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RESIDENTIAL DEVELOPMENT PROPOSAL
FOR A SITE IN BRIGHTON, MASSACHUSETTS

by

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ABSTRACT

This thesis examines the development potential of an industrial site located in one of Boston's older urban neighborhoods.

The history of the community is examined, along with its pattern of growth and change. The site is analyzed in relationship to its spatial, locational, and utilitarian qualities. The particular constraints and opportunities that the site imposes are explored. The political environment and the rise of power of local community groups is addressed. A market analysis is conducted and comparable market data is presented.

A residential program for the site is designed and presented with reference to the results of analysis. Pricing and marketing strategies are suggested. The paper concludes with a financial analysis of the program for the site and a discussion of alternative investment strategies for the landowner.

Thesis Supervisor: James McKellar

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TABLE OF CONTENTS

	Page
Title Page	1
Acknowledgements	2
Abstract	3
Table of Contents	4
List of Exhibits	6
Introduction	7
Project background	7
Problems to be explored	8
Organization of the document	8
I. The Allston-Brighton Neighborhood: an Overview	11
The history of Allston-Brighton	11
Population and demographics	14
Income and employment	16
II. Site Description	19
Site location	19
Neighborhood uses	20
Traffic patterns	22
Opportunities and constraints	24
Issues of urban design	24
III. Political and Regulatory Framework	42
Existing zoning	42
Allston-Brighton Re-Zoning	44
City exactions	48

IV. The Residential Housing Market.....	51
Housing market in Boston	51
Allston-Brighton's housing market	54
Price appreciation and recent changes	55
Comparables	55
Future competition in the Brighton market	58
V. Development Program	61
Building type	61
Design rationale	63
Pricing	65
Market concept and techniques	66
VI. Investment Decision	73
Deal structure	76
Market risks	79
Financial risks	81
Bibliography	83
Appendices	85

LIST OF EXHIBITS

Figures	Page
Fig.1 Map of Boston	30
Fig.2 Map of Brighton	31
Fig.3 Proposed Site	32
Fig.4 Contour Map	33
Fig.5 Site Section	34
Fig.6 Neighborhood Features	35
Fig.7 Zoning Map	36
Fig.8 Auto and Bus Circulation	37
Figs.9-12 Photographs of the Site and Neighborhood ..	38-41
Fig.13 Projected Residential Development in Brighton....	60
Fig.14 Program of the Proposed Development	69
Fig.15 Plan of Proposed Development and its Context	70
Fig.16 Plan of Proposed Development	71
Fig.17 Section of the Proposed Development	72
Fig.18 Project Proforma and Cash Flow Analysis.....	86

INTRODUCTION

The intention of this paper is to examine the development potential of an industrial site in Brighton, Massachusetts. The landowner wants to know if there is value to be created by relocating his business and developing the land. He has asked the authors of this paper to examine the political, market, and financial risks associated with various development options.

BACKGROUND

The owner of an earthmoving company located in Brighton sought the aid of the writers to see if it made sense to develop the land it presently occupies. Changing real estate markets had dramatically increased the value of his land and several developers had offered him up to 2 million dollars for the 3.7 acre parcel. However, the land owner understood that he could realize much more profit if he participated in the development of the property. There were unknown risks that he sought to understand and the authors were asked to examine his options.

The first studies revealed that his parcel alone was not ideal for development. This site (Fig.3, Parcel A) was very irregular, very deep, and had a major sewer easement running across it. It was clear that it would be difficult to place buildings on the site. There was also a considerable amount of unattractive industrial activity next to and across Electric Avenue from the site. It was decided to approach

the owner of this land (Fig.3, Parcel B) to determine his interest in including his land in the study. He agreed. This document is a study of the development potential of these two parcels of land.

PROBLEMS TO BE EXPLORED

This paper will examine the history of Allston-Brighton and explain the origins of the present development crisis in this community. The political and regulatory constraints will be explored. The forces that generate the demand for housing will be examined as well as the specific character of the housing market in Allston-Brighton. A development program will be established for the site and a financial analysis of the program will be presented. The paper will conclude with a discussion of the risks and returns associated with alternative investment strategies.

ORGANIZATION OF THE DOCUMENT

THE ALLSTON-BRIGHTON NEIGHBORHOOD: AN OVERVIEW

Chapter One explores the development of Allston-Brighton from 1647 to the present. Demographic and economic trends are evaluated with respect to their impact on housing patterns.

SITE DESCRIPTION

The unique characteristics of the site are discussed. Its configurational and locational attributes are evaluated. The existing neighborhood is examined and traffic patterns, city

services, and the public transportation system serving the site are delineated. The constraints and the opportunities that the site presents to an architect are explored and a project design is generated.

POLITICAL AND REGULATORY FRAMEWORK

The greatest problem that faces this project is the mounting ire of the Allston-Brighton community groups. The neighborhood is quickly gaining political strength at the same time that developers are building more projects than ever. The City is supporting the community groups, yet is under pressure to provide construction jobs and meet the tremendous demand for housing. This section examines the political and regulatory environment for development in Allston-Brighton.

THE RESIDENTIAL HOUSING MARKET

Currently Boston is undergoing the greatest housing crisis since World War II. Prices of homes have increased by over 60% during the past two years and Boston now stands as one of the most expensive housing markets in the country. This has created a tremendous rush of residential construction, to the point where home prices are starting to stabilize. The Allston-Brighton housing market is examined against this backdrop. Several comparable projects are reviewed, as well as projects that are still in the planning stages. The competitive advantages of the project proposed in this paper are set forth.

PROGRAM

Based upon the housing market, the political climate, and the neighborhood context, a program for the site is described. The mix of building types is explained as well as the urban design implications of building location. The range of unit prices are outlined, as well as marketing concepts and techniques. A site plan, which graphically illustrates the development, is presented.

FINANCIAL ANALYSIS

This chapter explores the investment decision to be made by the landowner and presents a financial analysis of the residential program designed for the site.

CHAPTER ONE

THE ALLSTON-BRIGHTON NEIGHBORHOOD: AN OVERVIEW

Allston-Brighton, Massachusetts is the most populous neighborhood in the City of Boston with a population in 1985 of approximately 88,000 . It has three sub-neighborhoods: Allston, Brighton, and Commonwealth, which are distinct primarily with respect to housing type and residential stability. The sub-neighborhood of Brighton, within which the subject parcel is located, is distinguished by its older housing stock, its greater percentage of elderly residents, as well as by a proliferation of owner-occupied single family housing (74% of the entire neighborhood), which today is a minority housing type in Allston-Brighton.

Allston-Brighton is the home of three major universities: Harvard Business School; Boston University; and Boston College, three major hospitals and several churches, seminaries and cemeteries owned by the Archdiocese of Boston. There are over twenty institutionally owned properties of at least one acre in size here.

Although now a neighborhood of Boston, Allston-Brighton was originally linked to Cambridge. The first residents located their homes on a 149 acre tract on the south side of the Charles River in 1647. Until 1807, the area was referred to as "Little Cambridge." Its residents travelled by ferry across the Charles River where their church and the seat of

local government were located in what is now Harvard Square. The union between Brighton and Cambridge continued into the nineteenth century. In 1806, the residents presented the General Court with a petition asking that " all inhabitants of Cambridge on the south side of the Charles River may be incorporated as a distinct and separate town." On February 24, 1807, "little Cambridge" became the independent town of Brighton named after Brighton, England, or, as some have suggested, named for a "bright" or prize ox, an allusion to the Brighton Cattle Market, which, established in 1775, transformed the area from " a sleepy agricultural village to a thriving commercial center".¹

The annexation to Boston occurred in 1874 owing to the commercial activity generated between Allston-Brighton and Boston by the Cattle Market. Geographically, the neighborhood is connected to Boston only by a small sliver of land, bordered by the Town of Brookline on one side and the Charles River on the other. There is growing sentiment among Allston-Brighton residents today that the connection to Boston has not been to the their advantage and that the interests of the neighborhood are insufficiently represented in city politics. A movement to secede has been gaining support over the last several years.

The Cattle Market, which was established in Allston-Brighton in 1775 and several small scale butchering establishments,

1. Marchione, William P., The Bull In The Garden: A History of Allston-Brighton, 1986, page 22.

provided much of the economic stability for the region. In fact, one in seven Brighton families earned its livelihood from butchering. In 1872, these slaughterhouses were consolidated in one location, the Brighton Abattoir, which was erected a few hundred yards from the subject parcel. Although the establishment of the Abattoir provided Brighton with a healthy monopoly in the industry, the slaughterhouse activity in North Brighton is said to have discouraged residential development in the neighborhood. As a result, industrial uses occupied much of the land surrounding the subject parcel which in the 1800's was the location of a starch factory. Adjacent to the subject property, buildings housed meat packing plants and fat rendering works. The odor created by the uses, particularly from tossing the cattle remains into the Charles River, made this an unsuitable location for houses.

Tremendous increases in the population, which occurred in the eighteenth and nineteenth centuries eventually gave rise to residential uses in and around these industrial sites. From 1880-1915, the population of Brighton increased from 6700 to 30,000 and this growth pattern continued well into the twentieth century. Even today, as Boston in general witnessed a population decline in the period from 1970-1980, the Allston-Brighton neighborhood population increased 2.5% to 65,264.

Allston-Brighton was also known for its practice of

horticulture in the nineteenth century, when it was one of the leading horticulture centers in New England. Agriculture Hill in Brighton was the location of the annual Brighton Fair and Cattle Show, one of the earliest and largest agricultural fairs in the nation.

POPULATION AND DEMOGRAPHICS

In 1910, Brighton had a population of 27,000 and was predominately an upper-middle class neighborhood and a Yankee stronghold. Over the next twenty years, many of these Yankees left Brighton for Newton and Wellesley, and a large number of middle class Irish and a smaller number of Jews and immigrant Italians arrived. The Yankee exodus was in part, the result of the changing political climate in Boston, which elected its first Irish mayor, Mayor John "Honey Fitz" Fitzgerald, in 1910.

By 1946, with a population of 70,000, the neighborhood had the highest density level of any of the city's outer suburbs. In this same year, a Boston Planning Board survey of land available for development in the city's neighborhoods showed Allston-Brighton with the smallest amount.

Today, Allston-Brighton is a neighborhood of Boston that occupies approximately four square miles of land. In 1980, it ranked as the city's most populous neighborhood, by-passing even South Dorchester. It is also the third most densely populated neighborhood in the City of Boston

(approximately 27 persons per acre) .

Once described as having a stable population of families, Brighton's demographics have changed so dramatically over the last several decades that this description is no longer valid.

Approximately two-thirds of the community's population is comprised of residents between the ages of 15 and 34. Another 11% are residents over 65. Only 20% of the households in Allston-Brighton are families, as compared to 46% city-wide. These statistics point to the weakening family character of the neighborhood, which just five years earlier, in 1980 , had a family population of 28%.

The ethnic character of the Allston-Brighton neighborhood has also changed in the last decade, according to the 1980 Census data and a Boston Redevelopment Authority research report published in 1985. During this period, (1970-1985) the proportion of white residents declined from 96% to 81%. The black population increased from 1% to 2% and the Hispanic population from 2.9% to 4%. The most significant increase occurred in the Asian population, which increased from less than one percent to over twelve percent. Approximately 25% of Indochinese immigrants into this area live in Allston-Brighton, and large increases are predicted to occur in the future.

The racial mix of the Allston-Brighton neighborhood is

quite different from that of Boston. There is a higher percentage of whites and Asians and a lower percentage of blacks than in the city as a whole (81% white in Brighton versus 62% citywide, and 12% asian versus 5% citywide).

INCOME AND EMPLOYMENT

According to the 1980 Census, 53% of the households in Allston-Brighton earn less than \$15,000 per year, versus 57% percent citywide. The large number of students that reside in Brighton, with incomes that reflect their student status, may make this figure unrealistic. A detailed breakdown of the income levels for Allston-Brighton families (as opposed to non-family householder) illustrates an income structure that is similar to Boston as a whole: 10% earn less than \$5,000; 17% earn between \$5,000 and \$9,999.; 17% between \$15,000 and \$19,999; 17% between \$25,000 and \$34,999; 7.6% between \$35,000 and \$49,999 and 3% earn over \$50,000.

Unemployment in Allston-Brighton neighborhood was slightly lower than in Boston at the time of the 1980 Census (5% vs. 6%). 34% of the employed people living in this neighborhood hold managerial or professional positions. Allston-Brighton has a higher proportion of college educated residents than Boston in general.

The neighborhood economy is largely based in trade, health services, educational services, and manufacturing. While there has been some shift from a manufacturing to a service-based economy over this last decade, a strong manufacturing

base still remains. During the 1970's while New England experienced net losses in manufacturing employment, several large manufacturing firms in Allston-Brighton strengthened their position. These industries, primarily rubber and plastics, printing and publishing, electrical and automotive equipment, account for twenty percent of the employment in Allston-Brighton.

It is generally recognized that Allston-Brighton is a prime location for industry because of its proximity to rail and highway transportation, the suburbs, Boston and Cambridge, and the availability of a skilled and educated work force. However, there is little industrial space available in the neighborhood and a movement on the part of Allston-Brighton residents to curtail the use of land for light industry or manufacturing has limited the expansion of existing industries and the growth of new ones. This suggests that future employment growth in the neighborhood may be constrained.

In summary, Allston-Brighton is a densely populated and rapidly changing neighborhood. Its population is primarily white, with a growing segment of Asians. Many students from the surrounding educational institutions reside in Allston-Brighton and the number of non-family households greatly exceeds the number of traditional households. Throughout its history, the neighborhood has exhibited little influence over the City of Boston in decisions relating to development

and planning, and, as a result, has experienced loss of open space, traffic congestion, noise pollution and a shortage of off-street parking. The struggle to confine development has today become a major objective of the community.

CHAPTER TWO

SITE DESCRIPTION

A description of the site and the site context are presented in this Chapter. This analysis was conducted in order to illuminate the opportunities and constraints and to shape the program.

The subject parcel is located in northwestern part of Brighton. (Figs. 1,2). It consists of two separate, adjacent parcels that are roughly divided by Electric Avenue (Figure 3). Parcel A falls to the south of the street and consists of 131,200 square feet of land and Parcel B contains 58,480 square feet. There is a total of 191,000 square feet or 4.4 acres of land.

The site is effectively level, with an elevation of about +20 feet. This is not the natural condition of site, for the owner has leveled most of his land to accomodate the storage of construction equipment. The high point of the area is Faneuil Street, from which the ground slopes down to Electric Avenue (Figure 4). In order to level the southernmost portion of Parcel A, the owner has constructed a fifteen foot high retaining wall along the rear part of the site (Figure 5).

The site is bounded on its western and southern sides by one and two family dwellings (Figure 6). The eastern side

abutts light industrial uses that are accessed from Goodenough Street. The northern edge is bounded along its length by a twenty-three foot high embankment atop which runs the Massachusetts Turnpike and a line of the Penn Central Commuter Railroad (Figure 5). Parcel A is presently used for the storage and repair of the construction equipment on the site. Parcel B is the location of a truck body manufacturing company.

The area surrounding the site is residential in character and composed of privately owned woodframe houses built between 1910 and 1930. The houses are primarily single and two family residences and are generally well maintained. There has been little turnover in ownership in this particular neighborhood, which is unusual in the Allston-Brighton neighborhood where only 37% of the residents had lived in the neighborhood more than five years at the time of the 1980 Census (this compares to 53% citywide).

The property owners in this neighborhood are older than the population in general, which is among the youngest in Boston. There is a 250 unit Boston Housing Authority low income project a few blocks away which seems to have little effect on the quality and care of the homes. These residences are fully occupied and well maintained. In fact, it is the industrial uses on the proposed site that have the worst impact on the houses in the neighborhood, and the homes closest to the site are in the poorest condition.

Across from the BHA low income project is McKinney Park, which is owned and poorly maintained by the City of Boston. For a number of reasons the City has been unable to maintain or restore the parks scattered away from the downtown Boston area. These parks are fast becoming derelict and adversely impacting the adjacent properties. McKinney Park represents an opportunity for a developer to make a contribution to the neighborhood and enhance the marketability of a project in this location.

