

**Real Estate Development Evaluation for
Dedham Square Property Analysis
Dedham, MA**

prepared for

**Town of Dedham
under subcontract to Gamble Associates**

prepared by

ABRAMSON & ASSOCIATES, Inc.

March 8, 2021

ABRAMSON & ASSOCIATES, Inc.

Real Estate and Public-Private Development Advisory Services

March 8, 2021

Mr. David Gamble
Gamble Associates
Mr. John Sisson
Community Development Director
Town of Dedham

Re. Real Estate Evaluation for Dedham Square Property Analysis, Dedham, MA

Dear David and John

The following report presents our evaluation of development potential and financial implications and strategies for two town-owned properties – the Police Station Site and the Keystone Lot in Dedham Square.

Thank you for the opportunity to assist you in this important project.

Sincerely,

ABRAMSON & ASSOCIATES, Inc.



Barry M. Abramson
President

EXECUTIVE SUMMARY

Evaluation of redevelopment potential of two Town-owned properties in Dedham Square – the Police Station Site and the Keystone Lot, has yielded the following major conclusions:

Police Station Site. This site, located at the nexus of Dedham Square’s primary streets, presents a great opportunity to provide the Square and Town with a signature public open space.

Some form of marketplace pavilion that could offer small enclosed or open-air spaces at minimal rent for temporary pop-up retail, arts and other uses along with other programming could activate the open space and enhance its appeal as an anchor drawing customers to Dedham Square businesses and as an amenity for the community at large.

Cost is preliminarily estimated at \$3,000,000. If fully funded by the Town, the \$251,000 annual bond payments would represent an annual increase of approximately \$20 to the average single-family homeowner’s property tax bill during a 15-year bond term.

Opportunities for grant or philanthropic/community-based crowd source funding could significantly reduce this burden, perhaps by as much as half. Potentially, net revenues from redevelopment of the Keystone Lot in tandem with these other sources might fully offset this cost.

Alternately, renovation of the building is not considered likely to be financially feasible or to result in a project that would optimize reuse of this key location from a planning perspective.

If the Town were to opt for maximizing revenue from a private redevelopment of the site, a new mixed-use project with residential over retail would likely be feasible. The site could accommodate approximately 14 - 18 units above 4,700 square feet of retail space. Residential could be either rental or condominium, with rental being more likely.

Land sale revenue for a rental project, after accounting for the impact of the proposed 15% affordable rental housing requirement and the developer bearing the cost of demolition and remediation, might be expected to fall somewhere in the range of \$500,000 - \$750,000. The same range could be assumed for a condo project though pricing could fall more toward the lower end of that range and the attraction of a developer for such a project would be less assured.

A rental project would be estimated to generate annual real estate taxes of \$60,000 - \$70,000 for a rental project or \$100,000 - \$120,000 if a condo project could be developed.

Keystone Lot. This site could accommodate a mixed-use project of 59 - 72 units, with 7,500 square feet of retail. A two-level parking podium could provide 100 replacement public spaces in addition to private spaces and the retail could open onto a public plaza.

A project of this scale could provide outdoor and indoor amenities which, along with a town center location, would offer a combination not found in other projects in Dedham. This would enable a project to command premium pricing, whether condo or rental, and enhance the potential to attract a developer to undertake a condo project, filling a market gap for local downsizing homeowners.

A mixed-use project on the Keystone site is estimated to generate potential land sale revenue attributable to the private project (i.e. before accounting for the cost of public parking and plaza components) of \$2,500,000 - \$3,500,000 for a rental project and \$1,500,000 - \$2,500,000 if a condo project could be developed. Annual real estate taxes are estimated at \$210,000 - \$230,000 for a rental project and \$400,000 - \$430,000 for a condo project.

The public components might be publicly funded with land sale and tax revenues fully covering such costs and resulting in an annual net to the Town estimated at \$96,000 - \$183,000 for a rental project and \$219,000 - \$316,000 for a condo project during a 20-year bond term, rising to the full tax amount thereafter. The net revenues available from a condo project could also be sufficient to offset the costs of the Town Square on the Police Station site.

Private development on the Keystone property should be implemented by means of a well-orchestrated request for proposals process that allows flexibility while clearly specifying preferences and requirements, based on community's vision and objectives. If properly managed, if no proposal is submitted that satisfactorily fulfills the Town's objectives (or if a selected project can't be seen through to a construction start), the Town would be able to retain the property until a more opportune time.

EVALUATION PURPOSE AND CONTEXT

Abramson & Associates, Inc. was engaged, under sub-contract to Gamble Associates, by the Town of Dedham to collaborate with Gamble Associates in strategizing and evaluating potential for and financial implications of redevelopment of two Town-owned properties in Dedham Square – the Police Station Site and the Keystone Lot.

The consultant team worked closely with town staff and the Dedham Square Reuse Committee who played an active role in evaluating the results of preliminary evaluations and determining uses and concepts to carry forward to more detailed analysis.

Full information on the sites and planning and design aspects are presented in the report by Gamble Associates.

Market and development analyses were primarily performed in the 3rd and 4th quarters of 2020 and estimates are presented in \$Q42020. The conclusions of these analyses are considered to be valid as of the date of this report.

Above estimates of potential building values and supportable land cost for illustrative purposes and do not constitute appraised values, nor do they account for environmental/geotech factors.

THE DEVELOPMENT SITES

The Police Station Site (600 High Street) comprises 14,700 square feet of land occupied by a two- and one-story masonry building built in 1962. The main portion of the building, fronting on High Street, contains 5,944 gross square feet of space on the first and second stories along with a 3,284 square foot basement and 2,660 square foot attic. Attached at the rear of the site are a 585 square foot car port and an 1,808 square foot garage.

The building will become surplus when the police department moves to the new public safety building, which is scheduled for completion in 2023.

Outreach was made to Verizon, which owns the neighboring 16,657 square foot site to the west, to determine the prospects for including this property in a larger assemblage. The site is occupied by a two-story masonry building, housing telecom switching equipment, and a parking lot. Verizon indicated it did not anticipate leaving the facility in the foreseeable future, it would not be interested in or able to share the building with other use, and the cost to relocate switching and supporting infrastructure could be in the “eight figure range”, rendering acquisition impractical, at least until such time as technological advances might make the current network equipment and location obsolete.

Based on considerations of appropriate height, massing and other planning issues, Gamble Associates determined potential new development on the Police Station site to have a development capacity of 24,000 gross square feet.

The Keystone Lot (10 and 22 Eastern Avenue) contains 60,007 square feet of land occupied by a 137-space public parking lot. There is a significant change of grade running downward from the south to the north where the parking lot surface is elevated above street grade, and much of the eastern border of the site lies below an elevated portion of the Providence Highway, with direct access to this major arterial at the southern end of the site.

Based on considerations of appropriate height, massing and other planning issues, Gamble Associates determined potential new development on the Keystone site to have a development capacity of 89,000 gross square feet (not including parking).

MARKET ASSESSMENT OF POTENTIAL USES

A variety of potential uses were considered for the two sites. Primary research with real estate market participants and other knowledgeable sources as well as review of relevant information was conducted to evaluate the development potential of these uses and project-specific financial feasibility analysis was conducted for those uses considered potentially feasible and appropriate in terms of planning objectives.

Potential Uses Determined Unlikely to be Viable

The following uses were assessed at a preliminary level and, based on market, locational, general financial, and site/facility considerations, not carried forward for more detailed evaluation of project financial feasibility:

Rehab of Police Station. Generally, the rehabilitation of the existing building is considered to be highly problematic in terms of its financial viability and less than optimal in terms of fulfillment of the Town's planning objectives.

