Town of Brookline – Kent Street opportunity
October, 2017

As part of the state-wide work to support affordable housing, the Massachusetts Housing Partnership provides technical assistance to communities to assess the feasibility of potential affordable housing production. MHP staff provides a 'back of the envelope' analysis, using third-party assistance when necessary. This analysis is meant only as a starting point to identify potential opportunities and challenges to better inform local processes. It is not meant to be a complete or certain financial assessment or plan.

The analysis is done in the context of the community's housing needs, the site specifics and the current funding environment, both public and private. Lessons MHP staff have learned over the 20 plus years it's been doing this work also help inform how our team approaches the analysis. The project parameters (number or units, levels of affordability, etc.) can be adjusted and played with to see how feasibility will be affected, within the real confines of funding and site capacity restrictions. ***The goal of the exercise to make project parameter decisions based on fiscal and site realities to best inform a successful town-issued request for proposals for the disposition and development of the site.*** *MHP cautions that Requests for Proposals for developers should provide parameters, not specific requirements, to allow for developers to respond and bring other ideas to the process.*

The Brookline Kent Street lot presents a unique opportunity for the community. Given the amount of work and public discourse that has already taken place, the fiscal analysis made assumptions based on community discussions and presentations. Outlined below are the assumptions and some comments to keep in mind as the town moves forward.

1. The development will be mixed-income with some market rate units (approximately 20%) and some project based section 8 to support households earning less than 30% area median income (approximately 20%)
    a. Caution: mixed-income developments are more challenging to finance and structure if using Low Income Housing Tax Credits and other public resources. How the market rate units fit into the ownership structure of the tax-credit entity, and the investor's perception of market risk will need to be addressed. Many of the state's other funding sources cannot be used to support the construction of the market rate units.
    b. For the analysis, market rents were discounted from 'pure' market rents which are often in higher-end finished buildings.
2. The development will take advantage of as many state public financing resources as possible to support deeper levels of affordability.
    a. Caution: The state's greatest resource for supporting affordable housing development is the federal Low Income Housing Tax Credit program (LIHTC). It is a complicated resource to use and is allocated in a competitive round. Recipients of LIHTC must have a successful track record of financing and managing LIHTC projects.
3. Senior housing
    a. The state makes family, or non-age restricted, housing a priority given the level of need state wide. Elderly housing is supported by the state based on the amount of unrestricted affordable housing a community has already supported, the documented need for elderly housing, the amount of local support and the provision of supportive services.
    b. The fiscal analysis includes a small percentage of 2 bedrooms to support an elderly market need for couples who need separate bedrooms or care takers.

4. Building Type
    a. The most efficient construction type for the site and building is podium plus 4 stories of stick fame above, single elevator.
5. Parking
    a. Assumed two levels of sub-surface parking
    b. Some surface parking can be incorporated but within the confines of supporting the building structure above, create public access to Station St., resident and emergency vehicle drop off, building lobby/access to upper stories
    c. This analysis makes no assumptions on how the parking is managed/allocated between the building use and public parking
    d. If building allocated parking is part of the underground use, a sub-surface elevator will have to be provided. The cost for this is **not** included in the proforma. State money cannot be used to support the replacement of public parking spaces.

FISCAL ANALYSIS

This analysis does not represent an actual deal and tests feasibility using assumptions based on similar developments.

Project Summary		**Unit Break Down**					Rent	Rent
Total Units	**60**	No. Units	Unit Type	No of BRs	GSF		Monthly	Annual Total
		8	1-bedroom	1	680	PBV	1,372	131,712
		32	1 bedoom	1	680	60%	1,164	446,976
Total Gross SF of new const*	52,201	12	1 bedroom	1	680	Mkt	1,850	266,400
No. Parking spots	60	2	2 bedroom	2	800	PBV	1,691	40,584
$/GSF	265	4	2 bedroom	2	800	60%	1,396	67,008
		2	2 bedoom	2	800	Mkt	2,400	57,600
Construction time line, months	18	60		68				1,010,280
*includes 1,000 sf of community/office space								
		Rents assume utilities included						

Assumptions:

Total 60 units – this drives a building size that may push the parameters of the program space. There had been some discussion about including studios. We strongly recommend a conversation with DHCD about studios. We have not seen them look favorably to use tax credits to support studios.