RETAIL AND COMMERCIAL

Although there are no retail stores adjacent to the site, many are located a short distance away on Storrow Drive. Located within one quarter of a mile are: International House of Pancakes; MacDonal'd's; The Charles River Motel; Martinetti's Liquors; and a Radio Shack. A neighborhood retail area is located to the west of the site at the intersection of Arlington and Faneuil Streets. A major grocery store, Stop and Shop, and a large discount store, Caldor's, are located a mile east. Regional retail centers are easily accessible. Arsenal Mall and Watertown Mall are both 1.4 miles away. Harvard Square is three miles from the site and Newton Corner is 1.5 miles to the west.

There is very little commercial activity near the site. The majority of the commercial office space for the region is located in downtown Boston, a fifteen minute drive from the site.

INDUSTRIAL

The subject parcel is currently zoned for light industrial uses and the lots adjacent to the site contain warehouses, distribution and auto repair facilities, and parking lots. North Beacon Street is mostly industrial along its length, although there are signs that residential uses are replacing industrial ones here. A fifty-six unit rental apartment complex is currently under construction on North Beacon Street and other residential projects are planned for the area.

TRAFFIC PATTERNS

One of the great advantages of this site is its close proximity to one of the major highways in the City, Storrow Drive. This four lane divided road leads east to Harvard Square, downtown Boston and Logan airport. To the west the highway joins the Massachusetts Turnpike, the largest east-west highway in the state.

Traffic congestion is a major problem in Boston as well as in the Allston-Brighton neighborhood. According to Ken Kirwin of the Metropolitan District Commission, the Agency that controls Storrow Drive, traffic counts near the site are moderate. The exact twenty-four hour counts are as follows: Storrow Drive from Arsenal Road to Beacon Street, 7035 cars; Nonantum Road, 12,372 cars.

The local streets that feed from the site to Storrow Drive are Parsons Street, Good Enough Street and North Beacon

Street. Residents of Brighton frequently use Parsons Street, which is heavily travelled during commuter hours. Good Enough Street is less congested and would make the preferred exit from the site at rush hour. All of these roads are in good repair.

PUBLIC TRANSPORTATION

The number 64 MBTA bus stops at the corner of Good Enough and North Beacon Street, at the edge of the site. This bus will bring a traveler to Central Square in Cambridge, where the MBTA Red line connects to all points in the public transportation system.

EXISTING SERVICES

There are storm drains, sewer, water, gas, fire hydrant and overhead power lines along Good Enough and Parsons Streets. Electric Avenue contains storm drains, fire hydrants, sewer pipes, and, for half of its length, water and gas lines. There is a major storm drain eight feet in diameter running across the site from the south to the north and for some distance down Electric Avenue. A fifteen foot easement that restricts building over this storm drain exists and any work over the location of the drain requires a special permit from the Boston Water and Sewer Department.

OTHER SERVICES

Trash removal would be contracted to a private firm. B.F.I., which is one of Boston's largest private trash removal firms located on Market Street, approximately one half mile from

the site. The closest Boston Fire Department station, Engine #41 is located in Union Square, a distance of one mile.

OPPORTUNITIES AND CONSTRAINTS

A set of constraints and opportunities are present at this location and are perhaps unique to Allston-Brighton. An opportunity to design a residential community, unlike the local competition, exists for the developer of this site.

URBAN DESIGN

The site is unusual because it is large (4.4 acres). Almost all new and proposed residential projects in Allston-Brighton are infill developments. New buildings are squeezed onto sites among existing buildings and the project value is, in large measure, determined by the quality of the existing neighborhood. Infill developments often result in a shortage of parking and a street frontage that consists of a blank wall and a garage door of a ground level parking garage.

The constricted sites common in Allston-Brighton make an architect's job a little easier because one is designing a building in a rich context of existing buildings. The subject parcel offers no such shortcuts. The site is so large and isolated that an architect must first make decisions about urban design, i.e. the relationship to streets, front and back doors, massing, site lines, etc., and must also establish a strong design idea to carry the

project. The choice of a theme or style, colors, building material and planting, for example, must be carefully considered. The need for creativity will require and challenge a good architect.

The relatively large size of the site suggests that a greater number of units can be placed in a setting not unlike that of the surrounding neighborhood. As will be illustrated in the market analysis, all other proposed condominium projects in Allston-Brighton of comparable size are on small lots with proposed buildings from ten to twenty-four stories in height. The ample lot size of the subject property also allows for adequate parking, thereby eliminating what is very often the most controversial issue in obtaining approvals.

ELECTRIC AVENUE

The current location of Electric Avenue, which bisects the proposed development into two odd shaped lots, presents a significant site constraint. One may either move this street to obtain a more efficient lot, or maintain the street and accommodate the design to the existing lot shapes.

Moving the street is sensible because Electric Avenue now curves across the site. A straighter street running from Parsons to Good Enough Street would allow the architect more options for the design and free up square footage for the project. According to the Engineering Department of the City

of Boston, it is possible to move Electric Avenue, however a new street must conform to strict city codes. A good location for the street might be against the embankment that carries the Penn Central Railroad. This location would make the street shorter and create one large lot.

A major problem in moving a street is the relocation of the utility lines, which is very expensive. The developer would have legal responsibility for the correct placement of these lines and must provide easements over areas where utility lines remain. Such easements could constrain the layout of the site as much as the present location of Electric Avenue.

LOT SHAPE

If Electric Avenue were to remain in its present location, the site would contain two odd shaped lots. The lot to the north of Electric Avenue is roughly pie shaped, but is deep enough to accept standard shaped residential units along its length. The lot to the south of Electric Avenue is very deep, stretching into the middle of the block and is dumb-bell shaped with a constricted middle section. The design problem is to make the best use of the deep section of the site, particularly the dog-leg at the southwest corner. One option is to lay out a suburban-type residential housing pattern with buildings irregularly scattered around the site connected by an interior access road. This pattern is, however, at odds with that of the surrounding residential neighborhood where houses front the major streets with

traditional front doors, hedges and streets are lined with trees.

Another housing pattern, one that takes and reuses the contextual pattern of the neighborhood, should be considered. Blocks of housing with frontage on both sides of Electric Avenue and front doors facing this street would reinforce the existing housing pattern. Back doors would face onto on-grade parking in the rear of the building. The housing lining the street and the parking behind does not solve the problem of the extra-deep lot. The grading of the site to its present flat condition further complicates the matter. A ten to fifteen foot high retaining wall now exists at the rear of the site and any normal two to three story housing would have limited views and would receive minimal light.

The placement of a mid-rise building at the rear of the site would solve these problems. The narrowness of this portion of the site precludes the building of low-rise units here. A three or four story building, deep within the center of the city block, would fit more comfortably and would not visually impact the existing homes around the site. Parking for this building could be placed on grade against the retaining wall. A new ground level could be created atop the garage close to the natural grade. Any shadows resulting from this mid-rise structure would fall exclusively on the proposed site.

The placement of low buildings along Electric Avenue and a short building atop a garage in the rear of the site would resolve the constraints of the site geometry and contours. Development of the site is also inhibited by an eight foot storm sewer running the length of the parcel. The City of Boston has an easement over the entire length of this active sewer and will allow parking to be located over the easement. A representative from the Department of Engineering for the City, however, indicated that a parking garage atop the easement might be acceptable if access to the sewer were assured.

LOCATION

The site, although large, is inward facing. There are no rivers, lakes, vistas, grand streets or monuments to give identity to the project and the developer is forced to work with a limited amount of natural amenity. An identity for the project must be established to overcome the absence of character or grace.

The location along Electric Avenue is unusual in that it is located on the edge of the City, adjacent to Newton, Watertown and Cambridge. The units could conceivably be marketed to people who would not normally consider a unit deeper in Brighton. The site is also well-located with respect to access to major transportation networks, and could interest buyers working some distance from Brighton.

SUMMARY

The site although it is large by Allston-Brighton standards is oddly shaped, divided into two parcels by Electric Avenue, and crossed by a wide sewer easement. The existing neighborhood of one and two family homes limits the size of the buildings a developer might wish to place on the site. This section demonstrated how a design can address these constraints and produce a satisfactory project. The result is a low-rise development that is characterized by ample parking, low density, and open space. These benefits serve to make the project acceptable to the community, create a market niche and attract buyers from adjacent housing markets in Cambridge, Watertown, and Newton.

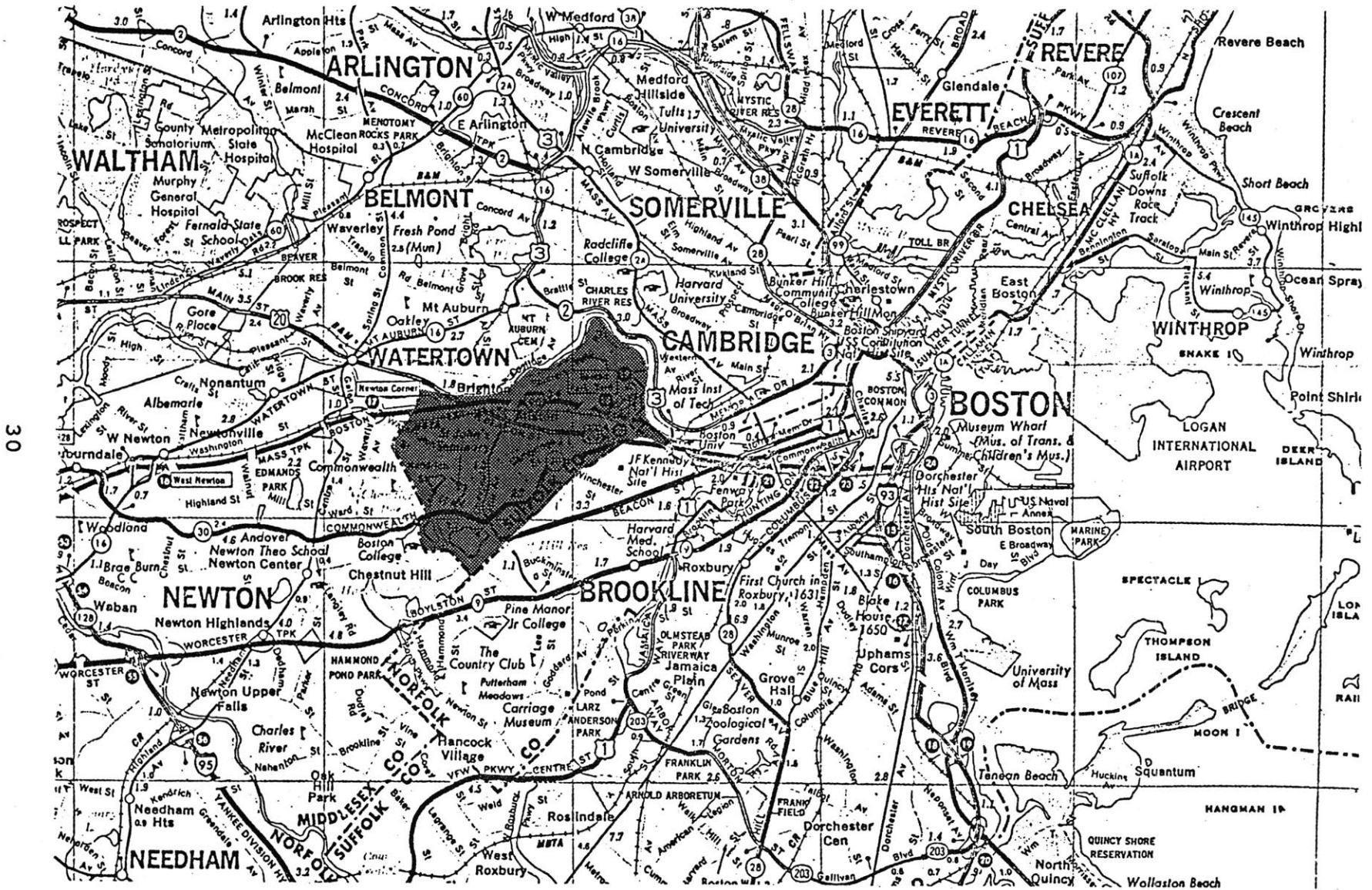
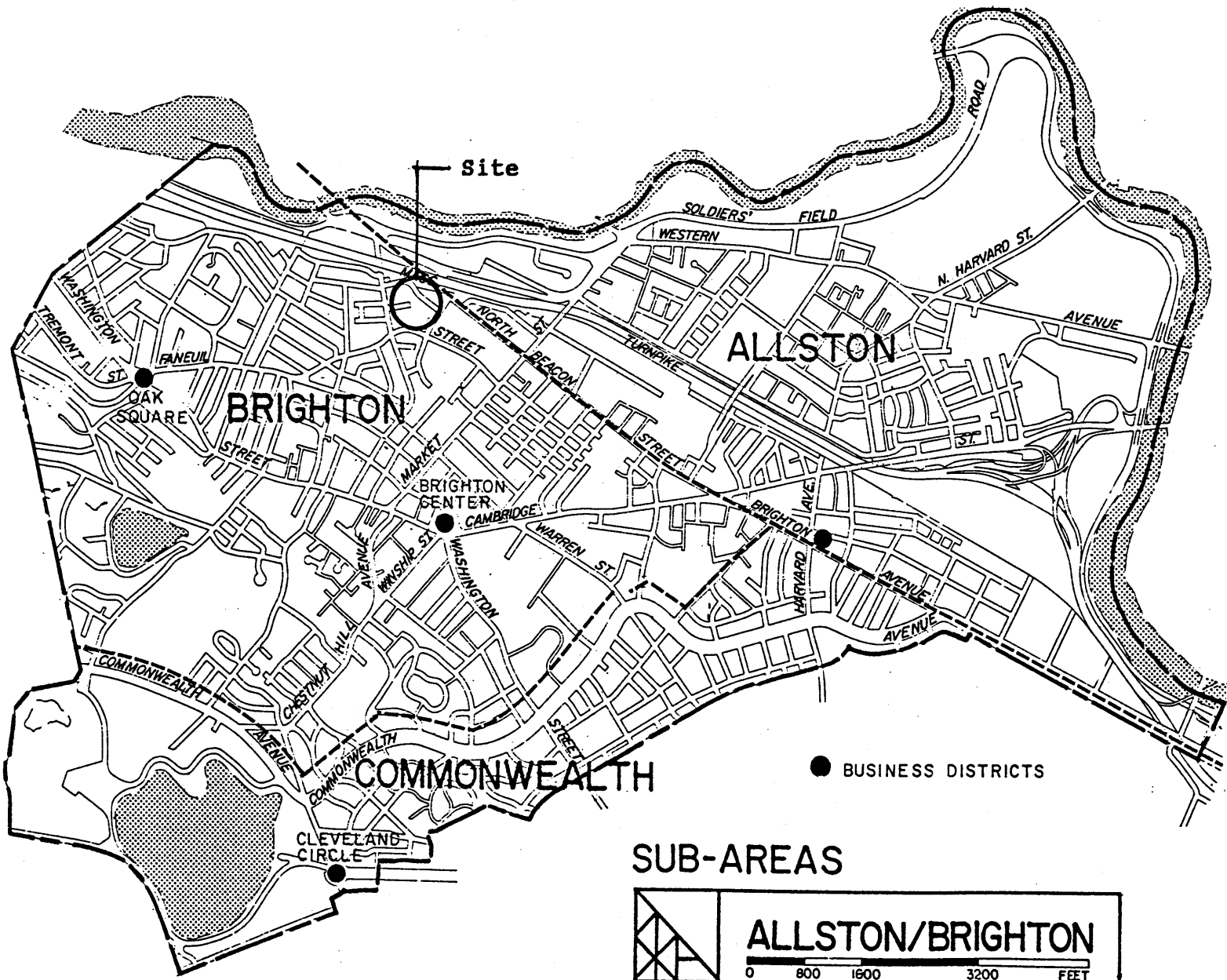


