

**BLATMAN, BOBROWSKI & HAVERTY, LLC**

ATTORNEYS AT LAW

9 DAMONMILL SQUARE, SUITE 4A4  
CONCORD, MA 01742  
PHONE 978.371.2226  
FAX 978.371.2296

**PAUL J. HAVERTY**  
Paul@bbhlaw.net

March 10, 2021

Via Email and First Class Mail

Jesse Geller, Chair  
Brookline Zoning Board of Appeals  
Brookline Town Hall  
333 Washington Street  
Brookline, M 02445

RE: 21 Crown, LLC – 21 Crowninshield Road  
Request for Modification Pursuant to 760 CMR 56.05(11)

Dear Chair Geller:

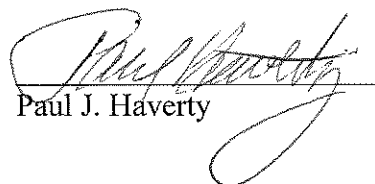
This office represents the applicant 21 Crown, LLC (the “Applicant”) with regard to the comprehensive permit development approved by the Board on April 12, 2016. Please accept this correspondence as a formal request for a modification of the above-referenced comprehensive permit pursuant to 760 CMR 56.05(11). Specifically, the Applicant seeks a modification of the comprehensive permit to change the development from a rental development to a home ownership condominium development. No change is proposed regarding the approved structures. No other changes to the Board’s decision are proposed. The Applicant acknowledges that the proposed modification falls within the definition of such modifications that constitute a “substantial change” pursuant to 760 CMR 56.07(4)(5), as the change of one housing tenure to another. Accordingly, the Applicant respectfully requests that the Board move directly to a public hearing pursuant to 760 CMR 56.05(11)(c).

In support of its request to modify the proposed development from a rental development to a home ownership condominium development, the Applicant submits the attached pro formas from its consultant Geoff Engler depicting the economic viability of the project as an eight-unit rental development, and as an eight-unit home ownership development. As further detailed in the February 18, 2021 letter submitted by Mr. Engler, also attached hereto, the eight-unit rental development would have an estimated Return on Total Cost of 3.55%, which is 2.15% below the uneconomic threshold for rental developments of 5.70%. Meanwhile, the Return on Total Cost of the project as an eight-unit homeownership condominium development would be 15%, which is at the uneconomic threshold of 15% for homeownership developments.

Because the project as approved is an uneconomic development, and because the project as proposed to be modified would constitute an economic project pursuant to the applicable regulations, the Applicant is entitled to a modification of the comprehensive permit. No other aspects of the proposed project other than the housing tenure is proposed, therefore the Board's review of this matter is limited solely to this issue. See, 760 CMR 56.05(11)(c) (stating "[o]nly the changes in the Project or aspects of the Project affected thereby shall be at issue in such hearing.").

Pursuant to the regulations, the Board has twenty (20) days to make a determination that the proposed modification is either substantial or insubstantial, and then the Board has thirty (30) days from that date to schedule a duly-noticed public hearing. As noted above, the Applicant is willing to waive the twenty (20) day notice period from 760 CMR 56.05(11)(a) in order to proceed directly to a public hearing pursuant to 760 CMR 56.05(11)(c). Please feel free to contact me if you have any questions regarding this correspondence.

Very Truly Yours,



Paul J. Haverty

Cc. Applicant (via email)  
Geoff Engler (via email)  
Jonathan Simpson, Esq. (via email)

**Exhibit "1"**

**21 Crown - Homeownership Budget**

2/16/2021

**DEVELOPMENT BUDGET**

Project Inputs		Average Price Per Unit	
Total Units	8	Affordable 3 BR Sales Price	\$302,950
4BR Market	6		
4BR Affordable Units	2		
Total Square Feet	15,374	Sales Price Per SF	
6 units @ 1955SF	11,730	4BR Market Unit	\$900
2 units @ 1822SF	3,644	4 Market Units @ 1955SF	\$7,038,000
		2 Market Units @ 1822SF	\$3,279,600
		<b>TOTAL Market Unit Sales</b>	<b>\$10,317,600</b>
Hard Cost Variables			
Construction Cost Per SF	\$340		
Hard Cost Contingency	5%		

