MIXED INCOME HOUSING IN THE SOUTHWEST CORRIDOR PROJECT REDEVELOPMENT AREA

by

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Bachelor of Arts
University of Colorado
1979

SUBMITTED TO THE DEPARTMENT OF ARCHITECTURE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT AT THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SEPTEMBER, 1986

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Submitted to the Department of Architecture on August 15, 1986 in partial fulfillment of the requirements for the Degree of Master of Science in Real Estate Development

ABSTRACT

This thesis examines the Request for Proposal (RFP) process for mixed-income, for-sale housing in the Southwest Corridor Project Redevelopment Area. It analyzes the political and economic feasibility of development by non-profit and for-profit developers. The sites are jointly owned by the Massachusetts Bay Transportation Authority (MBTA) and the Boston Public Facilities Department (PFD) and are located in Jamaica Plain, Massachusetts.

First, the author describes the development context and the objectives of the RFP. Options for development and finance are presented. Second, the objectives and characteristics and characteristics of for-profit and non-profit developers are analyzed. Valuable aspects of the non-profit approach are suggested to the for-profit developer and vice versa. Third, the implications of neighborhood involvement in developer designation are discussed. The agendas of neighbors and community groups and potential effect on the development are evaluated. Fourth, options that meet the parameters defined by the community and RFP are examined for economic feasibility.

Finally, an appropriate development entity and a competitive proposal are suggested. Issues that are not addressed by the RFP are discussed. The author concludes that profits from market-rate housing for cross-subsidy to below-market housing and simplified design controls are necessary to meet target housing goals.

Thesis Advisor: James McKellar
Professor of Architecture and Planning

Acknowledgements

I would like to thank my thesis advisor, Jim McKellar for his advice and patience with my process. Thanks to Mike Wheeler for getting the writing started, not a moment too soon. I am indebted to Gerry Frank, Monte Franke and Joe Henefield for large chunks of their time. My greatest appreciation goes to Iddy and Des for tolerating behavior unbecoming a husband and father.

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I. BACKGROUND

SITE CONTEXT

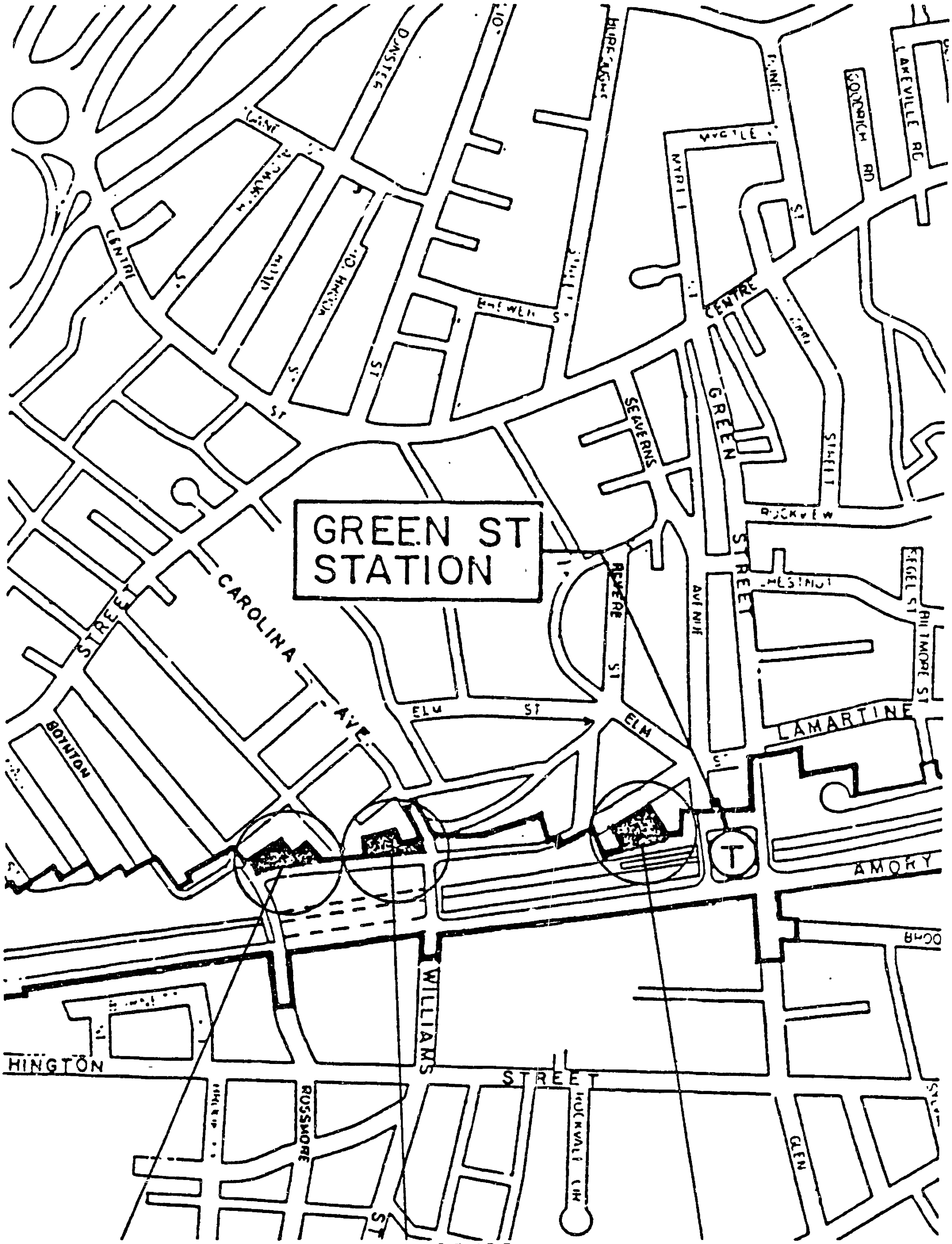
The three parcels named in the Requests for Proposals (RFPs) that are examined in this thesis are located at the base of the Sumner Hill area of Jamaica Plain. The top of Sumner Hill holds some of Boston's finest residential Victorian architecture. The bottom of the hill, where the now submerged Stoney Brook flowed, has long been associated with manufacturing and since the early 20th century, with rail transportation. In the space of one quarter mile, from the top of Sumner Hill down to Call Street, running parallel to Stoney Brook, historic socio-economic gradations are easily traced by architecture; from the stately Victorian homes at the top to the six-room worker's cottages at the bottom. The architectural diversity is reflected in today's residents, a mix of old and new, professional and working class, white and Hispanic.

The surrounding community is both aware and active politically, but this was not always so. In 1948, the State of Massachusetts conceived of a major highway through this Southwest corridor and on to an inner beltway through Roxbury, Brookline and Cambridge. Land for this project was assembled and buildings demolished until 1970 when strong grassroots political action convinced Governor Sargent to take a harder look and finally stop the process in 1972. The

people of the neighborhood had taken control of their destiny and were not about to surrender it when the Massachusetts Bay Transportation Authority (MBTA) took control of the land to upgrade the mass transit system via the Southwest Corridor Project (SWCP).[1] The MBTA and the neighborhoods of the SWCP area have maintained a close and often tense dialogue ever since.

In 1973, Neighborhood Committees and Station Area Task Forces (SATFs) were formed to review all aspects of the project. In 1979 the SATFs participated with a number of community organizations, the City and the MBTA in producing the SWCP Development Plan which identified surplus land and potential uses. Plans for parcels 45, 30/31, and 32/33 have always been for housing and have been further modified to reflect a need for below-market, owner-occupied housing. The Green Street SATF has jurisdiction over these parcels and has been instrumental in the final content of the RFPs. The socio-economic diversity of the neighborhood has made concensus difficult and there are still many open issues.

Final developer selection will be made by a Design Review Committee composed of SATF members and representatives of the City and the MBTA. Potential developers will present proposals at least twice for the general public, three times by those who make the "short list". All three parcels require variances and to receive proxy support at appeals hearings must garner concensus from both the MBTA and the SATF.



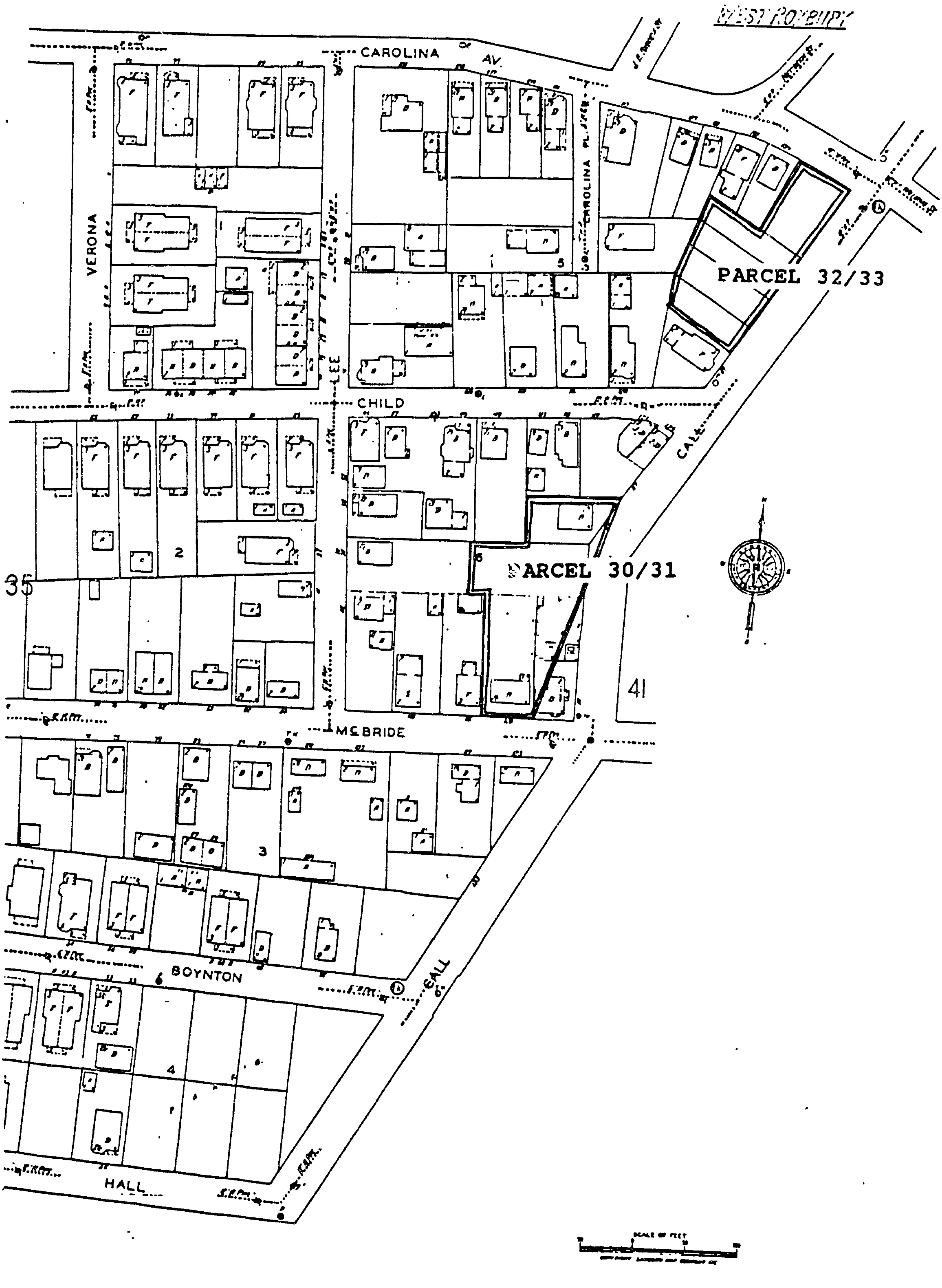
PARCEL 30/31 PARCEL 32/33 PARCEL 45

PARCEL DESCRIPTIONS

Parcel 30/31 is a 17,760 square foot lot with a 225 foot frontage on Call Street and 50 foot frontage on McBride Street. The parcel has a minimum depth of 50 feet and a maximum depth of 120 feet. The site is level and overgrown, and has several large trees inconveniently located in the middle of the site. Achieving target density will require removing most of these trees. In addition, there are three buried foundations and associated disturbed soil which may pose engineering difficulty and added expense. A maximum of 14 units can be built on this parcel.