FIG.1, Map of Boston Brighton indicated by tone



Site

ALLSTON

BRIGHTON

COMMONWEALTH

● BUSINESS DISTRICTS

SUB-AREAS

ALLSTON/BRIGHTON

0 800 1600 3200 FEET

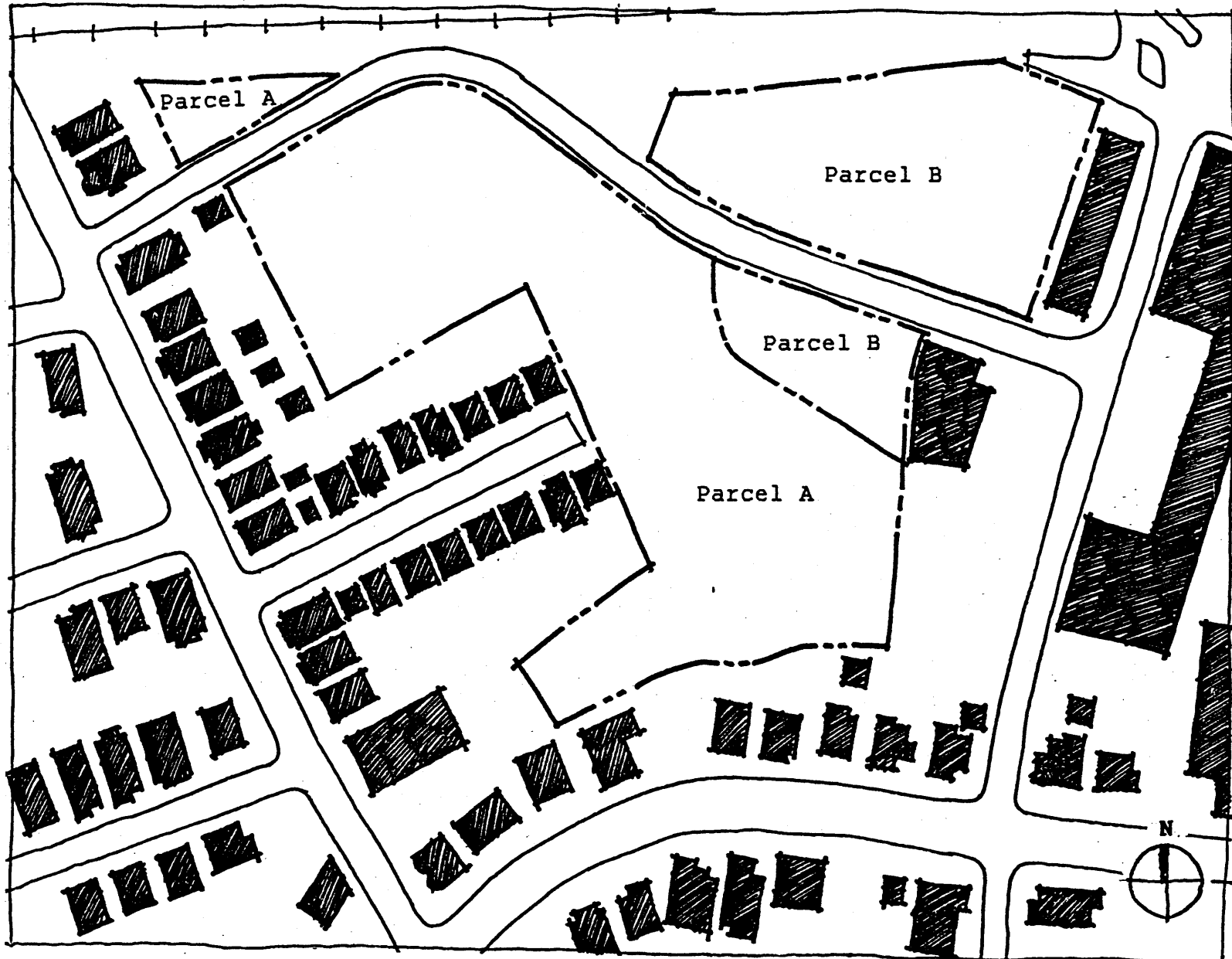
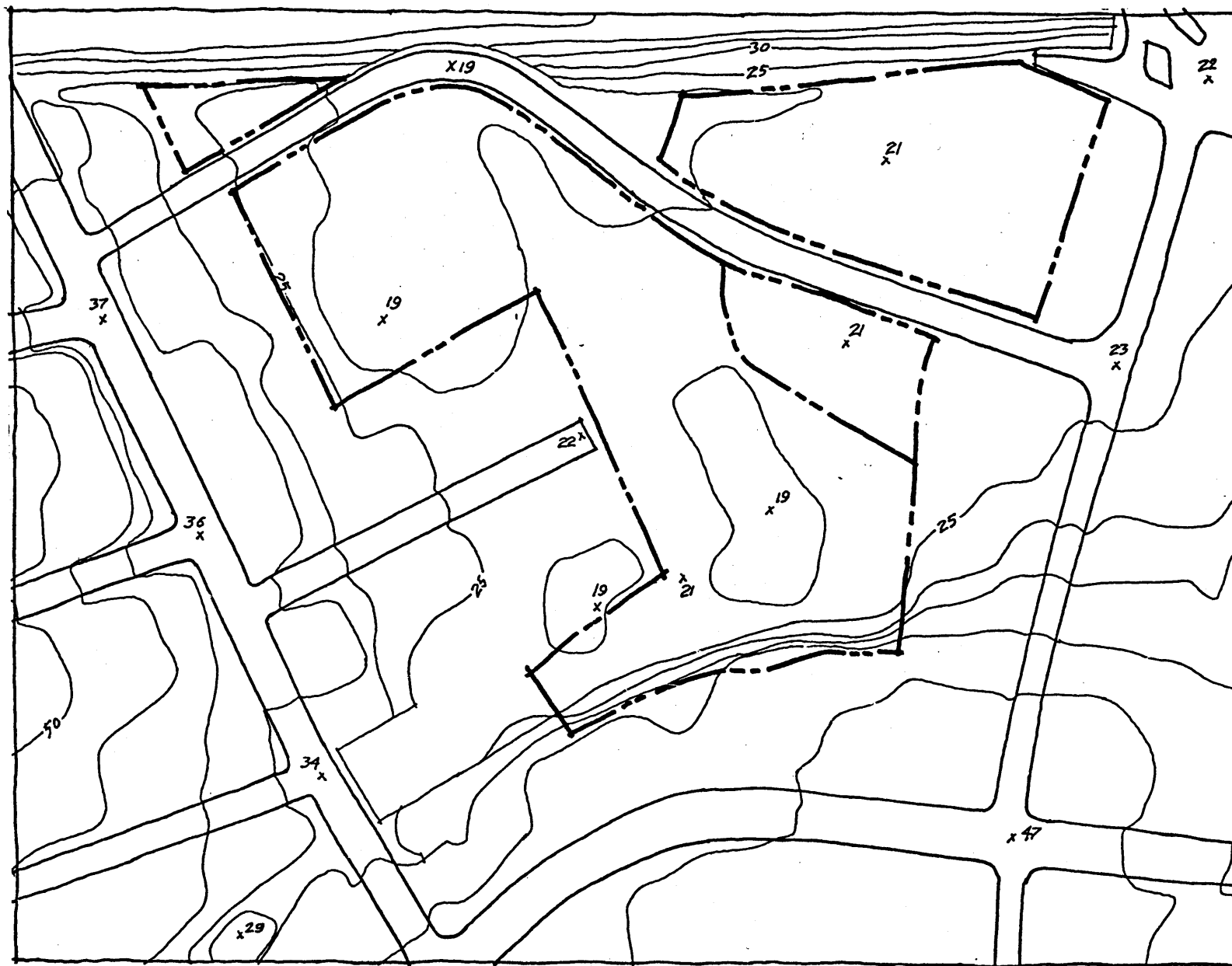


FIG.3, Proposed Site



33

FIG.4, Contour Plan 5' intervals

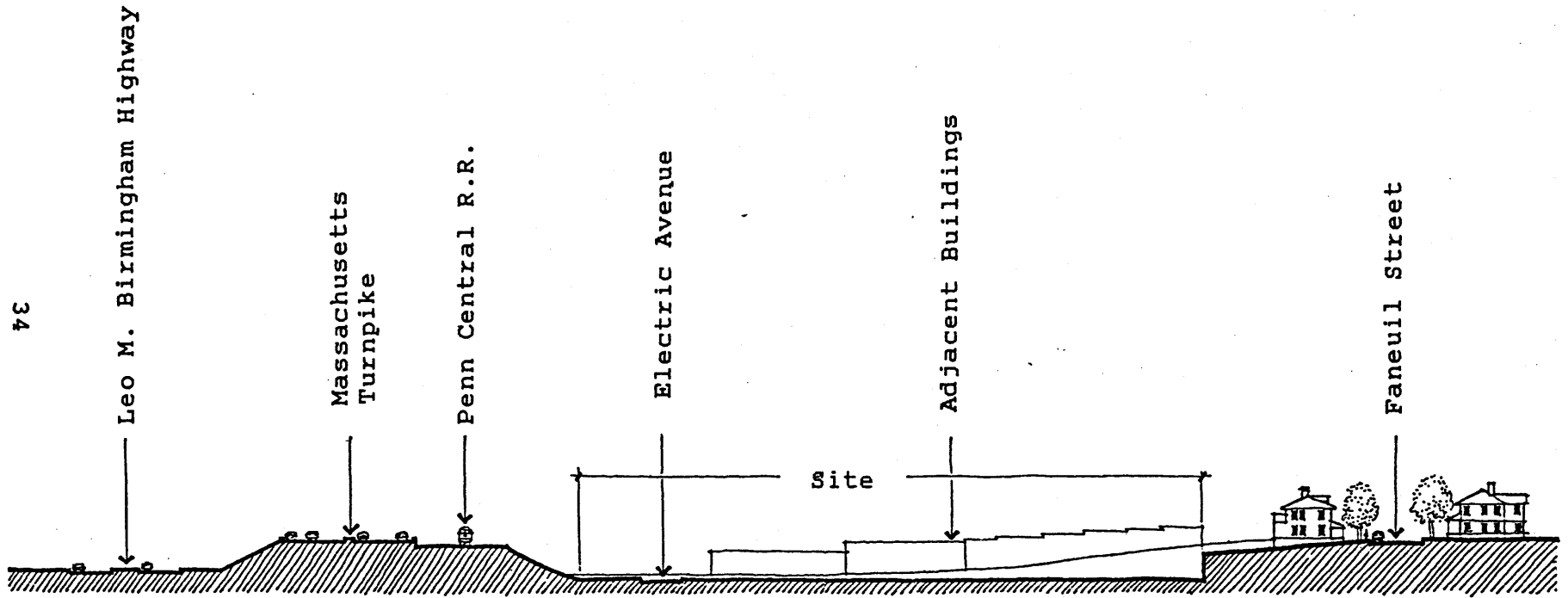


FIG.5, Site Section

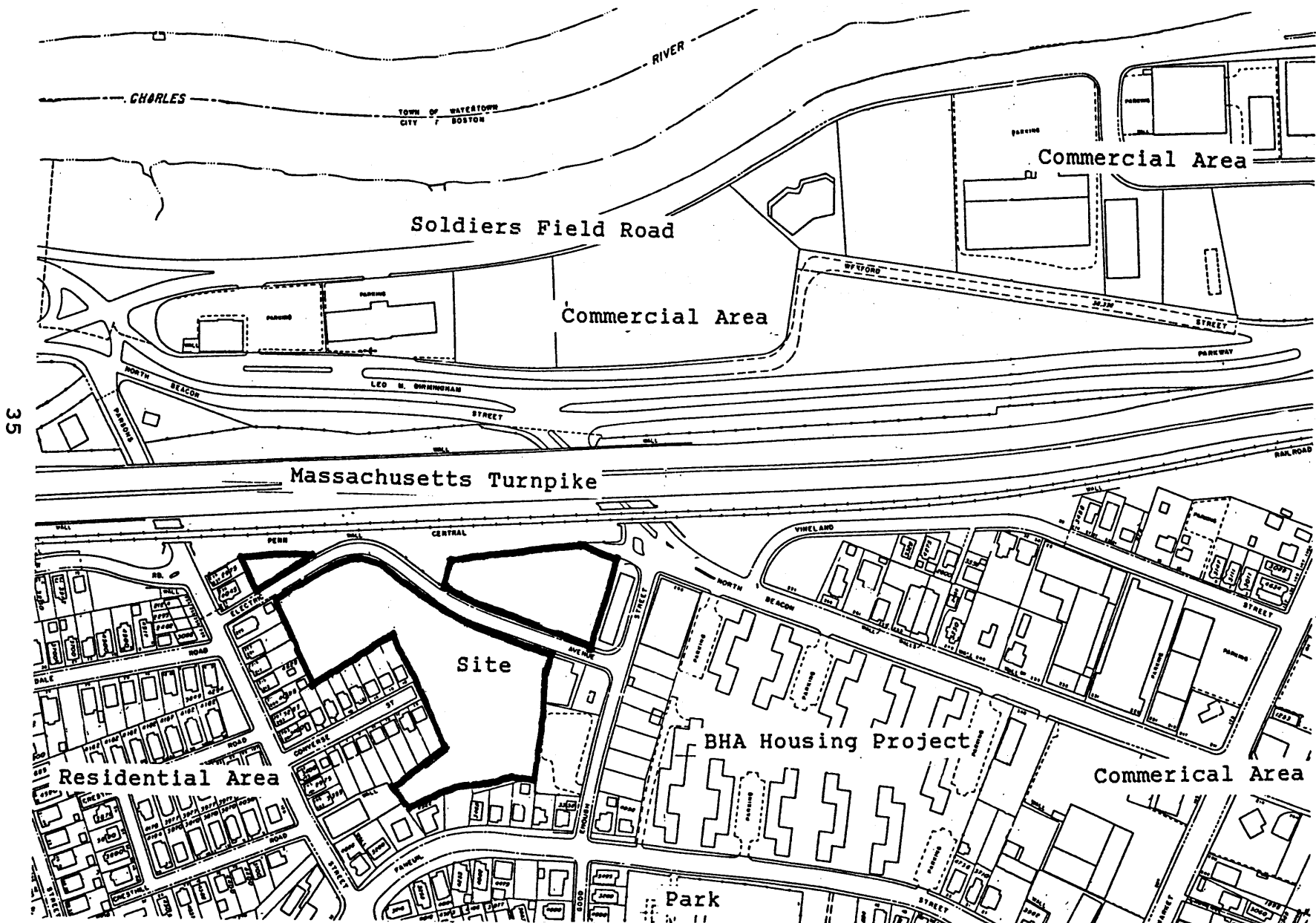
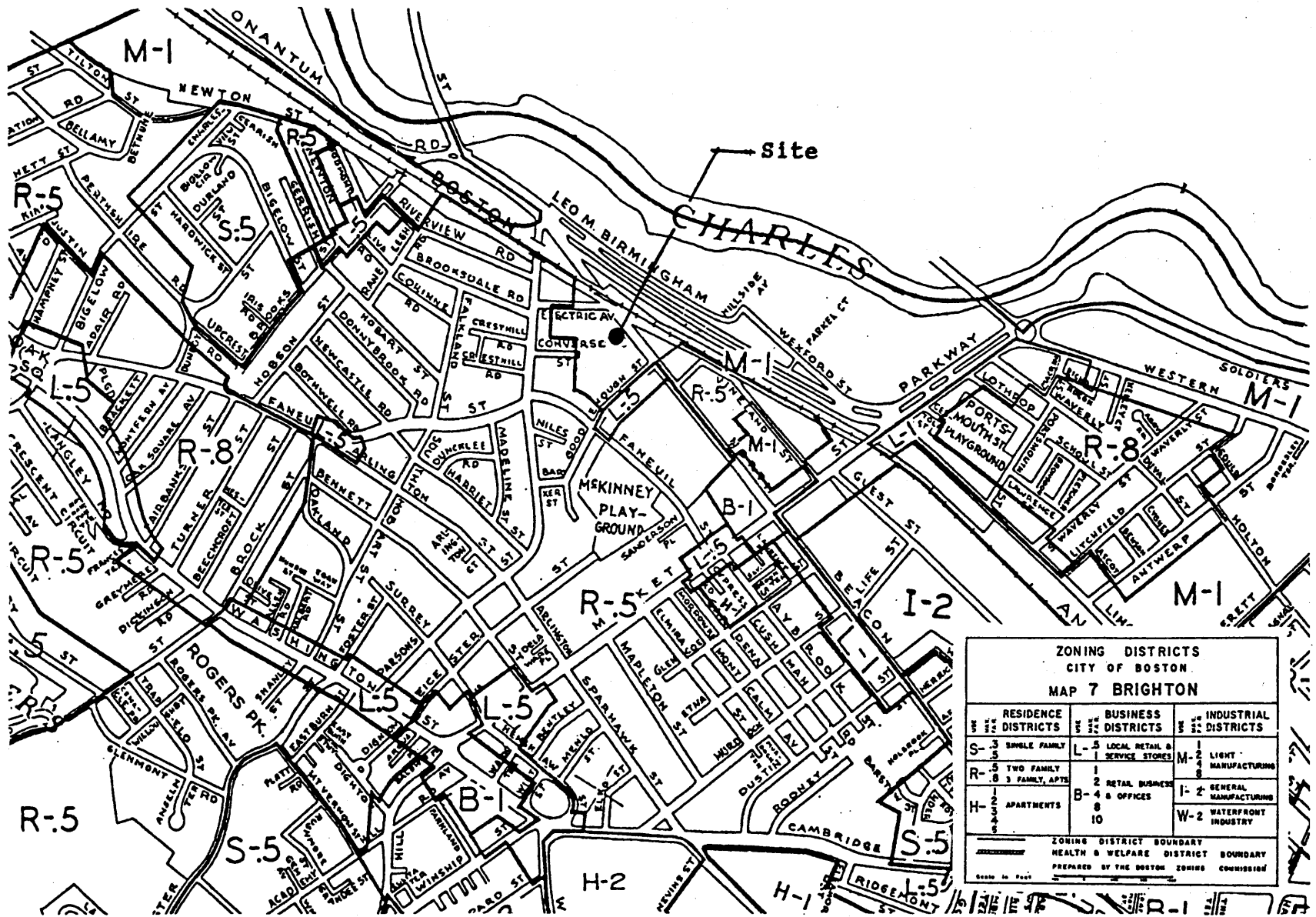


