



## **MEMORANDUM**

TO: Ms. Jennifer L. Burney, Director of Planning and Land Use, Town of Lincoln, MA  
FROM: Lynne D. Sweet, Principal, LDS Consulting Group, LLC  
RE: Peer Review of Financial Pro-Forma and Fiscal Impact Analysis  
DATE: March 13, 2018, Revised March 16, 2018

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LDS has provided a peer review of the Pro Forma and Fiscal Impact Analysis, submitted by Civico (the “Developer”) to the Town of Lincoln in connection with the proposed Oriole Landing development. The Developer is proposing to construct a 60-unit mixed income rental development located at 1 Mary’s Way in Lincoln, Massachusetts (the “Proposal” or “Project”) and includes 30 one-bedroom units and 30 two-bedroom units. The Project will set aside 25% of the total number of units or 15 units for affordable housing purposes for households earning at or below 80% of Area Median Income (“AMI”). Income for the affordable units will be based on the HUD Boston-Quincy-Cambridge Market Area Median Income (which includes the Town of Lincoln). The property consists of +/-6 acres.

### **LDS reviewed the following documentation:**

1. Fiscal Impact Report dated January 22, 2018 by Fougere Planning & Development, Inc.
2. 3.4.2018 Oriole Landing Project Budget
3. 2018 Oriole Landing Operating Budget.
4. Billerica Utilities 2017
5. Emergency Dept. Call Data Summary Fougere
6. 2-27-2018 Oriole Farm Summary
7. 2-27-18 Oriole Farm Stabilized Operating Cash Flow
8. Planning Board Submission 1.23.18
9. Correspondence with Lieutenant Sean Kennedy, Lincoln Police Department
10. Correspondence with Tim Neufell, Fire Inspector/Fire Investigator, Lincoln Fire Department
11. Correspondence with Krystal Elder, Treasurer/Collector Town of Lincoln
12. Massachusetts Department of Elementary and Secondary Education Chapter 70 District Profile 2/2/2018
13. Plans set prepared by Allen + Major Associates dated 1/23/2018
14. Floor Plans dated January 23, 2018.
15. LDS Internal Data on School Age Children
16. Pre-Development Budget 3/8/2018
17. 11/7/2017 Market Study Summer Street Advisors
18. 10/31/2017 Market Study Supplement Summer Street Advisors

**I. The Town has asked LDS to answer the following questions as they relate to the proposed 60-unit rental Project:**

1. Is the Fiscal Impact Analysis accurate as it relates to municipal costs and revenues?
  - a. What are the impacts on town services such as school, police and fire?
2. Concerning the \$1 million committed by the Affordable Housing Trust, is the \$1 million allocation necessary?
  - a. Are the financial estimates as it relates to development costs provided by Civico Development reasonable?
  - b. Are the financial estimates as it relates to operating costs provided by Civico Development reasonable?
  - c. Are the financial estimates as it relates to revenue provided by Civico Development reasonable?
  - d. What will the Developer's return be with and without the \$1 million?

**II. LDS found the following key findings:**

**Please note detailed analysis can be found further in the report:**

1. LDS found that the fiscal impact to the Town will be net positive as it relates to municipal costs.
2. LDS found the financial estimates as it relates to development costs provided by Civico Development reasonable.
3. LDS found the financial estimates as it relates to operating costs provided by Civico Development reasonable.
4. LDS found the financial estimates as it relates to income provided by Civico Development reasonable.
5. LDS found that the overall return of cost is low by industry standards.
6. LDS found the \$1 million committed by the Affordable Housing Trust as financially necessary.

**III. Is the Fiscal Impact Analysis accurate as it relates to municipal costs and revenues?**

- a. **What are the financial impacts on town services such as school, police and fire?**

**A. Municipal Costs and Revenues**

We performed our own fiscal impact analysis based on information provided by the Town of Lincoln as well as our own internal on point resources on impacts to services such as police, fire and schools as well as revenue. **Please see Exhibit 1 for our research and calculations.**

Based on our analysis, the Project will have an annual average positive municipal service cost to revenue ratio of .46x and a positive net fiscal impact of \$113,945. Therefore, our projected net revenue number is within Civico's projections. **Please see Table 1 which compares LDS's revenues and costs to Civico's.**