Call Street was devastated by the land assembly for the planned highway and is interspersed with a few original homes and many vacant lots. Straightening Call Street has caused many of the vacant lots to be unbuildable because of their odd shapes and small size. Immediately across Call Street is the SWCP buffer parkland and the depressed train lines. McBride Street has many small worker cottages and two and three family homes in various states of repair.

On both streets the houses are closer to the street than revised zoning codes allow. Variances will be required to build with the appropriate setbacks. Zoning requirements also include 1.5 parking spaces per unit. Meeting such requirements would cause most of the site to be covered, thus it is suggested that a variance for 1.0 spaces per unit



CAROLINA AV.
VERONA
LEE
CHILD
CALL
PARCEL 32/33
PARCEL 30/31
35
41
McBRIDE
BOYNTON
HALL

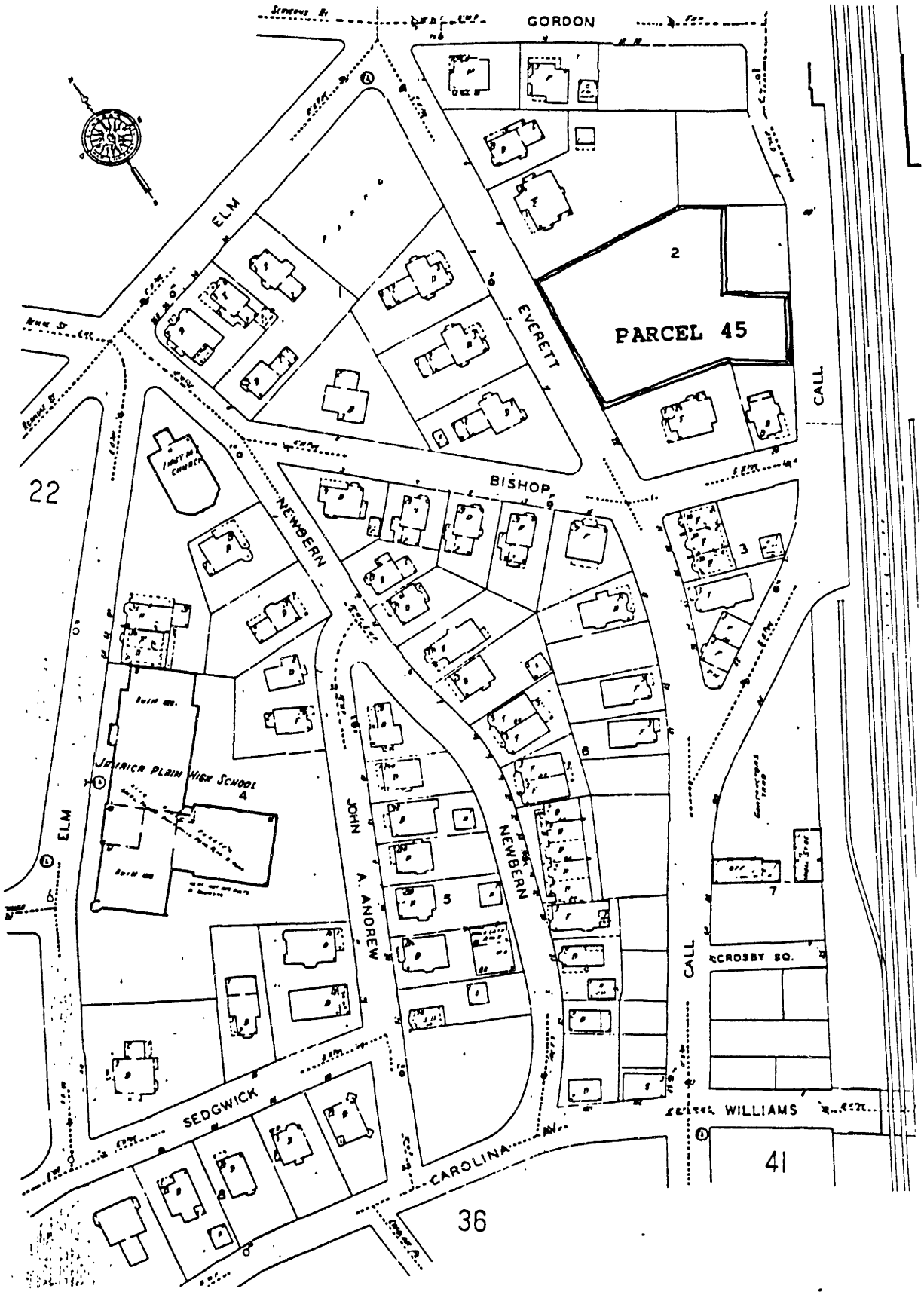
on site and .5 spaces on street be applied for.

Parcel 32/33 is a 13,875 square foot porkchop shaped lot with a 203 foot frontage on Call Street and 57 feet on Carolina Avenue . The maximum depth of the site is 100 feet and the minimum depth is 47 feet. A maximum of eight units may be built on this parcel. Child Street and two corner lots separate parcels 30/31 and 32/33. The parkland buffer continues in front of parcel 32/33. The houses on Child Street and Carolina Avenue resemble those on McBride Street in scale and character. Parcel 32/33 has no important vegetation or surface features. The zoning conflicts, setback and parking, found on parcel 30/31 are also found on parcel 32/33 and should be dealt with similarly.

Parcel 45 is a 22,100 square foot lot on Everett Street, two blocks north of parcel 32/33 and three blocks north of parcel 30/31. The frontage is 140 feet and the depth varies from 112 feet to 190 feet. The number of units allowable on parcel 45 is "5 - 10" and 1.5 parking spaces per unit are required on-site.

The site is nearly flat, except for a small unbuildable piece at the back of the site that slopes down to the right of way for the SWCP. A water and sewer easement runs under this portion of the the site. There are several mature trees near the rear of the parcel which should be saved if possible.

The immediate neighbors to either side of parcel 45 are very ornate, restored 1880's Victorian single family homes

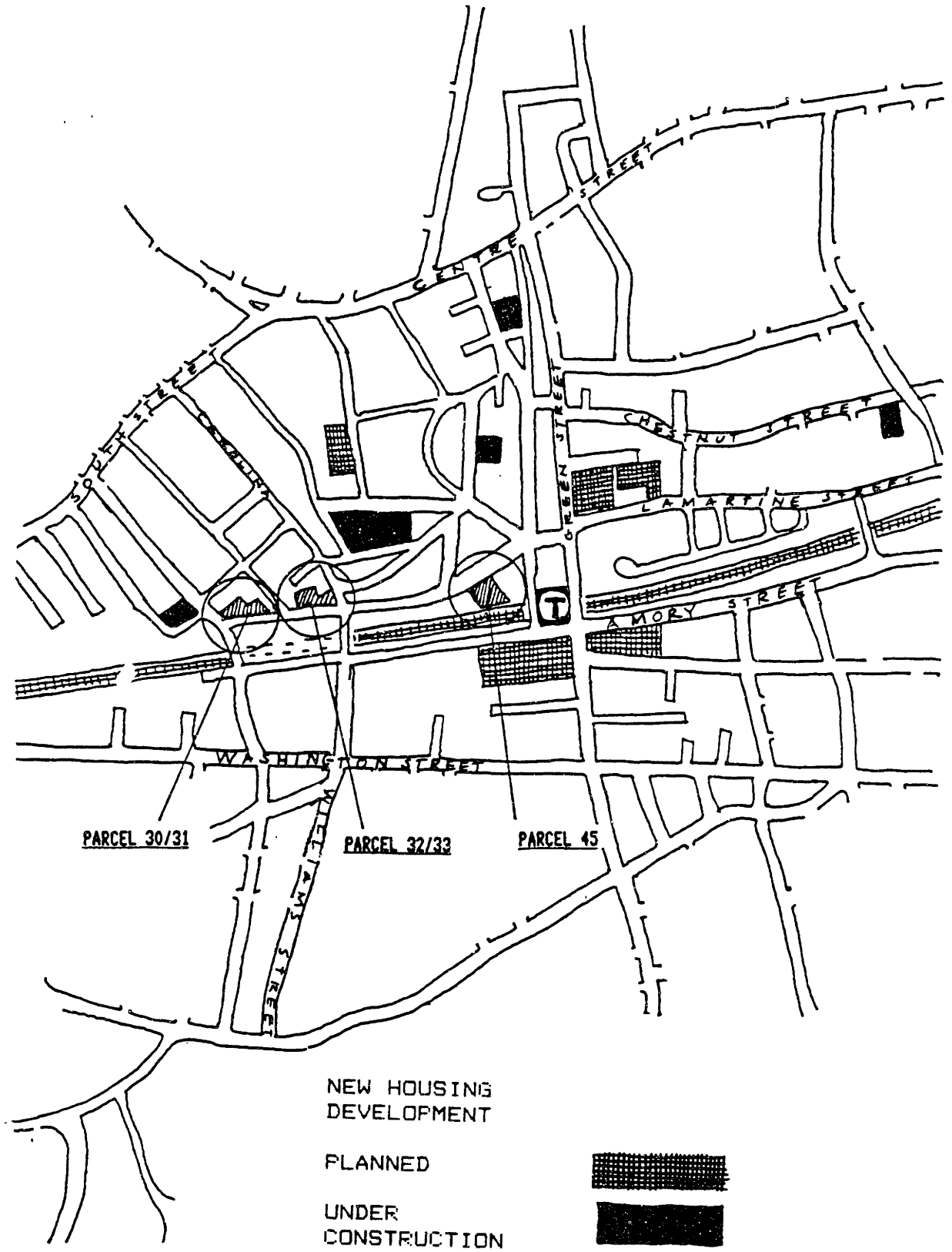

GORDON
ELM
EVERETT
PARCEL 45
CALL
BISHOP
NEWBERN
22
JAMAICA PLAIN HIGH SCHOOL
4
JOHN A. ANDREW
NEWBERN
ELM
SEDGWICK
CROSBY SQ.
WILLIAMS
CAROLINA
36
41
2
3
5
7

of the Eastlake style. One of these, number 22, is reportedly controlled by a speculator who hopes to make a deal with the developer of parcel 45.[2] The three homes across Everett Street from parcel 45 were built as identical Mansard style Victorians but have undergone differing repairs and renovations. The back of the site abuts and overlooks the new Green Street MBTA Station. Design of buildings for this site should be determined, to a large extent, by compatibility with neighboring structures. Distance of housing from the train tracks should be maximized and sight and sound buffers provided.