The main building is not conducive to retail use because the first floor is elevated from sidewalk grade with a single street-fronting door and the facade is not well suited for storefront type doors and windows. Retail use of the rear building would be compromised by its more limited visibility and the character of the interior.

A reuse of the building without viable retail or other readily accessible, publicly-oriented ground floor space would be an under-realization of this key location's potential contribution to the vitality of the Square.

The interior of the main building has numerous partitions constructed of heavy cinder block, making spaces difficult to consolidate without high cost. There are also spaces specific to police use (e.g. jail cells) that would be difficult to repurpose.

Depending on the scope of the new use's needs, building plumbing, electrical, mechanical, and sprinkler systems could need to be improved or replaced at high cost. Renovation could necessitate lead, asbestos and other hazmat abatement processes, adding additional cost.

Reuse for residential would be highly unlikely to be feasible because this reuse would require a gut renovation, including totally reconfigured space and mechanical, electrical and plumbing systems and would yield only a very few units (perhaps 4 - 6).

If an office or community use could occupy the building in its current condition and configuration (perhaps for conference rooms, common works spaces and/or storage), it wouldn't require asbestos/hazmat treatment or systems updating, (though this might be recommended anyway). It would depend on the existence of a tenant willing to use the building in that condition, which seems unlikely.

As soon as the building is "renovated"/adapting space for a tenant's needs, any area of the building that's dealt with by a contractor would need to address asbestos/hazmat and any systems in that area and costs start to mount.

A gut renovation of the building for proper renovated office space would likely entail costs that could not be supported by the relatively low rent that such space could command.

The Class B/C market of small office spaces in Dedham Square, geared to small attorney's offices and other professional services, sees rents as high as \$20 - \$22 per square foot on a gross basis (mid-teens on a triple net basis), for the attractive 339 Washington Street building.

This type of space is typically quoted on a per square foot of tenant usable area basis, rather than per rentable square foot (which would also include a share of building common area) as typically would be the case with Class A buildings and the tenant usable to gross efficiency of a small rehab building tends to be relatively low – likely not higher than 80%.

Costing out a renovation of the Police Station would require a contractor/cost estimation beyond the scope of this effort, but we consider the prospect of achieving a feasible and worthwhile renovation to be very unlikely.

A back-of-the-envelope analysis, presented in the appendix to this report, indicates the renovation hard cost that could be supported by a private redevelopment of the building to be well below the amount that would actually be entailed.

Hotel. Given hotel companies' preference for highway locations, any demand for new hotel development in the area would be most likely to be met by redevelopment sites with immediate access to or at least visibility from the relatively proximate Route 128.

Office – New. The office sector has been significantly impacted by the pandemic and many market participants and observers anticipate that some continuation of the trend to work-from-home will constrain market demand post-pandemic.

Top of the market Class A office space in Dedham at Allied Drive is reportedly renting in the range of \$25 triple net for large spaces, below the level sufficient to support the cost of new office development (typically with surface or relatively low cost free-standing deck parking,

which might be in the range of \$400 per square foot, or at least in the mid-\$300's per square foot if cost didn't include land).

Dedham Square, like many suburban town centers, is not considered a strong market location for significant new Class A office development, so rents and leasing prospects would be even lower.

A new office development of any significant size in Dedham Square would require a long-term commitment by a build-to-suit or anchor tenant taking the vast majority of the space at well above-market rent in order to be financeable.

A private sector company deciding to pay well above market to locate in Dedham Square based on "extra-market" considerations is highly unlikely, if not possible.

For many years, there's been discussion of the Norfolk County District Attorney's office being a build-to-suit tenant for approximately 20,000 square feet of office space in Dedham Square, given the proximity of the courts.

Outreach to the DA's office indicated this prospect to be very unlikely. The DA's office in collaboration with the Commonwealth's Division of Capital Asset Management and Maintenance are committed to a planned consolidation of the courts in Quincy Center. During the extended interim period prior to such a consolidation being implemented, the DA's office leases office space in Canton at a relatively low cost (\$25 per square foot on a gross basis, which might equate to high-teens on a triple net basis).

Any prospect for Dedham Square overcoming these obstacles would seem to depend upon the exertion and effectiveness of a considerable amount of political effort.

Library. The idea of a new library building consolidating and replacing existing facilities to be funded in part by grant from the Massachusetts Board of Library Commissioners (MBLC) was suggested.

An examination of information for new library buildings in communities of comparable size to Dedham which received grant funding from MBLC indicated a new library for a community with Dedham's population might be approximately 40,000 square feet and cost in the range of \$30,000,000.

MBLC grants as a share of cost have ranged from the mid-30%'s to low-40%'s indicating that Dedham, even if it were to receive an MBLC grant, would have to bear approximately \$18,000,000 of that cost.

MBLC indicated that its funding list is fully subscribed, with the timing of completion of funding of these projects and initiation of a subsequent funding round both uncertain.

Potential disposition of the historic Church Street library would likely yield a relatively very small offset to this cost, given the property's small size and challenges in redeveloping it

Based on the above considerations and the Town's recent and current capital commitments for the new town hall and public safety building, Town staff and the committee considered this option not to warrant further consideration.

Other Community Use. The idea of developing a new building for some other, undetermined type of community use was floated but no specific program or source of funding was ventured by Town staff or the committee so this idea was not explored further. Of course, if the Town or a community group determine such a use and a willingness and ability to fund it, it could be further explored in a subsequent effort.

Potential Uses Determined Likely to be Viable

Retail. Retail or other publicly-oriented use is important to maintain and expand the active and engaging street fabric that characterizes Dedham Square.

While the pandemic has accelerated long term trends constraining demand for brick and mortar retail space, restaurant, service and unique specialty are better positioned to recover and remain viable post-pandemic.

Retail space in new well-located buildings in the Square were reported to have commanded triple net rents of as much as \$30 per square foot prior to the pandemic.

Modern retail space in new projects can help attract businesses, especially full-service restaurants, to the Square which might not otherwise be able to locate there, providing additional anchor draws benefitting existing retailers. Spaces that provide ample space for out-door dining would have a particular appeal to restaurants and enhance the Square's amenity and vibrancy.

The high visibility and opportunity for outdoor space at the two sites would tend to offset a possible softening of retail rents, indicating a rent of \$30 per square foot to be a reasonable target.

Retail space additions should be moderated so as not to overwhelm and unduly compete with existing retail space causing vacancies to existing space. Accordingly, retail should be considered an important complementary, rather than primary, use for any significant development project.

Residential. Generally, residential use continues to be the most reliably viable developmental use for town center sites in the Boston metropolitan area.

Dedham Square is an attractive location for infill residential development, given its vibrant town center atmosphere, though the area more proximate to commuter rail and Legacy Place,

with its rapid transit and larger sites, will continue to be the focus of interest by major regional and national developers seeking large rental project opportunities.

To date, development of infill multi-family residential in the Square has been rental rather than condominiums. This is likely due to rental being a typical pioneering form in emerging residential locations and the ample financing for rental projects that has been available for rental development over the current market cycle, whereas condo development requires far greater equity investment and risk.

The infill projects in the Square have been characterized primarily by one-bedroom units with rents of \$1,700 - \$1,900 (low-\$2.00's per square foot). Rents were reported to have declined from the mid- to upper-end of this range prior to the pandemic to the low- to mid-end of the range. It is reasonable to assume that rents will readjust to the prior level over the next year.