**Table 1**

Revenue	LDS	Civico
Real Estate Taxes	\$ 192,363	\$ 217,870
Excise Tax	\$ 12,891	\$ 32,813
CPA Surcharge	\$ 5,771	\$ 6,536
<b>Net New Revenue</b>	<b>\$ 211,025</b>	<b>\$ 257,219</b>
<b>Municipal Costs</b>		
Police	\$ 11,502	\$ 4,263
Fire	\$ 41,565	\$ 11,174
Schools	\$ 44,013	\$60,000-\$100,000
Other Depts.	0	\$ 5,000
<b>Total Costs</b>	<b>\$ 97,080</b>	<b>\$137,424-\$177,424</b>
<b>Net Fiscal Impact</b>	<b>\$ 113,945</b>	<b>\$75,437-\$115,437</b>

- a. **In particular, our analysis resulted in an estimated 7 new school age children.** This analysis is based on comparing the proposed Project to other developments that also have only one and two-bedroom units and 25% of those units affordable to households earning 80% of AMI in similar suburban locations.
- b. **Other positive financial impacts to the Town not included in the above chart include:**
  - a. The Project will provide one-time permit fees in the amount of \$193,732.
  - b. The Project will also provide additional full time permanent jobs and temporary construction jobs.
  - c. Persons living at Oriole Landing will add to the general economy through their consumer spending.

**IV. Concerning the \$1 million committed by the Affordable Housing Trust, is the \$1 million allocation necessary? In this analysis we will answer the following questions:**

- a. Are the financial estimates as it relates to development costs, operating costs and income costs provided by Civico Development reasonable?
- b. What will the Developer's investment return be with and without the \$1 million?

**A. Are the cost estimates provided by the Developer reasonable?**

A review of the documentation provided by Civico Development demonstrates that the Oriole Landing project has a per unit total development cost of \$351,446 and per unit operating costs of \$8,066.

Based on our research, industry experience and financial data provided by the developer, we believe that the development, income and operating costs, are reasonable, albeit high by industry standards. We have questioned a few of the development costs that may be double counted, but the overall impact is not materially significant, see Exhibit 2.

We looked at number of sources of data to assist us in making this determination including LDS internal resources, studies by MassHousing and Massachusetts Housing Partnership, and the Massachusetts Department of Housing and Community Development Qualified Allocation Plan. Please see **Exhibits 2, 3, 4 and 5 for more detail and analysis.**

**a. Comparison to Other Developments:**

Table 2 below compares Oriole Landing to three other developments that have either similar affordability requirements and one that is similar in size:

**Table 2**  
**Comparison of Certain Metrics**

Development	Oriole Landing*	Parkside**	Fuller ***	Westford West***
Municipality	Lincoln	Braintree	Gloucester	Westford
Buildable Acres	6	2.15	6.2	16.9
Units	60	70	200	282
Unit Per Acre	10	32.5	32	17
Acquisition Price	\$ 37,500	\$ 17,164	\$ 16,965	\$21,277
TDC	\$ 351,446	\$ 334,395	\$238,060	\$ 229,898
Per Unit Operating Cost	\$ 8,066	n/a	\$6,647	\$ 6,728
	*podium parking multiple buildings	**podium parking, one building	***Surface parking, multiple buildings	

This illustrates that Oriole Landing has less density per acre, a higher per unit purchase price per unit, higher development costs per unit and higher per unit operating costs.

**b. State Standard:**

We also looked at the Massachusetts Department of Housing and Community Development Qualified Allocation Plan Metrix which provides housing costs per unit for developments that are looking for state funding. Please see **Exhibit 5** for this table. This table is not exactly apples to apples as it is for mixed income developments where the majority, if not all, units are affordable. The higher level of affordability leads to higher development costs due to the time it takes to assemble financing, prevailing wage requirements and reporting to multiple sources etc. It shows that for a suburban project with small units, the maximum allowable development cost per unit is \$350,000, just below the Oriole Landing total development cost of \$351,446 per unit.

**c. Operating Costs:**

The standard from multiple sources for operating costs per units for developments of this size is \$7,000-\$7,500 compared to the Oriole Landing per unit operating cost of \$8,066.

We have determined that the higher development and operating costs for Oriole Landing can be attributed to the following:

- a. Relatively low density of 60 units developed on 6 acres
- b. High purchase price of the land
- c. Easement and roadway improvements required on Mary's Way
- d. New septic system costs
- e. Additional costs associated with relocating, rehabilitating, operating and maintaining the historic structure
- f. Demolition of non-historic additions to the historic structure
- g. Construction, operation and maintenance of three separate buildings: 2 individual apartment buildings and a club house rather than one structure
- h. Rising construction costs
- i. Energy improvements
- j. Interest only loan for the first three years
- k. Income limiting an additional six income restricted units over and above the Towns inclusionary zoning by law.