FIG.6, Neighborhood Features



ZONING DISTRICTS CITY OF BOSTON MAP 7 BRIGHTON		
RESIDENCE DISTRICTS	BUSINESS DISTRICTS	INDUSTRIAL DISTRICTS
S-3 SINGLE FAMILY	L-5 LOCAL RETAIL & SERVICE STORES	M-2 LIGHT MANUFACTURING
R-5 TWO FAMILY	1	1-2 GENERAL MANUFACTURING
R-8 3 FAMILY, APTS	2 RETAIL BUSINESS	W-2 WATERFRONT INDUSTRY
H-1 2, 3, 4 APARTMENTS	B-4 & OFFICES	
	8	
	10	
ZONING DISTRICT BOUNDARY HEALTH & WELFARE DISTRICT BOUNDARY PREPARED BY THE BOSTON ZONING COMMISSIONER <small>Scale in Feet</small>		

FIG.7, Zoning Map

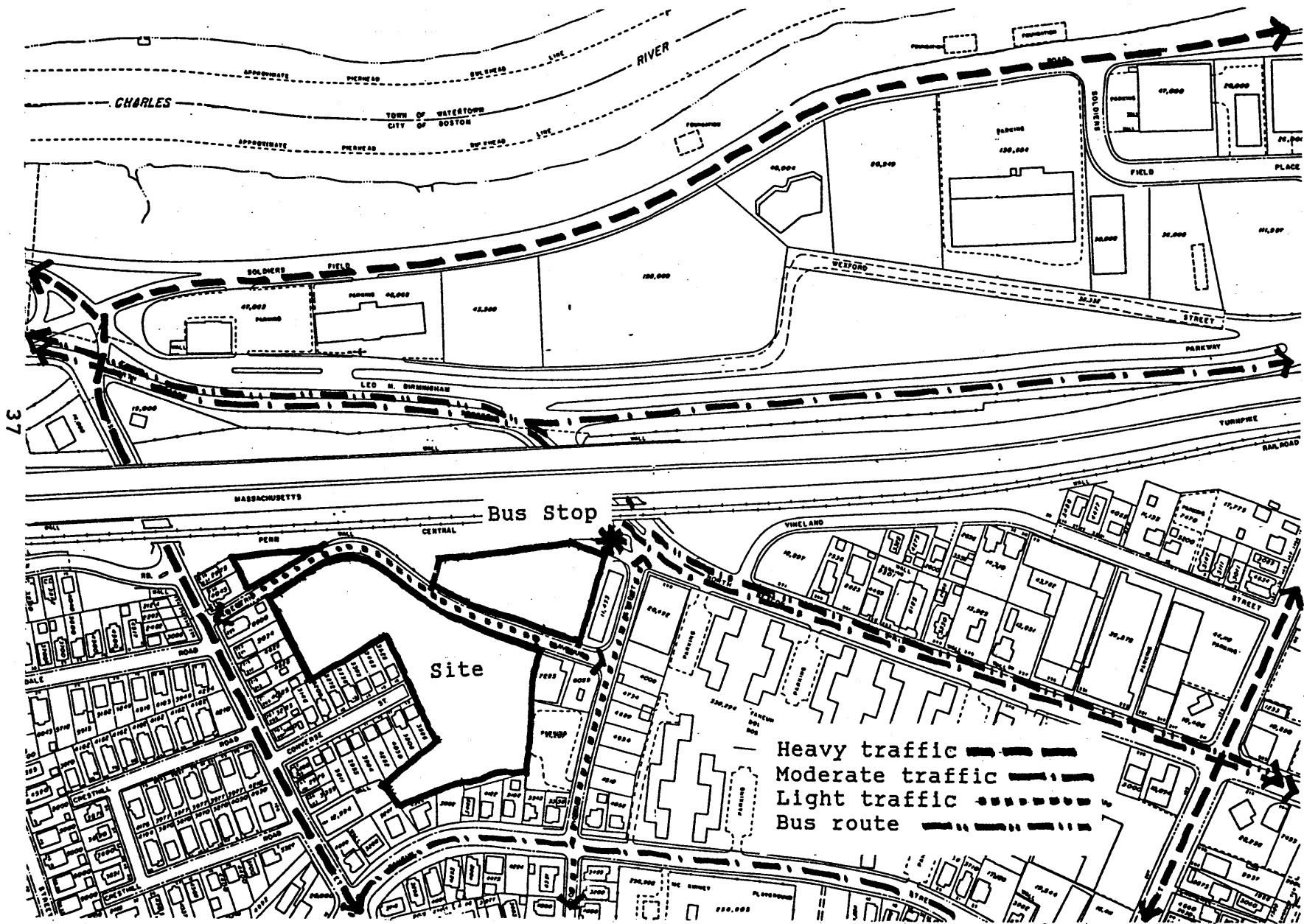


FIG. 8, Auto and Bus Circulation

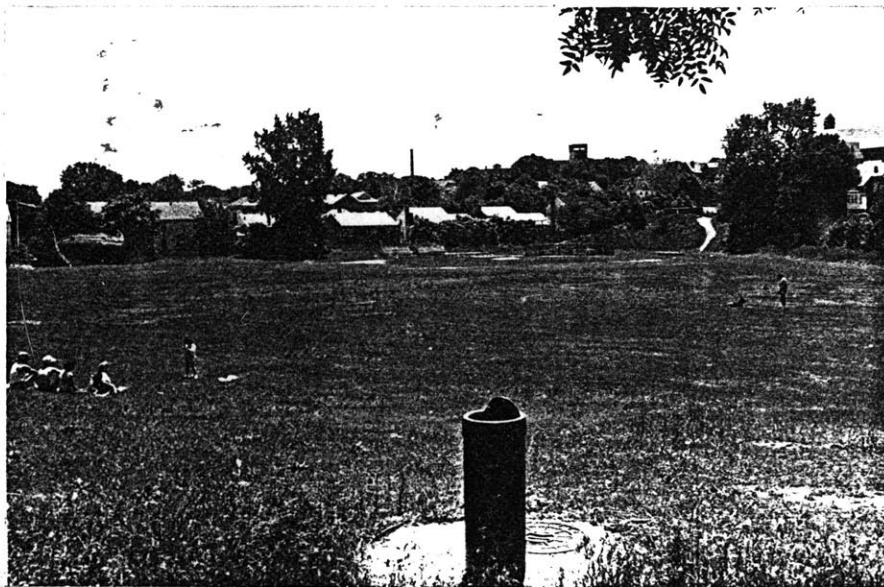


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Converse Street, looking toward site.



Cresthill Road, looking west.

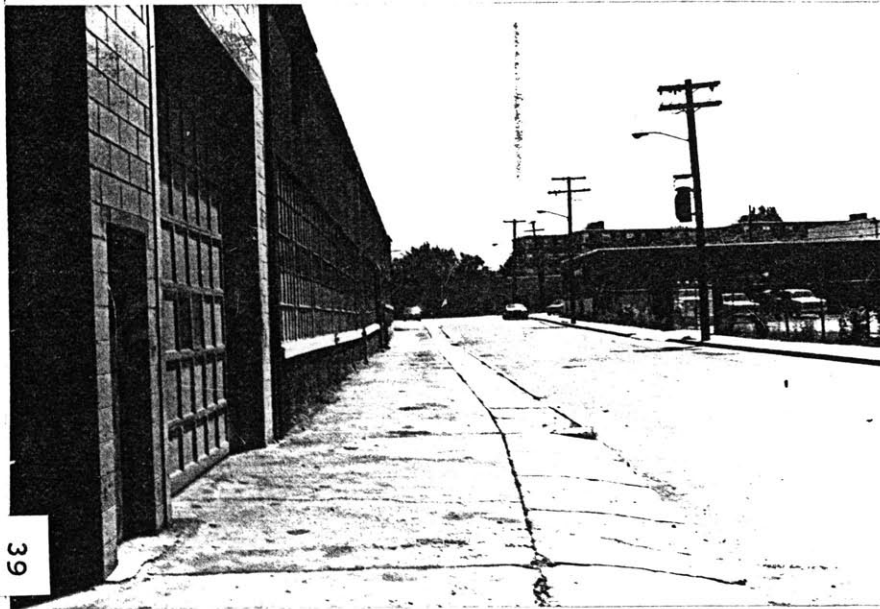


McKinney Park, looking south.

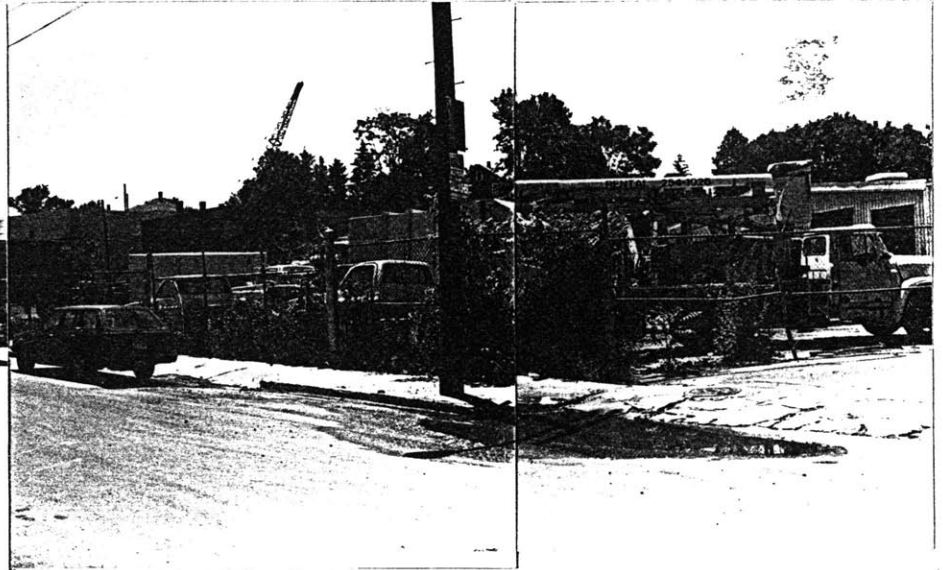


Faneuil Street and the B.H.A. Faneuil Development.

FIG.9



39



Electric Avenue, looking east.

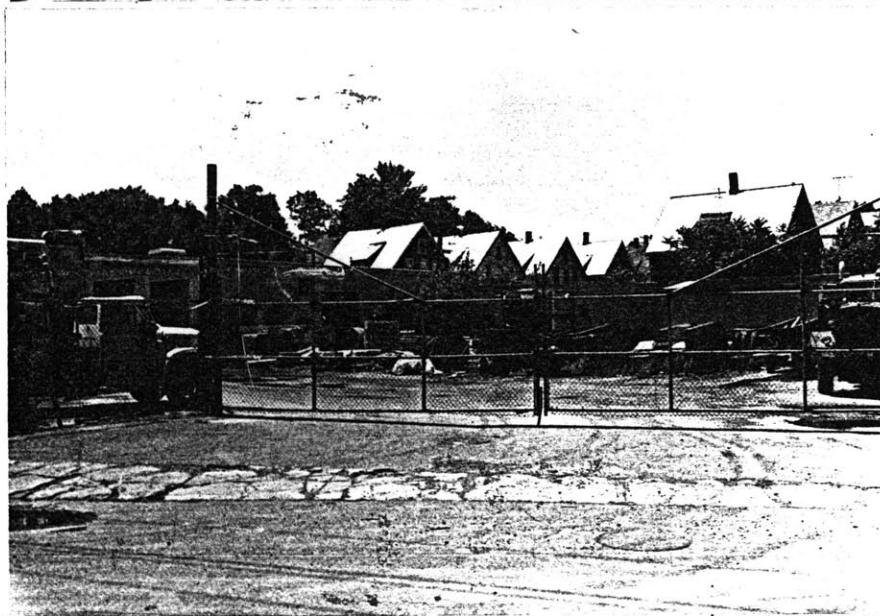
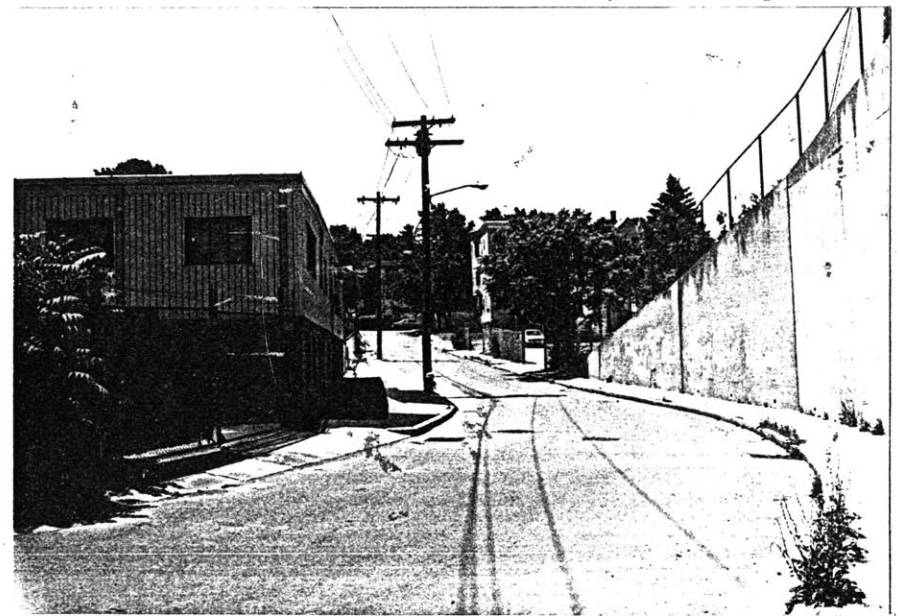


FIG.10 View into site from Electric Avenue.



Electric Avenue, looking west.



40

View into site at westernmost corner.

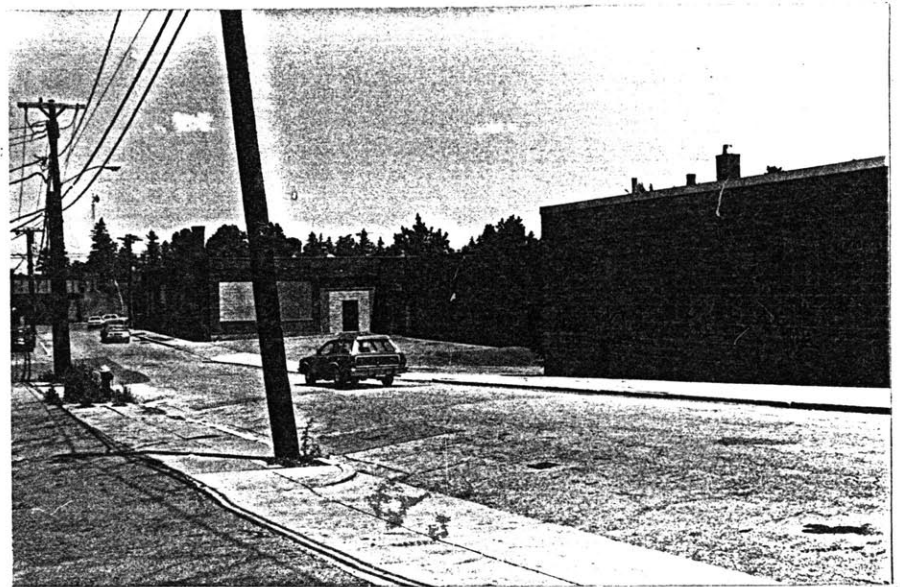
FIG.11



Entrance to project, corner of Parsons and Electric.