Rent in the low-\$2.00's (say \$2.25) per square foot is considered reasonable for a basic infill project, while a project with significant indoor and outdoor amenities could reasonably anticipate rents approximately 10% higher (say \$2.25) or possibly more, depending upon quality level.

Larger condo/ownership units that would appeal to local, down-sizing empty nesters is considered to present an unmet market opportunity. Dedham Square would be attractive to this market and a site the size of Keystone could accommodate a project large enough to include the indoor and outdoor amenities that would appeal to this market.

Estimating potential condo pricing is challenging due to the limited number of comparable projects to what could be developed. Recent sales of 1,200 square foot units at Westbrook Commons, an almost 20-year old project in East Dedham, lacking Dedham Square's town center amenity, sold in the mid-\$400,000's (mid- to high-\$300's per square foot). A more compelling comparable is Copper Works a new project close to Canton Center, where units averaging approximately 1,300 square feet are reported to be selling at average prices over \$600,000 (mid- to high-\$400's per square foot).

High quality condominiums in Dedham Square could reasonably be anticipated to attain prices in the low- to mid-\$500,000's for a 1,200 square foot two- bedroom/two plus den unit, with the lower end in a basic infill project and the higher end in a project with higher quality and amenities such as could be developed at the Keystone site.

FINANCIAL FEASIBILITY AND POTENTIAL LAND SALE AND PROPOERTY TAX REVENUES

Sales in recent years of land acquired for development of infill multi-family projects in the Square (primarily with podium parking) have reportedly transacted generally in the range of \$50,000 - \$60,000 per unit. This level of land pricing for projects with podium parking is more typically supported by markets seeing rents at or approaching \$3.00 per square foot.

The reported strong land pricing in the Square may be explained by: sales being to local, vertically integrated developer/GC(s) who can develop and operate projects more cost-effectively; the positive contribution of relatively high rent retail space unburdened by waiver of the requirement to provide supporting parking; the lack, to date, of an inclusionary affordable housing requirement; and conservative tax assessments.

The relatively small size of potential projects on the two sites and moderate rent market limits the appeal to, and land price payable by, regional developers for a rental project. This is particularly the case for the modest development that could be accommodated on the Police Station site.

A condo project might attract a regional or local developer, though feasibility and potential land sale revenue and the willingness of potential developers to invest in such a riskier project are hard to predict with confidence.

Condo development would have the benefits to the Town of generating considerably greater property tax revenues than rental and serving an unmet local market (down-sizing Town residents) with considerable disposable income to spend in restaurant and other businesses in the Square and Town. These factors might incentivize the Town to accept a lower land price for a condo project.

The per unit land pricing that could be anticipated to be supported by new mixed-use residential with ground floor retail development at the two sites may be considerably less than that indicated by the above-noted range of recent sales due to the following factors.

- Construction costs have continued to rise significantly over the year while residential rents have been reported to decline during the pandemic and the anticipated post-pandemic rebound may not necessarily catch up with the cost increases.
- The inclusionary affordable housing requirement proposed for rental projects (15% of units rented to tenants with income at or below 80% of area median income) will impact project economics, absent any compensating rental assistance subsidies.
- The Town and community would be anticipated to require higher design and quality standards for development on a publicly-disposed property(ies) at such visible and important location(s).
- Condominium development entails higher equity investment and risk than rental, which might support lower (at least, guaranteed) land price, which the Town might be willing to accept in return for higher taxes and other benefits.
- New development of the Police Station site would entail a potentially costly demolition and remediation of asbestos and possibly other hazardous materials, which, if the responsibility of the developer, could reduce land sale revenue by somewhere in the range of \$10,000 per unit.

- It is possible that the developer who would have the capacity and willingness to finance a project of the quality the Town would prefer on the Keystone site might not have the cost advantages of developer(s) who have set the land pricing in the Square.

Illustrative financial feasibility analyses (presented in the appendix to this report) were conducted for residential mixed-use developments on each of the two sites for designs and programs formulated with Gamble Associates in conformance with Town planning guidelines and objectives.

The supportable land cost (i.e. potential land sale revenue to the City) derived from such an analysis is subject to significant variation based on relatively minor variability in assumptions for many elements of the development equation. Accordingly, the results of such analysis should be considered illustrative, rather than definitive and potential land sale revenues are estimated based on a combination of these analyses and adjustments to the comparable sales for cost factors and pricing specific to the properties. A range accounts, at least in part, for variability on financial estimation and developer capacities.

Ultimately, a competitive request for proposals process would determine the appeal to developers, feasibility, land sale pricing for a rental or condo project

Police Station Site

The site is estimated to accommodate a project of approximately 24,000 gross square feet with 18 rental units or 14 condo units over 4,700 square feet of retail with a combination of tuck-under and surface parking.

This relatively small infill project would be well within the wheelhouse of a local vertically integrated developer/GC and would be more appealing to and financially feasible for such a developer than a regional developer.

The financial analysis indicates a supportable land price in the low-\$600,000's (approximately \$35,000 per unit) for a rental project. The assumptions of inclusionary housing and developer funding of demolition/remediation (\$175,000 of the \$250,000 preliminary estimated cost assumed to be a premium over a standard site cost expectation) accounts for the difference from a \$50,000 per unit pricing, before accounting for other factors mentioned above, providing relative confidence in the estimate yielded by the analysis.

If a developer's assumptions are somewhat more optimistic re. rents or costs, the supportable land value could certainly be higher. A range of \$500,000 to \$750,000 accounts for variability. Real estate taxes are estimated at \$60,000 to \$70,000.

A condo project on the Police Station site might target sales in the low-\$400's per square foot (e.g. approximately \$500,000 for a 1,200 square foot two-bedroom unit).

If a developer with the cost advantages of a local/vertically integrated developer/GC were willing to take on the risk of a condo project, the above condo pricing could support land pricing in the same range as the rental project.

The relatively small size of the project would be an advantage in limiting the amount of required equity investment. However, given that the local market of developers has yet to show willingness or capacity to undertake such a project and this project's size likely precluding significant amenities, other than its location, to enhance condo pricing, a condo project is considered a lesser probability.

Real estate taxes for a condo project could be \$100,000 to \$120,000. This superior tax revenue, along with other benefits, could incentivize the Town to discount land below the above-estimated range to spur such a project.

Potential Revenues of Police Station Mixed-Use Development

<u>Private Project Program</u>	Rental Project			Condo Project		
	low	high	mid est	low	high	mid est
Residential Sq Ft			19,200			19,200
Retail Sq Ft			4,700			4,700
Total Sq Ft			23,900			23,900
# Units			18			14
Potential Land Sale Revenue						
Before Public Improvement Costs	\$500,000	\$750,000	\$625,000	\$500,000	\$750,000	\$625,000
\$/unit	\$28,000	\$42,000	\$35,000	\$36,000	\$54,000	\$45,000
\$/GSF	\$21	\$31	\$26	\$21	\$31	\$26
Annual Real Estate Tax Revenue	\$60,000	\$70,000	\$65,000	\$100,000	\$120,000	\$110,000
Increase or (Decrease) in Property Tax for Avg Single Family Home	(\$9)	(\$11)	(\$10)	\$15	\$18	\$17
% Increase (Decrease) in Avg Single Family Tax Bill	-0.1%	-0.1%	-0.1%	0.2%	0.2%	0.2%

All estimates in \$Q42020

Keystone Lot Site

This site could accommodate a mixed-use project of 89,000 gross square feet which could contain 72 units, if rental, or 59 units, if condo, and 7,500 square feet of retail fronting a public plaza. A two-level parking podium (one of which could be open air, but essentially below grade) could provide 100 replacement public spaces in addition to dedicated private parking for residents.