JAMAICA PLAIN REAL ESTATE MARKET

An article in the April 28, 1986 Boston Business Journal begins, "Jamaica Plain is being transformed by a high powered real estate boom. A community in steep decline less than a decade ago, this large neighborhood in southwest Boston was recently acclaimed in Money magazine to be one of the nation's six "hottest" neighborhoods." The article goes on to say that housing prices in several neighborhoods, including Sumner Hill, have grown by up to 500-1,000% since 1980, and 250% since 1983.

Jamaica Plain remains popular because of it's diverse and integrated population, solid older housing stock, and accessability to parks and public transportation systems. Recently the "hot" market has been discovered by long time residents who have flooded the market while cashing in their


CENTRE STREET
SOUTH STREET
CHESTNUT STREET
LAMARTINE STREET
AMORY STREET
WASHINGTON STREET
WILLIAMS STREET
PARCEL 30/31
PARCEL 32/33
PARCEL 45
NEW HOUSING DEVELOPMENT
PLANNED
UNDER CONSTRUCTION

"goldmines". Though prices have not fallen, brokers say demand has not kept up with supply and at the present time there is a large inventory. Homes are now on the market for an average of two plus months, up from about one month in 1985.[3]

New housing stock is usually the product of renovation or reuse, but increasingly houses are being torn down to make way for higher density. Within a one half mile radius of parcel 45, more than 100 units of new or rehabilitated housing are planned or under construction; 27 at the Bowditch School, 20 at the former Area E police station, 12 plus at the site of two condemned fraternity houses and an as yet undetermined number on vacant land across the SWCP from Parcel 45 on Amory Street. Much of this housing is planned as market rate.

Developers interested in building market rate housing on parcel 45 must make a careful analysis of the amount and timing of their competition. If the proposed units arrive on the market when the market rate units on parcel 45 are ready for sale, absorption and thus profits could be slashed. Unfortunately, timing in Jamaica Plain is very difficult to predict. The Bowditch School has seen proposals ranging from artists studios to subsidised rental over the last five years. The present plan calls for a 55/45 mix of market and subsidised condominiums, down from a 90/10 mix. The developers have been haggling with community groups for months about changing the mix, further stalling the project.

There is a "tent city" planned as an attempt to get the developer de-designated and replaced by a non profit developer. The Area E police station project was stopped by community groups during construction in the summer of 1985 for flagrant violation of sale price agreements. The project remains stalled one year later.

Besides the difficulty in determining the competition in the market, the location of parcel 45 is a mixed bag. Proximity to the new Green Street station could not be better from a transportation standpoint. Since the new trains are not yet operational the noise and vibration from the trains are an unknown negative factor. Interviews with local brokers indicate that access to transportation is valued by buyers. Boston at Mid-Decade, a preliminary draft of a Boston Redevelopment Authority (BRA) study, indicates that there is a shift to white collar employment by Jamaica Plain residents, reinforcing the perceived importance of transportation access. What is unknown is the buyer's willingness to tolerate noise and activity associated with subway stations and the effect of that willingness on price.

Housing units in Jamaica Plain are larger than the Boston average with a mean size of 5.0 rooms per unit.[4] Expectations of room size are also greater than in more urban locations. Brokers are of the opinion that an 850 square foot "two bedroom" unit, average for the South End or Back Bay, would be considered small in Jamaica Plain. A two bedroom unit representative of the Jamaica Plain market is

closer to 1000 square feet. Popular features are off-street parking, porches or decks, hardwood floors, and fireplaces or wood stoves. Prices for good quality construction vary greatly within Jamaica Plain. Using current market conditions as a guide, $125 per square foot is considered a safe low end and $160 per square foot a maximum for units in this area offering desired features.

II. OBJECTIVES OF THE RFP

The RFPs for surplus land in the SWCP area reflect the objectives of the City and MBTA, influenced by individuals, businesses and organizations from the impacted neighborhoods. These objectives are compatible with city-wide objectives for housing, job opportunities and community involvement. The objectives are met through guidelines and requirements which are applied to each parcel. As part of the community involvement objective additional guidelines and requirements overlay the corridor-wide objectives to make development compatible with the neighborhoods in which they occur. Listed below are the objectives, both corridor - wide and parcel - specific, and a summary of their content. This information is from the draft RFP dated March 26, 1986. The final "Developer Kit" RFP is due for release on August 15, 1986.

CORRIDOR-WIDE OBJECTIVES

=> City planning objectives -- "Housing and jobs... coordinated on behalf of existing residents and merchants."

=> Community involvement -- "A rigorous process of community participation...through Neighborhood Committees and Station Area Task Forces (SATFs)...to review all aspects of the project."

=> Minority Owned Business Enterprise (MBE)/Women Owned Business Enterprise (WBE) objectives -- "one of the criteria for selection of qualified development teams for this and all other SWCP Development Parcels will be the nature of MBE

and WBE participation in the development teams. ... a firm Corridor-wide policy that the combined value of total MBE and WBE participation for all SWCP parcels will equal a minimum of thirteen percent for MBE's and three percent for WBE's of the total cost of SWCP development"

=> City of Boston Resident Employment objectives -- "identify the number of job positions to be created by the project and to demonstrate their ability to hire City residents, minorities and women."

=> Housing objectives -- "... seek a range of income mixes and housing types and to ensure long-term affordability of new housing."

PARCEL-SPECIFIC OBJECTIVES AND GUIDELINES

=> Development objectives

* create owner occupied housing
* ownership opportunities for persons with low and moderate income (see Appendix A)
* houses which are a "good neighbor"/architecturally consistent
* opportunities for local residents -- developers, contractors, laborers

=> Use controls

* land use and building type -- architecturally compatible with surrounding -- including detached single, duplex, triplex or townhouse; large multi-unit structures are not appropriate
* scale -- maximum three stories plus usable basement
* parking - parcel 45 : 1.5 spaces per unit no on-street
  - parcels 30/31 and 32/33 : 1.0 spaces per unit on site plus .5 spaces per unit on street; requires variance
  - all parcels : minimize paved area
* zoning -- variances required for front yard size and aforementioned parking requirement
* architectural guidelines -- must resemble houses, dimensions and materials in keeping with those nearby, use appropriate architectural elements
* planning guidelines
  - maximize open space, front, side and rear yards and a ten foot wide buffer strip between abuttors must be landscaped
  - shared open space should be minimized, open space should belong to a specific unit as much as possible
  - "location and design of potentially shared

elements... must emphasize the character of a series of houses and not an apartment building."
- the configuration of buildings should encourage individual visual identity for each unit or small groups of units.
- trash storage must not be visible from public streets and screened from abuttors

OPTIONS FOR DEVELOPING PARCELS 30/31, 32/33, AND 45 AS A PACKAGE

5

OPTION A = Develop parcel 45 with housing units which are eligible for the Massachusetts Housing Finance Agency's (MHFA) First Time Homebuyer mortgage program, including a maximum sales price of $110,000 <tentative at this writing>. Under this option, the same developer may also propose to develop mixed-income housing on parcels 30/31 and 32/33, but this combined development is NOT a requirement. 50% of the units on parcels 30/31 and 32/33 should be eligible for the MHFA First Time Homebuyer Program and 50% should be available to buyers eligible for the Massachusetts Housing Partnership's (MHP) Homeownership Opportunity Program (HOP).

OPTION B = Develop parcel 45 with housing units which are not subject to a sale price limitation. The developer of parcel 45 will provide a substantial portion of the profits from the sale of units on parcel 45 to reduce the sale prices of units on parcels 30/31 and 32/33. The developer of parcel 45, for market-rate sales, is required to sign a formal agreement with the developer of parcels 30/31 and 32/33 (if different) to provide a predetermined amount of subsidy. 50% of the units on parcels 30/31 and 32/33 should be available to buyers who are eligible for the MHFA First Time Homebuyer program and 50% should be available to buyers eligible for the MHP/HOP program.

STAGES OF THE DESIGNATION PROCESS

STAGE I.

Developers submit qualifications statements

* Elaborate and expensive submissions are not encouraged.
* developers may be requested to present to the SATF

The following material should be provided:

- letter of interest signed by the lead principal

- credentials of all principals, including experience
- identification and credentials of other team members
- statement of financial resources and financing strategy
- statement of MBE/WBE roles; responsibilities, dollar value of participation
- description of plan for providing affordable housing; clearly indicate intent to pursue one of the two affordability options or propose an alternative option
- statement describing preferred approach to insuring long-term affordability
- statement of recruiting plans in accordance with the Boston Resident Jobs Policy

STAGE II.

Development proposals by qualified developers

* developers will be expected to present to the SATF

* the MBTA's Board of Directors has specified the following evaluation criteria for selection to "short list" (not in order of significance)

  - financial benefit to the MBTA
  - economic impact on the surrounding area
  - relationship to local and regional land use policies (in this case the 1979 SWCP Development Plan)
  - quality of the design
  - MBE and WBE opportunities in the project

* the Director of Southwest Corridor Project Design and Development and the City and Public Facilities Department have specified the following additional criteria :

  - responsiveness to all of the parcel use controls in this kit together with other steps which lead to creation of well built, architecturally compatible houses
  - responsiveness to the options identified under "Specific Housing Objectives" for providing affordable housing units
  - strong project management and sufficient financial resources to complete the project

STAGE III.

Negotiation

* two to four short-listed developers negotiate with Design Review Committee to reach best and final offer
* more detailed information may be required
* each member of Design Review Committee prepares written recommendation for a specific developer

STAGE IV.

Designation

* MBTA General Manager chooses developer based on Design Review Committee recommendation
* MBTA General Manager certifies that construction can begin within three months
* "Developer Agreement" is signed by all parties

The developer selection process is designed to allow equal opportunity to all interested parties. The process eliminates the non-serious by increasing requirements at each of the stages. The timespan, from the first day that the developer kits are advertised to the selection of a developer, is estimated to be twenty-two weeks. Given the delays in reaching concensus on the wording of the kits themselves, thirty weeks might be more realistic and one year not surprising. Because of the time involved, prospective developers should use care in making projections of cost. An effort has been made to encourage groups with limited funding to submit proposals. Stages of the designation process have been laid out step by step to limit uncertainty and allow for resource planning. The discouragement of elaborate and expensive submissions can work in favor of the well-funded organization, allowing money to be spent on research rather than promotion.

The MHFA First Time and MHP/HOP mortgage programs are designed to be the primary subsidy for these parcels. Eligibility is granted to a developer on an RFP basis. It is anticipated that this process will be coordinated by the MBTA/PFD but completed by individual developers.

Many of the RFP requirements are standard, such as credentials and clear statements of intent, and should be anticipated by anyone considering working with public agencies. Regardless of the commonness of these requirements, some may dissuade developers. The sponsors of the RFP have indicated a desire to appeal to both for-profit and non-profit developers. Before examining the RFP to determine the applicability to either or both types of developer, the characteristics of the for-profit and non-profit developer must be examined.