Parking – the proforma assumes underground structured parking 60 spots on two levels. The costing is the best we could get, but may be a bit low at $70,000 per spot. How these 60 spots are broken up between public parking and the development has not been determined. There is the possibility that with podium construction in addition to the surface providing public easement and access to the building (drop offs, emergency vehicle) and few spots for visitors and/or residents may fit as well. State public funds cannot be used to pay for replacement of public spaces. The estimated structured parking cost of is $4,200,000 but you may want to be look at this as a separate, off budget cost. The replacement of public parking will be subject to public procurement and construction. The scope of work should be structured in a way so that it is not part of the development and the public construction requirements do not apply to the new development.

Total Gross Square Feet – is total net square footage which is comprised of total unit square footage plus 1,000 square feet of community and office space, times .25 to allow for circulation, laundry and other ancillary space.

PBV – Project Based Section 8 vouchers are assumed for a few units to help reach a lower level of area median income and provide extra rental income.

Debt supported by income:

OPERATING			
Revenue			
Annual Rental Income			$ 1,010,280
Vacancy Allowance	3%		(30,308)
Total Income			**$ 979,972**
Expenses			
Operating Expenses	10,500	/unit/annum	630,000
Total Expenses & Taxes			**$ 630,000**
Net Income			$ 349,972
Debt Service			$ 307,975
Surplus Cash Flow			$ 41,997
Debt Coverage	1.20%		0.12
Debt Supported	5.50%		**$ 5,599,546**

Project Costs:

USES			
Acquisition Cost		0	-
Hard Costs			
New Construction		13,833,331	230,556
Site work (grading, tree saving)		400,000	6,667
Structured parking		4,200,000	70,000
Demolition/bldg support		120,000	2,000
Landscaping		45,000	750
Subtotal		18,598,331	309,972
Architectural & Engineering	7.00%	968,333	16,139
Survey & Permits	1%	185,983	3,100
Bond Premium	1%	185,983	3,100
Lender's Inspector		25,000	417
Owner's clerk of the works		60,000	1,000
			-
Total Hard Costs		20,023,631	333,727
			-
Soft Costs			-
Construction Interest	6.25%	871,797	14,530
Financing Fees		125,000	2,083
Taxes & Insurance		75,000	1,250
Legal & Title, Testing & Fees		280,000	4,667
Total Soft Costs		1,351,797	22,530
			-
Subtotal Development Cost		**21,375,428**	**356,257**
Soft Cost Contingency	5%	67,590	1,126
Hard Cost Contingency	5%	1,001,182	16,686
Operating Reserve		50,689	845
Developer overhead	5%	1,068,771	17,813
Developer Fee	10%	2,137,543	35,626
Total Development Cost		**25,701,202**	**428,353**

Debt Assumptions: Rates used is cushioned by 75 basis points to allow for potential changes in interest rate market. Vacancy allowance at 3% is lower than the standard 5% but given the market and building type a strong argument could be made for the lower rate.

Cost Assumptions: The project cost assumptions reflect no payment from the development to the town for the land, assuming a 99 year land lease with use restrictions.

Standard percentages for design, engineering, soft costs, and fees. Often developers will pledge a portion of their fee to fill project gaps, especially when unanticipated project costs arise.

Finance Sources:

SOURCES	Status	Total
Acquisition Loan		
Construction Loan		11,000,000
Permanent Sources		
Permanent Debt		5,599,546
Tax credit equity - fed		11,136,930
Tax credit equity - state		3,907,695
AHTF		1,000,000
DHCD HOME or HSF		1,000,000
CDBG		250,000
Tow n HOME		300,000
Tow n Trust money		500,000
Total Sources		**23,694,171**

Gap		**2,033,336**

Source Assumptions: All available sources are included and maximized. AHTF is the state's Affordable Housing Trust Fund, with has a per unit maximum of $65,000 with a per project cap of $1,000,000. The same for the state's HOME or Housing Stabilization Funds, assumes local support from CDBG, HOME and Trust totaling $1,050,000 in addition to the land.

If the cost of the underground parking was off-budget there would be no gap and the development would save an additional $2,167,000 in subsidy so the town's support could be just the land and the project would score better by not maximizing every available state resource.

Site Survey

MHP funded a site survey of Kent Street to help inform the analysis and to provide a key due diligence document for the town's potential RFP. The survey did show a utility easement that will need to be further researched and addressed before an RFP is issued.

Next Steps

The goal of this exercise is to ensure that the project is in the realm of reasonableness. It's important that an RFP or an RFQ is crafted to share as much predevelopment due diligence as possible, conveys broader concepts and goals of the project, and isn't prescriptive or too specific, not allowing developers to approach the opportunity creatively.