The analysis of supportable land cost focused on the private portion of the project. The indicated potential land sale revenue would be available to fund a portion of the cost of the public components (the public parking level and public plaza) which could be publicly financed, with the remaining cost covered by real estate tax revenues.

A project on this site was assumed to command higher rental and condo pricing based on the site's ability to accommodate significant indoor and outdoor amenities (e.g. roof-deck). The analysis indicates a rental project with average rents of \$2.50 per square foot developed by a developer with the cost advantages of a local vertically integrated developer/GC could support a land cost of approximately \$3,000,000.

The analysis indicates a condo project with an average sale price of \$450 per square foot developed by a developer with the cost advantages of a local vertically integrated developer/GC could support a land cost of \$2,200,000.

A rental project developed by a regional or local developer not enjoying those economies would likely be infeasible or only marginally feasible at minimal, if any, land cost, unless that developer were to make considerably more optimistic assumptions on condo pricing or have access to particularly advantageous financing.

Based on the above analyses and other considerations, potential land sale revenue is estimated in a broad range of 2,500,000 - \$3,500,000 for a rental project and \$1,500,000 - \$2,500,000 for a condo project.

Real estate taxes are estimated at \$210,000 - \$230,000 for a rental project and \$400,000 - \$430,000 for a condo project. The greater tax revenues generated by a condo project, along with other benefits, could incentivize the Town to discount land below the above-estimated range to spur such a project.

The public components might be publicly funded with land sale and tax revenues fully covering such costs and resulting in an annual net to the Town estimated at \$96,000 - \$183,000 for a rental project and \$219,000 - \$316,000 for a condo project during a 20-year bond term, rising to the full tax amount thereafter.

Potential Revenues & Costs of Keystone Mixed-Use Development with On-Site Public Improvements

<u>Private Project Program</u>	<u>Rental Project</u>			<u>Condo Project</u>		
	<u>low</u>	<u>high</u>	<u>mid est</u>	<u>low</u>	<u>high</u>	<u>mid est</u>
Residential Sq Ft		81,500			81,500	
Retail Sq Ft		7,500			7,500	
Total Sq Ft		89,000			89,000	
# Units		72			59	
Potential Land Sale Revenue Before Public Improvement Costs	\$2,500,000	\$3,500,000	\$3,000,000	\$1,500,000	\$2,500,000	\$2,000,000
Replacement Public Parking	(\$3,200,000)	(\$3,200,000)	(\$3,200,000)	(\$3,200,000)	(\$3,200,000)	(\$3,200,000)
Public Plaza	<u>(\$800,000)</u>	<u>(\$800,000)</u>	<u>(\$800,000)</u>	<u>(\$800,000)</u>	<u>(\$800,000)</u>	<u>(\$800,000)</u>
On-Site Public Improvement Cost	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>
Net On-Site Public Improvement Cost to be Financed if Land Sale Credited (shown as negative #)	(\$1,500,000)	(\$500,000)	(\$1,000,000)	(\$2,500,000)	(\$1,500,000)	(\$2,000,000)
Annual Bond Payment	(\$101,000)	(\$34,000)	(\$67,000)	(\$168,000)	(\$101,000)	(\$134,000)
Annual Real Estate Tax Revenue	<u>\$210,000</u>	<u>\$230,000</u>	<u>\$220,000</u>	<u>\$400,000</u>	<u>\$430,000</u>	<u>\$415,000</u>
Annual Real Estate Tax Revenue less Bond Payment	\$96,000	\$183,000	\$140,000	\$219,000	\$316,000	\$267,000
Increase or (Decrease) in Property Tax for Avg Single Family Home	(\$14)	(\$28)	(\$21)	(\$33)	(\$48)	(\$40)
% Increase (Decrease) in Avg Single Family Tax Bill	-0.2%	-0.4%	-0.3%	-0.4%	-0.6%	-0.5%

All estimates in \$Q42020

Keystone public parking hard cost/space: \$27,000

Keystone plaza hard cost/square foot: \$135

Plus design and soft cost @ 20%

Bond financing assumptions for public improvements:

	Interest rate	Amortization Term
Keystone	3.0%	20 years

TOWN SQUARE COST AND FUNDING

The Town Square is preliminarily estimated to cost \$3,000,000. This cost includes a combination of hard and green scape, some type of marketplace pavilion and demolition of the Police Station.

If fully financed with bond financing at 3% over a 15-year term, annual bond payments would be \$251,000. This would represent an annual increase of approximately \$20 to the average single family homeowner's property tax bill.

There are opportunities for funding these public improvements which may improve the Town's financial outcome. State or other grants might be secured, especially with active community lobbying, and the town square would be a very attractive opportunity for community-based crowd funding and philanthropy and sponsorship.

The net revenues from the Keystone project could offset or cover a substantial portion or possibly all of the bond payments on the town square improvements. The following exhibit presents this opportunity without accounting for any other potential sources such as grants or philanthropy/community-based funding.

Potential Revenues & Costs of Keystone Mixed-Use Development with On-Site Public Improvements and Town Square on Police Station Site

Keystone Mixed-Use Development Private Project Program	Rental Project			Condo Project		
	low	high	mid est	low	high	mid est
Residential Sq Ft		81,500			81,500	
Retail Sq Ft		7,500			7,500	
Total Sq Ft		89,000			89,000	
# Units		72			59	
Potential Land Sale Revenue Before Public Improvement Costs	\$2,500,000	\$3,500,000	\$3,000,000	\$1,500,000	\$2,500,000	\$2,000,000
On-Site Public Improvement Cost	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>
Net On-Site Public Improvement Cost to be Financed if Land Sale Credited (shown as negative #)	(\$1,500,000)	(\$500,000)	(\$1,000,000)	(\$2,500,000)	(\$1,500,000)	(\$2,000,000)
Annual Bond Payment	(\$101,000)	(\$34,000)	(\$67,000)	(\$168,000)	(\$101,000)	(\$134,000)
Annual Real Estate Tax Revenue	<u>\$210,000</u>	<u>\$230,000</u>	<u>\$220,000</u>	<u>\$400,000</u>	<u>\$430,000</u>	<u>\$415,000</u>
Annual Real Estate Tax Revenue less Bond Payment	\$96,000	\$183,000	\$140,000	\$219,000	\$316,000	\$267,000
Town Square Bond Payment on cost estimated @ \$3,000,000	<u>(\$251,000)</u>	<u>(\$251,000)</u>	<u>(\$251,000)</u>	<u>(\$251,000)</u>	<u>(\$251,000)</u>	<u>(\$251,000)</u>
Net Annual Revenue (Cost) from Combined Sites	(\$155,000)	(\$68,000)	(\$111,000)	(\$32,000)	\$65,000	\$16,000
Increase or (Decrease) in Property Tax	\$23	\$10	\$17	\$5	(\$10)	(\$2)
% Increase (Decrease) in Avg Single Family Tax Bill	0.3%	0.1%	0.2%	0.1%	-0.1%	0.0%

All estimates in \$Q42020

ECONOMIC/COMMUNITY IMPACT

The potential redevelopments of the two sites have many economic and community benefits which, while not lending themselves to reliable estimation, clearly would present compelling improvements to Dedham Square and the Town, generally.

