

Coolidge Corner Mixed Use Developments

1200 Beacon Street & 10 Waldo Street

MARKET AND DEVELOPMENT ASSESSMENTS

Scope of Analysis Completed

Development Feasibility Parameters

Highest and Best Use Analysis

- “As improved”
- “As if vacant”

Financial Feasibility Analysis

- Hotel
- Apartment
- Condo
- Commercial

Development Feasibility Tests/Sensitivities of Alternative:

- Land Uses and Mixes
- Parking Approaches and Ratios
- Density
- Height/Stories
- Public Benefits/Mitigation

Highest and Best Use Analysis

Key Observations

Physical & Legal

- Proximity to transit enhances marketability and helps to minimize parking requirements for both locations
- Excellent frontage on Beacon Street and in core CC – potential for prominent addresses, market visibility and excellent market positioning
- Challenges of ingress/egress and circulation for mixed use programming - each use (hotel and residential) needs to have its own identity and front door
- Sites are tight to the neighboring parcels making development mobilization and logistics more costly and less efficient
- Underground parking is extremely expensive, approaching \$100K per space, which adds significantly to the construction costs
- Concrete and/or steel construction (required for buildings over 70 feet) is significantly more expensive than wood frame construction.
- Existing improvements create demo cost premiums and at 1200 Beacon are quite valuable, generating higher costs that must be overcome for redevelopment to be feasible. This isn't a matter of "having paid too much" its just a reality associated with the choice (or not) to redevelop a cash-flowing asset.

Highest and Best Use Analysis

Key Observations

General Market

- Proximity to LMA a key driver of market demand (for both residential and hotel uses)
- Proximity to transit minimizes parking requirement but parking will be needed for any development
- Accessibility and visibility are good for all the uses being proposed

Hotel Market

- Demand for hotel rooms is strong - for select service and extended stay product (up scale and upper-up scale) – but NOT for full service product (Occupancy at +/-75%; Average Daily Rates at +/- \$300 at stabilization which is consistent with both developer proformas)
- Lots of select service and extended stay product is planned for delivery in the market, but both sites are seen as feasible for hotel use in the near term (with limited long term impact expected on existing market)
- Proposed programs are consistent with the market requirement – right locations (urban/transit accessible), right type (select service - up scale/upper-up scale), right sized (+/-200 keys total at Waldo and a 50 room addition at 1200 Beacon), right parking counts .3-.5 spaces per key), right brand targets

Highest and Best Use Analysis

Key Observations

Housing Market (Rental and Condo)

- Demand for housing in Coolidge Corner is strong across the income and age spectrums (greatest depth in the Millennial and Empty-Nester cohorts).
- Little or no product is planned/proposed in the market and both sites are seen as highly competitive in the near term
- Market viable housing types at these sites encompass a range of multi-family options including conventional condo and rental apartments, either of which might include age-targeted marketing (i.e. to seniors, micro units)
- Parking requirements for housing vary by age and income target and tenure type (from .5 to 1.0 per unit)

Ground Floor Commercial

- Consumer demand for retail in CC is strong – less so for fringe locations on Beacon Street.
- Rental rates required to support new commercial construction are likely to limit the potential for substantial commercial space at either site.
- Viability of commercial use is seen as more dependent on the amenity value it produces for other onsite (hotel and residential) uses.

Feasibility Analysis

Key Observations

Market Feasible Uses

- Hotel– Select service and/or extended stay hotel (upscale/upper upscale brands)
- Residential – Condo and Multi-family (programs for each could include a component of age targeted units)
- Commercial – ancillary retail, food & beverage, resident amenity uses (co-work, fitness, coffee, bakery, prepared foods, etc.)