It is our understanding in learning of the history of how this Proposal has evolved, that many of these matters have been mutually agreed to as a result of negotiations between the Town and Civico.

**B. \$1 million committed by the Affordable Housing Trust**

- a. **What will the Developer's investment return be with and without the \$1 million?**
- b. **Are these respective rates of return reasonable and customary under current market conditions?**

A real estate development has to be able to support and/or leverage debt, provide a reasonable return in order to attract an investor to invest equity in a project, and provide a return to the developer.

**a. Internal Rate of Return**

Based on our analysis, we have estimated the internal rate of return if the property is sold in year 10, with and without the \$1M investment by the Housing Trust in table 3 below:

**Table 3**

Sources;	With Town Funds	Without Town Funds
<b>Debt</b>	\$ 14,250,000	\$ 14,250,000
<b>Equity</b>	\$ 5,846,833	\$ 6,846,833
<b>Town Trust Funds</b>	\$ 1,000,000	0
<b>IRR</b>	16.6%	14.3%

The amount of debt that can be borrowed is limited to a debt service ratio, which in our calculations, maxes out at \$14,250,000. Therefore, the developer will have to look for an equity investor to make up the \$1,000,000 gap. We assumed, like the developer, the first three years of debt would be interest at 4.5%, and the permanent debt in years 4-10 would be at 4.5% for 25 years. Our calculations show that there is approximately 2.3 basis points difference between having access to the Housing Trusts \$1,000,000 and having to raise an additional \$1,000,000 in equity. Under current market conditions, equity investors will not invest in a project that has an internal rate of return below 15%.

#### **b. Return on Cost**

The return on cost is reasonable, but low by industry standards. Our calculations result in a year one return on cost of 5.32% ("ROTC"). ROTC of 5.32% would be considered "Uneconomic" as the term has been defined by the Massachusetts Department of Housing and Community Development in its Comprehensive Permit Guidelines (updated December 2014). The standard to be considered an "Economic" project would be a ROTC which is equal to or greater than the sum of the applicable 10-year Treasury Interest and 4.5% (450 basis points). As of March 9, 2018 the 10-Year Treasury interest rate was 2.9%. Therefore, any project with a ROTC of less than 7.4% would be considered "Uneconomic".

## **Exhibit 1 - LDS Calculations relative to Fiscal Impact**

### **A. Revenue Stream:**

Based on our analysis, we have estimated that the Proposal will have a positive municipal service cost to revenue ratio of .46x and an annual revenue stream to the Town of Lincoln of \$211,025 and an annual service cost to the Town of Lincoln of \$97,080 **with a net positive revenue of \$113,945 as shown on table 4 below:**

<b>Table 4</b>		
<b>Net Fiscal Impact of Oriole Landing</b>		
<b>Revenue</b>		
<b>Real Estate Taxes</b>	\$	192,363
<b>Excise Tax</b>	\$	12,891
<b>CPA Surcharge</b>	\$	5,771
<b>Net New Revenue</b>	\$	<b>211,025</b>
<b>Municipal Costs</b>		
<b>Police</b>	\$	11,502
<b>Fire</b>	\$	41,565
<b>Schools</b>	\$	44,013
<b>Total Costs</b>	\$	<b>97,080</b>
<b>Net Fiscal Impact</b>	\$	<b>113,945</b>

### **B. Revenue Projections**

#### **a. Real Estate Tax Revenue Calculation**

In order to estimate the income tax revenue for the Project, we examined similar type properties and determined the per unit value as shown on Table 5 below:

<b>Table 5</b>						
<b>Development</b>	<b>Community</b>	<b>Year Built</b>	<b>Total Units</b>	<b>Assessed Value</b>		<b>Per Unit Value</b>
<b>Charles River Landing</b>	Needham	2011	350	\$	84,476,500	\$ 241,361
<b>Alta Brigham Square</b>	Arlington	2012	116	\$	41,782,400	\$ 360,193
<b>Avalon Hingham Shipyard</b>	Hingham	2008	235	\$	53,920,900	\$ 229,451
<b>Avalon Natick</b>	Natick	2013	407	\$	81,767,200	\$ 200,902
<b>Woodview at Legacy Farms</b>	Hopkinton	2013	240	\$	53,589,000	\$ 223,288
<b>Average Per Unit</b>			<b>1,348</b>			\$ 251,039

We then calculated the actual real estate tax revenue that could be generated by Oriole Landing based on the proposed per unit value times 60 units in Table 6.