Town Square Benefits

- Provides nexus/gathering place for community.
- Enhances image and appeal of Square and Dedham.
- Supports Dedham Square businesses by drawing customers to the Square.
- Marketplace structure would provide flexible, right-size, high visibility, affordable spaces to:
 - incubate new retail businesses which may grow into full-time tenants in Square
 - enable artists/artisans to expose their work to broader market
 - house temporary community uses
- Possibility of moving farmers market to site that would more effectively spin off business to Square merchants.
- Opportunity for active community space.
- Marketplace structure could accommodate flexible incubator space for local emerging retail businesses, artists/artisans, other community uses.
- Design and programming of open space and whether to include market structure and its physical form and operation would be subject of process involving community input.

Keystone Mixed-Use Benefits

- High quality, signature project on Keystone would upgrade image of Square and Dedham
- Opportunity to expand housing options for Dedham residents
 - Attractive project for empty nest down-sizers to stay in Dedham, especially if condos
 - If rental, 15% affordable units
- Residents adds to market for Dedham Square businesses
- Provide limited amount of retail space of a scale and type that might attract anchor business to square
- Plaza provides additional community focal point and public space anchor

- Opportunity to defray all or much of cost of Town Square in addition to on-site replacement parking and plaza

IMPLEMENTATION

Town Square

- Do focused research on nature and operations of marketplace precedents and outreach to potential civic participants for management and tenanting.
- Initiate design and programming of open space and whether to include market structure and its physical form and operation in process involving community input.
- Explore funding options.

Keystone Mixed-Use Development

Land Sale vs. Land Lease

Land sale is recommended over land lease for disposition of property for private development of the Keystone Lot (and of the Police Station site, should the Town opt to do that). The reasons for this are:

- Land lease would entail greater complexity, effort and cost in transaction and management.
- Land lease would have to be very long term and likely would be extended so return to Town ownership for alternate use would be unlikely, or at least very far in future and prohibitively expensive.
- A good RFP process should yield a project the Town would be happy to keep in place for the long term.
- Land sale is more attractive to developers and financing sources yielding higher land value and a condo project would require private land ownership.
- The Town should retain ownership of the public plaza and purchase a condo for public parking. The parking condo provides opportunity for Town to have ongoing say in changes to project.
- Town may consider allowing owner of private project to manage if acceptable terms can be negotiated.
- The Town can exert a strong level of control over design and use by means of the RFP process, ownership of and/or management and easement agreements for the parking condo and plaza, zoning and special permit.

RFP Process

- Private development on the Keystone property should be implemented by means of a well-orchestrated request for proposals process that allows flexibility while clearly specifying preferences and requirements, based on community's vision and objectives.

- Effective management of RFP process would give town control of project design.
- If properly managed, if no proposal is submitted or a project can't be seen through to closing that fulfills the Town's objectives, the Town would be able to retain the property until a more opportune time.

Financing

- Explore financing and funding options for public improvements, including possibility of including Keystone improvements in DIF project program

ASSUMPTIONS AND LIMITING CONDITIONS

- Information provided by others for use in this analysis is believed to be reliable, but in no sense is guaranteed. All information concerning physical, market or cost data is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and is subject to errors, omissions, changes in price, rental, or other conditions.
- The Consultant assumes no responsibility for legal matters nor for any hidden or unapparent conditions of the property, subsoils, structure or other matters which would materially affect the marketability, developability or value of the property.
- The analysis assumes a continuation of current economic and real estate market conditions, without any substantial improvement or degradation of such economic or market conditions except as otherwise noted in the report.
- Any forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- Since any projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, the Consultant does not represent them as results that will actually be achieved.
- The report and analyses contained therein should not be regarded as constituting an appraisal or estimate of market value. Any values discussed in this analysis are provided for illustrative purposes.
- Possession of this report or any copy or portion thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of The Consultant and, in any event, only in its entirety.
- The Consultant shall not be responsible for any unauthorized excerpting or reference to this report.
- The Consultant shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this report without agreement as to additional compensation and without sufficient notice to allow adequate preparation.

TECHNICAL APPENDICES

Town Square on Police Station Site Preliminary Conceptual Cost Estimate

Hard Costs		
Replacement Public Parking		-
Demolition		\$250,000
Plaza		\$1,780,000
Marketplace Pavilion		<u>\$500,000</u>
Total		\$2,530,000
Design Contingency & Soft Costs	20%	<u>\$510,000</u>
Total Cost		3,040,000
rounded:		3,000,000

Assumptions

Plaza estimate based on 13,200 sq ft x \$135/sq ft

Blended average assuming 65% landscape @ \$100/sq ft and 35% hardscape @ \$200/sq ft

Does not include an allowance for a water feature

Market pavilion estimate based on 1,500 sq ft x \$350/sq ft

Nature of this element and its estimated cost should be regarded as particularly preliminary

The estimates for the plaza and pavilion are based on Gamble Associates' experience with and knowledge of per unit costs of comparable projects.

The demolition cost estimate (including remediation of lead and, possibly, other hazardous materials) is based on conversations with various parties experienced with or knowledgeable of demo costs of comparable buildings.

In each case, these estimates should be regarded as reasonable preliminary place holders in advance of contractor estimates and/or proposals that could be made upon further scoping and assessment of conditions and improvements in future stages of the project.

The cost estimates are expressed in \$2021 (Q1) and assume municipal management and contracting.

Preliminary Estimate of Police Station Rehab for Office

		<u>Extensive Renovation</u>	<u>Moderate Renovation</u>
Gross Rent		\$21.00	\$15.00 /tenant sable SF
Vacancy	8%	(<u>\$1.68</u>)	(<u>\$1.20</u>)
Effective Gross Income		\$19.32	\$13.80 /tenant sable SF
Tax and Expenses		(<u>\$8.00</u>)	(<u>\$6.00</u>) /tenant sable SF
Net Operating Income		\$11.32	\$7.80 /tenant sable SF
Efficiency (usable/gross SF)		<u>80%</u>	<u>80%</u>
Net Operating Income		\$9.06	\$6.24 /GSF
Required Return on Cost		<u>10%</u>	<u>10%</u>
Supportable TDC		\$91	\$62 /GSF
Soft @ % of Hard		<u>20%</u>	<u>20%</u>
Soft Cost		\$18	\$12 /GSF
Maximum amount supported available for hard and land cost		\$72	\$50 /GSF

**Police Station
New Mixed-Use Residential-Retail
Rental
Program**

# Residential Units			18.0		
Residential GSF			19,200	1,068	80%
Retail GSF			<u>4,700</u>		<u>20%</u>
Total GSF Finished Space Excluding Parking			23,900		100%
		% Net:Gross			
Residential NSF (Units)		82.5%	15,840	881	78%
Retail NSF		95%	4,465		<u>22%</u>
Total Commercial NSF		95%	4,465		
Total NSF		85%	20,305		100%
				Privately <u>Funded</u>	Publicly <u>Funded</u>
					<u>Total</u>
Parking					
Podium At Grade Natural Ventilation			-	-	-
Partially Below Grade Natural Ventilation			-	-	-
Fully Below Grade			-	-	-
Tuck-In			10	-	10
Surface			<u>10</u>	<u>-</u>	<u>10</u>
Total Parking			20	-	20
Spaces per resi unit			1.11		
Public Plaza SF (extra beyond typical private project)				-	-
Unit Mix					
1-bed, 1-bed+den	1	825	75%	13.5	
2-bed, 2-bed+den	2	<u>1,050</u>	25%	<u>4.5</u>	
	1.25	881		18.0	
				<u>effective %</u>	
Market Rate Units				15	83.3%
Affordable Units				15%	
@ 80% of AMI	75% effective		15%	3	16.7%

