



Town of Winchester

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Dear Town Meeting Members:

As you are aware, the Town of Winchester will hold a Special Town Meeting on June 6, 2022, to consider and vote on Article 2 approval of the Waterfield Lot/Civico Land Development Agreement. The Select Board is the sponsor of Article 2 of the Special Town Meeting and as such provides a copy of the proposed Land Development Agreement with Ground Lease, Lease Summary and Term Sheet to aid you in your deliberations. In addition, the following information is offered by way of background for Article 2 of the Special Town Meeting.

I. THE MOTION

The official motion for Article 2 of the Special Town Meeting to vote on June 6, 2022 reads:

The Select Board be authorized to enter into a land development agreement with Winchester Waterfield MM LLC, or another subsidiary or affiliate of Civico Development, LLC, in substantially the form approved by the Select Board on **May 16, 2022**, as posted on the Town's website at <https://www.winchester.us/919/Waterfield-Lot-Development>, and to enter into a lease in substantially the form provided as an exhibit to such agreement.

A yes vote would move the development project forward and a no vote would end the development project.

II. PROCEDURAL BACKGROUND

The Town owns the fee interest in those certain parcels of land located off Waterfield Road in Winchester, Massachusetts identified as Assessor's Parcels 9-148, 9-175, and 9-150, collectively containing approximately 43,389 square feet of land, (collectively, the "Waterfield Lot").

At Spring 2018 Town Meeting, members authorized (by 2/3 vote) the Select Board to lease, sell, convey the Waterfield Lot, subject to a restriction requiring that the land be used for affordable housing. After this vote, a sale or lease for private market rate units only was not permissible.

Between July, 2018 and the Fall, 2019, the Planning Board, Housing Partnership Board and Select Board met to discuss the Waterfield Lot and next steps. The Massachusetts Housing Partnership (state agency) provided site analysis and technical assistance to the Town. JM

Goldson Community Preservation & Planning was retained by Town to assist in selecting a project and development.

On October 30, 2019, the Town issued a Request for Qualifications for Selection of Developers pursuant to M.G.L. c. 30B, for the pre-selection of developers qualified to submit proposals for the development of the Waterfield Lot (the “RFQ”). Only nine developers responded to the RFQ. Civico Development LLC (“Civico”) submitted a response to the RFQ, and was subsequently selected by the Town as one such pre-qualified developer. In July, 2020, the Town issued a Request for Proposals for Selection of Developer pursuant to M.G.L. c. 30B, for the development of the Waterfield Lot (the “RFP”). Only five qualified responses were received: Civico, NOAH, Pennrose, Waterfield Preservation Partners, and Winn Development.

On October 29, 2020, the Town issued a Notice of Award and Civico accepted the award shortly thereafter. On December 17, 2020, the Town and Civico executed a Memorandum of Understanding concerning the development. Between December 2020 and Spring 2021 Town Meeting, the Town and Civico negotiated a Land Development and Access Agreement (“LDA”) that contained a term sheet for a future lease.

At the Spring 2021 Town Meeting, members debated and ultimately voted 118 to 46 (2/3 vote) in the affirmative that the Select Board be authorized to enter into a land development agreement with Civico in substantially the form approved by the Select Board on April 15, 2021.

Following Town Meeting, opponents to the project gathered a sufficient number of signatures to hold a special election on Article 6. On June 22, 2021, a public referendum was held to determine if the Town should move forward with the proposed LDA with Civico. The referendum failed as 49% (2,614) of the voters voted Yes, while 51% (2,681) voted No, and the vote of Town Meeting to approve the LDA was overturned. With 5,295 people voting out of a total 16,179 possible voters, this corresponded to a 32% voter turnout.

In the Summer 2021, the Select Board formed the Waterfield Task Force to advise on priorities for the Select Board to consider in renegotiating the LDA with Civico. The Task Force voted 3-2 to recommend that the Select Board terminate negotiations with Civico and reissue the RFP.

