



# Town of Winchester

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October 28, 2022

Dear Town Meeting Members:

As you are aware, the Select Board is sponsoring two Articles at the upcoming Fall Town Meeting concerning development of the parcel of land at the corner of Washington and Swanton Street. The Select Board is asking Town Meeting to consider and approve Article 14: the Town/Melanson Development Group Land Development Agreement and Article 15, which will shift money in the FY23 budget to allow for the indirect use of ARPA funds towards the development project. As the sponsor of these two Articles, the Select Board provides this memorandum as background and a copy of the proposed Land Development Agreement to aid you in your deliberations.

## I. HISTORY OF ACQUIRING THE LAND & RFP PROCESS

On December 13, 2021, the Town acting by and through the Select Board, adopted an Order of Taking by which the Town took the parcel of land on the corner of Washington/Swanton Street (“property”) via eminent domain. The Order of Taking was filed with the Middlesex South Registry of Deeds on December 17, 2021 and a payment of \$5.27 million was made to the prior owner. Previously to the taking, the property had been unoccupied and abandoned for over a decade.

On June 1, 2022, the Town issued a Request for Proposals (RFP) for redevelopment of the property. In accordance with the vote taken at the 2021 Fall Town Meeting, the RFP required as a minimum threshold criteria that all units of housing developed on the property qualify for inclusion in the Town’s Subsidized Housing Inventory, as defined by the Massachusetts Department of Housing and Community Development (DHCD). RFP responses were due August 1, 2022, and the Town received one proposal from the Melanson Development Group, Inc. (“Melanson”).

The Select Board voted on September 12, 2022 to enter into negotiations with Melanson on the development of a Land Disposition Agreement (LDA). On October 28, 2022, the Select Board approved the LDA in its current form.

## II. THE LDA AUTHORIZATION MOTION

The official motion for Article 14 of the Fall Town Meeting to vote on reads:

**MOVED AND SECONDED** that the Town authorize the Select Board to sell a certain parcel of land consisting of approximately 1.2 acres, at the intersection of Washington and Swanton Streets, commonly known as 278-292 Washington Street and 16-20 Swanton Street, in Winchester, and to authorize the Select Board to enter into a Land Disposition Agreement for such sale, said agreement being substantially in the form available on the Town’s website prior to Town meeting, and further to authorize the Select Board to make any necessary modifications of said agreement and to enter into any other agreements as may be necessary in association with such sale.

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

### **III. THE CURRENT DEVELOPMENT PROJECT**

The Select Board has agreed to sell the property to Melanson in exchange for a \$4.05 million payment to the Town and Melanson agrees to develop the property as:

- (a) Sixty (60) rental housing units;
- (b) Two (2) of these units must be affordable to households earning at or below 60% HUD Metro FMR Area Median Income (“Boston AMI”) issued by the United States Department of Housing and Urban Development annually;
- (c) Fourteen (14) of these units must be affordable to households earning at or below 80% of Boston AMI;
- (d) All sixty (60) rental housing units would be included in the state’s Subsidized Housing Inventory;
- (e) On-site parking with 90 spaces reserved for residents and 16 spaces available for commercial customers and electric vehicle charging stations;
- (f) Passive recreational space, and;
- (g) Up to 6,000sf of commercial space.

The sale is contingent on Melanson completing a four-month due diligence period and receiving all applicable permits to build the above-described development.

Melanson will pursue a 40B permit with support from the Town with the following likely approval process/construction timeline:

- 11/2022 Town Meeting Approval
- 11/2022 LDA executed
- 1/2023 Project Eligibility Application to Massachusetts Housing Partnership
- 4/2023 Project Eligibility Application Approval
- 7/2023 Comprehensive Permit Application with the Winchester Zoning Board of Appeals commences
- 1/2024 ZBA Decision
- 2/2024 Regulatory Agreement Execution

- 5/2024 Conveyance of Property by Town/Town paid \$4.05 Million
- 6/2024 Building Permits issued
- 8/2024 Construction Starts
- 12/2025 Construction End
- 12/2025 Occupancy Permit
- 12/2025 Residents Move In

#### **IV. WHAT IS THIS GOING TO COST THE TOWN?**

In December 2021, the Town took the property for \$5.27 Million and a 12-month Bond Anticipation Note (BAN) was issued in March 2022 for that amount. The sale to Melanson is for \$4.05 Million. Therefore, the Town must commit an additional \$1.22 million to pay off the total amount of the BAN debt. The Select Board is committed to making up the difference by using the funds necessary from the \$6.8 million allocated to the Town under the American Rescue Plan Act (ARPA). However, a direct payment from the ARPA account to pay down the BAN and make up the difference is not permitted under the ARPA guidelines, therefore the process as requested in Article 15 and further described in this memorandum must be authorized by Town Meeting in order to indirectly use ARPA funds as a contribution to the Melanson development project.

When the process is complete, the Town will payoff the \$5,270,000 BAN as follows:

- \$1,220,000 - ARPA funds indirectly committed and paid to reduce the BAN.
- \$4,050,000 - Payment from Melanson at closing.

The Town has also incurred additional costs, as described in the Town's pro forma, paid from various departmental budgets for legal/environmental expense, securing the property, insurance and RFP Preparation/Process totaling \$37,665 to date.