III. OBJECTIVES AND CHARACTERISTICS OF THE TWO CAMPS - FOR PROFIT AND NON PROFIT

FOR PROFIT

The main objective of the for-profit developer is easy to discern -- maximize profit and minimize risk. But both profit and risk expectations are relative. Over time most developers will acquire a feel for a rate of return that they can expect on a given project. There are many elements that go into the risk/return decision.

The ideal capability of a developer would be the ability to produce instantaneous product, thus eliminating the risk of changing market conditions. This is, of course, impossible but the developer is always trying to approach immediate supply to market demand with efficient production and flexibility.

An equally ideal situation for a developer would be an oversupply of buyers. A ready list of buyers is a rarity but occurs in certain socio-economic/locational intersections. Beachfront property is an example of highly demanded product in short supply. Prices for beachfront property are thus bid higher than across the street neighbors. The RFPs examined here have an additional factor built in -- consumer surplus. Market quality homes are offered at below-market prices and financed at below-market interest rates, providing a list of willing buyers whose incomes have not allowed for

homeownership in the past. Thus, the risk to takeout of construction financing is eliminated, relative to market rate housing of the same quality and in the same area. In Boston, below-market prices are achieved by subsidized land costs, Community Development Block Grant (CDBG) money and any other subsidy that the developer can provide. Therefore it is necessary to determine market land value before setting sales prices and design programs.

The developer must look at risks other than availability of buyers as a function of income and interest rate. There are also many risks in the delivery system. Poor weather, labor and material shortages or price increases are all anticipated risks and are usually quantified in an expected return. Urban developers also face a risk inherent in old infrastructure and unpredictable subsurface conditions. Zoning and building code variances are nearly always required in an urban environment. The amount of time and money needed to procure the necessary variances is often difficult to quantify. This is especially true when coupled with "neighborhood risk", the risk that neighbors will act with hostility toward one or more aspects of a project and effect a delay or halt. Usually neighborhoods will react to unfavorable developments in early stages but modifications to the scope of work can increase risk and decrease return considerably. Developers in Boston are particularly susceptable to this type of risk because the 40 year old zoning laws do not reflect current land use patterns and a

public appeals process allows for organized opposition. The ideal risk situation in this case would have full community support and regulatory approval reducing the risk to carrying costs. The RFP process provides an opportunity for the designated developer to proceed with limited risk of neighborhood adversity to the project.

The result of the additional risks faced by urban developers is a higher expected rate of return than that of suburban counterparts. This translates into higher profits for those who do their homework or guess well. Extraordinary rates of return have been the rule for Boston developers since about 1983. Because of a strong economy, a difficult approvals process, and pent up demand from two years of high interest rates, housing prices have increased at annual rates of 25-40%. Rate of return expectations have been inflated as a perpetual speculative heaven is lived and dreamed by brokers. Expectations of increasing prices have greatly influenced buyers and sellers of land. When the market peaks, the recent land buyers will be the big losers. Rule of thumb risk/return ratios have been liberalized in these years of inflation and simultaneously certain segments of the market, notably luxury condominiums, risk oversupply.[6]

If one believes that land prices are too high for anticipated returns, then a somewhat contrarian viewpoint may be in order. One can produce a lower risk scenario by seeking community support or assuring below-market prices for market-rate product. Lower but safer returns must be

acceptable and projects must be looked at case by case. Risk still remains in the production stage but can be reduced, at a price, with manufactured housing. Current state of the art manufactured housing cannot be expected to receive support on these parcels.

Because there is more profit available elsewhere on 100% market-rate housing, the typical for-profit developer interested in these parcels will have other motives for developing. Coupled with a low risk/return requirement a developer may find these parcels attractive for one or more of the following reasons:

1. Seeks an entree into the neighborhood - looking for a goodwill asset
2. Has other sites that can be linked to one or another of these sites - physically or economically
3. Development entity includes fee based organization - construction company, architecture firm, or brokerage
4. Grew up in neighborhood, made money, now would like to return a favor
5. Is genuinely interested in community based development

Reasons four and five are primarily philanthropic and though they may be done in the name of profit , profit is not the reason for doing them.

Reasons one, two, and three, when combined with a list of guaranteed buyers, become compelling. Reason one, seeking an entree, is ambitious and could boomerang if the developer is insensitive to the neighborhood. The potential advantages

are great, for there is no better way to learn about the idiosyncracies of an area than to go there every day. Opportunities may not knock on the door but they will be more easily spotted. If there is really a committment to working in the neighborhood, for whatever reason, the time spent working with local officials and influentials will be invaluable.

Reason two, additional sites, is compelling to the author. In a well defined RFP, such as those in the Green Street area, proximity to an additional site would provide flexibility in both design and negotiations with the SATF. Addressing RFP design issues on the additional parcel is likely to carry neighborhood approval necessary for a variance. Interviews with MBTA officials indicated an interest in this type of "linkage" and a willingness to help in the approval process for the additional parcels. The MBTA has also indicated a willingness to issue support for parcels within the SWCP impact area but not physically connected to its parcels. In both cases the MBTA indicated a willingness to help with financing arrangements.[7] One is, of course, subject to the whim of the MBTA, but such arrangements could set one apart from the competition.

Reason three, organization around a fee-based business, is also compelling, especially if the business is local. Such businesses can take their operating fees as well as a share in the profits from the market-rate sales. Allocating overhead costs to the fee-based operation results in making

bottom line profits appear smaller. This tact will not be overlooked by at least some interested community members. Local business is also the key to meeting Corridor-wide employment goals. It is likely that local businesses have a large enough network to find local labor and perhaps minority and woman-owned businesses.

If a developer has at least one of the above reasons for interest in the parcels, he/she must determine a possible return. The developer must look at Options A and B (page 20)and the sources of subsidy available to do either. Capital requirements, land value, and phasing must be analyzed for impact on the risk/return decision. The MBTA has let out ballpark estimates for acceptable land price of $1000-$4000 per unit and subsidy payments of + or - $10,000 per unit or the selling price of two parcel 45 units to be applied to parcels 30/31 and 32/33.[8]

NON-PROFIT

The typical non-profit housing developer differs greatly from the typical for-profit developer.[9] Most have grown from neighborhood groups, where they were active in the planning and design stages, to developers for specific projects. Regardless of size or location, the non-profit developer assumes that the guidance for the project will come from the community. The best non-profit developers are experienced at building concensus. Political and economic balance are applied to community agendas to help focus

priorities. The non-profit group that can get concensus has the distinct advantage of building design and political strength at the same time. This relationship, while advantageous in stable economic environments, can be quite cumbersome in volatile environments. Imagine the confusion caused when home mortgage rates rise or fall by two points during the time between developer designation and completion of construction. Where does the extra money come from or go to? Who decides what must be compromised? At that point, separating economics from emotion and politics will be very difficult. It is unlikely that this hypothetical scenario has been seen by non-profit developers because homeownership programs are so new.

Another aspect where non-profit developers differ from for-profit developers is on time horizons for projects. With the for-profit developer, no lawsuits one or two years after sellout means no more headaches and a few more pictures for the brochure. For the non-profit, community-based developer, construction and occupancy are only the beginning of an association with the development. Non-profit groups are often choosing their own neighbors, at least by proxy. Thus buyer selection and longterm affordability mechanisms take on paramount importance. Therefore, control and availability of subsidies, minor concerns of the for-profit developer, are very important to the non profit.

A typical non-profit developer operates on a shoestring budget. "Profits" are used to pay salaries and overhead

expenses. In most cases, research and planning are done in spare time or not at all. By definition, non-profits must spend what they make and windfalls usually go back to the project. The non-profit developer is committed to the least expensive housing possible. Many non-profits have had difficulty meeting this objective because of poor management. The successful ones, however, are quite adept at keeping costs entirely competitive and prices far below for-profit developers with the same product.

It is a difference of objective that separates for-profit from non-profit. The difference of objective makes it easier for the non-profit to stand up and state "profit" as a simple percentage of costs or a dollar amount. Conversely, the for-profit developer bristles at the thought of having to defend margins. The following diagram depicts the difference of priorities between for and non-profit developers.[10]

	[HIGH]		[LOW]
TRADITIONAL DEVELOPER PRIORITIES	(1)	The User Market: Identifying, Defining, Analyzing	(7)
	(2)	The Site: Analyzing Use, Options and Market Potential	(6)
	(3)	Site Control: Securing	(5)
	(4)	Preliminary Architectural: Preparing Plans and Costing Out	(4)
	(5)	Capital and Financing: Determining Availability and Cost	(3)
	(6)	Government Approvals: Obtaining	(2)
	(7)	Community Purposes: Determining and Meeting	(1) COMMUNITY DEVELOPER PRIORITIES
	[LOW]		[HIGH]

Many problems stem from the distance placed between number one and number seven in this diagram. Because the "user market" becomes a part of the "community" at tenancy, isolating the two is short sited at best. The best developers, non or for-profit, will approach community purposes and the user market with equal consideration.

The ways that non-profit developers cut costs are through low salaries, basic office quarters and efficient use of all available subsidy. The sharp non-profit developer will go beyond the federal and state subsidies to philanthropic foundations, the "socially conscious investor" market and every deal, grant or subsidy available from local governments. The sharpest developers will make deals between

organizations for the benefit of all parties.

A type of non profit has emerged to cope with across-the-board reductions in housing subsidy. It uses profits from market rate units to buy down the cost of other units. Bridge Housing in San Francisco and Greater Boston Community Development (GBCD) in Boston are two examples of this unique form of developer. Entrepreneurial spirit, financial sophistication and social goals are effectively combined to produce subsidised housing that "doesn't look like subsidised housing" at very low buyer cost.[11]

A privately admitted similarity between for-profit and sophisticated non-profit developers is displeasure with legislated social benefit programs that have a negative impact on price. Subsidy meant for housing goes to contractors and their employees as a result of Davis/Bacon prevailing wage laws. Hiring quotas for residents and disadvantaged groups often disqualify the best subcontractors, thus raising prices. The for-profit developer has the choice of walking away to market-rate deals but the non-profit must use the resources available to solve the problem at hand. Most importantly, it is not what the managers of these non-profit groups think but that they need community support and to get it must somehow balance political agendas.

Besides the legislated political agendas there are written and unwritten agendas that change with abuttors and neighborhoods. The non-profit developer looking at these

parcels will have to balance pro-market and pro-subsidy forces that roughly split the neighborhood. Strong and convincing arguments against the perceived negative impact of permanently below-market home prices on surrounding homes will be necessary, as will assurances that responsible citizens will be chosen as buyers.

The long-term approach of the non-profit is pervasive. Most non-profit developers are interested in staying active in the area and therefore must maintain visibility and effectiveness. This differs with the desire of many for-profit developers to remain invisible and avoid the vulnerability that comes with visibility.

IV. WHAT CAN THE FOR PROFIT DEVELOPER LEARN FROM THE NON PROFIT DEVELOPER AND VICE VERSA ?

Since the 1960's non-profit developers have risen in visibility and sophistication, learning from the successes and failures of for-profit developers.[12] They can now provide many lessons to the for-profit developer. The first and most important is that a quantifiable level of community support is imperative for any project. The non-profit generally accepts community concensus and therefore builds in approval. The for-profit developer traditionally has met the "us against them" approach and said no when pushed too far. The for-profit has the advantage of being able to say no or negotiate. Negotiation requires familiarity with several design and finance scenarios and a thorough understanding of the development process. It also requires time. The RFP designation process only allows the developer to negotiate if shortlisted. Therefore a negotiation range should be built into the proposal as options from the preferred program.