**USES**

Site Acquisition	PER UNIT	TOTAL
Land Acquisition		
<b>TOTAL</b>	\$207,500	\$1,660,000

HARD COSTS	PER UNIT	TOTAL
House Demolition	\$1,875	\$15,000
Tree Removal	\$625	\$5,000
Earthwork	\$6,250	\$50,000
Geo-Technical	\$3,125	\$25,000
Utilities connection fees	\$9,125	\$73,000
Telephone, electric, cable, gas	\$8,750	\$70,000
Stormwater Detention	\$7,500	\$60,000
Site Improvements	\$5,625	\$45,000
Landscaping	\$5,000	\$40,000
Roads & Walks & Parking	\$15,000	\$120,000
<b>Site Development Total</b>	<b>\$62,875</b>	<b>\$503,000</b>
Construction @ 15,374 GSF	\$653,395	\$5,227,160
Contingency @ 5%	\$35,814	\$286,508
<b>Sub-Total Hard Costs</b>	<b>\$959,584</b>	<b>\$7,676,668</b>

SOFT COSTS	PER UNIT	TOTAL
Permit/Survey/Fees	\$6,250	\$50,000
Architectural	\$18,750	\$150,000
Environmental/Site Engineering	\$18,750	\$150,000
Condo Doc Legal	\$2,250	\$18,000
Legal	\$5,000	\$40,000
Deed Stamps, Recording and Legal Closing	\$3,125	\$25,000
Insurance	\$5,000	\$40,000
Taxes	\$5,000	\$40,000
40B Cost Certification Bond	\$3,125	\$25,000
Monitoring Agent Fee	\$2,250	\$18,000
Appraisal & MCHD Fees	\$625	\$5,000
Accounting	\$2,250	\$18,000
Financing Fee/Origination	\$5,000	\$40,000
Construction Loan Interest	\$45,000	\$360,000
Soft Cost Contingency 5%	\$6,119	\$48,950
Market Unit Sales Costs 5%	\$64,485	\$515,880
Lottery Unit Marketing Cost	\$3,460	\$27,680
Developer Overhead	\$4,000	\$32,000
<b>Sub-total Soft Costs</b>	<b>\$200,439</b>	<b>\$1,603,510</b>

<b>SUB-TOTAL DEVELOPMENT COSTS</b>	<b>\$1,160,022</b>	<b>\$9,280,178</b>
------------------------------------	--------------------	--------------------

**SOURCES**

4BR Affordable Units	2	\$302,950	\$605,900
4BR Market Units	6	\$1,719,600	\$10,317,600
<b>TOTAL SALES REVENUES</b>			<b>\$10,923,500</b>

<b>PROFIT (LOSS)</b>			<b>\$1,643,322</b>
<b>% PROFIT</b>			<b>15.0%</b>

## Calculation of Maximum Allowable 40B Developer Fee

A. Appraised land value as-is i. \$1,660,000  
 Carrying Costs ii. \$0  
 (estimated pre-40B value upon which developer fee is calculated)

**Allowable Acquisition Cost** \$1,660,000

B. Allowable Acquisition Cost \* 5% \$83,000

C. Hard Costs i. \$5,048,106  
 Soft Costs ii. \$1,119,775  
 Allowable Acquisition Cost iii. \$83,000  
**Adjusted TDC** \$6,250,881  
 excluding development consultant

### DHCD Maximum Allowable Developer Fee

15% of 1st \$3,000,000 of Adjusted TDC	i.	\$450,000
12.5% of the difference between Adjusted TDC and \$3,000,000	ii.	\$406,360
	iii.	

