

Rebecca –

As discussed for the ZBA Board, here is the updated breakdown between the 4 & 6 story projects. Here are some of my additional thoughts on the feasibility of them.

6 Story –

- 5.69% return on cost is thin for a new development.
- Key Risks that you assume for the 5.69% return:
  - Construction risk – You are on the hook for any and all cost overruns
  - Environmental risk – You are on the hook for any environmental clean up that you may discover as part of your earth work
  - Capital Market Risk – Debt and Equity market movement from now until stabilization – Rates and underwriting changes
  - Apartment Market Risk – You are signing a recourse construction loan which is tied to assumptions on market apartment rents and the ability to refinance out.

4 Story –

- 4.50% return on cost is not feasible today given developers risk tolerance for all of the above stated reasons.
- The underwriting is too tight for a lender to be interested in taking this risk
- Capital market movement – Capital is flowing to projects with highest returns due to the margin of error afforded them in today's fluctuating markets both on the rent side as well as the interest rate side.

		345 Medford Street - 4 Story Development					
		<i>\$/unit</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Income	<i>Inflation</i>			3.0%	3.0%	3.0%	3.0%
Residential Income		\$29,851	\$955,237	\$983,894	\$1,013,411	\$1,043,813	\$1,075,128
Retail Income		\$5,140	\$164,480	\$169,414	\$174,497	\$179,732	\$185,124
Retail Reimbursement (Taxes)	<i>(16.3% of RSF)</i>	\$569	\$18,202	\$18,748	\$19,310	\$19,890	\$20,486
Retail Reimbursement (OpEx)		\$650	\$20,802	\$21,426	\$22,069	\$22,731	\$23,413
Other Income		\$1,800	\$57,600	\$59,328	\$61,108	\$62,941	\$64,829
Parking Income		<u>\$450</u>	<u>\$14,400</u>	<u>\$14,832</u>	<u>\$15,277</u>	<u>\$15,735</u>	<u>\$16,207</u>
<b>Potential Gross Income</b>		<b>\$38,460</b>	<b>\$1,230,721</b>	<b>\$1,267,643</b>	<b>\$1,305,672</b>	<b>\$1,344,842</b>	<b>\$1,385,188</b>
	<i>Vacancy</i>		3.0%	3.0%	3.0%	3.0%	3.0%
Vacancy		<u>\$1,154</u>	<u>\$36,922</u>	<u>\$38,029</u>	<u>\$39,170</u>	<u>\$40,345</u>	<u>\$41,556</u>
<b>Effective Gross Income</b>		<b>\$37,306</b>	<b>\$1,193,800</b>	<b>\$1,229,614</b>	<b>\$1,266,502</b>	<b>\$1,304,497</b>	<b>\$1,343,632</b>
Expenses	<i>Inflation</i>			3.0%	3.0%	3.0%	3.0%
Base Operating Expenses		\$3,000	\$96,000	\$98,880	\$101,846	\$104,902	\$108,049
Utilities		\$500	\$16,000	\$16,480	\$16,974	\$17,484	\$18,008
Replacement Reserves		\$200	\$6,400	\$6,592	\$6,790	\$6,993	\$7,203
Management	3.0% EGI	\$1,119	\$35,814	\$36,888	\$37,995	\$39,135	\$40,309
Insurance		\$300	\$9,600	\$9,888	\$10,185	\$10,490	\$10,805
Prop. Taxes		<u>\$3,500</u>	<u>\$112,000</u>	<u>\$115,360</u>	<u>\$118,821</u>	<u>\$122,385</u>	<u>\$126,057</u>
<b>Operating Expenses</b>		<b>\$8,619</b>	<b>\$275,814</b>	<b>\$284,088</b>	<b>\$292,611</b>	<b>\$301,389</b>	<b>\$310,431</b>
<b>Net Operating Income</b>		<b>\$28,687</b>	<b>\$917,986</b>	<b>\$945,525</b>	<b>\$973,891</b>	<b>\$1,003,108</b>	<b>\$1,033,201</b>
<i>Return on Cost</i>			4.50%	4.63%	4.77%	4.91%	5.06%