41
Good Enough Street, looking north to Mass Pike.



Good Enough Street, and warehouse east of site.



Intersection of Good Enough & Faneuil Streets.



FIG.12

Faneuil Street, looking west.

CHAPTER THREE

POLITICAL AND REGULATORY FRAMEWORK

While the market analysis described in the following Chapter indicates a strong demand for residential units in the Allston-Brighton neighborhood and encourages investment in the project, an analysis of the political and regulatory climate is sobering. In this Chapter the political and regulatory environment will be described with emphasis upon the extent to which the community and the Boston Redevelopment Authority (BRA) will influence the project. A description of the recent attempts by residents of Allston-Brighton to establish a moratorium on development will be presented. The impact of Mayor Flynn's proposed "inclusionary" zoning policy or affordable housing requirement will also be addressed.

Assessing the political environment for development of this site means understanding the extent to which the neighborhood will become active in the approval process and evaluating the role of the current administration in residential development.

The subject parcel is now located in an MI or Light Industrial District, according to the Zoning Ordinance of the City of Boston, amended to April 30, 1985. Permitted uses in MI districts include most light industrial uses by right, and multi-family dwellings and group care residences only if

a conditional use permit is granted. An applicant for a conditional use permit must demonstrate that the proposed use is suitable for its location and will not have a detrimental effect upon the neighborhood.

The dimensional regulations that will control development of condominiums and town houses on the site are:

Floor Area Ratio: 1

Front Yard: 20 ft. (minimum depth)

Side Yards: 5 feet

Parking: .9 spaces per dwelling unit.

Relief from any of these bulk and dimensional restrictions will require a variance.

For this particular site, the developer will initially apply for a building permit at the Inspectional Services Department. It will be almost certainly be denied because of the conditional use permit requirement and the application forwarded to the BRA for review. The BRA must deliver a recommendation to the Board of Appeal within ninety days. The Board of Appeal will hold a public hearing once it has received the BRA report and hold a public hearing on the proposal. After the hearing, the Board of Appeal will either approve or deny the project. The BRA estimates this process will take approximately six months.

Many developers meet with community groups prior to going before the BRA. In Allston-Brighton, there are at least six

such groups: The Allston-Brighton Improvement Association; Allston-Brighton Community Beautification Council; Brighton Historical Society; Allston Civic Association; Faneuil Tenants Organization and the Brighton-Washington Heights Citizen Association. Meeting with these groups will enable the developer to assess the opposition and support for the project and change the program if necessary to gain approval:

THE RE-ZONING OF ALLSTON-BRIGHTON: INTERIM PLANNING AND OVERLAY DISTRICT PROPOSAL

It is not likely that the current zoning standards will be applied in the City's review of a proposal for this site because of the impending establishment of an Interim Planning and Overlay District (IPOD) for the Allston-Brighton neighborhood.

Allston-Brighton residents have acknowledged that it is Boston's failure to enforce or adopt fitting zoning regulations that has contributed to the physical deterioration and extreme density of their neighborhood. In 1985 alone, seventy-one variances were granted to developers of land and buildings in Allston-Brighton. (This represents a 60% approval rate).

The residents have called for major changes and it appears that the Flynn administration has responded. In May of 1986, Mayor Flynn appointed the Allston-Brighton Planning and Zoning Advisory Committee (PZAC), which will work in

concert with the Boston Redevelopment Authority (BRA) to establish the IPOD. An IPOD will legally establish a two year period during which a comprehensive planning and rezoning of Allston-Brighton will occur. The PZAC will make recommendations to the City as to how it believes each area should be rezoned and will review all development proposals submitted to the Building Department during this two year period.

An IPOD is created by way of an amendment to the Zoning Ordinance. The recent move on the part of the Mayor to appoint the PZAC is a clear indication that he supports a collaborative process for rezoning Allston-Brighton. It is expected that the amendment will be approved shortly, probably before the end of 1986.

The PZAC must draft the zoning amendment. At its initial meetings, the group acknowledged their major planning issues as density and height control, restriction of commercial and industrial uses, adequate parking and the preservation of open space.

The IPOD process will result in a project review by the BRA, the PZAC and final approval by the Board of Appeal. The BRA and the PZAC will recommend whether or not the proposal is consistent with planning goals. The Board of Appeal will conduct a public hearing on the matter and then vote, retaining the ultimate authority in the approval process.

The Board of Appeal is a five member board appointed by the Mayor. Under the previous, pro-development White administration, the Board acted independently of pressure from the Allston-Brighton community. The development of 2000 Commonwealth Avenue for example, a sixteen story building with insufficient parking, was vehemently opposed by the residents but nevertheless approved. The Wingate, an eighty-nine unit apartment building on Commonwealth Avenue was also the subject of much controversy over density issues.

It has been suggested that the Allston-Brighton community lacks power in development matters to a greater extent than other Boston neighborhoods. Brian McLaughlin, City Councilor for Allston-Brighton, believes that the diversity of the district has made it difficult to mobilize a coherent and unified defense. The Allston-Brighton residents, in the past mostly students and blue collar workers, either lack sophistication about development matters or do not care. Contrast the Back Bay neighborhood, which, with its predominance of lawyers, architects, and other professionals, has been relatively successful in influencing the development process. Also, Board of Appeal hearings are held at City Hall in downtown Boston during working hours and many Allston-Brighton residents are unable to attend.

Development under Mayor Flynn's administration thus far has continued at a rapid pace. Approval for 175 units on a 1.5 acre site in Union Square, one of the most congested

locations in Allston-Brighton, was recently given to a private developer. A 250 unit development on a fourteen acre site on the Newton-Brighton border is also going forward, despite much protest on the part of Brighton residents because of potential traffic congestion. In total, six to eight hundred units of housing will be coming on line in the next several months, adding to the density of many already severely congested areas. Many developers have been attempting to push projects through quickly, anticipating that greater restrictions on height, density and parking will be the result of the rezoning under the IPOD.

The community has had some success in getting developers to scale back their projects. A developer of a project on Lincoln Street in Brighton reduced the number of units by ten at the request of the Allston Civic Association and responded to concerns over traffic and parking by providing adequate space and reasonable access paths. The City recently agreed to reopen public hearings on an eighty-nine unit apartment complex because angry residents opposed the project on the grounds that it would over-populate the already densely developed Commonwealth neighborhood.

The facility with which development has occurred in the past may be about to end. The community is becoming more sophisticated with respect to development proposals and has received the attention of City Hall. Whether or not the

creation of an IPOD will result in more restrictive zoning is to be determined. In any event, this particular proposal is bound to attract attention. The change of use requires a public hearing under the existing zoning and the addition of approximately units of housing will attract a significant amount of neighborhood interest.

To further complicate matters, the site is located in one of Allston-Brighton's most tidy and stable neighborhoods. Any threat to that stability is sure to create resistance to the project. The problem here is not the change of use from light industrial to residential or even to the mid-rise building to be placed on this site. It is simply the prospect of disturbing this quiet oasis in any way at all.

If the developer of this site chooses to bring the proposal before the City, he or she must be prepared for many rounds of discussion during which the proposed site plan will probably be altered. Exactions in the form of improving the neighborhood park or other public spaces may also be required.

AFFORDABLE HOUSING REQUIREMENT

Because the BRA and Mayor retain broad powers in the approval process, the City is able to negotiate with developers on issues of public improvements and housing affordability. Mayor Flynn is committed to providing affordable housing units and is attempting to create an

M.I.T. CENTER FOR REAL ESTATE DEVELOPMENT

ACTIVITIES BUDGET FOR FY 1986-87*

REVENUE:

1	Membership Fees	\$621,800	
2	Sponsored Research	160,000	
3	Named Fellowships	14,000	
4	Sponsored Conferences	45,000	
5	Summer PDC Fees	180,000	
6	CRED Publications Sales	5,000	
7	Royalties	75,000	
	Total Revenue:		\$1,100,800

EXPENSES:

8	Salaries	427,882	
9	Administrative Expense	134,000	
10	Members' December Meeting	20,000	
11	Members' June Meeting	35,000	
12	Summer PDC's	123,500	
13	Spring Lecture Series	15,000	
14	IAP Courses	13,000	
15	Advisory Committee Meeting	2,500	
16	Sponsored Research	120,000	
17	CRED Funded Research	135,500	
18	Named Fellowships	14,000	
19	CRED Fellowships	53,650	
20	Academic Support	69,000	
21	Endowment Fundraising	10,000	
22	Newsletters	28,500	
23	Gifts/Honoraria	7,000	
	Total Expenses:		<u>1,208,532</u>
	DEFICIT		(\$ 107,732)

* Does not include academic or renovation accounts (see attached budgets) or interest expense of approximately \$30,000.

inclusionary zoning amendment, which will legally bind developers to offer a certain percentage of their units, usually ten percent, at below market rates. Such a zoning policy applied to the program designed for this particular site could cost the developer up to one million dollars in lost revenue. Developers have demonstrated a willingness to provide affordable units in exchange for project approval. This is in spite of the fact that the inclusionary zoning amendment has not been adopted and is being challenged on grounds that such a requirement is not within the scope of the powers granted under the Zoning Enabling Act.

The political and regulatory environment within which this development must occur is extremely complicated and disturbing. Obtaining project approval is a protracted process and one during which the market can change. It has been estimated that the approval process under the IPOD for a project of this nature could take up to twelve months and require an investment for schematics and other expenses in the vicinity of \$50,000-\$100,000. There is no guarantee that the approvals will be obtained, and in this particular instance, the owner may not see the same offers for his land that he has received to date. These risks should be considered.

In summary, a developer of the site should begin to identify the individuals and community groups who are likely to become involved in the approval process to assess

their concerns. Once schematics and a scale model have been prepared, the developer should work with the City Councilor from Allston-Brighton to arrange formal meetings with local community groups. Only after this liason has been formed should the developer approach the City for permits and meet with the BRA to begin the approval process.

CHAPTER FOUR

THE RESIDENTIAL HOUSING MARKET

The site and its context suggest a residential program that is appropriate to this location. In this Chapter, the characteristics of the market for housing is explored with particular emphasis given to the demand for housing in Allston-Brighton and the characteristics of the existing and proposed supply. A survey of unit prices, unit mix and unit sizes in the neighborhood was conducted and the results presented here in order to establish a pricing strategy for the proposed project.

The Chapter begins with a discussion of the strong demand for housing in the Boston area and the City's efforts to increase supply. The Allston-Brighton market is analyzed with reference to three projects and through information derived from discussions with brokers, bankers, developers, BRA staff members and an examination of sales data.

THE RESIDENTIAL HOUSING MARKET IN BOSTON

In many respects, the housing market in Allston-Brighton has undergone the same transformation that has occurred on a city-wide basis. The population of Boston since 1980 has increased steadily, reversing thirty years of decline, while the unemployment rate has been dropping. These two factors have led to a healthy demand for residential property and record appreciation rates of housing values and

rents.

A confluence of factors are contributing to the population revival in Boston. From 1970-1980, there was a substantial increase in the City's young adult population and this group favored the more centrally located neighborhoods. The 1970-1980 outflow of blue collar workers and their families ceased with the stabilization of industrial jobs and the improvement of neighborhood housing conditions. The birthrate has been rising since 1977, and "empty nesters" have been leaving the suburbs to move to the City. Improved racial ambiance, lower property taxes and enhancement of amenities have made Boston an exceedingly attractive place to live.

The Boston Redevelopment Authority (BRA) estimates the City's 1985 population at 604,000, an increase of 41,000 since 1980. The population of Allston-Brighton has increased during this same period by approximately 34%, from 65,000 to almost 88,000 people. The population of Boston is expected to grow to 680,000 by 1995, an increase of 13%. The BRA also projects an 18% increase in the number of households and a reduction by 1995 in household size from 2.4 to 2.3 persons per household.

Employment in the Boston area has been favored by the transformation of its economic base. A relative concentration in such growth industries as communications, money management, higher education and medicine has resulted

in an unemployment rate for Boston of 4%, well below that of the nation. The Commonwealth of Massachusetts has the lowest unemployment rate among the ten largest industrial states. Approximately ten thousand downtown jobs are being created each year and the demand for housing keeps growing.

There has been a surge in construction of housing throughout the Commonwealth and particularly in the Boston metropolitan area in response to these statistics and to the rapid appreciation in values. With the median price of a single family house at \$150,000, and construction costs well below \$100,000, developers have rushed to build here in the last several years. Forecasts of 50,000 new housing units in Massachusetts for 1986, following a decade in which production has averaged about 20,000 units per year illustrates the extent of the building activity.

In Boston in the five years since 1980 there has been an annual average addition of 1,700 new dwelling units, made up equally of new net units and conversions. This pace picked up in 1985, with an increase to 2000 units. In response to population, employment growth projections, and vacancy rates, Mayor Flynn has committed to adding 3,400 units in 1986.

In spite of the steady construction activity, housing vacancies have continued to decline. As of 1985, housing vacant and available for occupancy made up only 4% of Boston's housing, according to the BRA-NDEA 1985 Household

Survey, as compared to 7.5% in 1980. The current rates of housing production in Boston represent half of what is needed. An additional four thousand units per year would meet estimated demand and 1000 units would replace old and obsolescent housing.

A review of residential building permits issued for the first eight months of 1985, (housing starts to be completed over 1.5 years) indicates that annual production will approach 2000 units in 1985 and 1986. Reuse accounts for 56%, new construction for 27% and vacant rehabs and illegal conversions for 17% of these new units. Approximately 800 of these units are planned for the Allston-Brighton neighborhood.

THE MARKET FOR HOUSING IN ALLSTON-BRIGHTON

The market for residential property in Brighton has its unique characteristics. Allston-Brighton has a higher proportion of renters than most Boston neighborhoods (84% vs 68%). The typical condominium buyer is young, single or married and without children, professionally employed, and either buying a first home or moving to Boston. The high cost of property in downtown Boston and Cambridge sends a purchaser to Brighton in search of less expensive units.

In the June, 1986, issue of Banker and Tradesman, which listed twenty-eight condominium closing in Allston-Brighton, sales data revealed that the average size of one bedroom units purchased was 585 square feet, and the average two

bedroom unit was 894 square feet. The average price for both unit sizes was \$154 per square foot. Price appreciation is illustrated in the following chart showing a random sample of Brighton condominium closings spaced twelve months apart.

CONDO SALES; JUNE 1985-JUNE 1986

	BR	S.F.	1985	1986	% change
26 Waverly Street	2	780	\$111.12	\$148.71	+34
290 Corey Road	1	685	\$122.62	\$192.70	+57
27 Lake Shore Rd	2	824	\$133.49	\$172.33	+29

The market characteristics can also be suggested in a review of three condominium developments in the market area: Redstone Court, The Vicomte, and The Courtyard. Each project has been designed with a market in mind, and the absorption rate and sales data for each provide valuable information to the developer of this site.

REDSTONE COURT

This eighty unit project is located on Allston Street, one block parallel to Commonwealth Avenue. The project consists of seventy, one and two bedroom units and ten townhouses. The site is in a densely built-up area of Brighton called Commonwealth, which is largely populated with students and has many surrounding homes which are in a somewhat dilapidated condition.

The project offers deeded parking located under the

building, a central courtyard, a swimming pool an exercise room and concierge services. Units are priced according to features such as fireplaces, balconies, or greenhouses and there is a wide range of unit prices which are summarized below.

Pre-sales for Redstone Court started in mid-April and units have been selling at the rate of two to three units per week. The pace has recently slowed to one to two per week, but this may be due to a seasonal decline.

THE VICOMTE

The Vicomte is a five story brick building located one block from Redstone Court. Construction has not yet begun, but pre-sales have. The Vicomte abutts an industrial building which houses the Allston Squash Club. Unit buyers are given a three year membership to the Club.

There are forty one bedroom and sixteen two bedroom units in this building and parking in a ground level garage. The project offers an adequate parking ratio of 1.29 spaces per unit, a lap pool, sauna, whirlpool and exercise room and concierge service. Twelve units have been sold from May, 1986, when pre-sales were initiated, to August, 1986.