**DHCD Maximum Allowable Developer Fee** \$856,360

5% of Acquisition \$83,000

**DHCD Maximum Allowable 40B Developer Fee** \$939,360

Number of Units: 8

	Units	Approx. Sq. Ft.	Maximum Rent @ 80%	Utility Allow	Rent /Month
<b>RENTAL REVENUES</b>					
Affordable 1 BR	0	0	0	0	0
Affordable 2 BR	0	0	0	0	0
Affordable 3 BR	0	0	0	0	0
Affordable 4 BR	2	1,911	2,525	275	2,250
Market 1 BR	0	0			0
Market 2 BR	0	0			0
Market 3 BR	0	0			0
Market 4 BR	6	1,911			5,200
<b>Total Units</b>	<b>8</b>				

Gross Annual Rental Income 428,400

Other Income - parking	0	0
Other Income - Misc	6	\$0.00
<b>Total "OTHER" Income</b>	<b>8*\$500/yr</b>	<b>0</b>

**TOTAL GROSS INCOME 428,400**

	Total	Per Unit
<b>OPERATING EXPENSES</b>		
MANAGEMENT FEE	17,136	2,142
ADMINISTRATION	16,000	2,000
MAINTENANCE	20,000	2,500
UTILITIES	3,200	400
TAXES	32,000	4,000
RESIDENT SERVICES	0	0
INSURANCE	4,000	500
MONITORING FEE	0	0
REPLACEMENT RESERVES	2,800	350

**TOTAL OPERATING EXPENSES 95,136 11,892**

**OPERATING PRO-FORMA- initial yr - stabilized occupancy**

Gross Rental Income	428,400
Other Income (parking + miscellaneous)	0
(less) Vacancy and Bad Debt -afford units	-2,700
(less) Vacancy and Bad Debt -mkt units	-18,720
(less) Vacancy on Other Income	0
<b>Effective Total Income</b>	<b>406,980</b>

(less) Annual Operating Expenses -95,136  
**NET OPERATING INCOME 311,844**

Debt Service Coverage Ratio 1.20  
Available for debt service 259,870

**Supportable Loan 4,975,992**

**Assumptions**

Vacancy & Bad Debt (Affordable Units)	5.00%
Vacancy & Bad Debt (Market Units)	5.00%
Vacancy & Bad Debt (Other Income)	5.00%
Management Fee (as a % gross income)	4.00%
Number of Months	12
Loan	
Interest Rate	3.25%
Term	30
Debt Service Coverage Ratio	1.20

**Assumptions**  
1.03 (income growth should be 1% less than operating expense growth)  
1.04  
1.025

Rate of Growth Income  
Rate of Growth Expenses  
Rate of Growth -Taxes

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>ANNUAL RENTAL INCOME</b>										
Gross Rental Income	428,400	441,252	454,490	468,124	482,168	496,633	511,532	526,878	542,684	558,965
Other Income	0	0	0	0	0	0	0	0	0	0
<b>TOTAL GROSS INCOME</b>	428,400	441,252	454,490	468,124	482,168	496,633	511,532	526,878	542,684	558,965
(less) Vacancy and Bad Debt -afford units	(2,700)	(2,781)	(2,864)	(2,950)	(3,039)	(3,130)	(3,224)	(3,321)	(3,420)	(3,523)
(less) Vacancy and Bad Debt-mrkt units	(18,720)	(19,282)	(19,860)	(20,456)	(21,070)	(21,702)	(22,353)	(23,023)	(23,714)	(24,425)
(less) Vacancy and Bad Debt-other	0	0	0	0	0	0	0	0	0	0
<b>NET RENTAL INCOME</b>	406,980	419,189	431,765	444,718	458,060	471,801	485,955	500,534	515,550	531,017
<b>ANNUAL OPERATING EXPENSES</b>										
Management Fee	17,136	17,821	18,534	19,276	20,047	20,849	21,683	22,550	23,452	24,390
Administration	16,000	16,640	17,306	17,998	18,718	19,466	20,245	21,055	21,897	22,773
Maintenance	20,000	20,800	21,632	22,497	23,397	24,333	25,306	26,319	27,371	28,466
Utilities	3,200	3,328	3,461	3,600	3,744	3,893	4,049	4,211	4,379	4,555
Real Estate Taxes	32,000	32,800	33,620	34,461	35,322	36,205	37,110	38,038	38,989	39,964
Insurance	4,000	4,160	4,326	4,499	4,679	4,867	5,061	5,264	5,474	5,693
Tax Credit Monitoring Fee	0	0	0	0	0	0	0	0	0	0
Replacement Reserves	2,800	2,912	3,028	3,150	3,276	3,407	3,543	3,685	3,832	3,985
<b>SUB-TOTAL OPERATING EXPENSES</b>	95,136	98,941	102,899	107,015	111,296	115,747	120,377	125,192	130,200	135,408
<b>NET OPERATING INCOME</b>	311,844	320,248	328,866	337,703	346,764	356,054	365,578	375,342	385,350	395,608
Debt Service	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)
<b>NET CASH FLOW</b>	51,974	60,378	68,996	77,833	86,894	96,184	105,708	115,472	125,480	135,738
Return on Equity (40B methodology)	1.4%	1.6%	1.8%	2.0%	2.3%	2.5%	2.8%	3.0%	3.3%	3.6%