**Police Station
New Mixed-Use Residential-Retail
Rental
Local Developer/GC
Illustrative Feasibility and Supportable Land Cost**

Development Cost				Total	\$/Unit	\$/GSF	\$/NetSF
				<i>(finished area) (NSF units)</i>			
Construction (including standard site costs except surface parking)							
Residential	\$190	/Res	GSF	\$3,648,000	\$202,955	\$153	\$180
Retail Vanilla	\$190	/Retail	GSF	\$893,000	\$49,682	\$37	\$44
Parking Podium At Grade Natural Ventilation	\$23,000	/space		\$0	\$0	\$0	\$0
Parking Partially Below Grade Natural Ventilation	\$23,000	/space		\$0	\$0	\$0	\$0
Parking - Tuck-In	\$13,000	/space		\$130,000	\$7,232	\$5	\$6
Surface Parking	\$4,250	/space		\$42,500	\$2,364	\$2	\$2
Premium Site Costs above standard	Demo	\$175,000	/floorplate SF	\$175,000	\$9,736	\$7	\$9
Retail TI (mix of retail & restaurant)	\$25	/Retail	NSF	<u>\$111,625</u>	<u>\$6,210</u>	<u>\$5</u>	<u>\$5</u>
Total Hard Costs				5,000,125	\$278,179	\$209	\$246
Soft Costs (Incl Dev OH&Fee, Financing Costs, Lease-Up)	15.0%	of hard	(excl demo)	<u>\$723,769</u>	<u>\$40,266</u>	<u>\$30</u>	<u>\$36</u>
Total Development Cost Not Including Land				\$5,723,894	\$318,446	\$239	\$282
Operating Income, Supportable Land Value							
Residential Rental				<u>\$/unit/mo</u>	<u>\$/NSF/mo</u>		
Gross Potential Rent							
Market Rate Units				\$1,983	\$2.25	\$356,299	\$19,822 \$14.91 \$17.55
Affordable Units	@ 80% of AMI	75% effective		\$1,784	\$2.02	\$64,230	\$3,573 \$2.69 \$3.16
Total Gross Potential Apartment Rent						\$420,529	\$23,396 \$17.60 \$20.71
Parking Rental - covered parking above 1 sp/unit				\$0		\$0	\$0 \$0.00 \$0.00
Other Income @ \$/mo/unit				\$50		<u>\$10,785</u>	<u>\$600</u> <u>\$0.45</u> <u>\$0.53</u>
Potential Gross Income						\$431,313	\$23,996 \$18.05 \$21.24
Vacancy				5%		<u>(\$21,566)</u>	<u>(\$1,200)</u> <u>(\$0.90)</u> <u>(\$1.06)</u>
Effective Gross Income						\$409,748	\$22,796 \$17.14 \$20.18
				<u>\$/unit</u>			
Operating Expenses (incl reserves)				\$4,500		\$80,885	\$4,500 \$3.38 \$3.98
RE Taxes				<u>AV/ResNSF</u>			
Market Rate Units			\$182	\$2,190		\$32,799	\$1,825 \$1.37 \$1.62
Affordable Units	@ 80% of AMI		\$152	<u>\$1,825</u>		<u>\$5,476</u>	<u>\$305</u> <u>\$0.23</u> <u>\$0.27</u>
Total RE Taxes						<u>\$38,274</u>	<u>\$2,129</u> <u>\$1.60</u> <u>\$1.88</u>
Total RE Tax + Oper Exps - % of EGI =				29.1%		\$119,160	\$6,629 \$4.99 \$5.87
NOI						\$290,588	\$16,167 \$12.16 \$14.31
Supportable TDC @ ROC =				6.00%		\$4,843,134	\$269,445 \$202.64 \$238.52
Commercial Rental							
Gross Potential Rent - Retail				\$30.00	Triple Net	\$133,950	\$7,452 \$5.60 \$6.60
Retail Vacancy				5.0%		<u>(\$6,698)</u>	<u>(\$373)</u> <u>(\$0.28)</u> <u>(\$0.33)</u>
Effective Gross Income						\$127,253	<u>(\$373)</u> <u>(\$0.28)</u> <u>(\$0.33)</u>
Management & Unreimbursed Expenses				5.0%		<u>(\$6,363)</u>	<u>(\$354)</u> <u>(\$0.27)</u> <u>(\$0.31)</u>
NOI						\$120,890	\$6,726 \$5.06 \$5.95
Supportable TDC @ ROC =				8.00%		\$1,511,123	\$84,071 \$63.23 \$74.42
Combined Residential & Commercial NOI						\$411,478	\$22,892 \$17.22 \$20.26
Supportable TDC @ ROC =				6.48%		\$6,354,257	\$353,516 \$265.87 \$312.94
SUPPORTABLE LAND COST (Supportable Dev Cost less Dev Cost Without Land)						\$630,363	\$35,070 \$26.38 \$31.04

Notes and Assumptions

Above estimates of potential building values and supportable land cost for illustrative purposes and do not constitute appraised values
Estimates based on input of industry sources, experience with comparable projects prior to environmental/geotech assessment
All assumptions in untrended \$Q42020 assuming stabilized economy

**Police Station
New Mixed-Use Residential-Retail
Condo
Program**

# Residential Units			13.9		
Residential GSF			19,200	1,379	80%
Retail GSF			<u>4,700</u>		<u>20%</u>
Total GSF Finished Space Excluding Parking			23,900		100%
			% Net:Gross		
Residential NSF (Units)		82.5%	15,840	1,138	78%
Retail NSF		95%	4,465		<u>22%</u>
Total Commercial NSF		95%	4,465		
Total NSF		85%	20,305		100%
				Privately	Publicly
				<u>Funded</u>	<u>Funded</u>
					<u>Total</u>
Parking					
Podium At Grade Natural Ventilation			-	-	-
Partially Below Grade Natural Ventilation			-	-	-
Fully Below Grade			-	-	-
Tuck-In			10	-	10
Surface			<u>10</u>	<u>-</u>	<u>10</u>
Total Parking			20	-	20
Spaces per resi unit			1.44		
Public Plaza SF (extra beyond typical private project)				-	-
Unit Mix					
1-bed, 1-bed+den	1	950	25%	3.5	
2-bed, 2-bed+den	2	<u>1,200</u>	75%	<u>10.4</u>	
	1.75	1,138		13.9	
					<u>effective %</u>
Market Rate Units				14	100.0%
Affordable Units				0%	
@ 80% of AMI	75%	effective	0%	-	0.0%

**Police Station
New Mixed-Use Residential-Retail
Condo
Local Developer/GC
Illustrative Feasibility and Supportable Land Cost**

