

MEMORANDUM ON ECONOMIC HARDSHIP

To: 500 Harvard St LLC
From: Lynne D. Sweet, Managing Member, LDS Consulting Group, LLC
Regarding: 500 Harvard Street, Brookline, MA (the "Project")
Date: May 27, 2021

LDS has reviewed the financial implications of reducing the number of floors to 5, placing residential units on the first floor for a total of 25 units, and removing the parking and commercial space from the first floor. It is our assessment, that this alteration would create an "Uneconomic" project, as the term is defined by the Massachusetts department of Housing and Community Development and by the Housing Appeals Committee ("HAC").

LDS has performed a financial analysis, having carefully reviewed the capital cost pro-forma and initial operating cost pro-forma. We then prepared a measure of return analysis. This Capital Cost, Initial Operating and Measure of Return analysis have all been based upon the standard format used for Massachusetts Chapter 40B projects.

The most important Measure of Return, based upon Department of Housing and Community development (DHCD) Guidelines and recent Massachusetts Housing Appeals Committee decisions, is known as Return on Total Cost ("ROTC"). ROTC is calculated by dividing the estimate Net Operating Income of the Project (\$405,670) by the Project's Total Development Cost (\$17,706,721). The resulting ROTC would be 2.29%.

As explained below, given an ROTC of only 2.29, the Project would be considered "Uneconomic", as that term has been defined by the DHCD Guidelines (updated through 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 Rate and 4.50% (450 Basis Points). Based upon the most recent 10-Year Treasury Rate of 1.69 on May 19, 2021, the projected Return on Total Cost of 2.29% for the subject project remains significantly below 6.19% (1.69%+ 4.5%).

Therefore, in my professional opinion, an economic hardship would be created if you were required to reduce the development by one story, build residential units on the first floor, and remove the commercial space on the first floor.

We have provided for reference purposes, a summary showing the ROTC from the original 30-unit proposal, the 25-unit, six floor alternatives with first floor retail and parking, to the five-floor alternative:

Development Plan	# Units	ROTC	MIN
Original Submission (6 floors)	30	3.24	6.19%
6 Floors, first floor retail/parking	25	2.84	6.19%
5 floors, first floor residential	25	2.29	6.19%

We note that these are the best estimates available today, and that the construction marketplace and rental marketplace are changing daily due to the impacts of COVID 19. In addition, rents for ground floor residential are lower than upper floor units, and commercial rent is higher than residential rent.

As is their right, if the Town of Brookline imposes the 5th floor alternative, the developer will be forced to go back to the original 30 unit submission.

Founded in 2000, **LDS Consulting Group, LLC** is a full-service real estate advisory firm with a proven track record in providing planning, permitting, and financing services to a variety of clients. While we are a relatively small shop, we have a wide breadth of real estate development experience. LDS is a certified WBE in Massachusetts and Rhode Island and carries professional liability insurance. We offer a full range of services to our clients, providing customized, client-centered solutions and a commitment to excellence.

Lynne D. Sweet, Managing Member, holds an MBA from Babson College. She is a seasoned professional with more than 35 years of experience working in the planning and development field. As a consultant, Lynne has been involved in many different types of engagements throughout New England. The work involves development planning, permitting and financing for a specific site, as well as fiscal impact studies for a variety of uses. Lynne is a member in good standing of the National Council of Housing Market Analysts and sits on its Standards Committee. Lynne has worked with numerous municipalities analyzing the economics of transaction. Lynne is also a licensed real estate broker. She is an active member of CREW Boston, Urban Land Institute, Massachusetts Chapter of the APA, Massachusetts Consulting Planners Association, Massachusetts Assisted Living Association and Citizens Housing and Planning Association.