**Financial Feasibility Metrics**

Current Rate on a 10 Year Treasury Bond	1.20%
The DHCD/HAC Established Return on Total Cost (ROTA) Uneconomic Threshold is 450 Basis Points Above the 10 Year Treasury	5.70% A
Estimated Return on Cost (Net Operating Income / Total Development Cost)	3.55% B
<del>Return on Total Cost is approximately 230 basis points below the</del> uneconomic/economic threshold as the project is currently proposed	-2.15% B-C



**Exhibit "2"**

**21 CROWN**

Brookline, MA

2/17/2021

Number of Units

**RENTAL PRO FORMA**

8

**Assumptions & Formulas**

Acquisition value	
As-Is Appraised Value	\$1,660,000
Number of below ground parking spaces	incl
Construction cost per parking space	incl
Total GSF	15,374
Construction Cost per SF	\$280.00
Hard Cost contingency	5%
Soft Cost contingency	5%
Construction Period (in months)	12
Construction Loan interest = loan amount x 50% x interest rate x construction period	
Finance Fees (appli/constr/permanent )	1.10%
<b>Soft Costs</b>	
Builder's general conditions/OH & Fee	incl

**SOURCES & USES**

<b>Development Costs</b>	<i>Per Unit</i>	<i>Total</i>
Acquisition	206,250	1,650,000
<b>Hard Costs</b>		
<u>Site Work</u>		
earth work	6,250	50,000
utilities (connection fees)	9,125	73,000
roads, walks, parking	15,000	120,000
site improvement	5,625	45,000
lawns and planting/landscaping	5,000	40,000
geotechnical condition	3,125	25,000
telephone, electric,cable, gas	8,750	70,000
demolition	1,875	15,000
unusual site conditions	625	5,000
stormwater detention	7,500	60,000
<b>Sub-Total Site Work</b>	<b>62,875</b>	<b>503,000</b>
<u>Construction</u>		
Building structure/units	538,090	4,304,720
Common spaces/amenities		
Sub-total -Site & Building construction	600,965	4,807,720
General Conditions	0	0
Builder's Overhead	0	0
Builder's Profit	0	0
Sub-Total - Gen Cond/ Overhead/ Profit	0	0
Hard Cost contingency	30,048	240,386
<b>Sub-Total Hard Costs</b>	<b>631,013</b>	<b>5,048,106</b>