Development Cost					Total	\$/Unit	\$/GSF	\$/NetSF
							<i>(finished area)</i>	<i>(NSF units)</i>
Construction (including standard site costs except surface parking)								
Residential			\$195 /Res GSF		\$3,744,000	\$268,864	\$157	\$184
Retail Vanilla			\$190 /Retail GSF		\$893,000	\$64,128	\$37	\$44
Parking Podium At Grade Natural Ventilation			\$23,000 /space		\$0	\$0	\$0	\$0
Parking Partially Below Grade Natural Ventilation			\$23,000 /space		\$0	\$0	\$0	\$0
Parking - Tuck-In			\$13,000 /space		\$130,000	\$9,336	\$5	\$6
Surface Parking			\$4,250 /space		\$42,500	\$3,052	\$2	\$2
Premium Site Costs above standard	Demo	\$175,000	/floorplate SF		\$175,000	\$12,567	\$7	\$9
Retail TI (mix of retail & restaurant)			\$25 /Retail NSF		\$111,625	\$8,016	\$5	\$5
Total Hard Costs					5,096,125	\$365,962	\$213	\$251
Soft Costs (Incl Dev OH&Fee, Financing Costs, Lease-Up)			15.0% of hard (excl demo)		\$738,169	\$53,009	\$31	\$36
Total Development Cost Not Including Land					\$5,834,294	\$418,972	\$244	\$287
Condos								
			Avg					
Gross Sales Proceeds			Sale Price	\$/NSF				
Market Rate Units			\$483,438	\$425	6,732,000	\$483,438	\$281.67	\$331.54
Affordable Units @ 80% of AMI	75% effective		\$315,391	\$277	\$0	\$0	\$0.00	\$0.00
Total					6,732,000	\$483,438	\$281.67	\$331.54
less cost of sale		6%			(403,920)	(\$29,006)	(\$16.90)	(\$19.89)
Net Sale Proceeds					6,328,080	\$454,431	\$264.77	\$311.65
NOI and Supportable Land Cost for Commercial Rental Component								
Gross Potential Rent - Retail			\$30.00 Triple Net		\$133,950	\$9,619	\$5.60	\$6.60
Retail Vacancy		5.0%	(\$1.50)		(\$6,698)	(\$481)	(\$0.28)	(\$0.33)
Total Vacancy			(\$1.50)		(\$6,698)	(\$481)	(\$0.28)	(\$0.33)
Effective Gross Income					\$127,253	(\$481)	(\$0.28)	(\$0.33)
Management & Unreimbursed Expenses		5.0%	(\$1.43)		(\$6,363)	(\$457)	(\$0.27)	(\$0.31)
Total Non-Pass Thru Tax & Oper Exps			\$0.00		(\$6,363)	(\$457)	(\$0.27)	(\$0.31)
NOI			\$27.08		\$120,890	\$8,681	\$5.06	\$5.95
Supportable TDC @ ROC =			8.00%		\$1,511,123	\$108,517	\$63.23	\$74.42
Combined Residential & Commercial Net Sale Proceeds & Development Value					\$7,839,203	\$562,948	\$328.00	\$386.07
Supportable TDC at Req'd Profit on Cost =			20.0%		\$6,532,670	\$469,123	\$273.33	\$321.73
Required Profit @ Net Profit Margin ** =			17.5%		\$1,371,861	\$98,516	\$57.40	\$67.56
Supportable TDC at Req'd Profit =					\$6,467,343	\$464,432	\$270.60	\$318.51
Yields Profit on Cost =			21.2%					
Supportable Land Cost					\$633,049	\$45,460	\$26.49	\$31.18

Notes and Assumptions

Above estimates of potential building values and supportable land cost for illustrative purposes and do not constitute appraised values
Estimates based on input of industry sources, experience with comparable projects prior to environmental/geotech assessment
All assumptions in untrended \$Q42020 assuming stabilized economy

**Keystone
New Mixed-Use Residential-Retail
Rental
Program**

# Residential Units			71.7		
Residential GSF			81,500	1,136	92%
Retail GSF			<u>7,500</u>		<u>8%</u>
Total GSF Finished Space Excluding Parking			89,000		100%
		% Net:Gross			
Residential NSF (Units)		82.5%	67,238	938	90%
Retail NSF		95%	7,125		<u>10%</u>
Total Commercial NSF		95%	7,125		
Total NSF		84%	74,363		100%
				Privately Funded	Publicly Funded
					<u>Total</u>
Parking					
Podium At Grade Natural Ventilation			90	-	90
Partially Below Grade Natural Ventilation				100	100
Fully Below Grade			-	-	-
Tuck-In			-	-	-
Surface			-	-	-
Total Parking			<u>90</u>	<u>100</u>	<u>190</u>
Spaces per resi unit (dedicated private, not including public)			1.25		
Public Plaza SF (extra beyond typical private project)			-	5,000	5,000
Unit Mix					
1-bed, 1-bed+den	1	825	50%	36	
2-bed, 2-bed+den	2	<u>1,050</u>	50%	<u>36</u>	
	1.50	938		72	
					<u>effective %</u>
Market Rate Units				61	84.7%
Affordable Units				15%	
@ 80% of AMI	75%	effective	15%	11	15.3%

Keystone
New Mixed-Use Residential-Retail
Rental
Local Developer/GC
Illustrative Feasibility and Supportable Land Cost

Development Cost				<u>Total</u>	<u>\$/Unit</u>	<u>\$/GSF</u>	<u>\$/NetSF</u>	
Construction (including standard site costs except surface parking)						<i>(finished area)</i>	<i>(NSF units)</i>	
Residential	\$195	/Res GSF		\$15,892,500	\$221,591	\$179	\$214	
Retail Vanilla	\$195	/Retail GSF		\$1,462,500	\$20,392	\$16	\$20	
Parking Podium At Grade Natural Ventilation	\$24,000	/space		\$2,151,600	\$30,000	\$24	\$29	
Parking Partially Below Grade Natural Ventilation	\$24,000	/space		\$0	\$0	\$0	\$0	
Parking - Tuck-In	\$13,500	/space		\$0	\$0	\$0	\$0	
Surface Parking	\$4,500	/space		\$0	\$0	\$0	\$0	
Other Site Costs Not Included Above	\$0	/floorplate SF		\$0	\$0	\$0	\$0	
Retail TI (mix of retail & restaurant)	\$25	/Retail NSF		\$178,125	\$2,484	\$2	\$2	
Total Hard Costs				19,684,725	\$274,466	\$221	\$265	
Soft Costs (Incl Dev OH&Fee, Financing Costs, Lease-Up)	15.0%	of hard		<u>\$2,952,709</u>	<u>\$41,170</u>	<u>\$33</u>	<u>\$40</u>	
Total Development Cost Not Including Land				\$22,637,434	\$315,636	\$254	\$304	
Operating Income, Supportable Land Value								
Residential Rental				<u>\$/unit/mo</u>	<u>\$/NSF/mo</u>			
Gross Potential Rent								
Market Rate Units			\$2,344	\$2.50	\$1,707,750	\$23,811	\$19.19	\$22.97
Affordable Units @ 80% of AMI	75% effective		\$1,831	\$1.95	\$241,729	\$3,370	\$2.72	\$3.25
Total Gross Potential Apartment Rent					\$1,949,479	\$27,182	\$21.90	\$26.22
Parking Rental - covered parking above 1 sp/unit			\$0		\$0	\$0	\$0.00	\$0.00
Other Income @ \$/mo/unit			\$50		<u>\$43,032</u>	<u>\$600</u>	<u>\$0.48</u>	<u>\$0.58</u>
Potential Gross Income					\$1,992,511	\$27,782	\$22.39	\$26.79
Vacancy		5%			<u>(\$99,626)</u>	<u>(\$1,389)</u>	<u>(\$1.12)</u>	<u>(\$1.34)</u>
Effective Gross Income					\$1,892,886	\$26,393	\$21.27	\$25.45
Operating Expenses (incl reserves)				<u>\$/unit</u>				
RE Taxes					\$322,740	\$4,500	\$3.63	\$4.34
Market Rate Units				<u>AV/ResNSF</u>				
Market Rate Units			\$200	\$2,563	\$155,633	\$2,170	\$1.75	\$2.09
Affordable Units @ 80% of AMI			\$152	<u>\$1,942</u>	<u>\$21,359</u>	<u>\$298</u>	<u>\$0.24</u>	<u>\$0.29</u>
Total RE Taxes					<u>\$176,992</u>	<u>\$2,468</u>	<u>\$1.99</u>	<u>\$2.38</u>
Total RE Tax + Oper Exps - % of EGI =				26.4%	\$499,732	\$6,968	\$5.61	\$6.72
NOI					\$1,393,154	\$19,425	\$15.65	\$18.73
Supportable TDC @ ROC =				6.00%	\$23,219,226	\$323,748	\$260.89	\$312.24
Commercial Rental								
Gross Potential Rent - Retail				\$30.00 Triple Net	\$213,750	\$2,980	\$2.40	\$2.87
Retail Vacancy		5.0%	<u>(\$1.50)</u>		<u>(\$10,688)</u>	<u>(\$149)</u>	<u>(\$0.12)</u>	<u>(\$0.14)</u>
Effective Gross Income					\$203,063	(\$149)	(\$0.12)	(\$0.14)
Management & Unreimbursed Expenses		5.0%	<u>(\$1.43)</u>		<u>(\$10,153)</u>	<u>(\$142)</u>	<u>(\$0.11)</u>	<u>(\$0.14)</u>
NOI					\$192,909	\$2,690	\$2.17	\$2.59
Supportable TDC @ ROC =				8.00%	\$2,411,367	\$33,622	\$27.09	\$32.43
Combined Residential & Commercial NOI					\$1,586,063	\$22,115	\$17.82	\$21.33
Supportable TDC @ ROC =				6.19%	\$25,630,593	\$357,370	\$287.98	\$344.67
SUPPORTABLE LAND COST (Supportable Dev Cost less Dev Cost Without Land)					\$2,993,159	\$41,734	\$33.63	\$40.25