**Table 6**

Calculation of Estimated Real Estate Tax Revenue	
Units at Oriole	60
Assessed Value	\$ 15,062,338
Per Thousand	\$ 15,062
Rate Per Thousand	13.6
<b>Estimated New Taxes</b>	<b>\$ 204,848</b>

We then subtracted the current real estate tax revenue from the new tax revenue to determine the **net new real estate tax revenue** as shown on Table 7 below:

**Table 7**

Calculation of New Real Estate Tax Revenue	
Current Tax Revenue	
0 Mary	\$ 5,113.60
1 Mary	\$ 7,371.20
Total Current	\$ 12,485
New Project	\$ 204,848
<b>Net New RE Taxes</b>	<b>\$ 192,363</b>

**b. CPA Surcharge**

To calculate the CPA surcharge, we multiplied the net new taxes of \$192,363 by 3% which equals \$5,771.

**c. Excise Tax**

To calculate the excise tax, we were provided with the total amount of excise tax collected by the Town of Lincoln in 2017 which is \$1,045,900. The town had 6,085 payments or an average of \$172 payment per car. The Developer has estimated 75 cars, therefore we have estimated an additional \$12,891.13 in excise tax revenue as shown on Table 8 below.

**Table 8**

Calculation of Excise Tax Revenue	
Excise Tax Revenue 2017	
Excise Tax Revenue 2017	\$ 1,045,900
Number of Payments	\$ 6,085
Average Payment Per Car	\$ 172
New Project Payments for 75 vehicles	\$ 12,891.13

**d. One Time Revenues:**

In addition to revenue over time, there are one-time fees payable at receipt of building permits **totaling \$193,732** consisting of the following:

- i. One-time building permit fees are estimated to be approximately \$166,732
- ii. Water and Sewer Permit Fees \$12,000



- iii. Misc. Permit Fees: \$15,000

**e. Other Positive Fiscal Impacts:**

- i. The Project will also provide additional full time permanent jobs and temporary construction jobs.
- ii. Person living at Oriole Landing will add to the general economy through their consumer spending.

**a. Municipal Service Costs**

For multi-family rental developments, municipal services costs typically come from additional costs related to police, fire and school.

**a. General Service Costs: Police and Fire**

We were provided with the 2018 annual police department and fire department budgets by staff at those departments. We were also provided with annual call data, as well as call data to Lincoln Woods located on Wells Avenue in Lincoln. Lincoln Woods is a 125-unit apartment development built in 1974, however, it also has three-bedroom units, therefore, there may be a higher concentration of persons at this site and therefore our estimates may be over stated. We determined how many calls per unit and applied this to the 60 units proposed at Oriole Landing. We then calculated the number of calls per year and divided that by the budget to get the cost per call. We then multiplied the cost per times those to be generated by Oriole Landing to determine the additional yearly operating cost. See Table 9 below is a summary of our research:

**Table 9**

Summary of LDS Research Relative to Police Expenses					
Police	Calls	months	Per month	Per Year	Per Unit
Police Calls	309	30	10.3	123.6	0.99
For Oriole				60	59
Police Budget 2018					\$ 1,625,477
Total Calls 2017					8,384
Cost Per Call					\$ 193.88
Additional Cost by Oriole					\$ 11,502.42
Summary of LDS Research Relative to Fire Expenses					
Fire	Calls	Years	1-3 Bedrooms	Per Year	Per Unit
Fire Calls	244	3	years	81	0.65
For Oriole				60	39
Fire Budget 2018					\$ 1,559,747
Total Calls 2017					1,465
Cost Per Call					\$ 1,064.67
Additional Cost by Oriole					\$ 41,565

## b. School Costs

Education cost estimates are driven by an estimate of net additional school-aged children to be enrolled in the Lincoln Public School System. The basic formula for estimating the local education cost is: spending per pupil as reported by the Massachusetts Department of Education minus state Chapter 70 aid revenue source.

It should be noted that the service costs and revenue projections will vary from year to year based on the economy and occupancy.