## 345 Medford Street - 4 Story Development

### Development Budget - Detail

Purchase Price		Per SF	Per Unit
Purchase Price	\$5,000,000	\$124.88	\$156,250
Construction Costs		Per SF	Per Unit
General Requirements	\$247,851	\$6.19	\$7,745
Site Logistics	\$84,002	\$2.10	\$2,625
Demolition	\$19,020	\$0.48	\$594
Hazardous Material Remediation Allowance	\$500,000	\$9.52	\$15,625
Earthwork	\$296,804	\$7.41	\$9,275
Earth Support	\$182,910	\$4.57	\$5,716
Regulated Soil Disposal Allowance	\$650,000	\$12.38	\$20,313
Landscaping and Site Improvements	\$82,924	\$2.07	\$2,591
Formwork	\$124,639	\$3.11	\$3,895
Install Reinforcing Material	\$22,426	\$0.56	\$701
Reinforcing Material	\$31,283	\$0.78	\$978
Concrete Flatwork	\$35,841	\$0.90	\$1,120
Concrete Ready Mix	\$83,361	\$2.08	\$2,605
Masonry	\$643,897	\$16.08	\$20,122
Structural Steel	\$269,122	\$6.72	\$8,410
Miscellaneous Metal	\$236,149	\$5.90	\$7,380
Rough Carpentry	\$744,737	\$18.60	\$23,273
Finish Carpentry	\$141,614	\$3.54	\$4,425
Waterproofing	\$148,157	\$3.70	\$4,630
Roofing	\$87,138	\$2.18	\$2,723
Green Roof and Roof Deck	\$143,582	\$3.59	\$4,487
Siding	\$138,655	\$3.46	\$4,333
Spray Fire Proofing	\$20,231	\$0.51	\$632
Doors, Frames, & Hardware	\$203,905	\$5.09	\$6,372
Nana Wall	\$50,333	\$1.26	\$1,573
Aluminum Entrances & Storefront	\$232,225	\$5.80	\$7,257
Glass & Glazing/Windows	\$198,737	\$4.96	\$6,211
Gypsum Drywall	\$704,525	\$17.60	\$22,016
Acoustical Ceilings	\$4,364	\$0.11	\$136
Gypcrete Underlayment	\$56,973	\$1.42	\$1,780
Resilient Flooring, Carpeting and Ceramic Tile	\$252,887	\$6.32	\$7,903
Painting	\$124,248	\$3.10	\$3,883
Specialties	\$53,539	\$1.34	\$1,673
Trash Chute	\$22,421	\$0.56	\$701
Window Treatment	\$20,373	\$0.51	\$637
Storage System Partitions	\$27,759	\$0.69	\$867
Kitchen Cabinets & Countertops	\$263,250	\$6.57	\$8,227
Appliances	\$128,120	\$3.20	\$4,004
Elevator	\$159,845	\$3.99	\$4,995
Fire Protection	\$125,482	\$3.13	\$3,921
Plumbing	\$810,050	\$20.23	\$25,314

### 345 Medford Street - 4 Story Development

#### Development Budget - Detail

Heating, Ventilation and Air Conditioning	\$647,603	\$16.17	\$20,238
Electrical	\$776,115	\$19.38	\$24,254
General Conditions	\$543,747	\$13.58	\$16,992
General Liability & Workmen's Compensation	\$88,104	\$2.20	\$2,753
Labor, Insurance, Taxes	\$297,628	\$7.43	\$9,301
Winter Conditions - Allowance	\$57,196	\$1.43	\$1,787
Police Detail - Allowance	\$19,065	\$0.48	\$596
Fee	\$342,294	\$8.55	\$10,697
Design Development Contingency	\$76,262	\$1.90	\$2,383
Sidewalk and Street Rental - Allowance	\$19,065	\$0.48	\$596
Bond	\$91,957	\$2.30	\$2,874
<b>Total Hard Costs</b>	<b>\$11,332,416</b>	<b>\$283.03</b>	<b>\$354,138</b>
<b>Carry Costs</b>		<b>Per SF</b>	<b>Per Unit</b>
Interest Carry	\$2,000,000	\$38.09	\$62,500
<b>Soft Costs</b>		<b>Per SF</b>	<b>Per Unit</b>
Developer Fee	\$300,000	\$7.49	\$9,375
Building/Permit Fee	\$96,000	\$2.40	\$3,000
Geotech/Environmental	\$15,000	\$0.37	\$469
Architect	\$192,000	\$4.80	\$6,000
Legal	\$30,000	\$0.75	\$938
MEPs	\$60,000	\$1.50	\$1,875
HERS	\$12,000	\$0.30	\$375
FNPA	\$1,500	\$0.04	\$47
I/I Fee	\$102,080	\$2.55	\$3,190
Partial Payment Affordable/Green Line Fee	\$124,056	\$3.10	\$3,877
Structural Engineering	\$25,000	\$0.62	\$781
Civil Engineering	\$30,000	\$0.75	\$938
Closing Costs	\$500,000	\$12.49	\$15,625
<b>Total Soft Costs</b>	<b>\$1,487,636</b>	<b>\$28.33</b>	<b>\$46,489</b>
<b>Contingency</b>		<b>Per SF</b>	<b>Per Unit</b>
4.00%	\$592,802	\$14.81	\$18,525
<b>Purchase Price</b>	<b>\$5,000,000</b>	<b>\$124.88</b>	<b>\$156,250</b>
<b>Hard Costs</b>	<b>\$11,332,416</b>	<b>\$283.03</b>	<b>\$354,138</b>
<b>Soft Costs</b>	<b>\$1,487,636</b>	<b>\$37.15</b>	<b>\$46,489</b>
<b>Interest Carry</b>	<b>\$2,000,000</b>	<b>\$49.95</b>	<b>\$62,500</b>
<b>Contingency</b>	<b>\$592,802</b>	<b>\$14.81</b>	<b>\$18,525</b>
<b>Total Development Costs</b>	<b>\$20,412,854</b>	<b>\$509.82</b>	<b>\$637,902</b>