Market Feasible Critical Mass

- Hotel >150 rooms (optimal for feasibility/efficiency = 175 to 225)
- Apartments >125 units (optimal for feasibility/efficiency = 150 to 250 units)
- Condominiums >50 units (optimal for feasibility/efficiency = 75 to 125 units)
- Commercial – Ancillary Only

Market Feasible Heights

- Different factors impact each site (see discussion that follows)

Feasibility Analysis

Key Observations

Market Feasible Parking

- Hotel - .3 to .5 per key (ratios at the low end of the range can best be achieved in a mixed use program)
- Multi-family apartments (Typical Studio, 1 & 2 bedroom mix) - .5 per unit
- Condominiums (Typical 1 & 2 bedroom mix) – 1.0 per unit

Market Feasible Returns

- Hotel – Minimum 7.5% to 8.0% return on cost
- Apartments – Minimum 5.5% to 6.0% return on cost
- Condominiums – Minimum 25% to 30% margin

1200 Beacon Street

Key Observations

Program-Sizing

- ❑ Project size has been reduced to an 5- to 7-story structure (4-6 over a 1-story podium and a below grade back-of-house, service/parking level).
- ❑ Reuse of part of the existing building (part of hotel and underground parking) helps to reduce cost of redevelopment.
- ❑ Current condominium program of 120 units is near the maximum size, and provides an essential cross-subsidy to assist with the site's high cost of redevelopment (multi-family apts. are no longer being considered).
- ❑ Hotel room count has been reduced to 275 units (a 50-room addition to the existing count), and while it remains a large hotel, this density is essential to supporting the fixed costs of redevelopment.
- ❑ Commercial space limited to 10,000 SF of ancillary street front retail, including a 4,000 SF hotel café.
- ❑ Public realm improvements and community accessible space includes wide sidewalks (up to 25' depth) for outdoor dining, public seating areas and bicycle parking. In addition, public meeting space (5,500 SF) in the hotel will be made available to the community.

1200 Beacon Street

Key Observations

Financial Metrics

- ❑ Land Price – higher than the typical land only price, as it reflects the purchase of an existing, operating hotel.
- ❑ Development Costs – consistent with market expectations after credit for reuse of existing shell improvements (lower than normal).
- ❑ Hotel Revenues – consistent with market expectations (and supported by professional market study).
- ❑ Condo Revenues – somewhat conservative, might be room for slightly more net proceeds than forecast.
- ❑ Returns – hotel returns are well below thresholds needed for hotel development feasibility on a stand-alone basis; condo sale proceeds are essential to overall project feasibility (needed to cross subsidize sub-par hotel returns). But even on a blended basis the returns overall are strictly marginal.
- ❑ Little room for additional changes in program scale or density or other public benefits without further imperiling project feasibility (returns are already at questionably low levels).

10 Waldo Street

Key Observations

Program-Sizing

- ❑ Project size has been reduced to a 9-story hotel and a 14-story multi-family apartment structure.
- ❑ Now programmed as 2 separate buildings – each with its own address and amenity spaces (condominiums are no longer being considered).
- ❑ The buildings are situated above a 232-space underground parking garage which includes replacement parking for the abutters.
- ❑ The multi-family program of 134 units is near the minimum size needed to produce feasible economic returns and operational efficiency
- ❑ Hotel room count at 203 rooms, is within the range for the upper-up scale product being proposed.
- ❑ Commercial space is limited to 3,000 to 5,000 SF of ancillary street-front retail.
- ❑ Public realm improvements and community accessible space includes a shared connecting street between John Street and Pleasant Street with wide sidewalks and landscaped areas for outdoor dining & seating. Portions may be closed to support events. Also co-work space in the apartment structure is expected to be accessible to the public.

10 Waldo Street

Key Observations

Financial Metrics

- ❑ Land Price – lower than market
- ❑ Development Costs – consistent with market expectations for high-rise construction and underground parking
- ❑ Hotel Revenues – consistent with market expectations (and supported by professional market study).
- ❑ Apartment Revenues – somewhat conservative, might be room for slightly more net income and a higher rent per SF than forecast, especially as the program is further refined.
- ❑ Returns – both multi-family and hotel returns are on par with the minimums required for development feasibility on a stand-alone basis.
- ❑ May be a little room for changes in program scale or density or the addition other public benefits without imperiling project feasibility, as part of a larger conversation about various permitting tradeoffs.