With regard to the educational costs, we calculated the annual student generation rate by examining seven other multi-family developments that have 75% market rate units, 25% unit's income restricted to households earning at or below 80% of AMI and only one and two-bedroom units as outlined in Table 10 below:

**Table 10**

Development	Community	Year Built	# Units	# Students	Affordable Units	AMI Level	Affordable %	1 BR	2 BR	3 BR	Total Students Per Unit	Total 2 BR	Total Students Per 2 BR
<b>Charles River Landing</b>	Needham	2011	350	7	88	80%	25%	245	105	0	0.02	105	0.07
<b>Alta Brigham Square</b>	Arlington	2012	116	10	17	80%	15%	35	63	0	0.09	63	0.16
<b>Avalon Hingham Shipyard</b>	Hingham	2008	235	21	23	80%	10%	103	132	0	0.09	132	0.16
<b>Heights at Wheeler Hill</b>	Marlborough	2002	274	35	69	80%	25%	108	166	0	0.13	166	0.21
<b>Avalon Orchards</b>	Marlborough	2002	156	25	39	80%	25%	46	110	0	0.16	110	0.23
<b>Avalon Natick</b>	Natick	2013	407	45	102	80%	25%	244	123	0	0.11	123	0.37
<b>Woodview at Legacy Farms</b>	Hopkinton	2013	240	40	60	80%	25%	160	80	0	0.17	80	0.50
<b>Average Per Unit</b>			<b>1,778</b>	<b>183</b>							<b>0.10</b>	<b>779</b>	<b>0.23</b>

Our calculations of equivalent properties show an average of .23 students per two-bedroom unit. One-bedroom units do not generate school age children. **Oriole Landing is proposing 30 two-bedroom units which would equate to 7 students.** Based on this information, we calculated the cost per student on Table 11 as follows:

**Table 11**

<b>Additional Cost From New School Age Children</b>	
<b># Students</b>	<b>7</b>
<b>Yearly Budget</b>	<b>\$ 5,157,876</b>
<b>State Aide</b>	<b>\$ 1,052,081</b>
<b>Total</b>	<b>\$ 4,105,795</b>
<b>Cost Per Student</b>	<b>\$ 6,287.59</b>
<b>Costs attributed to Oriole</b>	<b>\$ 44,013.12</b>

## Exhibit 2 - Development, Income and Operating Cost Research and Analysis

### A. Development Costs:

The total development costs at \$351,000 a unit is higher than expected for a suburban project with small unit sizes as previously noted. However, there are limiting factors as we have noted that are related to the high construction and operating costs.

1. The acquisition cost of \$37,500 per unit is a little higher than we would expect to see in a suburban location with 6 acres and a low density proposed development.
2. The construction cost of \$180 a square foot is appropriate for a stick-built building with podium parking.
3. The site costs of \$15 a square foot is reasonable for a site that is fairly level and will be improved with a Presby on site wastewater treatment system.
4. A contingency of 6% for hard costs is appropriate but may be higher based on lender requirements.

**LDS is requesting the developer provide the following clarification and updated Pro Forma and Fiscal Analysis as LDS has determined that development costs could be reduced by \$240,000 or \$4,000 a unit in possible duplicative costs as follows:**

I have questioned the following and market answers from the Developer in red:

- a. \$250,000 Pre-development costs as they appear to be captured under various A+E categories. – **We suggest \$100,000 in duplicated costs.**
- b. Legal:
  - a. \$30,000 Internal Legal - **\$20,000 legal/partnership duplicative.**
  - b. \$25,000 Easement Agreements – **there is a cell tower on site that will need easements and the town may also need easements relative to Mary's Way.**
  - c. Title Insurance (charges for title, title search and title insurance). **\$12,000 duplicative**
  - d. \$50,000 Environmental Permitting – **Contingency in case soils testing reveals a concern.**
- c. \$20,000 Environmental Insurance – **Contingency in case soils testing is a concern.**
- d. \$20,240 Utility Back Charges– **Over estimated.**
- e. \$37,352 RE Tax carry and RE taxes? - **Duplication**

## **B. Income, Operating and Debt Service Calculations**

### **a. Inclusionary Zoning**

Section 14.5.2 of the Town of Lincoln Zoning By Law states that any development over six units shall be required to provide affordable housing under a Special Permit by the Planning Board. This inclusionary zoning by law states that for developments with 30 or more proposed dwelling units, 15% percent shall be affordable or in this case, 9 units would be required by the Town.