345 Medford Street - 6 Story Development						
	<i>\$/unit</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Income	<i>Inflation</i>		3.0%	3.0%	3.0%	3.0%
Residential Income	\$30,365	\$1,578,972	\$1,626,341	\$1,675,131	\$1,725,385	\$1,777,147
Retail Income	\$3,163	\$164,480	\$169,414	\$174,497	\$179,732	\$185,124
Retail Reimbursement (Taxes)	\$381	\$19,817	\$20,411	\$21,024	\$21,654	\$22,304
Retail Reimbursement (OpEx)	<i>(10.9% of RSF)</i>	\$436	\$23,327	\$24,027	\$24,748	\$25,490
Other Income	\$1,800	\$93,600	\$96,408	\$99,300	\$102,279	\$105,348
Parking Income	\$277	\$14,400	\$14,832	\$15,277	\$15,735	\$16,207
<b>Potential Gross Income</b>	<b>\$36,421</b>	<b>\$1,893,917</b>	<b>\$1,950,734</b>	<b>\$2,009,256</b>	<b>\$2,069,534</b>	<b>\$2,131,620</b>
	<i>Vacancy</i>	3.0%	3.0%	3.0%	3.0%	3.0%
Vacancy	\$1,093	\$56,818	\$58,522	\$60,278	\$62,086	\$63,949
<b>Effective Gross Income</b>	<b>\$35,329</b>	<b>\$1,837,099</b>	<b>\$1,892,212</b>	<b>\$1,948,979</b>	<b>\$2,007,448</b>	<b>\$2,067,671</b>
Expenses	<i>Inflation</i>		3.0%	3.0%	3.0%	3.0%
Base Operating Expenses	\$3,000	\$156,000	\$160,680	\$165,500	\$170,465	\$175,579
Utilities	\$500	\$26,000	\$26,780	\$27,583	\$28,411	\$29,263
Replacement Reserves	\$200	\$10,400	\$10,712	\$11,033	\$11,364	\$11,705
Management	3.0% EGI	\$1,060	\$55,113	\$56,766	\$58,469	\$60,223
Insurance	\$300	\$15,600	\$16,068	\$16,550	\$17,047	\$17,558
Prop. Taxes	\$3,500	\$182,000	\$187,460	\$193,084	\$198,876	\$204,843
<b>Operating Expenses</b>	<b>\$8,560</b>	<b>\$445,113</b>	<b>\$458,466</b>	<b>\$472,220</b>	<b>\$486,387</b>	<b>\$500,979</b>
<b>Net Operating Income</b>	<b>\$26,769</b>	<b>\$1,391,986</b>	<b>\$1,433,746</b>	<b>\$1,476,758</b>	<b>\$1,521,061</b>	<b>\$1,566,693</b>
<i>Return on Cost</i>		5.69%	5.86%	6.04%	6.22%	6.41%