**Soft Costs**

Appraisal/Market Study	625	5,000
Marketing/Initial Rent-up	2,500	20,000
Taxes	5,000	40,000
Utility Usage	5,000	40,000
Insurance	2,500	20,000
Security	0	0
Inspecting Engineer	0	0
Construction Loan Interest	45,000	360,000
Fees - construction lender	5,000	40,000
Fees - Permanent lender	incl	incl
Architecture/Engineering	18,750	150,000
Survey, permits	6,250	50,000
Clerk of the Works	0	0
Construction Manager	0	0
Bond Premiums (P&P/Lien bond)	3,750	30,000
Environmental/Civil/Geo-tech Engineering	18,750	150,000
Legal	5,000	40,000
Title & Recording	2,250	18,000
Accounting & 40B Cost Certification Bond	3,125	25,000
Relocation	0	0
40B Site Approval Processing Fee	1,250	10,000
40B Mediation Fund Fee	313	2,500
40B Land Appraisal (as-is appraisal)	625	5,000
40B Final Approval Processing fee/Tech Assistance fee	500	4,000
40B Subsidizing Agency Cost Certification Fee	0	0
40B Monitoring Agent Fees	2,250	18,000
MIP	0	0
Credit Enhancement	0	0
Letter of Credit Fee	0	0
Other Financing Fees	0	0
Development consultant	3,750	30,000
Lottery consultant	1,250	10,000
ZBA peer review consultants	2,250	18,000
Other consultants	0	0
	0	
Soft Cost Contingency	6,784	54,275

<b>Sub-Total Soft Costs</b>	<u>142,472</u>	<u>1,139,775</u>
Sub-Total Acquisition + Hard + Soft Costs	979,735	7,837,881
Developer Overhead/Fee	117,420	939,360

TOTAL NET DEVELOPMENT COSTS 1,097,155 8,777,241

**Capitalized Reserves**

Initial Rent-Up Reserves	0	0
Operating Reserves	0	0
Sub-Total Capitalized Reserves	0	0

**TOTAL DEVELOPMENT COSTS** 1,097,155 **8,777,241**

**DEVELOPMENT SOURCES**

Permanent Loan	4,975,992
Equity Required	3,801,249

**TOTAL DEVELOPMENT SOURCES** **8,777,241**

**Calculation of Maximum Allowable 40B Developer Fee**

A. Appraised land value as-is i. \$1,660,000  
 Carrying Costs ii. \$0  
 (estimated pre-40B value upon which developer fee is calculated)

**Allowable Acquisition Cost \$1,660,000**

B. Allowable Acquisition Cost \* 5% \$83,000

C. Hard Costs i. \$5,048,106  
 Soft Costs ii. \$1,119,775  
 Allowable Acquisition Cost iii. \$83,000  
 excluding development consultant  
**Adjusted TDC \$6,250,881**

**DHCD Maximum Allowable Developer Fee**

15% of 1st \$3,000,000 of Adjusted TDC	i.	\$450,000
12.5% of the difference between Adjusted TDC and \$3,000,000	ii.	\$406,360
	iii.	

**DHCD Maximum Allowable Developer Fee \$856,360**

5% of Acquisition \$83,000

**DHCD Maximum Allowable 40B Developer Fee \$939,360**

Number of Units: 8

	Units	Approx. Sq. Ft.	Maximum Rent @ 80%	Utility Allow.	Rent /Month
<b>RENTAL REVENUES</b>					
Affordable 1 BR	0	0	0	0	0
Affordable 2 BR	0	0	0	0	0
Affordable 3 BR	0	0	0	0	0
Affordable 4 BR	2	1,911	2,525	275	2,250
Market 1 BR	0	0	0	0	0
Market 2 BR	0	0	0	0	0
Market 3 BR	0	0	0	0	0
Market 4 BR	6	1,911	0	0	5,200
<b>Total Units</b>	<b>8</b>				

Gross Annual Rental Income	428,400
Other Income - parking	0
Other Income - Misc	\$0.00
Total "OTHER" income	8*\$500/yr
<b>TOTAL GROSS INCOME</b>	<b>428,400</b>