The preferred program is arrived at by compromising between market conditions, perception of community sentiment and available finance. As part of the disposal process for all SWCP parcels there are frequent public hearings attended by representatives of interested groups. Minutes of each meeting are kept and speakers are asked to identify

themselves before speaking. The minutes, with names and addresses of attendants, are published for public consumption and are an invaluable source of names and issues. This is a short-cut route to meeting public sentiment. A more thorough approach would involve meeting with knowledgable individuals to discuss important issues. The SATF meeting minutes should provide a ready list of such individuals. For sites or areas not discussed by a well organized group, local newspapers and any related public hearing can provide insight.

In the SWCP and any long-term affordability program, a long range outlook for the project is important. The community, the sponsors of the RFP, and the funding agencies will be looking for proposals that best consider programs for selection of owners, division of property to encourage individuality and maintenance and preservation of a stock of affordable housing. These are unusual requests for most for-profit housing developers but must be considered before going ahead with a proposal.

Finally, pull out all financial tricks and learn about new ones. Successful non-profit groups are masters at asking for things and getting them. Grants, low interest bridge financing and cross subsidy are all available. Do not expect simple public programs to provide all the available funding. Gaining knowledge of this information takes time and energy. Some forms of funding are not easily available and funds for all programs are limited. Money that was available from one

source last year may not be available or may be available in another form from a different source. Therefore currency is important. Fluency is equally important - some subsidies do not work with others , some work well together.

Developing with the aid of subsidy takes work, which costs money. The for-profit developer interested in doing subsidized housing must be prepared to learn and relearn subsidy programs and think like a non-profit developer. Unfortunately, thinking like a non profit is not enough to get many subsidies. For profit groups are often completely excluded from subsidy programs regardless of where the subsidy comes from or goes to. This is true in Boston in 1986, as the table on the next page shows.[13]

PROGRAM	DOLLAR SOURCE	FOR WHOM	APPROP TO RFP ?	$/UNIT	LIMITS /COMMENTS	USED IN ANALYSIS
B O S T O N P.F.D.						
NEW CONSTR INITIATIV	Fed CDBG	NFP JV	YES	$8-13K	Max $ negotiable depends on pairing w other subsidy ‡‡limited avail for these pcls	(NFP,JV)‡‡
MAP/TAP	Fed CDBG	NFP	YES	varies	Front end costs - recapturable $25-52K per project ‡‡limited avail for these pcls	NFP
LEND	Fed CDBG	NFP	YES	varies	Loan to 50% proj cost-flex term Acquis and other up front costs ‡‡limited avail for these pcls	
BUILD	Fed CDBG	NFP	YES	varies	const mortg-100% lett of crdt reqd ‡‡limited avail for these pcls	
CDAG	Fed	NFP FP	NO	varies	limited funds-usu go to single large project	
Land Grant	City	FP NFP	YES	$10-20K	eliminates most eligibility for CDBG $	FP,NFP,JV
UDAG	Fed	NFP JV	YES	varies	reauthorization being debated best suited for 15-40 units doubtful availability	(NFP,JV)‡‡
OTHER SUBSIDY	City	FP NFP	YES	$2-10K	assist w street & site imprvmts coop w bldg and zoning variances	FP,NFP,JV
I N D E P E N D E N T A G E N C I E S O F M A S S.						
MHFA	BONDS	FP NFP	YES	2 pts below market	Perm and some constr finance income/price limits-own occ only perm mortgage w bank	FP,NFP,JV
CDFC	BONDS, STATE	NFP	POSS	varies	source of equity repaid @ below mkt rates-applic only if other pcls involvd in proposal	
MASS LAND BANK	BONDS	NFP (JV) (FP)	LMTD		buy down rates	
E.O.C.D. O F M A S S.						
H.O.P.	BONDS	FP NFP	YES	3 pts. below MHFA	income and price limitations resale restrictions - gradual return to MHFA rate over 10 yrs	FP,NFP,JV
707	STATE	FP NFP	POSS	varies	good for indiv rental units diff to use w MHFA & HOP	
P R I V A T E S O U R C E S						
LISC	grant	NFP (JV?)			source of equity paid back at below market rates	
SOCIALLY CONSCIOUS INVESTORS	loan grant	NFP (JV?)			often special purpose often hard to find or count on usu low int bridge financing	

‡‡ $2000 ADDED PER UNIT

WHAT THE NON-PROFIT CAN LEARN FROM THE FOR-PROFIT

Being "of the community" is both the greatest strength and the greatest weakness of the non-profit developer. The strength is in having political clout. The weakness is also political and stems from being influenced by too many people with too many agendas. This can cause two problems: 1) difficulty focusing on and setting priority objectives and 2) management nightmares arising from attempts to please everyone within hiring, architectural and financial requirements. It is inevitable that the non-profit will have to say no to some supporters and possibly the project if it cannot both maintain support and narrow objectives.

The for-profit developer is, by definition, only responsible to its investors. The for-profit developer thus focuses on objectives that are within the capabilities of the organization and and says no to requests for modifications that jeopardize those objectives. Economics drive the decision making process, and efficient management implements those decisions.

Many non-profit proposals fail because sheer optimism cannot eliminate economics or management problems. The non profit must avoid becoming a "yes man" and thus the "greater fool". A non-profit developer cannot just adopt for-profit strategies, but they can be adapted and applied to the political process by which concensus decisions are made. Part of the way to adapt these strategies is by looking at

individual projects as part of a whole. One development opportunity may be more appropriate for meeting certain social agendas than another. Therefore, avoid the all-purpose project.

The non-profit developer should be financially sophisticated. Many non-profit groups are formed by socially responsible people to whom financial wizardry is either deemed unimportant, not worth what it costs or altogether distasteful. A savvy finance person will be able to form arguments that guide the non-profit to the most economic method to meet its social agenda. An understanding of the private sector and it's investment needs has been very effective in the past. The "socially conscious investor" market has used tax losses in subsidised housing deals to offset income from other sources very effectively in the wake of reduced Federal subsidy programs. It remains to be seen whether or not such opportunities will be available after the impending tax law changes.

Financial sophistication is worthless if basic cost assumptions are erroneous. All costs should be understood and pared as much as possible. A working relationship should be initiated with a contractor and/or an architect sympathetic to the developer's needs and the objective of quality, low-cost housing. This is easier said than done, but Community Development Corporations (CDCs) and church groups have aligned themselves with the local halls of Carpenters and Bricklayers unions quite successfully. Union

labor is provided at known costs and with a high level of cooperation. The union can then provide training for local workers making resident and minority hiring goals attainable.

The for-profit developer may find the requirement to design a long-term affordability mechanism enough of a headache to eliminate the project from consideration. The argument is that simplicity is the key to smooth management and that affordability mechanisms are, by definition, complex. The non-profit developer should consider the long term costs to administer a complex program and balance these costs against the increase in affordability provided. The non-profit needs to learn to manage the risk to its social objectives. Net affordability or risk to affordability should be considered. The for-profit developer has a long term approach to business versus the non-profit developer's long term approach tc a project. The non-profit needs to develop a long-term approach to its business.

V. EXAMINATION AND COMMENT ON THE CONTENT OF THE RFP

CORRIDOR-WIDE OBJECTIVES

The corridor-wide objectives, described in chapter two, are written in such a way that they can be modified by parcel-specific objectives that are appropriate to the neighborhood that includes those parcels. The only quantifiable Corridor-wide objectives are those relating to hiring quotas. The appropriateness of applying these quotas to below market housing and/or projects of this magnitude is questioned by both the non and for-profit developer.

PARCEL SPECIFIC OBJECTIVES

Troublesome objectives for both the non and for-profit developer fall into two categories: those that are philosophically objectionable and those that are practically objectionable. The planning guidelines in the present state of the RFP set up a scenario that pits practicality against aesthetics and personal preference. The non-profit developer may react negatively to pressure for low-density and a list of "design elements". He/she will argue for functionality and low cost against the self interested view of neighbors. Philosophical arguments such as this one can lead to proposals that do not adequately meet criteria for developer designation. The for-profit developer may pose similar arguments based on the efficiency of spreading infrastructure costs over more units to lower sale prices or

increase profits. This tact will also lead to inappropriate proposals.

Planning and architectural guidelines may pose practical hurdles for both non and for-profit developers. Suggested sale prices in the RFP will become requirements by designation time. Failure to adequately estimate the cost of providing architectural elements or landscaping features will not be absorbable by price hikes on parcels 30/31 and 32/33. The construction progress meetings, required by the RFP, will insure that some form of promise is kept. The configuration of parcels 30/31 and 32/33 is irregular. More units means more housing or more profit, representing the concerns of non and for-profit developers respectively. The developer must fit enough units on the site to take advantage of economies of scale, build units large enough for families, minimize paved areas and provide as much landscaped open space as adjacent areas. To reconcile those diverging objectives, potential developers should anticipate higher design costs to produce efficient site plans for these parcels. Redesign for density or parking during negotiation may strain a developer's budget.

OPTIONS FOR DEVELOPING PARCELS 30/31, 32/33 AND 45 AS A PACKAGE

The suggested options for developing these parcels as a package seems, at first, to limit for-profit and non-profit roles. Option A (MHFA First Time Homebuyers on parcel 45

and, 50% low/moderate -- 50% MHFA First Time on parcels 30/31 and 32/33) ostensibly limits the for-profit developer to a fee-based or philanthropic organization. However, the for-profit developer seeking an entree may be enticed by limited risk as a result of a consumer surplus created by the availability of market quality at below-market rates. Profit will be determined by resourcefulness and attention to costs. Feasibility is largely based on availability of subsidy. The risk to the for-profit organization is that a non-profit group will promise the units at the for-profit price less the margin. Financial analysis for these scenarios along with suggestions for the most appropriate development entity are discussed in Chapter VII.

The non-profit developer interested in Option A will have to concern itself much more with design issues on parcel 45 than on the other two parcels. In fact, appearance is likely to be more of an issue than selling price on parcel 45 according to all informed opinions.[14] Again, this is not basic housing but landscaping for the abuttors.

Option B (market rate on parcel 45, 50% low/moderate -- 50% MHFA First Time on 30/31 and 32/33) seems to be designed for the for-profit developer because of its profit possibilities. But the non-profit developer has the option of dedicating all proceeds above cost on the market rate units to the other parcels or an appropriate fund. There may be questions of legality raised here. Trade laws may prohibit non-profit groups from using their tax and legal

status to unfair advantage over for-profit developers. Regardless of legal issues, in this option appearance and marketing will be of great importance. Non-profit developers may not be equipped to manage such a project or philosophically content with sponsoring it.