**345 Medford Street - 6 Story Development****Development Budget - Detail**

<b>Purchase Price</b>		<b>Per SF</b>	<b>Per Unit</b>
Purchase Price	\$5,000,000	\$95.23	\$96,154
<b>Construction Costs</b>		<b>Per SF</b>	<b>Per Unit</b>
General Requirements	\$325,000	\$6.19	\$6,250
Site Logistics	\$110,150	\$2.10	\$2,118
Demolition	\$24,940	\$0.48	\$480
Hazardous Material Remediation Allowance	\$500,000	\$9.52	\$9,615
Earthwork	\$389,190	\$7.41	\$7,484
Earth Support	\$239,845	\$4.57	\$4,612
Regulated Soil Disposal Allowance	\$650,000	\$12.38	\$12,500
Landscaping and Site Improvements	\$108,736	\$2.07	\$2,091
Formwork	\$163,436	\$3.11	\$3,143
Install Reinforcing Material	\$29,407	\$0.56	\$566
Reinforcing Material	\$41,020	\$0.78	\$789
Concrete Flatwork	\$46,997	\$0.90	\$904
Concrete Ready Mix	\$109,309	\$2.08	\$2,102
Masonry	\$844,324	\$16.08	\$16,237
Structural Steel	\$352,892	\$6.72	\$6,786
Miscellaneous Metal	\$309,656	\$5.90	\$5,955
Rough Carpentry	\$976,552	\$18.60	\$18,780
Finish Carpentry	\$185,695	\$3.54	\$3,571
Waterproofing	\$194,274	\$3.70	\$3,736
Roofing	\$114,261	\$2.18	\$2,197
Green Roof and Roof Deck	\$188,275	\$3.59	\$3,621
Siding	\$181,815	\$3.46	\$3,496
Spray Fire Proofing	\$26,528	\$0.51	\$510
Doors, Frames, & Hardware	\$267,375	\$5.09	\$5,142
Nana Wall	\$66,000	\$1.26	\$1,269
Aluminum Entrances & Storefront	\$304,510	\$5.80	\$5,856
Glass & Glazing/Windows	\$260,598	\$4.96	\$5,012
Gypsum Drywall	\$923,823	\$17.60	\$17,766
Acoustical Ceilings	\$5,723	\$0.11	\$110
Gypcrete Underlayment	\$74,707	\$1.42	\$1,437
Resilient Flooring, Carpeting and Ceramic Tile	\$331,603	\$6.32	\$6,377
Painting	\$162,923	\$3.10	\$3,133
Specialties	\$70,204	\$1.34	\$1,350
Trash Chute	\$29,400	\$0.56	\$565
Window Treatment	\$26,715	\$0.51	\$514
Storage System Partitions	\$36,400	\$0.69	\$700
Kitchen Cabinets & Countertops	\$345,192	\$6.57	\$6,638
Appliances	\$168,000	\$3.20	\$3,231
Elevator	\$209,600	\$3.99	\$4,031
Fire Protection	\$164,541	\$3.13	\$3,164
Plumbing	\$1,062,196	\$20.23	\$20,427

### 345 Medford Street - 6 Story Development

#### Development Budget - Detail

Heating, Ventilation and Air Conditioning	\$849,184	\$16.17	\$16,330
Electrical	\$1,017,697	\$19.38	\$19,571
General Conditions	\$713,000	\$13.58	\$13,712
General Liability & Workmen's Compensation	\$115,528	\$2.20	\$2,222
Labor, Insurance, Taxes	\$390,271	\$7.43	\$7,505
Winter Conditions - Allowance	\$75,000	\$1.43	\$1,442
Police Detail - Allowance	\$25,000	\$0.48	\$481
Fee	\$448,840	\$8.55	\$8,632
Design Development Contingency	\$100,000	\$1.90	\$1,923
Sidewalk and Street Rental - Allowance	\$25,000	\$0.48	\$481
Bond	\$120,580	\$2.30	\$2,319
<b>Total Hard Costs</b>	<b>\$14,501,912</b>	<b>\$276.22</b>	<b>\$278,883</b>
<b>Carry Costs</b>		<b>Per SF</b>	<b>Per Unit</b>
Interest Carry	\$2,600,000	\$49.52	\$50,000
<b>Soft Costs</b>		<b>Per SF</b>	<b>Per Unit</b>
Developer Fee	\$300,000	\$5.71	\$5,769
Building/Permit Fee	\$96,000	\$1.83	\$1,846
Geotech/Environmental	\$15,000	\$0.29	\$288
Architect	\$312,000	\$5.94	\$6,000
Legal	\$30,000	\$0.57	\$577
MEPs	\$60,000	\$1.14	\$1,154
HERS	\$12,000	\$0.23	\$231
FNPA	\$1,500	\$0.03	\$29
I/I Fee	\$102,080	\$1.94	\$1,963
Partial Payment Affordable/Green Line Fee	\$124,056	\$2.36	\$2,386
Structural Engineering	\$25,000	\$0.48	\$481
Civil Engineering	\$30,000	\$0.57	\$577
Closing Costs	\$500,000	\$9.52	\$9,615
<b>Total Soft Costs</b>	<b>\$1,607,636</b>	<b>\$30.62</b>	<b>\$30,916</b>
<b>Contingency</b>		<b>Per SF</b>	<b>Per Unit</b>
4.00%	\$748,382	\$14.25	\$14,392
<b>Purchase Price</b>	<b>\$5,000,000</b>	<b>\$95.23</b>	<b>\$96,154</b>
<b>Hard Costs</b>	<b>\$14,501,912</b>	<b>\$276.22</b>	<b>\$278,883</b>
<b>Soft Costs</b>	<b>\$1,607,636</b>	<b>\$30.62</b>	<b>\$30,916</b>
<b>Interest Carry</b>	<b>\$2,600,000</b>	<b>\$49.52</b>	<b>\$50,000</b>
<b>Contingency</b>	<b>\$748,382</b>	<b>\$14.25</b>	<b>\$14,392</b>
<b>Total Development Costs</b>	<b>\$24,457,930</b>	<b>\$465.85</b>	<b>\$470,345</b>