	Total	Per Unit
<b>OPERATING EXPENSES</b>		
MANAGEMENT FEE	17,136	2,142
ADMINISTRATION	16,000	2,000
MAINTENANCE	20,000	2,500
UTILITIES	3,200	400
TAXES	32,000	4,000
RESIDENT SERVICES	0	0
INSURANCE	4,000	500
MONITORING FEE	0	0
REPLACEMENT RESERVES	2,800	350
<b>TOTAL OPERATING EXPENSES</b>	<b>95,136</b>	<b>11,892</b>

<b>OPERATING PRO-FORMA- initial yr - stabilized occupancy</b>	
Gross Rental Income	428,400
Other Income (parking + miscellaneous)	0
(less) Vacancy and Bad Debt -afford units	-2,700
(less) Vacancy and Bad Debt -mikt units	-18,720
(less) Vacancy on Other Income	0
<b>Effective Total Income</b>	<b>406,980</b>
(less) Annual Operating Expenses	-95,136
<b>NET OPERATING INCOME</b>	<b>311,844</b>
Debt Service Coverage Ratio	1.20
Available for debt service	259,870
<b>Supportable Loan</b>	<b>4,975,992</b>

**Assumptions**

Vacancy & Bad Debt (Affordable Units)	5.00%
Vacancy & Bad Debt (Market Units)	5.00%
Vacancy & Bad Debt (Other Income)	5.00%
Management Fee (as a % gross income)	4.00%
Number of Months	12
Loan	
Interest Rate	3.25%
Term	30
Debt Service Coverage Ratio	1.20

**Assumptions**  
 1.03 (Income growth should be 1% less than operating expense growth)  
 1.04  
 1.025

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>ANNUAL RENTAL INCOME</b>										
Gross Rental Income	428,400	441,252	454,490	468,124	482,168	496,633	511,532	526,878	542,684	558,965
Other Income	0	0	0	0	0	0	0	0	0	0
<b>TOTAL GROSS INCOME</b>	428,400	441,252	454,490	468,124	482,168	496,633	511,532	526,878	542,684	558,965
(less) Vacancy and Bad Debt -afford units	(2,700)	(2,781)	(2,864)	(2,950)	(3,039)	(3,130)	(3,224)	(3,321)	(3,420)	(3,523)
(less) Vacancy and Bad Debt-mrkt units	(18,720)	(19,282)	(19,860)	(20,456)	(21,070)	(21,702)	(22,353)	(23,023)	(23,714)	(24,425)
(less) Vacancy and Bad Debt-other	0	0	0	0	0	0	0	0	0	0
<b>NET RENTAL INCOME</b>	406,980	419,189	431,765	444,718	458,060	471,801	485,955	500,534	515,550	531,017
<b>ANNUAL OPERATING EXPENSES</b>										
Management Fee	17,136	17,821	18,534	19,276	20,047	20,849	21,683	22,550	23,452	24,390
Administration	16,000	16,640	17,306	17,998	18,718	19,466	20,245	21,055	21,897	22,773
Maintenance	20,000	20,800	21,632	22,497	23,397	24,333	25,306	26,319	27,371	28,466
Utilities	3,200	3,328	3,461	3,600	3,744	3,893	4,049	4,211	4,379	4,555
Real Estate Taxes	32,000	32,800	33,620	34,461	35,322	36,205	37,110	38,038	38,989	39,964
Insurance	4,000	4,160	4,326	4,499	4,679	4,867	5,061	5,264	5,474	5,693
Tax Credit Monitoring Fee	0	0	0	0	0	0	0	0	0	0
Replacement Reserves	2,800	2,912	3,028	3,150	3,276	3,407	3,543	3,685	3,832	3,985
<b>SUB-TOTAL OPERATING EXPENSES</b>	95,136	98,941	102,899	107,015	111,296	115,747	120,377	125,192	130,200	135,408
<b>NET OPERATING INCOME</b>	311,844	320,248	328,866	337,703	346,764	356,054	365,578	375,342	385,350	395,608
Debt Service	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)	(259,870)
<b>NET CASH FLOW</b>	51,974	60,378	68,996	77,833	86,894	96,184	105,708	115,472	125,480	135,738
Return on Equity (40B methodology)	1.4%	1.6%	1.8%	2.0%	2.3%	2.5%	2.8%	3.0%	3.3%	3.6%