The By Law requires that the units be eligible for inclusion in the Towns Subsidized Housing Inventory (SHI) under the LIP program. For a unit to eligible for the SHI, it must be income restricted to households earning at or below 80% of Area Median Income ("AMI") based on the HUD Boston-Quincy-Cambridge market service area.

The Developer has voluntarily agreed to income restrict 25% of its affordable units or an additional 6 units over the 15% inclusionary requirement. Having 25% of the units affordable at 80% of AMI allows all 60 units to be added to the towns subsidized housing inventory, if they meet certain requirements which are set forth by the state. There is an alternative to income restrict 20% of units at 50% of AMI to have all units counted on the SHI.

Based on our experience, the state requires that all affordable units be evenly split across unit types and throughout the building. Therefore, we assumed that 50% or 8 one-bedroom units would be affordable and 50% or 7 two-bedroom units would be affordable for a total of 15 affordable units. Therefore, 4 one bedroom, 18 one bedroom plus, 5 two bedroom and 18 two bedroom plus for a total of 45 will be units priced at market.

### **b. Rent Revenue (Table 12 and Table 13)**

We examined six Class A apartment developments built in Lexington, Waltham, Concord, Bedford, Belmont and Wellesley. We did this to ascertain whether the projected rents for the one and two-bedroom apartments was reasonable. We did not adjust for utilities. Our research showed that the projected one-bedroom rents may be a little high, and the two-bedroom rents are realistic as shown on Exhibit 2 and our estimated income by market unit is on Table 12 as follows:

<b>Table 12</b>			
<b>Market Rent Revenue</b>			
<b>one</b>	<b>one+</b>	<b>two</b>	<b>two+</b>
4	18	5	18
\$ 2,200	\$ 2,400	\$ 2,600	\$ 2,900
\$ 105,600	\$ 518,400	\$ 156,000	\$ 626,400

We also calculated the affordable rental income. We calculated 80% rent based on the HUD Boston-Quincy-Cambridge market service area and utilized the Metropolitan Boston

Housing Partnership (“MBHP”) utility allowance schedule attached as **Exhibit 3**. The Developer has indicated that tenants will pay for their own heat, hot water, electricity and domestic water so we subtracted this amount out of the maximum allowable rents. Our calculations are in Table 13 as follows:

<b>Table 13</b>		
<b>Affordable rents</b>		
<b>Persons</b>	<b>2</b>	<b>3</b>
<b>Unit Type</b>	One	Two
<b>DHCD</b>	2	3
<b>80%</b>	\$ 62,550	\$ 70,350
<b>Gross Rent</b>	\$ 1,564	\$ 1,759
<b>Less UA</b>	\$ (140)	\$ (204)
<b>Net Rent</b>	\$ 1,424	\$ 1,555
<b>Affordable Units</b>	8	7
<b>Annual Income</b>	\$ 136,680	\$ 130,599
<b>MBHP</b>	<b>1</b>	<b>2</b>
<b>Gas Heat</b>	25	32
<b>Gas Cooking</b>	7	9
<b>Other Electric</b>	53	66
<b>Gas Hot Water</b>	19	25
<b>Water</b>	36	72
<b>Total Utility Allowance</b>	140	204

**c. Other Income**

The Developer has also indicated other revenue which could include parking and pet fees totaling \$39,338.

**d. Total Revenue (See Table 14)**

Therefore, based on our income numbers, we have calculated total revenue as follows:

<b>Table 14</b>		
<b>Annual Revenue</b>		
Income Market	\$	1,406,400
<b>Vacancy</b> 7%	\$	(98,448)
	\$	1,307,952
Income Affordable	\$	267,279
<b>Vacancy</b> 3%	\$	(8,018.37)
	\$	259,261
<b>Total Rental Revenue</b>	\$	1,567,213
<b>Other Revenue per Developer</b>	\$	39,338
<b>Total Revenue</b>	\$	1,606,551

**e. Operating Expenses (see table 15)**

We reviewed the Developers detailed year one budget overview which shows annual operating costs of \$509,526 or \$8,492 per unit which is very high. Our operating calculations are as follows:

<b>Payroll</b>	\$	66,180
<b>Maintenance</b>	\$	72,055
<b>Utilities</b>	\$	39,340
<b>Marketing</b>	\$	9,000
<b>Administrative</b>	\$	6,300
<b>Legal Insurance</b>	\$	7,820
<b>Management Fee</b>	\$	78,361
<b>RE Taxes</b>	\$	204,848
<b>Total Operating Costs</b>	\$	483,904

**Our numbers differ from the Developers as follows:**

- 1) Utilities, we subtracted out \$20,000 as the property will be on private septic and tenants will pay for most of the water use on the site.
- 2) We based our management fee on 5% which is industry standard and applied it against our estimated revenue.
- 3) We utilized the real estate taxes we estimated in our fiscal impact analysis in Exhibit 1, page 8..
- 4) We did not subtract out the utility allowances for the affordable units since they were taken out of revenue.

Based on the limitations we noted on page one, we believe that a per unit cost of \$8,056 for a luxury 60-unit apartment building in Lincoln is high but reasonable.

**f. Net Operating Income (see table 16)**

We then calculated net operating income. Like the Developer, we calculated debt service coverage of 1.15 which **can support annual debt service of \$14,250,000** at a rate of 4.5% with a 25-year amortization as follows:

<b>Total Revenue</b>	\$	1,606,551
<b>Operating Costs</b>	\$	(483,904)
<b>NOI</b>	\$	1,122,647
<b>1.15 DSC</b>	\$	954,250
<b>Cash Flow</b>	\$	168,397

The cash flow is based on year 4 because the Developer provided for a short-term loan with interest only for the first few years of the loan. This is because they need to provide some level of return to their equity investors.

**Therefore, as noted previously, in order to have enough funds to pay for the total development costs of \$21,086,803, the developer will need \$6,846,833 in either equity, or the Housing Trusts \$1,000,000 loan.**



### Exhibit 3 – Desktop Rent Review

LDS identified newly built Class A multi-family rental developments and performed a desk top rental analysis (i.e. looked at internet web site data). We did this in to compare the developers projected rent to current industry standards. The industry one bedroom per square foot rent appears to be lower on a per square foot basis than Civoco's and the two bedroom per square foot rent is on point. However, we note that the prime leasing months are June through September, therefore the market is slower in March and pricing can be lower.

**Table 17**

One Bedroom Unit Rent Comparison				
Complex	Sq. Ft.	Rent		Rent/Sq. Ft.
Avalon Lexington	866	\$ 2,505	\$	2.89
Avalon Lexington	866	\$ 2,165	\$	2.50
Avalon Lexington	966	\$ 2,480	\$	2.57
Avalon Lexington	975	\$ 2,375	\$	2.44
Avalon Lexington	1,005	\$ 2,329	\$	2.32
The Merc	761	\$ 2,245	\$	2.95
Concord Mews	799	\$ 1,856	\$	2.32
Concord Mews	799	\$ 1,755	\$	2.20
Concord Mews	799	\$ 1,730	\$	2.17
Concord Mews	719	\$ 1,597	\$	2.22
Concord Mews	780	\$ 1,812	\$	2.32
Concord Mews	780	\$ 1,712	\$	2.19
Concord Mews	701	\$ 1,484	\$	2.12
Taylor Pond	791	\$ 2,082	\$	2.63
Taylor Pond	854	\$ 2,194	\$	2.57
Taylor Pond	866	\$ 2,167	\$	2.50
Royal Belmont	708	\$ 2,460	\$	3.47
One Bedroom Average	826	\$ 2,056	\$	2.49
Oriole	750	\$ 2,200	\$	2.93

**Table 18**

Two Bedroom Rent Comparison				
Complex	Sq. Ft.	Rent		Rent/Sq. Ft.
Avalon Lexington	1,175	\$ 2,615	\$	2.23
Avalon Lexington	1,190	\$ 2,933	\$	2.46
Avalon Lexington	1,204	\$ 2,925	\$	2.43
The Merc	666	\$ 2,245	\$	3.37
The Merc	878	\$ 3,150	\$	3.59
Concord Mews	975	\$ 2,625	\$	2.69
Concord Mews	975	\$ 2,145	\$	2.20
Concord Mews	975	\$ 2,168	\$	2.22