Additionally, the Task Force unanimously voted to recommend, regardless of whether the Select Board elected to reissue the RFP or renegotiate with Civico, that the Select Board evaluate the following scenarios:

- The Town should encourage a developer to consider increasing over Civico’s building height up to 60’ to allow for additional affordable and market rate units.
- The Town should evaluate and/or encourage a developer to determine options for removal of the Chamber of Commerce building to allow for creation of additional housing units and/or parking spaces.
- The Town should evaluate ways to decrease the loss of public parking on the Waterfield Lot site including through the investigation of off-site parking creation.

- The Town should encourage a developer to consider removal of retail/commercial spaces from the proposed redevelopment if it allows for more housing units and maintains or improves the economics of the proposal (rental income and taxes, etc.).
- The Town should allow a developer to change the 80% AMI units to 60% AMI units to provide additional financial resources for the project.
- The Town should consider ground lease terms for less than 99 years.
- For any development on the Waterfield site, the Town should strive for the current proposed affordability levels at 66%, but not go lower than 50%.
- The affordable units should cover a range of affordability, covering 30-80% AMI, both to maximize affordability and to best leverage subsidies and tax credits in order to maximize the economics of the development. This is to prevent a building of all 80% AMI units.
- Continue to consider sustainability and climate change as an important design feature of the selection criteria, using a potentially all-electric building on the site.

In October, 2021, The Select Board considered the Task Force’s recommendations and unanimously decided to continue to negotiate with Civico and use the Task Force’s scenarios as a guide in negotiations.

Since such time, the Select Board has been negotiating a new LDA/Lease with Civico. See LDA/Ground Lease attached hereto as Exhibit 6.

III. THE CURRENT DEVELOPMENT PROJECT

Using the Task Force’s recommendations as a guide, the Select Board and Civico have agreed on new terms and changes to the development project in order to increase parking, maximize revenue to the Town and affordability of units.

A. Current Design

The proposed design consists of the following:

- 4 story building approximately 60,000 square feet;
- Containing 60 residential units (20 market rate units);
- 40 units will be deemed affordable units at or below 60% AMI; and
- 119 parking spaces, consisting of 48 private parking spaces and not less than 71 public parking spaces.

Please see Development Renderings attached hereto as Exhibit 1.

B. Development/Design Changes

The following chart depicts all of the development/design considerations from the Task Force that the Select Board used in negotiations with Civico and if/how these recommendations resulted in changes to the current design.

TASK FORCE RECOMMENDATIONS	RESULTS
<p>The Town should encourage a developer to consider increasing Civico’s building height up to 60’ to allow for additional affordable and market rate units.</p>	<p><i>A height adjustment was considered, but decided against as it would negatively affect revenue and lead to the need for additional private parking for the additional units. Also adding height would not lead to any more affordable units due the tax - credits previously maxing out at the 40 affordable units configuration.</i></p>
<p>The Town should evaluate and/or encourage a developer to determine options for removal of the Chamber of Commerce building to allow for creation of additional housing units and/or parking spaces.</p>	<p><i>New design demolishes the Chamber of Commerce building in order to accommodate additional public parking spots.</i></p>
<p>The Town should evaluate ways to decrease the loss of public parking on the Waterfield Lot site including through the investigation of off-site parking creation.</p>	<p><i>The new design increases public parking by 30 spots to 71 in total. This would be a net loss of 16 from the current number of parking spots in the Waterfield Lot.</i></p>
<p>The Town should encourage a developer to consider removal of retail/commercial spaces from the proposed redevelopment if it allows for more housing units and maintains or improves the economics of the proposal (rental income and taxes, etc).</p>	<p><i>New design removes the retail space in order to gain parking spaces and increase revenue.</i></p>
<p>The Town should allow a developer to change the 80% AMI units to 60% AMI units to provide additional financial resources for the project.</p>	<p><i>The new design allowed Civico to change the 80% AMI units to 60% AMI units to provide additional revenue for the town.</i></p>
<p>The Town should consider ground lease terms for less than 99 years.</p>	<p><i>The 99 year Lease term remains unchanged as a new RFP would need to be issued to change the lease terms.</i></p>
<p>For any development on the Waterfield site, the Town should strive for the current proposed affordability levels at 66%, but not go lower than 50%.</p>	<p><i>The new design has an affordable level of 67%</i></p>
<p>The affordable units should cover a range of affordability, covering 30-80% AMI, both to maximize affordability and to best leverage subsidies and tax credits in order to maximize the economics of the development. This is to prevent a building of all 80% AMI units.</p>	<p><i>All units in the current design will be no greater than 60% AMI units to best leverage subsidies and tax credits in order to maximize the economics of the development.</i></p>
<p>Continue to consider sustainability and climate change as an important design feature of the selection criteria, using a potentially all-electric building on the site.</p>	<p><i>Sustainability remains an important design feature.</i></p>