The Town's state delegation, Representative Day and State Senators Lewis and Jehlen, were able to secure a \$150,000 earmark to pay a portion of the BAN interest until the closing on the property.

#### **V. ARTICLE 15**

A direct payment from the ARPA funds held in segregation by the Town cannot be made directly to pay down a BAN under the ARPA Federal guidelines. Therefore, the Town Manager's Office and Comptroller have found a solution for the Select Board to meet its policy objective of using ARPA funds to fund the difference in the Melanson sale price in order to retire the BAN upon the closing of the sale of the property to Melanson.

The Town Manager's Office and Comptroller supported by the Select Board propose the following:

- A. Shift funds in the FY23 budget by reducing the health insurance budget by \$1.22 million and increasing the funded debt budget by the same amount.
- B. When the BAN comes due in March 2023, the Town will use the \$1.22 million transferred from the FY23 health insurance budget into the funded debt budget to paydown the principal from \$5.27 million to \$4.05 million prior to issuance of the next 12-month BAN.
- C. After the close of this Fall Town Meeting, the Select Board will vote a payment of \$1.22 million from ARPA funds to paydown the Town's FY23 health insurance premium balance that is paid from the health insurance budget. This will replace the \$1.22 Million difference lost in the shift into the funded debt budget. Such a use of ARPA funds to pay a health insurance premium invoice is an allowed expenditure for ARPA proceeds under the ARPA Federal guidelines.

A yes vote on Article 15 will support this process and achieve the policy objective of applying \$1.22 Million of ARPA funds to make up the difference in the price the Town paid to acquire the property and the Melanson offer of purchase.

## **VI. COMMON QUESTIONS**

### ***1. Why is the Town not recovering the \$5.27 Million paid for the Property?***

When the Town purchased the property it had to offer the then owner an amount equal to the highest and best use of the property in order to survive any challenge that the property is worth more. However, the highest and best use may not necessarily be good for the area, or property in terms of size and scope. After the RFP process, the Select Board thought the size and scope of the Melanson project made sense for the area and property to move it forward and request authorization to enter into an LDA with Melanson and apply indirectly ARPA money to the project. Another way to look at this is the Town is buying sixteen (16) units of affordable housing for \$1.22 million. A positive given the cost of real estate in Winchester.

### ***2. Is the parking sufficient for the number of units?***

Melanson proposes ninety parking spaces for sixty (60) units with an additional sixteen parking spaces for the commercial space. This is greater than 1.5 spaces a unit. This exceeds what was asked for by the Select Board and we believe the design and number of parking spaces will be adequate given the unit layout. We envision that some unit owners will not have cars given the proximity to the center and commuter rail station.

### ***3. How will this development affect traffic?***

As part of the permitting process a traffic study will be conducted. At this time, given the size and scope of the project the Town is comfortable with the preliminary plans for egress in order to move it forward. As the process continues, the Select Board has the ability to address any traffic and parking issues that are identified.

**4. *What will go into the commercial space?***

The developer and Town share a vision that the commercial space will consist of businesses that benefit the residents and the neighborhood. A small convenience store and coffee shop have been mentioned as possible tenants. However, exactly what or who will be the commercial tenants will not become clearer until the permitting process is complete and construction moves forward.

**5. *What happens to the property if Town meeting votes no on Article 14 and Article 15?***

If Town Meeting does not approve Article 14 the Town would need to start over. The Town owns the property so it would need to begin to find funding to service the debt of \$5.27 Million. The Select Board would also have to engage in another RFP process and would likely seek to change in the rental criteria in order to attract a higher number of respondents for a future RFP. This may require further action from Town Meeting. Such processes would further delay development of the property and require additional Town resources to service the debt. These projects take time to develop. If all goes right under the Melanson proposal the best case scenario of seeing units rented is December 2025. If the Town needed to start over it would be further delayed in developing the property and paying off the debt.

If Article 15 is not approved then the Town would not be able to indirectly use ARPA money to pay the \$1.22 Million shortfall between the BAN and Melanson sale price. At a future Town Meeting, the Town would need to adopt a mechanism to resolve this shortfall which could include the use of free cash.

**VII. WHY VOTE YES**

Seeing this property vacant and in ill repair for almost a decade inspired action by Town Meeting and Town leaders to take the property for the public purpose of developing a mixed use affordable housing project. Creating affordable housing on this property given its proximity to the center business district, schools, public transportation and public amenities is using this property in the best way possible that is sensitive to the neighborhood's long standing concerns. By voting yes on Articles 14 and 15, Town Meeting will put the Town one step closer to once again making this property a vibrant part of our town in a high quality manner sensitive to the neighborhood. This is an excellent opportunity to be one step closer to Winchester's 2030 vision.

Please join the Select Board in voting yes on Article 14 and Article 15 at the 2022 Fall Town Meeting.



Richard Mucci  
Chair  
Winchester Select Board

**Attachments**

- Exhibit 1 – Melanson RFP Proposal
- Exhibit 2 – Town Pro Forma
- Exhibit 3 – Developer’s Pro Forma
- Exhibit 4 – Project Concept Renderings
- Exhibit 5 – Proposed LDA

- cc:     Planning Board  
          Finance Committee  
          Affordable Housing Trust  
          School Committee  
          Housing Partnership Board