The for-profit developer may find difficulty with Option B in two areas: 1) the amount of the pledged subsidy and 2) the distribution of that subsidy. To guarantee subsidy, the developer must reduce risk to profits as much as possible. Discussion with brokers indicates that the "very hot" Jamaica Plain real estate market has cooled in the past months.[15] There is considerable inventory available and a significant amount of new product in the pipeline. More than 100 units of new, for-sale housing are in the planning or construction stages within a one half mile radius of parcel 45. House prices have leveled off and are holding due to low mortgage interest rates. Low interest rates will help maintain present absorption rates but they cannot be assured if borrowing requirements at the Federal level are not reduced. Therefore the developer of market-rate housing on parcel 45 must be careful and confident of both the appropriateness of its product to the market and absorption assumptions. The developer that is uncomfortable with these conditions should attempt to negotiate out risk (and to an extent return) by offering a guaranteed minimum subsidy against a percent above a minimum sales price. The developer, non or for-profit, will also want control of the

subsidy until all units are sold in order to insure its efficient use.

STAGES OF THE DESIGNATION PROCESS

STAGE I

Requirements at various stages of the designation process may pose difficulties for both the for and non-profit developer. In Stage I, developers with limited experience or financial resources are weeded out as are the for profit developers who do not wish to divulge financial details or have poor "social good" records. This is, of course, a "Catch 22" situation for new development entities. Inexperienced developers should have careful, well researched plans.

The major difficulties for both for and non-profit developers and an item of paramount importance in the designation process is in the delivery of detailed plans for providing and insuring long-term affordability for the low/moderate income units.[16] The newness of the concept of long-term affordability and the lack of both successful and unsuccessful models will requires an investment of significant time and energy on this issue. Boston is also attempting to formulate city-wide guidelines for resale restrictions and compatibility with current objectives should be considered.[17]

Developers should be aware of the two opposing schools of thought on the theory of long-term affordability. School

A gives the buyer a "face" and sees the primary purpose of subsidy as a help out of poverty and into the market. The subsidy goes to the buyer. In School B, the buyer is "faceless" and the windfall of subsidy goes to the unit and not the buyer. The opportunity provided is that of a secure environment, somewhat like a combination of rent control and a small savings account. Programs that are aligned with School B must build in a number of controls to be effective, such as, insuring a recapture of appreciation and availability of qualified buyers at the time of resale.[18] The expectation is that a School B approach will be necessary with these parcels.

The mere notion of restricting price goes against a basic premise in real estate, that restrictions on price are restrictions on the ability to sell -- Constitutional issues. By keeping the resale prices tied to the market using a "percentage of market value" formula and an appraisal at resale, arguments of non-competition and restriction are weakened. Other popular resale formulas use simple inflation factors or a percentage of CPI as an index for resale price determination. While these methods may seem easier to administer, they may not accurately reflect local conditions of affordability at the time of resale. Proponents of School B must avoid unreasonable restrictions on sale by including reasonable time limits to find qualified buyers. If buyers cannot be found the subsidy must be redirected. Planning for such a system is an enormous

task. The administration of future sales and allocation of returned subsidy must be thoroughly considered.[19]

The biggest problem with the affordability issue will be concensus. In this neighborhood, the more free-market School A has a strong foothold with concerned abuttors as strong proponents. The MBTA and PFD are expected to lean toward School B. Well organized School B proponents, from CDC's, the Neighborhood Planning Coalition and assorted groups associated with Jamaica Plain (City Life and Rainbow Coalition) have been using anti-gentrification arguments to push for higher densities and low price ceilings on all mixed income developments. They can be expected to push for tougher resale restrictions and bulletproof programs. In many ways, the real determinants of the resale clauses are those who show up at the meeting on the night that resale is discussed. It is impossible to tell what the sentiments of the Design Review Committee members or the organizations that they represent are since the final makeup of the committee has not yet been determined. It is expected that the PFD will exert the most force in determining the restrictions.

It will be important for potential developers to design affordable plans to meet perceived sentiments of the majority of influential powers. The design of an appropriate "affordability" mechanism will change with each parcel along the Corridor as the political makeup of the neighborhoods that contain them change. While some

provisions for maintaining affordability are suggested by the Massachusetts Housing Partnership (MHP) and MHFA, clear minimum criteria from the MBTA are absent, and can be expected to cause confusion.

STAGE II

The MBTA Evaluation Criteria for Stage II should not be difficult for those who have made the cut at Stage I. Financial benefit to the MBTA and MBE/WBE opportunities are known quantities. The target ranges of benefits to the MBTA are available and hiring requirements are standard at this point. The other criteria are entirely subjective and boil down to an opinion of whether one proposal 1) looks better than another and 2) appears to have a greater chance of finishing as promised.

STAGE III

The negotiation stage is where the risks are greatest for any developer. It is imperative that the developer be comfortable with all components of the "best and final offer". The developer that inaccurately estimates the financial implications of program changes made during negotiation risks being caught short and held to his/her word. By the negotiation stage, design and financing arrangements should be substantially in place. A significant portion of the non-finance related soft costs will be spent and unrecoverable. Potential developers should assess their proposals vis-a-vis the competition before spending more

money at this point.

The configuration of the parcels, the guidelines of the RFP and sentiments expressed by all concerned in SATF meetings and private conversations determine the parameters within which the architectural program is designed. Many of the RFP guidelines are written quantitatively to express qualitative concerns. For example, concerns about density on the sites are translated into maximum numbers of units and avoid descriptive guidelines. Wise developers will listen to what neighbors are really worried about and address those worries.

MBTA Senior Project Manager in charge of SWCP Development, Daniel Ocasio has indicated that while Corridor-wide and MBTA objectives are important in developer selection the generalized wording of those objectives allows negotiation with any developer who has given them serious consideration. Mr. Ocasio feels that there are three critical qualities that the Design Review Committee will focus on when choosing a developer: 1) the developer's overall concept for density and income mix, 2) the mix of and approach to parking and open space, 3) the physical appearance of the buildings.

Given Mr. Ocasio's estimation of the issues, it is incumbent on the developer to assess the concerns behind the issues and test as many alternatives as possible. Creative stretching of the RFP guidelines is a necessary part of this test and hopefully can remain in a preferred case proposal.

Alternative ownership plans, building quality and type, income mix and financing scenarios should be subject to market and proforma analysis. Some of these alternatives will be immediately rejected for financial reasons and others for aesthetic or political reasons. Regardless, they will broaden perspective for picking a preferred case.

ANALYSIS SHOULD INCLUDE :

* wide variance in unit size and bedroom and bathroom numbers
* wide variance in number of units per parcel
* alternative land disposal processes to indirectly increase MBTA/PFD subsidy by reducing developer carrying costs
* proposals that ask the sponsoring agencies to underwrite risk in return for the possibility of more subsidy
* options to trade lower ownership costs for fewer exterior features
* options to trade lower land price for more exterior features
* sweat equity on finish (paint and trim) and landscaping
* varying income mix on individual parcels as well as the total package, to address abuttors concerns on market value
* options for subsidy to other disadvantaged groups such as elderly or handicapped

The response to presentation of selected options in Stage I and II will guide the potential developer toward refinements in preparation for Stage III or assist him/her in a decision to drop out of the competition. Care should be taken to

avoid confusion in presenting options and only the best should be presented. A range of options for each parcel is discussed in chapter VII.

VI. LAND VALUATION

Market value for the land on the Green Street area parcels must be estimated before assessing the risk/return scenario for parcel 45. The approximate value of subsidy by the MBTA can be determined concurrently. The value of the subsidy must be known if alternative land disposal agreements are to be arranged. The valuation process is unique because the limits placed on density by the community determine the highest and best use. Initial studies by the MBTA and its consultants indicated that the parcels could support 18 units on parcel 30/31, 10 units on parcel 32/33 and 11 units (as of right) on parcel 45.[20] These maximums, feasible in other social environments, have been modified by abuttors and neighbors. During the variance process neighbors are allowed to express opinions and can be expected to produce an organized response to unwanted density. The maximums allowed under MBTA/SATF concensus are: 10 units on parcel 45, 14 units on parcel 30/31 and 8 units on parcel 32/33. Two scenarios for determining valuation are shown on the next page.

WHAT WOULD SOMEONE PAY FOR THE LAND?

From the developer's perspective, land value can be backed out of anticipated market value by subtracting rule of thumb development costs and return expectations. This process assumes a value creation component. In these parcels

LAND VALUATION

ASSUMPTIONS :
"MARKET" represents original maximum site density estimates
"MBTA" represents SATF concensus on maximum density
Negative factor of 5% applied to sale price where density is > 30 DU / acre
Soft costs = 25% of construction costs
Pavement = 250 square feet per parking space on parcels 30/31 and 32/33
= 350 square feet per parking space on parcel 45

PARCEL	MARKET 45	MARKET 30/31	MARKET 32/33	MBTA 45	MBTA 30/31	MBTA 32/33
SITE SF	22100	17760	13875	22100	17760	13875
ACRES	0.51	0.41	0.32	0.51	0.41	0.32
ALLOWABLE USE	RESID	RESID	RESID	RESID	RESID	RESID
MAX DENSTY DU/ACRE	22	44	31	20	34	25
UNIT SIZE - SF	950	950	950	950	950	950
NUMBER OF UNITS	11	18	10	10	14	8
REQD PARKING/DU	1.5	1	1	1.5	1	1
NUMBER BEDRMS/DU	2	2	2	2	2	2
% LANDSC OPN SPACE	50%	36%	55%	55%	50%	64%
CONST COST/SF	$70	$70	$70	$70	$70	$70
SALE PRICE/SF	$140	$133	$133	$140	$133	$140
GROSS MARGIN	25%	25%	25%	25%	25%	25%
TOT CONST COST	731500	1197000	665000	665000	931000	532000
+ SOFT COSTS	182875	299250	166250	166250	232750	133000
GROSS RETURN	228594	374063	207813	207813	290938	166250
COST TO DEVELOP	1142969	1870313	1039063	1039063	1454688	831250
MKT VAL FOR PKG	1463000	2274300	1263500	1330000	1768900	1064000
LAND VALUE	320031	403988	224438	290938	314213	232750
VALUE/UNIT	29094	22444	22444	29094	22444	29094
LAND VALUE AS A % OF PROJECT VALUE	22%	18%	18%	22%	18%	22%

LAND VALUE SENSITIVITY

SALEPR/SF	% GROSS MARGIN VALUE/UNIT				
+$43	25.0%	27.5%	30.0%	32.5%	35.0%
$90	($18,406)	($20,484)	($22,563)	($24,641)	($26,719)
$95	($13,656)	($15,734)	($17,813)	($19,891)	($21,969)
$100	($8,906)	($10,984)	($13,063)	($15,141)	($17,219)
$105	($4,156)	($6,234)	($8,313)	($10,391)	($12,469)
$110	$594	($1,484)	($3,563)	($5,641)	($7,719)
$115	$5,344	$3,266	$1,188	($891)	($2,969)
$120	$10,094	$8,016	$5,938	$3,859	$1,781
$125	$14,844	$12,766	$10,688	$8,609	$6,531
$130	$19,594	$17,516	$15,438	$13,359	$11,281
$135	$24,344	$22,266	$20,188	$18,109	$16,031
$140	$29,094	$27,016	$24,938	$22,859	$20,781
$145	$33,844	$31,766	$29,688	$27,609	$25,531
$150	$38,594	$36,516	$34,438	$32,359	$30,281
$155	$43,344	$41,266	$39,188	$37,109	$35,031
$160	$48,094	$46,016	$43,938	$41,859	$39,781
$165	$52,844	$50,766	$48,688	$46,609	$44,531
$170	$57,594	$55,516	$53,438	$51,359	$49,281
$175	$62,344	$60,266	$58,188	$56,109	$54,031