THE COURTYARD

This eighty-four unit condominium project is located in Charlestown, another neighborhood of Boston which is experiencing a dramatic increase in property values and

housing starts. The site is tight and irregular, the four story brick buildings sit atop a two level parking garage. The project consists of twenty-four one bedroom and twenty-four two bedroom units, each with a deeded space. Additional spaces are each sold for \$17,000.

The Courtyard was entirely pre-sold prior to the commencement of construction. It is notable that the program contains none of the amenities of the other two projects described here, but had in general more well-equipped units. Each unit contains a microwave oven, washer/dryer, balcony, and fireplace. There are also several different unit configurations from which to choose.

PROJECT COMPARABLES					
	BR	UNIT SIZE	\$PSF	\$TOTAL	ABS.
Redstone Court	1	1000	162	162	8-12
	2	1000-1250	174-210	173-275	
The Vicomte	1	1000	145-210	145-210	4
	2	1000-1600	144-210	210-255	
The Courtyard	1	630	198	125	pre-
	2	950	238	225	sold

The Courtyard has the smallest and most completely equipped units but few other amenities. This pricing strategy seems to have worked for this project sold quickly and at a high per square foot price.

THE COMPETITION

Over the next three years several proposed projects will be brought to the market in Brighton that will constitute local competition for this proposal. These developments range in size from eight to three hundred and forty units and are illustrated in Exhibit 13.

15 NORTH BEACON STREET

This ten story building will contain 175 condominiums and sits on a 1.5 acre site in one of Brighton's more congested neighborhoods. The MBTA rapid transit Green Line passes in front of the site.

1360 COMMONWEALTH AVENUE

This sixty unit project is similar to the North Beacon Street proposal in that it is located in a congested neighborhood. The condominiums will be located in a seven story building on a busy street lined with many older apartment buildings.

1065 COMMONWEALTH AVENUE

There is a proposal for two twenty-four story towers on the site of Oste Chevrolet, which is adjacent to the Boston proper city line. The towers will contain 340 condominiums and the site is again located in a congested neighborhood. It is also doubtful that the proposal will be accepted unless the height of the buildings is substantially reduced.

FALLOW HILL

There is a hilltop monastery located near the Brookline-Brighton border that will be converted to a housing complex for the elderly. The one hundred unit development will be marketed to older Brookline and Newton residents and should not compete directly with the proposed project on Electric Avenue.

SOLDIERS FIELD ROAD

A 65 unit project proposed for an undisclosed site on Soldiers Field Road will directly compete with a project on Electric Avenue and will have the advantage of more direct view of the Charles River. Its context is more of a commercial an industrial one than that of the Electric Avenue location, but it will be brought to market sooner.

SUMMARY

With almost eight hundred units of housing planned for the Allston-Brighton neighborhood over the next three years, the market for condominiums may soften due to oversupply. The proposed project offers some advantage in its lower density design and more peaceful location. Capturing a share of the market will occur because of these advantages but the developer must also consider an aggressive pricing strategy and expect to invest in a marketing program to produce a healthy rate of absorption.

Figure 13
 Projected Residential Developments in Brighton
 1986 - 1990

Spring=S Fall=F
 Construction ++++ Sales ****

Proposed Project	Year											
	F 86	S 87	F 87	S 88	F 88	S 89	F 89	S 90	F 90	S 91	F 91	S 92

Electric Ave. Development 125 units													

Lincoln St. 88 units	+++++												

N. Beacon St. 175 units		+++++											

Heritage Dev. 16 units		+++++											

Soldiers Field 65 units			+++++										

1360 Comm. Ave. 60 units				+++++									

Oste Chevrolt 340 units													

Allston St. 8 units					+++++								

Fallow Hill 100 units													

Note: This data obtained from Boston Redevelopment Authority zoning staff member John Bell, August 1986

CHAPTER FIVE

PROGRAM

This chapter will address the program that has been established for the project and the rationale for its selection. Pricing concepts will be discussed and examined in relationship to the market studies. Project phasing and its benefits are explained. Finally, marketing strategies will be outlined, including project style and image, marketing methods, and sales techniques.

DEVELOPMENT TYPE

The highest and best use of the site is represented by a residential program. The site under examination is in an industrial zone surrounded by a residential area in a market that is exhibiting a strong demand for housing. The site could be used for office space, but has low visability and, in any case, the Boston office market is showing signs of softening. The choice of residential and not industrial, for which the market is also fairly strong, was arrived at because of the market but also because the use was more appropriate to the site context. The demand for housing in Boston has been previously noted and this site will easily accommodate such use.

TOWNHOUSES

The Program that has been developed consists of two

residential building types: townhouses and mid-rise buildings, each adaptable to condominium sales. There are 24 townhouses each consisting of 4 duplex units around a common stairway. Each block of units has 3 two bedroom units and 1 one bedroom unit. The 1 BR has a rooftop deck in place of the second bedroom. The lower duplex units have access to small private yards with terraces. The upper duplex units have decks on the rear of the building that also serve as their second means of egress. The 1 BR has 950 sq.ft. with 1 1/2 baths and the 2 BR units have 2 full baths in 1150 sq.ft. One parking space in the lots behind the buildings has been allotted to each unit. Extra parking can be accommodated on the streets in front of the buildings. The quad units are joined together to form structures that are 4 to 6 units in length. These buildings are placed along Electric Avenue to create a pleasant street similar to those found in the surrounding neighborhood. The street will be improved with new walks, trees and streetlights.

MID-RISE

In the rear of Parcel A a three story building will be placed atop a one story 110 car garage. There will be a total of 14 one bedroom and 15 two bedroom units in this building. The 1 BRs are 700 sq.ft. each and the 2 BRs are 950 sq.ft. The ground level will contain the parking garage, mechanical rooms, trash compactor, and lobby. This Lobby will have its main entrance from the front of the building, where there is a drop-off area and visitor parking. A rear

entry will give access to the parking garage. A Porter will be placed in the lobby to assist residents, accept mail, and to provide security. The elevator will lead to the second floor where there will be a common laundry room and a small lounge that overlooks the main entry. To the rear of the building will be a tennis court and landscaped grounds on top of the garage. The typical floor will contain five two bedroom units and five one bedroom units.

DESIGN RATIONALE

The forces that determined the design of this project came from three sources; the site, the housing market, and the political environment. The market indicated what was profitable to build and the site established the design while the political climate set limits on density and height.

The site has been discussed in an earlier chapter. The need to keep the project compatible with the existing neighborhood led to a low-rise scheme that reinforced existing street patterns. The deep, irregular site led to the placing of the 4 story building against the rearmost boundary line. Here the garage fills and masks the odd geometry of the site. The mid-rise structure is not noticeable from the existing streets and does not cast shadows on nearby homes. Finally, the best of design solutions will not be realized if they are strongly opposed by community and government groups. The solution for the

Electric Avenue site has to be one that will win the support of its neighbors and city officials.

The unit designs are influenced by market forces. While the need for housing has been great, there are recent signs that the market is softening. Housing prices are leveling off after two years of appreciation that totaled over 60%. There is presently a very large inventory of unsold units. The units that are selling are those priced in the mid to lower range of the market. This supports realtors claims that buyers have become very price sensitive.

The units of the project proposed in this paper are designed to fall into the middle market range. Keeping costs down will enable the units to be sold to a wide range of buyers. The profile of the typical buyer is young, single or married without children, well educated, and employed in a managerial or professional job. The least expensive unit, a 1BR flat, will be priced at \$122,500. This can be purchased by a buyer with an income of as little as \$45,000. The most expensive unit is a two bedroom duplex which is priced at \$172,000. This can be purchased by a buyer with an income of as little as \$67,000.

There are other reasons for keeping the unit prices down. Over eight hundred units of condominiums will be coming into the Allston-Brighton market. There is no way of estimating the absorption rate of these units. It is also impossible to foresee what interest rates on home mortgages will be two

years from now. Keeping the unit prices down is an effective way to minimize both market and financial risks.

UNIT PRICING

The unit pricing is as follows:

Townhouses

One Bedroom Units @ 950 sq.ft. x \$175.00/sq.ft. = \$142,500

Two Bedroom Units @ 1,150 sq.ft. x \$150.00/sq.ft. = \$172,500

Mid-rise

One Bedroom Units @ 700 sq.ft. x \$175.00/sq.ft. = \$122,500

Two Bedroom Units @ 950 sq.ft. x \$160.00/sq.ft. = \$152,000

The first phase of the project consists of the mid-rise building and two of the townhouse structures. The mid-rise building has 50% 1 BR and 50% 2 BR units of small size. The prices of these units is kept low, in line with what the present market studies indicate will sell best. Along with the mid-rise building a group of the duplex townhouse units will be built to test the market. This type of building is relatively unavailable in Allston-Brighton and consequently, the units should capture a healthy share of the market.

MARKETING CONCEPT

The selection of a project image will inform the building design, advertisements, and even stationary letterheads. All aspects of the public image of the project must reflect the chosen concept. The market concept must emphasize the advantages: (convenient location, quiet and stable

neighborhood, low density) and hide the bad qualities (the Mass Pike, the low income housing project). The marketing campaign will also tell the neighbors a great deal about the development and care should be taken not to arouse their concerns.

The use of an appropriate style is often gives a project identity. All too often, the style is one that has proven successful many times in the past but is now overused. In New England colonial and tudor styles are the most often used by housing developers and the result has been an unfortunate uniformity.

An appropriate style should be different, yet familiar and appealing to buyers. There is an interesting housing style that has its roots in late-19th century England. In this style, known as the Arts and Crafts Movement and latter English Art Nouveau, the first modern homes as we now know them were built. This style was brought to New England during the early-20th century just as the first streetcar suburbs were being built and it now graces many of Boston's finest communities. The homes on the streets surrounding the Electric Avenue site are modest vernacular versions of this style. This style is neat and compact and gives houses a general "cottage" and comfortable air. This style allows the use of a set of images in marketing brochures and ads that have not yet been used in Boston, and will underscore the uniqueness of the project.

The community will probably not find this type of image threatening as it will project values of stability and home that are compatible with their own. The English origins of this style are very much in keeping with the name 'Brighton', and should be a rich source of material for advertisements and promotional literature.

MARKETING TECHNIQUES

Once the project image has been established and the potential buyers identified, an organized sales campaign must be started. A real estate brokerage firm often will provide this service by placing advertisements, designing and printing brochures, and conducting broker parties. The fees for such services are negotiable. An alternative method is to hire an agency to design the literature and place advertisements in the print media. This, along with an in-house sales staff, can give the developer greater control of the marketing effort. In either case there should be an on-site sales representative on the developers payroll. Sales are then co-broked with outside realtors, thus saving a percentage of the brokerage fee. Specific sales material should include a well built model of the project and the neighborhood, a well furnished model unit, a 5-6 minute slide show about the project, a large, changing newspaper ad, and special events. Special events, such as the donation to restore McKinny Park, can benefit the project as well as the neighborhood. Pre-sales are an important part of

marketing efforts. They are often required to satisfy construction lenders requirements, and they can test the market while there is time to modify the design, and generate momentum in the sales effort.

SUMMARY

The program is created through the interaction of market, contextual, and political forces. The development must be attractive and affordable to the targeted buyers, it must be a responsible neighbor, and it should satisfy the community's political agenda. The project that is proposed in this paper is an attempt to reconcile these often conflicting goals. The design is a low density response that reinforces the existing street patterns, provides ample parking, and fills an unoccupied market niche.

Figure 14
Electric Avenue Development Program

TOWNHOUSES

24 One BR @ 950 sq.ft.
72 Two BR @ 1,150 Sq.ft.

Total Net - 105,000 sq.ft.
Total Gross - 116,000 sq.ft.

96 Parking Spaces on Grade
80 Parking Spacces on Street

MID-RISE

14 One BR @ 700 sq.ft.
14 Two BR @ 950 sq.ft.

Total Net - 24,000 sq.ft.
Total Gross - 27,700 sq.ft.

110 Parking Spaces in Garage
Tennis Court, Laundry Room

SUMMARY

Total Site Area - 191,000 sq.ft.
Total Gross Building Area - 143,700 sq.ft.
Floor Area Ratio (FAR) - .75
Precent of Lot Coverage - 40%

Number of One Bedrooms - 38
Number of Two Bedrooms - 87
Total Number of Units - 125

Total Number of Parking Spaces - 206
Parking Ratio - 1.7

PHASE I

Townhouse:
5 One BR @ 950 sq.ft.
15 Two BR @ 1,150 sq.ft.

Midrise:
14 One BR @ 690 sq.ft.
14 Two BR @ 950 sq.ft.
28 Units Total

20 Parking Spaces on Grade

110 Parking Spaces in Garage
Tennis Court, Laundry Room

PHASE II

Townhouse:
19 One Bedrooms @ 950 sq.ft.
57 Two Bedrooms @ 1,150 sq.ft.
76 Units Total

76 Parking Spaces on Grade



Fig.15 Proposed Development and Context

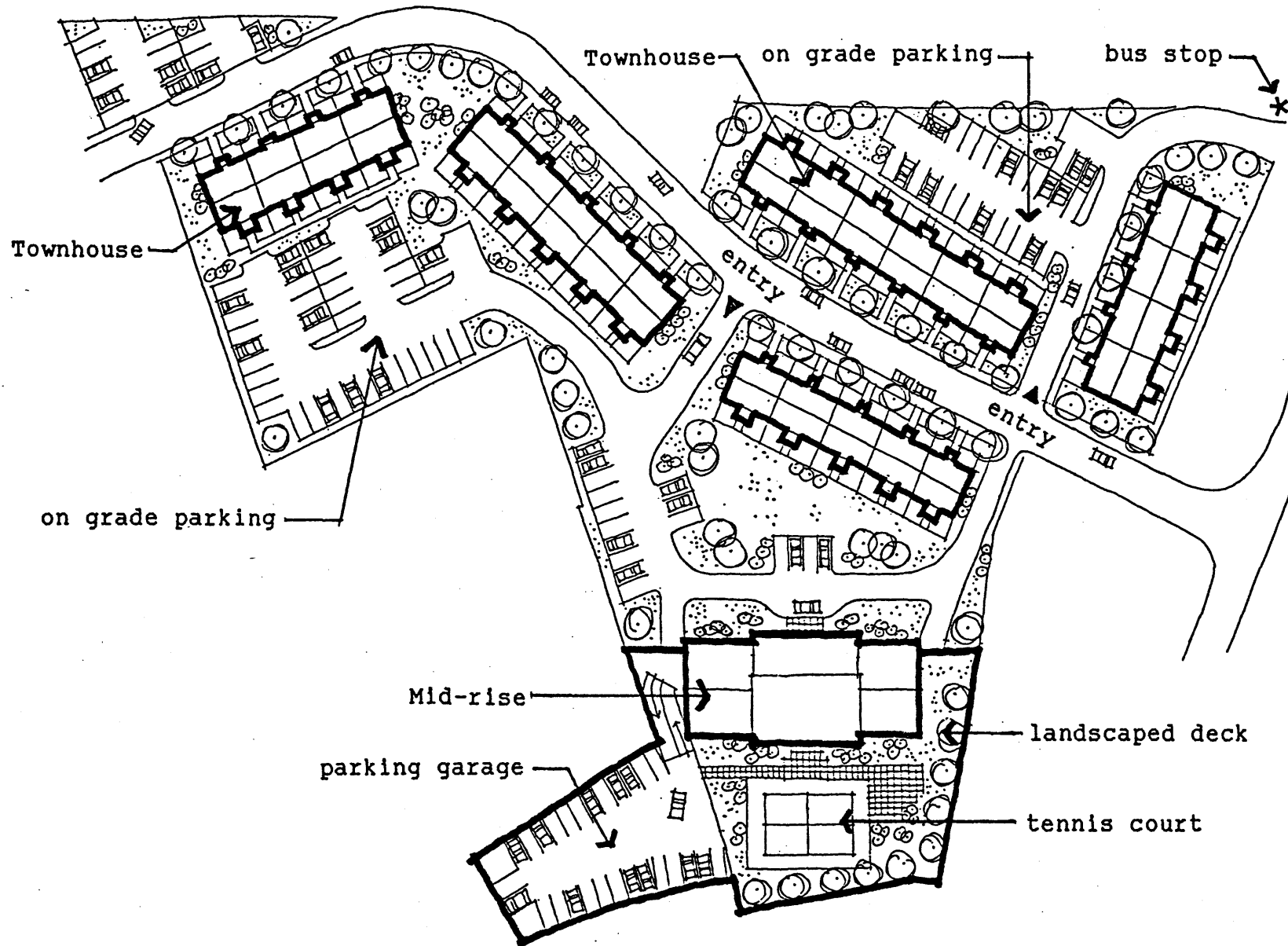


Fig.16 Proposed Development

72

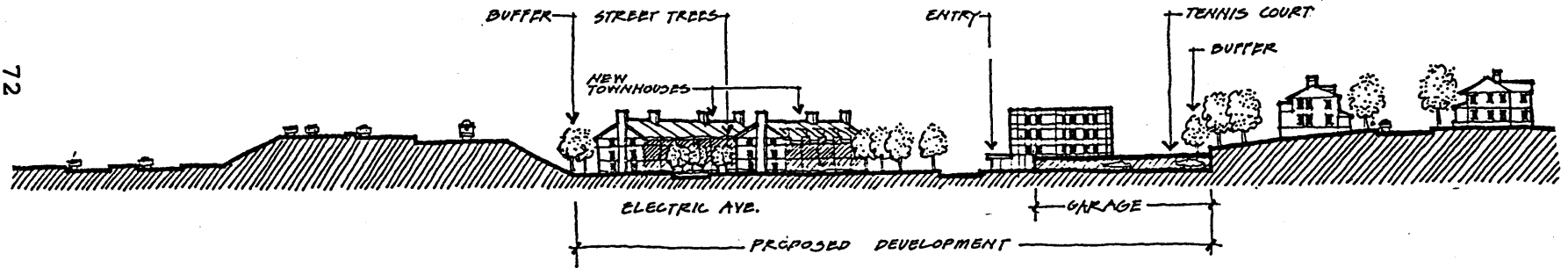


Fig.17 Site Section of Proposed Development

CHAPTER SIX

THE INVESTMENT DECISION

The purpose of the foregoing analysis was to reveal to a landowner the political and market context within which an investment decision can be made. The landowner has three choices: sell the land today; hold the land in expectation that its value will increase in the future; develop the land to its highest and best use.