For comparison purposes the following chart illustrates how the design has evolved:

Proposed Design Elements	Original Proposal	Current Design
Total Units	60	60
Units below 60% AMI	32	40
% Low Income	53%	67%
Parking Spaces (Private)	45	48
Parking Spaces (Public)	40	71
Total Parking	85	119
Gross SF	64,500	60,000
Retail space	Yes	No
Chamber of Commerce Building	Kept	Demolish

C. Financial Terms

In addition to the design changes, the Select Board negotiated improved financial terms for the Town. It is important to remember that this is an affordable housing project and the economics of such a project means that there is a maximum that a municipality can expect in cashflow from such a project. Therefore, often in these projects, municipalities look for capital improvements and public amenities as way to add value when engaging in such a project.

When considering the Town's financial gain from this development project it is important to remember that absent the net the loss of 16 parking spaces, the Town is receiving a capital upgrade and maintaining a municipal parking lot on the Waterfield Lot consisting of 71 public parking spaces. It is difficult to measure such a value to the town, but important to note when discussing financials and value to the town. With this in mind, the following chart outlines the key financial terms in the Lease:

Base Rent	Civico will pay \$1 million to the Town on Ground Lease Commencement Date.
Payoff Rent	Civico will pay Payoff Rent to Town in the amount of \$500,000 in equal installments of up to 8% of free cash flow per year until paid in full.
Percentage Rent	Beginning after the first fiscal year following completion and continuing semi-annually, Tenant will pay 15% of its Net Operating Revenue (if any) to the Town.

Capital Event Rent	If an assignment of the lease or sublet, refinancing, or other transfer or change of control results in profits to the transferring entity, the Town will be paid 25% of that excess profit.
Loan from Town's Affordable Housing Trust	The Town's Affordable Housing Trust (AHT) agrees to loan Civic \$500,000 and will be paid back while accruing interest at a rate of at least 5% per year.

Attached as Exhibit 2 is the current projected 15 year pro forma from Civic. Using these figures and the Lease terms, a financial analysis was conducted by the Town's financial consultant Lynne Sweet to arrive at a projected value the Town can expect from this development project in the first 15 years. The following chart is a model of the revenue/value the Town should expect in only the first 15 years of the lease:

Proceeds to the Town	Current Proposal
Acquisition	\$1,500,000
Real Estate Taxes (15 years)	\$3,125,230
Supplemental Ground Lease	\$380,817
Repayment of Town AHT Loan with interest at refinancing	\$236,413
Refinance Proceeds	\$466,668
Total Projected 15-year Cash Return to Town	\$5,709,128
Parking Amenities	
Parking Garage (Construction Costs)	\$2,205,842
Parking Exterior (\$30k per space per Civic's Analysis)	Priceless*
Total Value to the Town	\$7,914,970

* It is difficult to value the gain of additional public parking spaces. The developer values these spaces as an additional \$750,000 amenity to the Town. One way to look at it is the Town would need to acquire land for a new lot or build a parking garage to create any new parking. These costs would be in the millions so it is priceless to be able to maintain 80% of the municipal parking lot and develop the Waterfield Lot.