Notes and Assumptions

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All assumptions in untrended \$Q42020 assuming stabilized economy

**Keystone
New Mixed-Use Residential-Retail
Condo
Program**

# Residential Units		59.1			
Residential GSF		81,500	1,379	92%	
Retail GSF		<u>7,500</u>		<u>8%</u>	
Total GSF Finished Space Excluding Parking		89,000		100%	
		% Net:Gross			
Residential NSF (Units)	82.5%	67,238	1,138	90%	
Retail NSF	95%	7,125		<u>10%</u>	
Total Commercial NSF	95%	7,125			
Total NSF	84%	74,363		100%	
		Privately	Publicly		
		<u>Funded</u>	<u>Funded</u>	<u>Total</u>	
Parking					
Podium At Grade Natural Ventilation		96	-	96	
Partially Below Grade Natural Ventilation			100	100	
Fully Below Grade		-	-	-	
Tuck-In		-	-	-	
Surface		-	-	-	
Total Parking		<u>96</u>	<u>100</u>	<u>196</u>	
Spaces per resi unit (dedicated private, not including public)		1.62			
Public Plaza SF (extra beyond typical private project)		-	5,000	5,000	
Unit Mix					
1-bed, 1-bed+den	1	950	25%	15	
2-bed, 2-bed+den	2	<u>1,200</u>	75%	<u>44</u>	
	1.75	1,138		59	
				<u>effective %</u>	
Market Rate Units				59	100.0%
Affordable Units				0%	
@ 80% of AMI	75% effective		0%	-	0.0%

**Keystone
New Mixed-Use Residential-Retail
Condo
Local Developer/GC
Illustrative Feasibility and Supportable Land Cost**

Development Cost				<u>Total</u>	<u>\$/Unit</u>	<u>\$/GSF</u>	<u>\$/NetSF</u>
Construction (including standard site costs except surface parking)						<i>(finished area)</i>	<i>(NSF units)</i>
Residential	\$200	/Res GSF		\$16,300,000	\$275,758	\$183	\$219
Retail Vanilla	\$195	/Retail GSF		\$1,462,500	\$24,742	\$16	\$20
Parking Podium At Grade Natural Ventilation	\$24,000	/space		\$2,304,000	\$38,978	\$26	\$31
Parking Partially Below Grade Natural Ventilation	\$24,000	/space		\$0	\$0	\$0	\$0
Parking - Tuck-In	\$13,500	/space		\$0	\$0	\$0	\$0
Surface Parking	\$4,500	/space		\$0	\$0	\$0	\$0
Other Site Costs Not Included Above	\$0	/floorplate SF		\$0	\$0	\$0	\$0
Retail TI (mix of retail & restaurant)	\$25	/Retail NSF		\$178,125	\$3,013	\$2	\$2
Total Hard Costs				20,244,625	\$342,491	\$227	\$272
Soft Costs (Incl Dev OH&Fee, Financing Costs, Lease-Up)	15.0%	of hard		\$3,036,694	\$51,374	\$34	\$41
Total Development Cost Not Including Land				\$23,281,319	\$393,865	\$262	\$313
Condos							
		Avg					
Gross Sales Proceeds		<u>Sale Price</u>	<u>\$/NSF</u>				
Market Rate Units		\$511,875	\$450	30,256,875	\$511,875	\$339.96	\$406.88
Affordable Units @ 80% of AMI	75% effective	\$299,283	\$263	\$0	\$0	\$0.00	\$0.00
Total				30,256,875	\$511,875	\$339.96	\$406.88
less cost of sale	6%			<u>(1,815,413)</u>	<u>(\$30,713)</u>	<u>(\$20.40)</u>	<u>(\$24.41)</u>
Net Sale Proceeds				28,441,463	\$481,163	\$319.57	\$382.47
NOI and Supportable Land Cost for Commercial Rental Component							
Gross Potential Rent - Retail	\$30.00	Triple Net		\$213,750	\$3,616	\$2.40	\$2.87
Retail Vacancy	5.0%	<u>(\$1.50)</u>		<u>(\$10,688)</u>	<u>(\$181)</u>	<u>(\$0.12)</u>	<u>(\$0.14)</u>
Total Vacancy		(\$1.50)		(\$10,688)	(\$181)	(\$0.12)	(\$0.14)
Effective Gross Income				\$203,063	(\$181)	(\$0.12)	(\$0.14)
Management & Unreimbursed Expenses	5.0%	<u>(\$1.43)</u>		<u>(\$10,153)</u>	<u>(\$172)</u>	<u>(\$0.11)</u>	<u>(\$0.14)</u>
Total Non-Pass Thru Tax & Oper Exps		\$0.00		(\$10,153)	(\$172)	(\$0.11)	(\$0.14)
NOI		\$27.08		\$192,909	\$3,264	\$2.17	\$2.59
Supportable TDC @ ROC =		8.00%		\$2,411,367	\$40,795	\$27.09	\$32.43
Combined Residential & Commercial Net Sale Proceeds & Development Value				\$30,852,830	\$521,957	\$346.66	\$414.90
Supportable TDC at Req'd Profit on Cost =	20.0%			\$25,710,691	\$434,964	\$288.88	\$345.75
Required Profit @ Net Profit Margin ** =	17.5%			\$5,399,245	\$91,343	\$60.67	\$72.61
Supportable TDC at Req'd Profit =	8.0%			\$25,453,584	\$430,615	\$286.00	\$342.29
Yields Profit on Cost =	7.0%						
Supportable Land Cost				\$2,172,266	\$36,750	\$24.41	\$29.21

Notes and Assumptions

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