In this Chapter the landowner's options will be addressed with reference to the relationship between risk and return for each of the alternatives. Two important facts influence the analysis. First, the land owner is contemplating and planning his retirement and should ultimately be concerned with the preservation of assets. Second, he has received at least two offers in the vicinity of 1.5 million dollars from developers interested in purchasing the land. These offers represent a low risk and profitable alternative to his developing the site.

The land has been held for several years by the same owner and has appreciated substantially in value. Recent offers are a reflection of the high prices paid for urban land in this area owing to the demand for housing and economic conditions, such as low interest rates, which favor homeownership.

The investor must assess the current offer for his land with

reference to future appreciation. If market conditions with respect to housing deteriorate, the land will lose value. If he sells the land today for its high offer price, he may forego the opportunity to realize even greater appreciation.

The conditions that favor real estate include population growth, available capital at low interest rates, a tax code which encourages home ownership, inflation and scarce supply. Most of these factors have been at work to drive up the value of undeveloped land and existing properties in the region. The notion that appreciation will continue is a hotly debated topic. What we do know is that the market for homeownership is very sensitive to each of these conditions.

The residual land value given current market conditions is far greater than the offers received for the undeveloped site. Exhibit 18 is a proforma for the residential program described in Chapter Five. The residual land value is approximately \$6.1 million. Clearly there is substantial value to be achieved from selecting the development alternative.

The residual land value derived from the analysis is, however, based upon the assumption that current favorable market conditions will continue. The political and market context within which the development must occur is very uncertain and these returns may vary. The investor must analyze the investment performance under several different market conditions.

The notion that more restrictive zoning may be imposed in Allston-Brighton is particularly important because it may either add to or subtract from the value of the land. In the short run, the zoning restrictions may have a negative impact on the land value due to the probable decrease in allowable density. In the long run, however, these restrictions will result in a better environment and housing will command higher prices. In this event, the option of holding the land in order to build optimally in the future becomes the more attractive alternative. However, the long range perspective may not suit the investor who is about to retire.

Selling the land today has an advantage in that it is a low risk alternative and the landowner will realize a healthy return on his investment. The disadvantage is that it will result in a substantial tax burden. The developed land is worth a great deal more and produces some tax shelter. The added return, however, may or may not compensate the investor for the additional risk assumed under the development option.

The risks of developing the site can be studied and minimized with design, marketing and pricing strategies that address the possible roadblocks to a successful project. The landowner may also limit his exposure to risk by way of the investment vehicle he chooses.

The attached financial data shown on Exhibit 18 represents a

development strategy and deal structure that will maximize return and minimize the risk to the landowner. The assumptions upon which it is based are conservative. Key variables such as construction costs, interest rates and sales velocity have been altered to test the degree to which positive or negative changes in these variables impact profitability.

The structure which will reduce the landowner's exposure to some of the development risk involves one in which the landowner, as a limited partner, contributes the land to a general partnership that will manage the development and pay all of the "up front" costs associated with the pre-construction activity. The general partners will also assume the "at risk" position with respect to the recourse financing. The construction loan, when funded, will return a partial payment of \$500,000 for the land to the landowner, which he may in turn invest in a risk free government security. This will provide diversification and cash flow. A preferred return of the remaining \$1 million market value of the land will be paid out as the project begins to show a positive cash flow.

The general partnership may require as much as a fifty percent share of the residuals in exchange for assuming all of the risks. In this event, the total profit to the landowner is in the vicinity of \$ 4 million. A general partnership entity with a good track record in developing

successful projects will assist in obtaining the favorable financing arrangement, which is essentially a fully leveraged situation.

RISK ANALYSIS

There are three principal areas of risk: political, financial, and market.

The politics of developing sites in the Allston-Brighton neighborhood are complicated. There are at least five civic associations, the BRA, the Allston-Brighton Improvement Association and the newly created Planning and Zoning Advisory Committee, that will participate in the process. In all likelihood the Mayor will approve the Interim Planning Overlay District, finally giving the residents some say in the planning process. And although there is a strong demand for housing, Allston-Brighton is already one of Boston's most densely populated neighborhoods. The addition of approximately 125 units of housing will attract a significant amount of neighborhood interest. Furthermore, the site is located in one of Allston-Brighton's most stable neighborhoods. Any threat to that stability is sure to create resistance to the project.

The possibility that a development proposal for this site will not be approved is a very significant risk in that it may cause the owner to forfeit the opportunity to sell the land. The owner will have demonstrated to potential purchasers that a residential development for the site is

not feasible. This outcome may not be so devastating if the owner wishes to continue to operate his business on the site, or can find a buyer interested in an industrial use for the site.

The political risk can be minimized with a program that addresses neighborhood concerns and that works financially even when scaled down. The developer should arrange to meet with neighbors and community groups early on to both mobilize support and hear from the opposition. Responding to the community is critical given the political climate. Brian McLaughlin, City Councilor for Allston-Brighton acts as an organizer of the various community groups concerned with development and would assist in arranging for a developer to meet with the residents.

The developer must also be prepared to offer the residents and the city some incentive for supporting the project. This could take the form of providing "affordable" units in accordance with Mayor Flynn's proposed inclusionary zoning policy, which, although not yet a law, is causing developers to offer approximately ten percent of the market rate units at cost. The developer should also consider offering to the neighborhood a contribution to be used to renovate McKinney Park, a potentially attractive amenity which is now in a dilapidated condition, or to provide low interest home improvement loans to the surrounding residents. There should be some creativity and flexibility in the program in

order that these concessions can be offered.

The impact upon profitability of a ten percent affordable housing requirement upon the project represents a revenue loss of approximately \$700,000. This is assuming that twelve units are put on the market at cost.

In summary, this project will be coming on line in the midst of the interim overlay planning process and may become a test case for the neighborhood groups in their participation in the planning process. For this reason it is very possible that density issues, parking requirements, height restriction and concern over design, affordability and the market that the development is likely to attract, will be more carefully scrutinized today than in the past. On the positive side, the site is large, isolated and easily accessible. The program with its townhouse scheme does not detract from the stability of the neighborhood.

MARKET RISKS

Although the demand for housing in the Boston area has been strong and appreciation rates on housing units in the range of 20-30%, the market for units in Allston-Brighton may exhibit weaknesses that are not present in the general market area.

Developers have flocked to Allston-Brighton because of the strong demand by students for rental units and the ease, at least in the past, with which projects have been approved. At

present there are approximately 750 new units planned for Allston-Brighton. Development in the general area is also occurring at a rapid pace and must be considered in estimating the supply side of the market.

The phasing of the project is intended to minimize the market risk represented by the possible oversupply situation when the project comes on line, approximately two years from now. A two phased project will bring fewer units on line at one time and will allow for a testing of the market demand in a general sense but also in terms of pricing, unit mix and construction, and operating cost. The second phase can be altered in accordance with the conclusions drawn from the acceptance of the first phase.

Market risk is also diminished by a market study that analyzes the existing and projected supply of housing and the nature of demand. A program which attempts to establish a market niche and a competitive edge should be designed. The assumptions upon which the program is based should be tested under varying rates of absorption and unit prices.

Sensitivity analysis was performed based upon a range of absorption rates that might occur if market conditions were either to deteriorate or improve. With a range of absorption rates of one to ten units per month, the profitability (profit as a percentage of cost) varies from 16% to 42% respectively. The effect of a weak housing market upon the profitability of the project is very substantial.

FINANCIAL RISK

The ability to manage financial risk is by way of deal structure and project financing. The fully leveraged deal where the construction loan funds the entire project cost and the landowner receives the value of the land at the time the loan is funded is an example. The recourse financing is arranged by the development entity and the assets of the landowner are not at risk. In exchange for this low risk posture, the landowner must give up a larger percentage of the profit to the development entity which assumes the recourse loan.

Although the exposure to risk is reduced, the returns to the landowner are still tied in to the value of the residuals. The degree to which the residuals are impacted by changes in the cost of construction and interest rates was analyzed to determine the variability of the returns. More pessimistic and optimistic assumptions were substituted in the sensitivity analysis and the following table illustrates the effect upon profitability.

	OPTIMISTIC	PROBABLE	PESSIMISTIC
	(Profit as a % of cost)		

CONSTRUCTION COSTS (\$50-\$80)	50%	38%	32%
INTEREST RATES (9%-16%)	40%	38%	30%

The impact upon profitability is not as extreme as that of a reduction in the rate of sales per month. However, the

results of the analysis are due in part to the fact that the interest cost on the construction loan is a small component of the overall project cost. Rising interest rates will have a far greater impact if one consider their effect upon demand for housing. The potential increase in return from a decrease in hard construction costs is notable.

SUMMARY

The risks of developing real estate are considerable. There are methods to control the exposure to risk. Phasing the project limits the size of the investment initially to test the product and provides flexibility and the opportunity to alter the program and the prices. Risk can also be minimized by an investment vehicle which provides the owner with up-front cash flow and a preferred return and without the "at risk" status under the recourse financing.

The the financial analysis, which indicates a before-tax profit of over six million dollars, may be cause for enthusiam. The investor must realize that the market for housing is highly sensitive to adverse economic conditions that are largely unpredictable. The development option, even under optimal conditions, is a alternative without guarantee.

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Arther Alan, Appraiser, Bank of Boston
Larry Bacow, Spaulding Investments
Tod Beatty, Principal, Ingram, Reattig, and Beatty
John Bell, Boston Redevelopment Authority Zoning Board
Merrial Diamond, Principal, Parencorp
Mark Fortan, Marketing Director, Ferrari and Forman
Jean Hamilton, Boston Redevelopment Authority
Gordon Hurwitz, Principal, Parencorp
Ken Kirwin, Metropolitan District Commission
Don Klabin, Developer
Rick Kobus, Principal, Tsoi and Kobus
Paula Macomber, Realtor, Ingram, Rettig, and Beatty
Brain McLaughlin, City Councillor, Brighton District
Willam Marchione, President, Brighton Historical
Society
Garlan Morse, Senior Vice-President, Bank of Boston
Mary Totten, Marketing Director, Marquis Century 21

APPENDICES

**EXHIBIT 18
GENERAL INFORMATION AND ASSUMPTIONS.**

CONSOLIDATED: 100% FINANCING PHASES ONE AND TWO		TOTAL NET REVENUES(TNR)	20,991,300
PROJECT NAME: BRIGHTON CONDOS		TOTAL COSTS	14,803,665
DATE OF PROJECTION: AUGUST 1, 1986		GROSS PROFIT	6,187,635
CONSTRUCTION PERIOD IN MONTHS (CP):	22		
MARKETING PERIOD IN MONTHS(MP):	25		
UNITS SOLD PER MONTH(SPM):	5		
TOTAL UNITS(TU)	125		

FINANCING ASSUMPTIONS:

CONSTRUCTION LOAN (phase one)		\$8,726,320
CONSTRUCTION LOAN (phase two)		\$5,790,801
TERM(T)	22	
INTEREST RATE(I)	10.00%	
POINTS(P)	0.01	

UNIT MIX AND REVENUE PROJECTIONS

LAND AREA: 190,000 S.F.		RATIO OF GROSS TO NET(CONDOS):	1.15
TOTAL UNITS: 125		RATIO OF GROSS TO NET(T.H.):	1.10
GROSS SQUARE FOOTAGE (CONDOS):	27,658	AVERAGE \$ PER UNIT	163,240
GROSS SQUARE FOOTAGE (TOWNHOUSES):	118,160	TOTAL REVENUE ON UNITS(TR)	
NET SQUARE FOOTAGE (CONDOS):	24,050	(net 4% brokerage)	19,680,000
NET SQUARE FOOTAGE (TOWNHOUSES):	105,600	PARKING REVENUE	1,870,000

UNIT MIX	\$ uni	s.f.	\$ psf	\$per unit	total \$
One B.R. Condo	14	700	175	122,500	1,715,000
Two B.R. condo	15	950	160	152,000	2,280,000
One B.R. T.H.	24	950	175	166,250	3,990,000
Two B.R.T.H.	72	1,150	150	172,500	12,420,000

Parking

Structured Spaces(SS)	110
Price per space(PR)	17,000
Spaces at Grade:	96
Spaces per unit:	1.65

Development Costs	Pre-Construction	Construction Start	gross cost	
Soft Costs:			0	
			0	0
			0	0
A&E (5%)		546,941	546,941	4,376
Survey, Borings, Geotechnical, 2IE			0	4,376
Insurance	50,000		50,000	4,776
Legal/Acctng	50,000	100,000	150,000	4,776
Permits	179,288		179,288	5,976
Development Fee		546,941	546,941	7,410
Contingency (5%)		546,941	546,941	11,785
R.E. Taxes(const)		56,526	56,526	16,161
R.E. Taxes (mktg)		201,003	201,003	16,613
Mktg/public relations		125,000	0	18,221
			125,000	18,221
TOTAL SOFT COSTS(SC)	279,288	2,402,641	2,681,929	21,455
HARD COSTS:				
Land		500,000	500,000	500,000
Parking:				500,000
at grade: 101@ \$1000		148,200	148,200	5,186
structured: 110@ \$10,000		1,100,000	1,100,000	13,986
Demolition		76,250	76,250	14,596
Landscape		178,750	178,750	16,026
			1,936,025	31,514
Condos @ \$70		1,936,025	6,969,600	87,271
Townhouses @ \$60		6,969,600	30,000	87,511
Tennis Court		30,000		87,511
TOTAL HARD COSTS(hc)		10,938,825		87,511
				87,511
TOTAL BEFORE FINANCING(TBF)		13,341,466		87,511
POINTS		145,171	145,171	88,672
INTEREST ON CONST. LOAN		1,317,028	1,317,028	99,208
			0	99,208
			12,401,024	99,208
			12,401,024	99,208

EXHIBIT 18: GENERAL INFORMATION : FULLY LEVERAGED, PHASE ONE

PHASE ONE (100% FINANCING)

PROJECT NAME: BRIGHTON CONDOS		ESTIMATED START DATE	MAY 1, 1987
DATE OF PROJECTION: AUGUST 12, 1986		CONSTRUCTION PERIOD/MOS. (PHASE I)(CPI)	12
CONSTRUCTION PERIOD IN MONTHS (CP):	12	CONSTRUCTION PERIOD/MOS (PHASE TWO) (CPTWO)	10
MARKETING PERIOD IN MONTHS(MP):	14	HARD COSTS/CONDOS(HCO)	70
UNITS SOLD PER MONTH(SPM):	5	HARD COSTS/TOWNHOUSES(HCT)	60
TOTAL UNITS (PHASE ONE) (TU1)	69		
TOTAL UNITS (PHASE TWO) (TU2)	56		