IV. COMMONLY ASKED QUESTIONS

1. Why is the Select Board not issuing a new RFP?

Chasing the unknown is not an appealing option at this time. Originally when this development project was issued for an RFQ only nine developers submitted requests.

Only five qualified bidders responded to the RFP and this was before any of the public discourse over the last year. If the Town issued a new RFP it is impossible to predict what developers will respond and with what terms (i.e. public parking, number of units, design etc...). Civico would likely not respond and this project would not be an option to fall back on.

Weighing these risks with the unknown versus the current proposal, the Select Board decided to move forward with Civico which will lead to a capital investment in our municipal parking lot, create much needed affordable housing units and generate additional revenue for the Town. This development project works within the restrictions set out by Town Meeting that the Waterfield Lot be developed for affordable housing purposes. Chasing a perfect project given these restrictions and receiving additional value to the Town is too risky and presents too many unknowns.

2. Why affordable housing in this location?

The Town must continue to build affordable housing in order to get to the state mandated 10% of affordable housing stock. Currently, the Town is at 4.9%. Creating affordable housing near mass transit has been an objective of the Town for some time. It has also been a policy objective of the Town to create density in the center near transit, rather than neighborhoods. Additionally, the Town has been exploring building more affordable housing as a way to help support businesses in the Town Center for nearly a decade starting with a 2011 Town Center Housing Study, Central Business District rezoning in 2015, and a 2018 Housing Production Plan.

At Spring 2018 Town Meeting, members authorized (by 2/3 vote) the Select Board to lease, sell, convey the Waterfield Lot, subject to a restriction requiring that the land be used for affordable housing. Given this vote, currently, there is no other option but to develop the Waterfield Lot for affordable housing. The Civico development will afford the Town the option to maintain over 80% of its municipal parking lot and build the desired affordable housing in the Town Center near transit. The alternative is simply to leave the Waterfield Lot as a municipal parking lot.

3. Why was the plaza removed from the original Civico design in favor of parking?

The public comments and the Waterfield Task Force expressed concern about losing the Waterfield Lot as a public parking lot without a plan to replace the lost 87 parking spaces. Additionally, there was some concern expressed by the MBTA about the gatehouse design and lack of vehicle access to the station. Hearing the public and the Task Force, the Select Board negotiated with Civico the additional public parking. Given the proximity to the Town Common and other green space in the project, the Select Board thought this was a valid compromise to improve the project and move it forward. The design of the outdoor parking spaces will consist of pavers and have the ability to be closed off for events should the Town desire, thus serving as an alternative outdoor space for community events.

4. *Why is the financial return to the Town not greater?*

Inherent in affordable housing development projects are limitations on revenue generation. The costs of development and construction are no different than a private project with less revenue available when complete. The availability of tax credit investors and state funding make these projects even viable. When there is revenue available lenders and investors set the priority to protect their investment. Lenders and investors control who, what and when can be paid. If a municipality's demands are too great too soon then no lender or investor will finance the project. Therefore, what a municipality can achieve for a financial return on an affordable housing project is a balancing act of revenue and capital improvements. The Civico Waterfield Lot development project is no exception. Accordingly, the Town has maximized the amount of revenue it can achieve from this project while continuing to make the development project financeable and constructable. The Town must accept receiving revenue over time and not up front in order for the project to be successful and sustainable. The current project increases the Town's share from 10% to 15% of the net revenue. The additional Payoff Rent of \$500,000, guarantees the Town the approximate payment of \$40,000 in supplemental rent each year in addition to the 15% of the net revenue until paid in full. This is all in addition to the upfront \$1 million rent payment. The renegotiated deal also increased the Town's capital event rent (or amount of excess profit the Town will be paid at refinancing) from 15 to 25%. Finally, in accessing the financial return to the Town, it is important to include that the Town is keeping 71 public parking spaces while the developer makes capital improvements to the Waterfield Lot as a municipal parking lot. The Select Board has been advised it has maximized revenue given the scope of the project and believes the Town is also maximizing value by putting the Waterfield parking lot to good use while generating tax revenue and maintaining 80% of the existing public parking.