SALEPR/SF	CONST COST/SF VALUE/UNIT									
+$43	$50.00	$55.00	$60.00	$65.00	$67.50	$70.00	$72.50	$75.00	$80.00	$100.00
$90	$11,281	$3,859	($3,563)	($10,984)	($14,695)	($18,406)	($22,117)	($25,828)	($33,250)	($62,938)
$95	$16,031	$8,609	$1,188	($6,234)	($9,945)	($13,656)	($17,367)	($21,078)	($28,500)	($58,188)
$100	$20,781	$13,359	$5,938	($1,484)	($5,195)	($8,906)	($12,617)	($16,328)	($23,750)	($53,438)
$105	$25,531	$18,109	$10,688	$3,266	($445)	($4,156)	($7,867)	($11,578)	($19,000)	($48,688)
$110	$30,281	$22,859	$15,438	$8,016	$4,305	$594	($3,117)	($6,828)	($14,250)	($43,938)
$115	$35,031	$27,609	$20,188	$12,766	$9,055	$5,344	$1,633	($2,078)	($9,500)	($39,188)
$120	$39,781	$32,359	$24,938	$17,516	$13,805	$10,094	$6,383	$2,672	($4,750)	($34,438)
$125	$44,531	$37,109	$29,688	$22,266	$18,555	$14,844	$11,133	$7,422	$0	($29,688)
$130	$49,281	$41,859	$34,438	$27,016	$23,305	$19,594	$15,883	$12,172	$4,750	($24,938)
$135	$54,031	$46,609	$39,188	$31,766	$28,055	$24,344	$20,633	$16,922	$9,500	($20,188)
$140	$58,781	$51,359	$43,938	$36,516	$32,805	$29,094	$25,383	$21,672	$14,250	($15,438)
$145	$63,531	$56,109	$48,688	$41,266	$37,555	$33,844	$30,133	$26,422	$19,000	($10,688)
$150	$68,281	$60,859	$53,438	$46,016	$42,305	$38,594	$34,883	$31,172	$23,750	($5,938)
$155	$73,031	$65,609	$58,188	$50,766	$47,055	$43,344	$39,633	$35,922	$28,500	($1,188)
$160	$77,781	$70,359	$62,938	$55,516	$51,805	$48,094	$44,383	$40,672	$33,250	$3,563
$165	$82,531	$75,109	$67,688	$60,266	$56,555	$52,844	$49,133	$45,422	$38,000	$8,313
$170	$87,281	$79,859	$72,438	$65,016	$61,305	$57,594	$53,883	$50,172	$42,750	$13,063
$175	$92,031	$84,609	$77,188	$69,766	$66,055	$62,344	$58,633	$54,922	$47,500	$17,813

there is no value in finding the highest and best use, for it has already been determined. The MBTA has eliminated uncertainty by accepting a per unit price of between $1,000 and $4,000 per unit for the land. Therefore increasing density increases land price per parcel. Thus, the profit available from increased density is limited to efficiency in the construction phase and incentives to maximize density are reduced.

The analysis on the previous page gives land values for each of these parcels. Land value per dwelling unit is determined to be either $22,444 or $29,094. The difference in value is due only to a sale price decrease of 5% applied to developments with density greater than 30 dwelling units per acre. Sensitivity analysis shows that wide swings in value result from changes in construction cost, sales price per square foot, and gross margin assumptions. Construction cost per square foot should only vary slightly with density. Most of the variance in construction cost will be due to quality level and efficiency.

A conservative estimate, with sales price at $125 per square foot instead of $140, yields a land value of $14,844 per dwelling unit. At $14,000 per unit the MBTA provides a $10,000 land subsidy to the units on parcels 30/31 and 32/33 after subtracting $4000 for the MBTA. Every dollar increase in land value above $14,000 is a subsidy for those units. The MBTA should consider recapturing the subsidy to MHFA First Time Buyers when units are resold in the open market.

Likewise, every dollar increase in land value above $14,000 on parcel 45 is profit to the developer using Option B. The value of the land on parcel 45 determines the developer's profit.

PARCEL-SPECIFIC DEVELOPMENT ASSUMPTIONS

Based on suggestions on page 51, six dwelling unit configurations were produced for each parcel. Two alternatives were eliminated after determining that complications involved in developing these options outweighed the possible benefits. First, income mix on individual parcels was not varied because of the difficulty in determining the effect on market value. Second, subsidy programs for other disadvantaged groups -- rental, elderly and handicapped -- were researched and the slight economic advantages were outweighed by a perception of difficulty in marketing the program to the community. In sum, the scale of the project limits the number of objectives that can be addressed within it.

The options in the table on pages 75 and 76 represent an attempt to find combinations of dwelling units that show lowest price per unit and most profit per parcel (or lowest price and zero net for non-profits). With maximum density and land sale price determined in advance, low prices and high profits must come from minimizing costs and maximizing subsidy. Keeping costs down is a management problem. Effective management of the design and construction

phases should produce lower costs than those used in analysis. Subsidy is maximized by association with a non-profit, allowing access to tax advantages and restricted funding sources. Creative allocation of income and expenses and thorough knowledge of sources of subsidy will produce more subsidy than is used in this analysis.

The assumptions involve the revenue and expense sides of the development process and are evaluated for their likelihood of being correct or, in the case of subsidy, available. Regardless of the results of today's financial analysis, a proposal should reflect the possibility of delays or elimination of subsidy beyond the control of the developer and provide a system for adjusting sale prices upward if necessary.

The assumptions used in financial analysis are round, rule of thumb figures. The reason for this is that the designation process discourages anything more than a conceptual plan until the negotiation stage. There is latitude within construction numbers for variance in quality or features. Floor plans will be of a typical design and will allow quick accurate cost estimation when density and exterior features are determined.

Construction costs of $75.00 per square foot are high for residential, about 30% higher than those estimated by Means Construction Cost Data. This increase reflects several factors; a "custom" level of exterior finish, difficult subsurface conditions caused by previous construction on the

sites, and anticipation of limited availability of qualified labor and sub contractors covered by the various quotas applied. Pressure on the availability of labor has been increased in two ways by Mayor Raymond Flynn's recent actions. First, the percentage of minority employees required on city-assisted projects was raised from 25% to 30% in July, 1986. Second, the construction industry is already strained by a very busy economy exacerbated by the Mayor's goal of 3400 units of new housing in 1986. Within this goal there is a target minimum of 25% below market units, 98% of which will be city-assisted. The boom is opposite to the tradition of government sponsored building during economic down cycles and, if labor is difficult to find, will raise prices for these needed units.[21] Unfortunately, what is missing are programs to find and train resident and minority workers for the jobs that will be produced.

The costs for project management, legal and accounting, architecture and engineering, etc. are all rule-of-thumb. Some of these may be shifted up or down, depending on the outcome of the first and second SATF presentations. In particular, the architectural and legal fees can be expected to rise. The architectural fees may rise due to community pressure for redesign and the requirements involved in construction progress meetings. The legal fees may rise as a result of the drafting and redrafting of complex resale restrictions.

Though not shown in analysis, it is assumed that construction costs and thus ownership costs can be dropped by at least two methods; "sweat equity" and lowering exterior finish standards. Interviews with former Green Street SATF chairman Michael Reiskind and MBTA Senior Planner Daniel Ocasio indicate that exterior finish is very important to the neighborhood and is likely to yield little compromise. Sweat equity could be expected to save approximately $3000 per unit if the owners do interior painting and trim work and seeding and tree planting. A proposal that includes a sweat equity component may encounter opposition from abuttors who fear incompletion or poor workmanship. Sweat equity programs may include an extra management expense, for someone must insure that standards are met and that jobs are completed in a workmanlike manner. An argument in favor of sweat equity on landscaping is, that individuality of ownership will be enhanced and those that will be charged with maintenance will determine what they are maintaining.

Assumptions on unit size are derived from two sources: 1) interviews with brokers to determine preferences, and 2) publications on efficient residential space usage to determine minimum requirements.[22] Unit sizes are smaller for the below-market portion (by 100sf per two bedrooms) because it is basic housing and because price ceilings reward only number of bedrooms and not square footage.

Pricing of market-rate units is based on current

comparable listings in the immediate area balanced by records of recent transactions. Broker Richard Fowler has suggested that anticipation of increasing values associated with the completion of the SWCP is reflected in the present prices. He feels that further speculation on continued price increase is risky.

Pricing of the below-market housing is done by adopting community provided maximum prices for the low/moderate income units.[23] Prices for MHFA First Time units are determined by designing the four bedroom unit to be affordable to a family of four earning 100% of the 1985 Boston median, and using 27% of it's income for housing (see Appendix A). Land purchase price, $4000, is taken from the top of the MBTA target range. It is assumed that savings from a lower price would be applied to either lower purchase price or exterior appearance.

The primary form of subsidy for these parcels goes not to the developer but to the buyer. The MHFA and MHP mortgage programs buy down mortgage rates allowing much lower monthly payments than in the open market. Additional subsidy may come from profits on parcel 45, City, State and Federal sources. Amount and availability depend on the type of development entity requesting subsidy.

Subsidy in a for-profit scenario includes only the subsidy from the sale of market rate units on parcel 45. At present there are no other subsidy programs available to for-profit developers of for sale housing in Boston.[24] David

Dixon, consultant to the MBTA, has indicated that the city has offered significant help with street improvements, curb cuts and other site related expenses. This help is offered to any developer of these parcels on a negotiated basis and is therefore not included in the subsidy line item.

There are a number of subsidies potentially available to non-profit developers, and availability of these subsidies should not be reduced by formation of a joint venture with a for-profit developer. Primary sources of subsidy are: CDBG New Construction Initiative grants of $15-25,000 per unit; CDBG MAP/TAP recapturable grants of $25-52,000 per project, to help with feasibility and pre-designation expenses; and UDAG grants of from $5-10,000 per unit, the availability of which is now being debated at the Federal level. MAP/TAP loans are applied only to the non-profit scenario and only in the amount of $25,000. Other, less critical subsidies that guarantee construction mortgages or buy down construction interest rates are also available from both public and private sources. Because of the variety of interest rate subsidies available, a simple reduction in the cost of construction interest was assumed for the non-profit and joint venture scenarios.

For analysis, subsidy in both the non-profit and joint venture scenarios is limited to $12,000 per unit for 30/31 and 32/33. The chart on page -- shows that much more money may be available, but interviews with Kevin McColl of the PFD and MBTA development consultant David Dixon suggest a

very low probability. In 1986 heavy demands have been placed on a fixed amount of subsidy by new housing production quotas. Additionally, the PFD (control of CDBG funds) puts low priority on projects that are subsidised by other sources, in order to avoid double dipping. Since the Green Street area parcels are already associated with buyer subsidy from the MHFA First Time Homebuyer program and the MHP's Homeownership Opportunity Program (HOP), both felt that very little additional subsidy could be counted on. Any additional subsidy will most likely be limited to grants and loans for soft costs.