FINANCING ASSUMPTIONS:

CONSTRUCTION LOAN	8,726,320
TERM(T)	26
INTEREST RATE(I)	10.00%
POINTS(P)	87,263

UNIT MIX AND REVENUE PROJECTIONS

LAND AREA: 190,000 S.F.		RATIO OF GROSS TO NET(CONDOS):	1.15
TOTAL UNITS: (TU)	125	RATIO OF GROSS TO NET(T.H.):	1.10
GROSS SQUARE FOOTAGE (CONDOS):	27,658	RATE OF ABSORBTION(SALES PER MONTH)	5
GROSS SQUARE FOOTAGE (TOWNHOUSES):	48,400	GROSS REVENUES PER MONTH(RPM)	784,964
NET SQUARE FOOTAGE (CONDOS):	24,050	PARKING REVENUE(TOTAL)	1,394,000
NET SQUARE FOOTAGE (TOWNHOUSES):	44,000		

UNIT MIX	# units	s.f.	\$ psf	\$per unit	total \$	PARKING
One B.R. Condo	14	700	175	122,500	1,715,000	Structured Spaces(SS) 82
Two B.R. condo	15	950	160	152,000	2,280,000	Price per space(PR) 17,000
One B.R. T.H.	10	950	175	166,250	1,662,500	Spaces at Grade: (SAG) 40
Two B.R.T.H.	30	1,150	150	172,500	5,175,000	Spaces per unit: 1.77

DEVELOPMENT COSTS

A&E (5%)(AE)	297,501	Parking:	
Survey, Borings,		at grade: 101@ \$1500(PAG)	60,000
Geotechnical, 21E(S)	50,000	structured: 82@ \$10,000(SP)	820,000
Insurance(INS)	25,000	Demolition(DEN)	50,000
Legal/Acctng(LA)	100,000	Landscape(LNDS)	100,000
Permits(PMTS)	129,400	Site Preparation	50,000
Development Fee(FEE)	297,501	Condos @ \$70(HCC)	1,936,025
Contingency (5%)(CONTG)	297,501	Townhouses @ \$60(HCTH)	2,904,000
R.E. Taxes(const)(REC)	56,526	Tennis Court(TC)	30,000
R.E. Taxes (mktg)	100,840	TOTAL HARD COSTS(hc)	5,950,025
Mktg/public relations(MPR)	75,000	Land(L)	500,000
	<u>1,429,270</u>		<u>6,450,025</u>
TOTAL COST BEFORE INTEREST	7,879,295		
INTEREST COST	847,024		
TOTAL COST	8,726,320		
TOTAL REVENUES(NET) (TR)	11,793,200		
TOTAL PROFIT	3,066,880		
PROFIT AS A% OF COSTS	35.15%		
PROFIT AS A % OF SALES	26.01%		

EXHIBIT 18

PHASE ONE
MONTHS 1-9

CASH FLOW ANALYSIS : 100% FINANCING

MONTH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Revenues:									
Sales proceeds									
Less Brokerage									
Net Sales									
Parking Revenue									
Total	0	0	0	0	0	0	0	0	0
Expenses:									
Land Acquisition	500,000								
A&E	148,751	59,500	8,925	8,925	8,925	8,925	8,925	8,925	8,925
Development fee		74,375							
Survey	50,000								
Insurance		2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083
Legal/Acctg	10,000	25,000	25,000	1,550	1,550	1,550	1,550	1,550	1,550
Permits	229,400								
R.E.Taxes (const)		28,263					28,263		
R.E. Taxes(unsold units)									
Marketing		2,907	2,907	2,907	2,907	2,907	2,907	2,907	2,907
Hard Costs		892,504	297,501	178,501	509,058	509,058	509,058	509,058	509,058
Total	838,151	1,084,633	336,417	193,966	524,523	524,523	552,786	524,523	524,523
Cash flow before debt serv.	(838,151)	(1,084,633)	(336,417)	(193,966)	(524,523)	(524,523)	(552,786)	(524,523)	(524,523)
Less Debt Service:	0	0	0	0	0	0	0	0	0
Payback(cumulativ	0	0	0	0	0	0	0	0	0
PROJECT CASH FLOW	(838,151)	(1,084,633)	(336,417)	(193,966)	(524,523)	(524,523)	(552,786)	(524,523)	(524,523)
CASH FLOW (CUMULATIVE)	500,000	0	0	0	0	0	0	0	0

PHASE ONE
MONTHS 10-18

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPT
Revenues:									
Sales proceeds						784,964	784,964	784,964	784,964
Less Brokerage	0	0	0	0	0	31,399	31,399	31,399	31,399
Net Sales	0	0	0	0	0	753,565	753,565	753,565	753,565
Parking Revenue						101,014	101,014	101,014	101,014
Total	0	0	0	0	0	854,580	854,580	854,580	854,580
Expenses:									
Land Acquisition									
A&E	8,925	8,925	8,925						
Development fee	74,375					74,375			
Survey									
Insurance	2,083	2,083	2,083	2,083					
Legal/Acctg	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550
Permits									
R.E.Taxes (const)									
R.E. Taxes(unsold units)						15,346	14,234	13,122	12,010
Marketing	2,907	2,907	2,907	2,907	2,907	2,907	2,907	2,907	2,907
Hard Costs	509,058	509,058	509,058	509,058					
Total	598,899	524,523	524,523	515,598	94,179	18,691	17,579	16,467	15,355
Cash flow before debt serv.	(598,899)	(524,523)	(524,523)	(515,598)	760,401	835,888	837,000	838,112	839,224
Less Debt Service:	0	0	0	0	684,361	752,300	753,300	754,301	755,302
Payback(cumulativ	0	0	0	0	684,361	1,436,660	2,189,961	2,944,262	3,699,564
PROJECT CASH FLOW	(598,899)	(524,523)	(524,523)	(515,598)	76,040	83,589	83,700	83,811	83,922
CASH FLOW (CUMULATIVE)	0	0	0	0	76,040	159,629	243,329	327,140	411,063

PHASE ONE
MONTHS 11-26

	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE
Revenues:									
Sales proceeds	784,964	784,964	784,964	784,964	784,964	784,964	784,964	784,964	784,964
Less Brokerage	31,399	31,399	31,399	31,399	31,399	31,399	31,399	31,399	31,399
Net Sales	753,565	753,565	753,565	753,565	753,565	753,565	753,565	753,565	753,565
Parking Revenue	101,014	101,014	101,014	101,014	101,014	101,014	101,014	101,014	101,014
Total	854,580	854,580	854,580	854,580	854,580	854,580	854,580	854,580	854,580
Expenses:									
Land Acquisition									
A&E									
Development fee							74,375		
Survey									
Insurance									
Legal/Acctg	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550
Permits									
R.E. Taxes (const)									
R.E. Taxes (unsold)	9,432	7,965	6,499	5,033	3,567	2,100	634		
Marketing	2,907	2,907	2,907	2,907	2,907	2,907	2,907	2,907	
Hard Costs									
Total	13,889	12,423	10,957	9,490	8,024	6,558	79,467	4,457	1,550
Cash flow									
before debt serv.	840,691	842,157	843,623	845,089	846,556	848,022	775,113	850,122	853,029
Less									
Debt Service:	756,622	757,941	759,261	760,580	761,900	763,220	468,000		
Payback (cumulativ	4,456,185	5,214,127	5,973,388	6,733,968	7,495,868	8,259,088	8,727,088	0	
PROJECT CASH FLOW BEFORE SPLIT	84,069	84,216	84,362	84,509	84,656	84,802	774,344	850,122	853,029
CASH FLOW (CUMULATIVE)									
	495,132	579,347	663,710	748,219	832,874	917,676	1,692,021	2,542,143	3,395,173

PHASE TWO (100% FINANCING)

PROJECT NAME: BRIGHTON CONDOS		ESTIMATED START DATE	MAY 1, 1988
DATE OF PROJECTION: AUGUST 12, 1986		CONSTRUCTION PERIOD/MOS. (PHASE I) (CPI)	12
CONSTRUCTION PERIOD IN MONTHS (CPTWO)	10	CONSTRUCTION PERIOD/MOS (PHASE TWO) (CPTWO)	10
MARKETING PERIOD IN MONTHS (MPTWO)	11	HARD COSTS/CONDOS (HCO)	73.5
UNITS SOLD PER MONTH (SPTWO)	5	HARD COSTS/TOWNHOUSES (HCT)	63
TOTAL UNITS (PHASE ONE) (TU1)	56	INFLATION FACTOR (IF)	1.05
TOTAL UNITS (PHASE TWO) (TU2)	56		

FINANCING ASSUMPTIONS:

CONSTRUCTION LOAN	5,790,801
TERM (T)	21
INTEREST RATE (I)	10.00%
POINTS (P)	57,908

UNIT MIX AND REVENUE PROJECTIONS

LAND AREA: 190,000 S.F.		RATIO OF GROSS TO NET (CONDOS):	1.15
TOTAL UNITS: (TU)	125	RATIO OF GROSS TO NET (T.H.):	1.10
GROSS SQUARE FOOTAGE (CONDOS):	0	RATE OF ABSORPTION (SALES PER MONTH)	5
GROSS SQUARE FOOTAGE (TOWNHOUSES):	67,760	GROSS REVENUES PER MONTH (RPMTWO)	854,688
NET SQUARE FOOTAGE (CONDOS):	0	PARKING REVENUE (TPRTWO)	467,500
NET SQUARE FOOTAGE (TOWNHOUSES):	61,600		

UNIT MIX	# units	s.f.	\$ psf	\$per unit	total \$	PARKING
One B.R. Condo	0	700	175	122,500	0	Structured Spaces (SSTWO)
Two B.R. Condo	0	950	160	152,000	0	Price per space (PR)
One B.R. T.H.	14	950	175	166,250	2,327,500	Spaces at Grade: (SABTWO)
Two B.R. T.H.	42	1,150	150	172,500	7,245,000	Spaces per unit:

DEVELOPMENT COSTS

A&E (5%) (AETWO)	214,190	Parking:	
Survey, Borings,		at grade: 56 @ \$1500 (PAG)	88,200
Geotechnical, 21E (STWO)	0	structured: 110 @ \$10,000 (SP)	0
Insurance (INSTWO)	25,000	Demolition (DEM)	26,250
Legal/Acctng (LATWO)	50,000	Landscape (LND)	78,750
Permits (PMTSTWO)	112,738	Site Preparation	25,000
Development Fee (FEETWO)	214,190	Condos @ \$70 (HCC)	0
Contingency (5%) (CONTBTWO)	214,190	Townhouses @ \$60 (HCTH)	4,065,600
R.E. Taxes (const) (RECTWO)	56,526	Tennis Court (TC)	0
R.E. Taxes (mktg2)	100,163	TOTAL HARD COSTS (HCTWO)	4,283,800
Mktg/public relations (MPRTWO)	50,000	Land (LTWO)	0
	<u>1,036,997</u>		<u>4,283,800</u>
TOTAL COST BEFORE INTEREST	5,320,797		
INTEREST COST	470,004		
TOTAL COST	5,790,801		
TOTAL REVENUES (NET) (TR)	9,189,600		
TOTAL PROFIT	3,398,799		
PROFIT AS A % OF COSTS	58.69%		
PROFIT AS A % OF SALES	36.99%		

EXHIBIT 18

CASH FLOW ANALYSIS : 100% FINANCING

PHASE TWO
MONTHS 1-9

MONTH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Revenues:									
Sales proceeds									
Less Brokerage									
Net Sales									
Parking Revenue									
Total	0	0	0	0	0	0	0	0	0
Expenses:									
Land Acquisition	0								
A&E	107,095	42,838	8,032	8,032	8,032	8,032	8,032	8,032	8,032
Development fee		53,548							
Survey	0								
Insurance		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Legal/Acctg	5,000	12,500	12,500	943	943	943	943	943	943
Permits	112,738								
R.E. Taxes (const)		28,263					28,263		
R.E. Taxes (unsold units)									
Marketing		2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
Hard Costs		642,570	214,190	128,514	471,218	471,218	471,218	471,218	471,218
Total	224,833	784,577	239,581	142,348	485,052	485,052	513,315	485,052	485,052
Cash flow									
before debt serv.	(224,833)	(784,577)	(239,581)	(142,348)	(485,052)	(485,052)	(513,315)	(485,052)	(485,052)
Less									
Debt Service:	0	0	0	0	0	0	0	0	0
Payback (cumulative)	0	0	0	0	0	0	0	0	0
PROJECT CASH FLOW BEFORE SPLIT	(224,833)	(784,577)	(239,581)	(142,348)	(485,052)	(485,052)	(513,315)	(485,052)	(485,052)
CASH FLOW (CUMULATIVE)									
	0	0	0	0	0	0	0	0	0

PHASE TWO
MONTHS 10-18

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPT
Revenues:									
Sales proceeds			854,688	854,688	854,688	854,688	854,688	854,688	854,688
Less Brokerage	0	0	34,188	34,188	34,188	34,188	34,188	34,188	34,188
Net Sales	0	0	820,500	820,500	820,500	820,500	820,500	820,500	820,500
Parking Revenue			41,741	41,741	41,741	41,741	41,741	41,741	41,741
Total	0	0	862,241	862,241	862,241	862,241	862,241	862,241	862,241
Expenses:									
Land Acquisition									
A&E	8,032	8,032							
Development fee	53,548								53,548
Survey									
Insurance	2,500								
Legal/Acctg	943	943	943	943	943	943	943	943	943
Permits									
R.E. Taxes (const)									
R.E. Taxes (unsold units)			15,346	14,234	13,122	12,010	10,898	9,786	8,674
Marketing	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
Hard Costs	509,058	509,058							
Total	576,439	520,392	18,648	17,536	16,424	15,312	14,200	13,088	65,523
Cash flow									
before debt serv.	(576,439)	(520,392)	843,593	844,705	845,817	846,929	848,041	849,153	796,718
Less									
Debt Service:	0	0	759,234	760,235	761,235	762,236	763,237	764,238	717,046
Payback(cumulativ	0	0	759,234	1,519,468	2,280,704	3,042,940	3,806,177	4,570,415	5,287,461
PROJECT CASH FLOW	(576,439)	(520,392)	84,359	84,471	84,582	84,693	84,804	84,915	79,672
CASH FLOW (CUMULATIVE)									
	0	0	84,359	168,830	253,412	338,104	422,909	507,824	587,496

PHASE TWO
MONTHS 11-26

	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE
Revenues:									
Sales proceeds	854,688	854,688	854,688	854,688					
Less Brokerage	34,188	34,188	34,188	34,188					
Net Sales	820,500	820,500	820,500	820,500					
Parking Revenue	41,741	41,741	41,741	41,741					
Total	862,241	862,241	862,241	862,241	0	0	0	0	0
Expenses:									
Land Acquisition									
A&E									
Development fee	53,548								
Survey									
Insurance									
Legal/Acctg	943	943	943	943					
Permits									
R.E. Taxes (const)									
R.E. Taxes (unsold	10,105	9,127	8,150	7,172					
Marketing	2,358	2,358	2,358	2,358					
Hard Costs									
Total	66,954	12,429	11,451	10,474	0	0	0	0	0
Cash flow									
before debt serv.	795,287	849,812	850,790	851,767	0	0	0	0	0
Less									
Debt Service:	504,000								
Payback(cumulativ	5,791,461	0							
PROJECT CASH FLOW	291,287	849,812	850,790	851,767	0	0	0	0	0
CASH FLOW (CUMULATIVE)									
	878,783	1,728,595	2,579,385	3,431,152	0	0	0	0	0

LIST OF EXHIBITS

Figures	Page
Fig.1 Map of Boston	30
Fig.2 Map of Brighton	31
Fig.3 Proposed Site	32
Fig.4 Contour Map	33
Fig.5 Site Section	34
Fig.6 Neighborhood Features	35
Fig.7 Zoning Map	36
Fig.8 Auto and Bus Circulation	37
Figs.9-12 Photographs of the Site and Neighborhood ..	38-41
Fig.13 Projected Residential Development in Brighton....	60
Fig.14 Program of the Proposed Development	69
Fig.15 Plan of Proposed Development and its Context	70
Fig.16 Plan of Proposed Development	71
Fig.17 Section of the Proposed Development	72
Fig.18 Project Proforma and Cash Flow Analysis.....	86