town Manager must do more proactive outreach to the local businesses in the entire CBD, but especially those around the Waterfield Lot. Their input is important and the success of any future deal depends on regular meetings and open two-way communication between the Town and these businesses. We recommend that Select Board Member Richard Mucci, as part of the negotiating team for the Waterfield Lot and a Chamber of Commerce member, be tasked with ensuring that items being negotiated in the deal have the buy-in of the Chamber.
- The public parking aspect of the Waterfield Lot development *could* be removed to make the financial aspects of the deal more favorable to the Town, but this *must* be done with a corresponding, approved plan to provide parking options elsewhere, such as in the Aberjona

lot. We recommend that the Select Board explore alternative parking options that could be moved forward on a parallel timeframe. It will not be acceptable for public parking to be removed from the Waterfield Lot development based on a vague plan for uncertain future solutions.

- The Select Board should work with the Chamber of Commerce to explore whether that building does not need to be reconstructed, and it should also work with relevant Town boards and groups to explore whether the community space of the proposed new building could be eliminated from this development. If that is the case, the Select Board should explore with Civico using the Chamber of Commerce building space either for additional units (to generate additional revenue) or for additional parking.

2. Design

Findings:

- The Civico proposal includes significant sustainability features which the Climate Action Advisory Committee found to be superior to the features in other developer proposals. These features include 100% renewable energy for heating and cooling, LEED gold rating for building efficiency, electric vehicle chargers, pervious materials and storm water filtration to mitigate flood risks, and the use of trees and green spaces.
- The Planning Board also recommended Civico over other developers, citing, among other factors, that the Civico proposal has the highest design quality, most environmentally sustainable systems, and the most efficient use of land.
- Building height is a concern to both the Planning Board and residents, particularly those abutting the property.
- The proposal to reconstruct the Chamber of Commerce building may not be a firm requirement for this development, and that space could potentially be used more efficiently.

Recommendations:

- The Select Board should not make any significant changes to the design of the proposal.

3. Ground Lease Length

Findings:

- The RFP for the Waterfield Lot stated that the Town intended to enter into a 99 year ground lease with the developer.
- Per Town Counsel and LDS Consulting, 99 year terms are typical in ground leases to make the project viable for a developer that is investing in construction for land and a building that it will not ultimately own. It is considered de facto ownership and enables developers to satisfy financing requirements, while allowing the Town to maintain long-term ownership and oversight.
- We do not know if a shorter lease term would impact Civico's financing

- Per Town Counsel and LDS Consulting, a shorter lease term may be appropriate in circumstances where the owner has contemplated future uses for the land and redevelopment is easy, where the owner wants to revisit the terms of the deal on a shorter time frame due to potential changes in the market, or the infrastructure is integral to the owners other operations.
- Town Counsel suggested that a change to the length of the lease term would likely require a new RFP process. He also suggested that restarting the RFP process could open the Town up to liability with respect to Civico.

Recommendations:

- As it is outside of the charge of the Task Force to opine on issues of potential liability, we recommend that the Select Board consult further with Town Counsel on options, if any, to revise the length of the ground lease term.

4. Town Oversight

Findings:

- The funding sources for an affordable housing development such as the one proposed at the Waterfield Lot include significant oversight requirements from state agencies and public and private lenders.
- The current LDA includes significant opportunities for Town oversight as the owner of the property, ensuring that Civico maintains its contractual obligations and that the Town has ability to oversee and enforce those obligations throughout the life of the lease.
- Oversight from the State, from lenders, and from the Town all provide for numerous inspection rights.
- There is a misconception continuing among residents that the LDA allows Civico to assign the lease without Town approval; this was an error in an earlier draft of the agreement and has been fixed. The Town has approval rights over the assignment of the lease, ensuring that the Town will maintain control over who it is partnering with for the life of the Waterfield Lot lease.

Recommendations:

- The Task Force did not find areas where the oversight of the Waterfield Lot development was lacking or needed revisions.

5. Mix of Affordability/Market Rate Housing

Findings:

- Both housing prices and rents are steadily rising in Winchester, making it too expensive for not only many of the people who work here, but also many of the people who currently live here.