Two Bedroom Rent Comparison				
Complex	Sq. Ft.	Rent		Rent/Sq. Ft.
Concord Mews	1,107	\$	2,287	\$ 2.07
Taylor Pond	1,064	\$	2,249	\$ 2.11
Taylor Pond	1,074	\$	2,289	\$ 2.13
Taylor Pond	1,014	\$	2,116	\$ 2.09
Taylor Pond	1,047	\$	2,155	\$ 2.06
Hastings Village	1,150	\$	2,600	\$ 2.26
Hastings Village	1,450	\$	3,600	\$ 2.48
The Royal	1,073	\$	3,400	\$ 3.17
Two Bedrooms Averages	1,064	\$	2,594	\$ 2.47
Oriole	1,000	\$	2,600	\$ 2.49

**Exhibit 4 DHCD QAP UNIT COST TABLE**

## Section X. Recommended Cost Limits; Caps on Eligible Basis; Cap on Allocations Per Project

The Department, its quasi-public affiliates, and members of the Massachusetts development community engaged in extensive discussions between 2013 and 2015 on how best to manage costs in LIHTC and other publicly funded projects. Informed by these discussions and careful analysis, the Department in 2015 implemented the following “Total Residential Development Cost Limits” for the spring 2017 funding round and for other projects seeking funding in 2017. The limits will apply in 2017 as well -- to all rental projects funded by DHCD with any of its rental resources.

<b>Production Project</b>	<b>(Residential TDC/Unit)</b>
<b><i>Outside Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit** Supportive Housing	\$199,000
Suburban/Rural Area with Small Units	\$279,000
Suburban/Rural Area* with Large** Units	\$319,000
Urban* Area with Small Units	\$359,000
Urban Area with Large Units	\$379,000
<b><i>Within Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	\$259,000
Suburban Area with Small Units	\$329,000
Suburban Area with Large Units	\$349,000
Urban Area with Small Units	\$379,000
Urban Area with Large Units	\$399,000
<b>Preservation Project</b>	<b>(Residential TDC/Unit)</b>
<b><i>Outside Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	\$139,000
Suburban/Rural Area, All Unit Sizes	\$199,000
Urban Area with Small Units	\$209,000
Urban Area with Large Units	\$219,000
<b><i>Within Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	\$189,000
Suburban/Rural Area, All Unit Sizes	\$229,000
Urban Area with Small Units	\$299,000
Urban Area with Large Units	\$299,000

\*See the map contained in Appendix B to determine the proper geographic category for each project based on its location.

\*\*Large Unit projects must have an average of at least two bedrooms per unit or consist of at least 65% two or more bedroom units and 10% three or more bedroom units. All other projects are considered Small Unit projects.

## **Exhibit 5 MBHP Utility Allowance Schedule**

# Allowances for Tenant-Furnished Utilities and Other Services

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

OMB Approval No. 2577-0169  
(exp. 04/30/2018)

**LOW RISE (3-4 stories/Garden)  
and HIGH RISE (5+ stories)**

See Public Reporting Statement and Instructions on back

Locality **METRO BOSTON HOUSING PARTNERSHIP** Unit Type: **LOW RISE; HIGH RISE** Date: **12/1/2016**

Utility or Service		Monthly Dollar Allowances					
		0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Heating	a. Natural Gas	18	25	32	40	50	57
	b. Bottle Gas						
	c. Oil / Electric	15 / 17	22 / 23	28 / 30	34 / 37	43 / 47	49 / 54
	d. Coal / Other						
Cooking	a. Natural Gas	5	7	9	12	15	17
	b. Bottle Gas						
	c. Oil / Electric	11	16	20	25	31	36
	d. Coal / Other						
Other Electric		39	53	66	79	99	112
Air Conditioning							
Water Heating	a. Natural Gas	14	19	25	30	39	44
	b. Bottle Gas						
	c. Oil / Electric	15 / 35	22 / 48	28 / 62	34 / 76	43 / 97	49 / 110
	d. Coal / Other						
Water		24	36	72	108	144	180
Sewer							
Trash Collection <b>**Milton, Winchester, Braintree, Malden</b>		13	13	19	19	19	26
Range/Microwave							
Refrigerator		10	10	13	13	13	13
Other – specify <b>Gas, charge</b>		9	9	9	9	9	9

**Actual Family Allowances** To be used by the family to compute allowance.

Complete below for the actual unit rented.

Name of Family

Address of Unit

Number of Bedrooms

Utility or Service	per month cost
Heating	\$
Cooking	
Other Electric	
Air Conditioning	
Water Heating	
Water	
Sewer	
Trash Collection	
Range/Microwave	
Refrigerator	
Other	
<b>Total</b>	\$