5. *Will this development hurt commerce in the Town Center?*

No one can predict what will and will not ultimately drive business to Winchester Center, but the Select Board does not believe the Civico development project will hurt commerce. First, this project maintains 80% of the public parking from the existing Waterfield Lot and provides more parking for the proposed units than zoning requires. It also adds additional residents to the downtown that can walk to patronize Winchester businesses. It is the hope that increased residents downtown increases business for our local merchants.

6. *Why is the Town executing a Land Development Agreement with an agreed upon Ground Lease now and how can the terms change?*

Given the dialogue over the last year, the Select Board decided it was appropriate to have as much of the terms of this development project finalized for Town Meeting approval in order to provide clarity and completeness to Town Meeting's consideration. This prevents speculation. The Select Board may not alter the material terms of the Lease after

Town Meeting’s authorization, but may make clerical or minor adjustments resulting from Civico’s lender’s review of the Lease.

7. Does the Affordable Housing Trust support the project and has it approved loaning Civico \$500,000?

The Affordable Housing Trust unanimously supports the Civico development project and voted to approve a loan of \$500,000 from the Trust to Civico at a 5% interest rate, subject to discussions with Civico about ways to accelerate repayment to the Trust and subject to execution of acceptable loan documents. See correspondence dated April 19, 2022 from Marty Jones, Chair of the Affordable Housing Trust at Exhibit 3 herein. No loan would be provided until after the due diligence period is complete.

8. What is the timeline for this project and when will units be finished?

There are several factors that may affect the timeline of this development project including the permitting and financing processes. Presuming there are minimal delays in permitting and financing, this is the best estimate for the timeline of the project:

Execution of LDA	Six days after the close of Special Town Meeting (Ground Lease is an exhibit, but not signed at this time).
Title Review	Complete within 6 months of Town Meeting approval.
Due Diligence Period	Complete within 6 months of Town Meeting approval.
Permitting & Financing	Completed after the due diligence period during construction period of MBTA Center station project
Ground Lease Commencement Date	Will not begin until the MBTA Center station project is substantially complete which is scheduled to last through Spring 2024.
Construction Time Period	Construction complete within twenty-four (24) months from Ground Lease commencement date.

V. WHY VOTE YES

Vince Lombardi once said “Perfection is not attainable, but if we chase perfection, we can catch excellence.” Over the last year, many have been chasing the perfect project for the Waterfield Lot. Some suggest by reissuing the Waterfield Lot RFP we will find perfection. But will we really? This process over the last year has led to a healthy community debate, creation of the Task Force, design revisions, negotiations and compromise. Now, the Town has arrived at this moment in time. The Town has an excellent opportunity with the Civico Waterfield Lot development to transform an oddly shaped parking lot, abutting a train station, with a massive sewer line running under it into a sleek looking 60 unit residential building with 40 units of affordable housing and a reimagined 71 space municipal parking lot. Incredibly, the Town will generate millions in revenue from this development project over the term of the Lease.

Members of Town Meeting you have everything you need to vote yes in support of this Civico Waterfield Lot development. Don't chase perfection. By voting yes, the Town has an excellent opportunity to be one step closer to Winchester's 2030 Vision Statement:

A Civically-Engaged, Close Knit Community That Is Welcoming And Inclusive...that Balances New Growth With Its Historic Charms And Maintains High Quality Town Services In A Fiscally Responsible Manner.

Please join the Select Board in voting yes on Article 2 of the Special Town Meeting.



Richard Mucci
Chair
Winchester Select Board

Attachments

- Exhibit 1 – Waterfield Lot Renderings (2022 Proposal)
- Exhibit 2 – Pro Forma
- Exhibit 3 – Affordable Housing Trust memo
- Exhibit 4 – Waterfield Lot Term Sheet
- Exhibit 5 – Waterfield Lot LDA/Ground Lease summary
- Exhibit 6 – LDA/Ground Lease

Cc: Planning Board
Finance Committee
Affordable Housing Trust
School Committee
Housing Partnership Board