- According to the Winchester Master Plan 2030 Existing Conditions report, p 38: "While the median income for an owner-occupied household is \$169,938, renter households earn significantly less with a median income of only \$63,958. 33 A household with Winchester's median renter income can afford rent of up to \$1,600 per month including utilities based on 30 percent of gross income."
- According to the Winchester Housing Partnership Board, 31% of Winchester households earn \$75,000 or less, with 2% of Winchester households having incomes below the poverty level.
- The Waterfield Lot development includes units that serve renters at 80%, 60%, 50%, and 30% of AMI, which would meet the following incomes:

Affordable Unit Category	Annual Household Income Limit
6 Apartments @ 30% Area Median Income (AMI) (studio, 1-3BR)	\$28,200 1 ¶
	\$32,200 2 ¶¶
	\$36,250 3 ¶¶¶
	\$40,250 4 ¶¶¶¶
2 Apartments @ 50% AMI (2-3BR)	\$47,000 1 ¶
	\$53,700 2 ¶¶
	\$60,400 3 ¶¶¶
	\$67,100 4 ¶¶¶¶
24 Apartments @ 60% AMI (studio, 1-3BR)	\$56,400 1 ¶
	\$64,440 2 ¶¶
	\$72,480 3 ¶¶¶
	\$80,520 4 ¶¶¶¶
8 Apartments @ 80% AMI (studio, 1-2BR)	\$70,750 1 ¶
	\$80,850 2 ¶¶
	\$90,950 3 ¶¶¶
	\$101,050 4 ¶¶¶¶

- The State goal is for every community to have at least 10% of its housing units count as Subsidized Housing Inventory.
- Winchester is far behind that goal, with currently only 1.9% of its housing units counting as SHI. With developments currently approved for construction, Winchester will have 4.9% qualified as SHI.
- The 60 units of the Waterfield Lot development would all count as SHI, adding another 0.7%.
- Because Winchester is not at the State-prescribed 10% SHI goal, unless we add units counting as SHI each year to maintain so-called "safe harbor", every Winchester neighborhood is potentially at risk of a hostile 40B development, which allows developers to build without zoning constraints.

- The RFP from the Town required a minimum of 25% affordable units in the Waterfield Lot development, but it highly favored
- The mix of affordable and market rate units as proposed by Civico is based on a complicated set of funding and subsidy source requirements.
- Increasing the number of market rate units would not create a simple sliding scale increase in revenue from market rate rents, as it fundamentally changes the tax credits and subsidy sources that Civico needs to make the project economically viable. The federal Low Income Housing Tax Credit exists specifically for this purpose—to make viable projects with a significant portion of affordable restricted rents.

Recommendations:

- We recommend not adjusting the ratio of affordable and market rate units, both because the currently proposed ratio is a tremendous statement of the Town’s commitment to housing affordability, but also because we do not have the data and tools at our disposal to opine on how Civico could potentially change the ratio of affordable and market units while maintaining existing funding, subsidies, and tax credits.
- It is important that the Waterfield Lot development maintain the minimum of 25% affordable units so that all 60 units count toward the SHI, but Winchester’s affordable housing needs are greater than meeting the state bare minimum to avoid 40B developments. We recommend that the Select Board maintain its current approach, which is to maximize the number of affordable units that will serve our community.
- See findings and recommendations in the section on Revenue to Town, regarding a possible redesignation of the 80% AMI units to 60% AMI units.

6. Revenue to Town

Findings:

- The current deal structure provides that Civico pay to the Town: \$1M up front payment, annual 10% of net operating income, and 15% of proceeds in the event of a recapitalization or sale.
- LDS Consulting’s pro forma suggests that the 10% of net operating income would total \$561,616 over the first 20 years of the lease.
- The Town will also receive property tax revenue from the developer, which LDS Consulting found should be \$166,468 annually based on current tax rates.
- LDS Consulting also suggested that if the 80% AMI units were designated as 60% AMI units, Civico would be able to access additional funding and may be able to provide an additional \$250,000 to the Town in upfront payment. However, these units would then generate lower rents, thus changing the pro forma. No data was provided to the Task Force on whether the upfront \$250,000 payment would be worth more than the long-term higher rents if the units remained at 80% AMI.
- The units provided at 30% and 50% of AMI are covered by vouchers that enable Civico to charge near-market rents, while enabling people of modest incomes to live there. This provides a significant revenue stream to the developer, and therefore increases both the

financial viability of the development and the opportunity for excess cash flow in out years, of which the Town will make 10%.

- LDS Consulting found that the cost to construct the 40 public parking spaces is \$2,812,603, and that this amount should be considered part of the purchase price to the Town, as this is a benefit being provided to the public.
- Civico's pro forma assumed that the public parking spaces would generate significant revenue as permitted commuter spaces. Without this revenue, it is not certain that the cost of the public parking without corresponding revenue would be financially viable.

Recommendations:

- The Select Board should ask LDS Consulting to model the change of 80% AMI units to 60% to understand if the upfront \$250,000 payment would be worth more than the long-term higher rents if the units remained at 80% AMI. The Select Board should potentially negotiate with Civico for these changes depending on the outcome of that analysis.
- The PBV housing voucher is an attractive mechanism to charge near-market rates while providing affordable housing options, and the Select Board should ensure that the PBV vouchers are being used to the maximum extent permitted.