**Financial Feasibility Metrics**

Current Rate on a 10 Year Treasury Bond 1.20%

The DHCD/HAC Established Return on Total Cost (ROTA) Uneconomic Threshold is 450 Basis Points Above the 10 Year Treasury

5.70% A

Estimated Return on Cost (Net Operating Income / Total Development Cost)

3.55% B

Return on Total Cost is approximately 230 basis points below the uneconomic/economic threshold as the project is currently proposed

**Exhibit “3”**





February 18, 2021

Jesse Geller – Chair  
Brookline Zoning Board of Appeals  
333 Washington Street  
Brookline, MA 02445

Re: 21 Crown – Summary of Project Financials

Dear Chairperson Geller,

SEB, LLC represents 21 Crown, LLC; the owner of the Comprehensive Permit at 21 Crowninshield Road in Brookline.

As part of the submitted “request for modification”, SEB, LLC has prepared two development budgets:

1. As-approved 8 unit rental budget
2. Proposed 8 unit condominium budget

It is important to recognize that the two projects are VERY similar to each other; the intended use is the major differentiator. More specifically, the site work costs are virtually identical, the construction costs are very similar (the hard costs in the condo budget are slightly higher reflecting a higher level of interior finish), and the land value is the same for both versions. In fact, the exterior of the building and the interior square footage is identical in both scenarios.

The Applicant has submitted a request for modification because the rental project is not financially feasible in that the Return on Total Cost falls well below the economic/uneconomic minimums established by the Department of Housing and Community Development. Or explained more practically, the returns will be so low that acceptable financial returns for market rate mixed-income rental housing will not come close to being achieved.

The submitted budget includes the full development pro-forma, but in summary, the following table shows the key metrics as it relates to rental budgets:

**Financial Feasibility Metrics**

Current Rate on a 10 Year Treasury Bond	1.20%
<hr/>	
The DHCD/HAC Established Return on Total Cost (ROTA) Uneconomic Threshold is 450 Basis Points Above the 10 Year Treasury	5.70% A
Estimated Return on Cost (Net Operating Income /Total Development Cost)	3.55% B
<b>Return on Total Cost is approximately 230 basis points below the uneconomic/economic threshold as the project is currently proposed</b>	<b>-2.15% B-C</b>

Simply put, the Return on Total Cost for this project is approximately 215 basis points below the uneconomic threshold. Customarily, in today's capital marketplace, investors seek projects with a Total Return on Cost of at least 6.0%. This project as proposed is a little more than half of that.

SEB has also submitted a budget for a proposed 8 unit condominium project. The financial feasibility metrics established by DHCD for an ownership project are entirely different than those financial feasibility metrics applied to a rental project. In general, the uneconomic threshold for a condo project requires a developer to make no less than a 15% profit above all of their 3<sup>rd</sup> party costs. Or put simply, the profit is established by taking all project related revenue (sales from all the units) and then subtracting all project related costs (e.g. land acquisition, hard cost of construction, soft cost of construction, etc.) to arrive at the project profit. The percentage of profit is derived by dividing the total profit by the total development costs.

As proposed, the 8 unit condominium budget shows a development profit of 15.0% which is at the "economic" threshold. The Applicant recognizes that the budget is based on several assumptions including sales price estimates. Should those sales price estimates not be achieved, and the project to fall below the uneconomic threshold, the Applicant in this scenario could withstand this "uneconomic" condition as the project still provides enough of an estimated profit to make it financial viable.

Please do not hesitate to contact me should you have any questions. I can be reached at 617-782-2300 x202 or at [gengler@s-e-b.com](mailto:gengler@s-e-b.com).

Sincerely,

Geoffrey Engler