The joint venture allows the for-profit access to distinct tax advantages. The sale of a unit is a taxable event. Therefore the profit that comes out of the units on parcel 45 as subsidy is taxable in a for-profit scenario. In the joint venture, roles can be changed so that the for-profit acts as a fee organization taking a development fee after the sale by the non-profit. This is a common practice in joint ventures but must be approached with the help of a competent lawyer.[25]

VII. DETERMINATION OF THE APPROPRIATE DEVELOPMENT ENTITY

From the beginning of development of these RFPs there have been major changes that have favored different types of developers. In March 1986, at the meeting which produced the current draft RFPs, the PFD was not officially involved in the disposal process. The MBTA is required by charter to accept the highest bid for property it sells. With a requirement of economic benefit to the MBTA, the RFP slightly favored the for-profit developer. Partnership with the PFD allows the land to go for the "best" bid instead of the highest. The most important change arising from PFD involvement is the transfer of decision making power to the community with the deemphasis of the economic requirement. This change marks the beginning of a period when non-profit groups look strongest -- due to community support and ample subsidy. Finally, within the last three months, the "best suited" developer has now shifted back toward the for-profit or some organization that uses the market. Strong pressure on limited subsidy funds has decreased the subsidy advantage previously enjoyed by non profits.

At the present time, non-profit developers and joint ventures between non and for-profit groups are financially feasible. For-profit developers, with particular advantages, such as control of an adjacent site or ownership in a construction company, may also be attracted to these parcels.

It is suggested, in light of past changes and in anticipation of future change, that a joint venture between non and for-profit will allow the most flexibility. This suggestion is idealistic. The developers of these parcels must perform in the real world, not just on paper. The interests and requirements of the neighborhood represent a broad spectrum that must be balanced. The total project contains many difficult problems, philosophical and practical, despite it's small size. It remains to be seen whether or not this ideal joint venture can be formed and produce housing.

A joint venture takes advantage of the strengths of both sides. Differences of philosophy and objective must be reconciled and a framework built for settling future differences. The best joint venture will include a successful for-profit developer associated with a reputable local union contractor and a non profit group that has successfully developed housing and enjoys broad community support. Prior development experience with the opposite persuasion would be a real plus. Past success in housing development will be critical for designation. One of the partners should have experience in administering an affirmative marketing program. Because extra subsidy may become available prior to construction, currency with the availability of subsidy is imperative. This partnership should be able to blend individual strengths to provide the least expensive quality housing.

Non-profit CDCs may also be attracted to the RFPs, but may not be the best candidates for designation. Few CDCs have histories of development success or strong relationships with contractors or architects. Past accomplishments will carry alot of weight in the final designation. The elimination of subsidy puts great pressure on the developer to control costs, only possible for the most experienced non-profits. Non-profit developers from outside Jamaica Plain will need a joint venture with a community group for political power. Regardless of the organization, the strength of the pro-market abuttors should give an advantage to proposals that address market concerns as well as social-benefit issues. This type of market sense is most surely not the forte of the non-profit developer.

This is a very good opportunity for a non-profit developer that has in its charter a clearly stated objective of cross-subsidizing below-market units with profits from market sales. The IRS has strict rules for this type of arrangement and at present there are only a small number of these hybrid non profit corporations in the country. A similar practice is the formation of a for-profit subsidiary that funnels a large portion of profits back to the non-profit. This arrangement allows profits to go between projects with more fluidity. Regardless of the organization, substantial additional subsidy can be captured from the market. On a broader scope, this type of organization may do more for affirmative income mix than any other program

At the time of issue of the official RFP, the for-profit developer, acting alone, should not be interested in these parcels. There is some profit to be made in option B for a developer associated with a fee-driven organization. Over the three parcels, yield on costs is low, about 11.5% in a best case ($345,000 on $2,900,000 total development cost) and 6% in the expected case. Capital requirements are difficult to determine, but should not be considerably more than the cost of the land, $128,000 if all 32 units are built. In the unlikely event that the MHFA finances the construction for the for-profit developer, as little as $15,000 equity may be required.[26]

Theoretically, higher yields are possible. Higher yields to the for profit-developer depend on two variables: 1) achievement of the highest possible sale prices, as determined by the market on parcel 45 and MHFA/MHP limits on 30/31 and 32/33, and 2) keeping construction costs low. Price competition will come from non-profits and joint ventures that allow the for-profit sector to delete some tax burden. The community will go head-on against proposals that promote "plain" designs to reduce construction costs. All design programs being equal, the for-profit may gain some return by efficiency but will remain non competitive without access to tax advantages or subsidy.

The building at 22 Everett Street is the only obvious site linkage opportunity in the package. Control of this property could provide additional incentive to for-profit

developers. On the negative side, the hiring requirements should scare off most developers who have not built housing with city assistance. More potential developers will be scared off, or into joint ventures, by the volatile political climate surrounding housing in Jamaica Plain. The developer still interested at this point must be sensitive to the community, dead certain of costs and confident in market assumptions.

PICKING A LINE BETWEEN THE COMMUNITY AND THE NUMBERS

Interviews with well informed citizens on the task force and representatives of the MBTA indicate that the concensus maximum density is by concensus the anticipated final density.[27] The object of the developer is to reach maximum density while addressing opposing concerns of the community; architectural/planning guidelines versus accomodation of more and larger families.

A set of six possible unit configurations are generated for each parcel. Each option is applicable to both RFP options A and B. The options are subjected to a range of numerical analysis likely to be of interest to the community. Numbers of bedrooms and percent open space seem to address the two primary and opposite concerns of providing housing and impacting the appearance of the neighborhood. By multiplying the number of bedrooms by the percent open space one can quantify the split of the two preferences. A high number indicates a balance between

PARCEL:	30/31					
SQ FEET:	17760					
OPTION:	1 *	2 **	3	4	5	6
BUILDING CONFIGURATION	2 - 1 FAM 6 - 2 FAM	4 - 2 FAM 2 - 3 FAM	4 - 3 FAM	7 - 2 FAM	5 - 2FAM	3 - 3 FAM
OWNERSHIP	CONDO	CONDO	CONDO	CONDO	CONDO	CONDO
SF/DU	2 @ 1400 12 @ 800	8 @ 800 6 @ 1000	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
BDR/DU	12 @ 2 2 @ 4	8 @ 2 6 @ 3	12 @ 3	14 @ 2	10 @ 2	9 @ 3
# UNITS	14	14	12	14	10	9
# GR FL UNITS	8	6	4	7	5	3
TOT SF	12400	12400	12000	11200	8000	9000
TOT BDR	32	34	36	28	20	27
FAR	0.70	0.70	0.68	0.63	0.45	0.51
UNITS/ACRE	34.34	34.34	29.43	34.34	24.53	22.07
COVERAGE	0.35	0.29	0.23	0.32	0.23	0.17
PAVMTCOVRG @ 250SF/SPACE	0.20	0.20	0.17	0.20	0.14	0.13
% OPEN LAND	0.45	0.51	0.61	0.49	0.63	0.70
% OPN LAND * # BDRMS	14.5	17.3	21.8	13.7	12.7	15.0

High number indicates relative satisfaction of opposing preferences - space and density

OPTION	COMM'TY SUPPORT -	0	+	REASONS FOR	DEVELOPER PREFERENCE	REASONS FOR
1 *			++	high coverage/mid bedrms MBTA example	ok	low net much foundat work
2 **			++	mid coverage/high bedrms poss oppos to 3 fam	good	good net much foundat work
3			++	low coverage/high bedrms poss oppos to 3 fam less than max # units	not good	worst net
4		++		high coverage/low bedrms matches scale of imm neigh	good	highest net most foundat work
5		++		low coverage/low bedrms	good	good net little foundat work
6		++		low coverage/mid bedrms bldg type not approp to immed context	no	very low net

* MBTA/SATF Option ** Preferred Option

PARCEL:	32/33					
SQ FEET:	13875					
OPTION:	1 *	2	3	4	5 **	6
BUILDING CONFIGURATION	2 - 1 FAM 3 - 2 FAM	1 - 2 FAM 2 - 3 FAM	2 - 1 FAM 2 - 3 FAM	4 - 2 FAM	3 - 2 FAM 1 - 3 FAM	4 - 1 FAM
OWNERSHIP	CONDO	CONDO	CONDO	CONDO	CONDO	SINGLE FAM
SF/DU	2 @ 1400 6 @ 800	2 @ 1000 6 @ 1000	2 @ 1400 6 @ 1000	8 @ 800	6 @ 800 3 @ 1000	4 @ 1400
BDR/DU	2 @ 4 6 @ 2	2 @ 3 6 @ 3	2 @ 4 6 @ 3	8 @ 2	6 @ 2 3 @ 3	4 @ 4
# UNITS	8	8	8	8	9	4
# GR FL UNITS	5	3	4	4	4	4
TOT SF	7600	8000	8800	6400	7800	5600
TOT BDR	20	24	26	16	21	16
FAR	0.55	0.58	0.63	0.46	0.56	0.40
UNITS/ACRE	25.12	25.12	25.12	25.12	28.26	12.56
COVERAGE	0.27	0.22	0.25	0.23	0.25	0.20
PAVMTCOVRG @ 250SF/SPACE	0.14	0.14	0.14	0.14	0.16	0.07
% OPEN LAND	0.58	0.64	0.61	0.63	0.59	0.73
% OPN LAND * # BDRMS	11.6	15.4	15.9	10.0	12.4	11.6

High number indicates relative satisfaction of opposing preferences - space and density

OPTION	COMM'TY SUPPORT -	0	+	REASONS FOR	DEVELOPER PREFERENCE	REASONS FOR
1 *			++	mid coverage/mid bedrms MBTA example some large units	not good	low net much foundat work lose $ on large units
2			++	mid coverage/high bedrms poss oppos to 3 fam	ok	low net
3			++	low coverage/high bedrms some large units	not good	very low net lose $ on large units
4		++		low coverage/low bedrms	good	positive net save $ on small units
5 **		++		high coverage/mid bedrms more units than max concensus	good	highest net
6		++		lo coverage/lo bedrms too few units	no	lowest net lose $ on large units

* MBTA/SATF Option ** Preferred Option

PARCEL:	45					
SQ FEET:	22100					
OPTION:	**1 ‡**	**2 ‡‡**	**3**	**4 ‡‡**	**5**	**6**
BUILDING CONFIGURATION	2 - 4 UNIT BLDGS	4 - 2 FAM	2 - 2 FAM 2 - 3 FAM	5 - 2 FAM ROWHOUSES	4 - 2 FAM ROWHOUSES	5 - 1 FAM ROWHOUSES
OWNERSHIP	CONDO	CONDO	CONDO	CONDO	CONDO	SINGLE FAM
SF/DU	8 @ 900	4 @ 900 4 @ 1600	6 @ 1000 4 @ 900	5 @ 900 5 @ 1600	4 @ 900 4 @ 1600	5 @ 1600
BDR/DU	8 @ 2	4 @ 2 4 @ 4	6 @ 3 4 @ 2	5 @ 2 5 @ 4	4 @ 2 4 @ 4	5 @ 4
# UNITS	8	8	10	10	8	5
# GR FL UNITS	4	4	4	5	4	5
TOT SF	7200	10000	9600	12500	10000	8000
TOT BDR	16	24	26	30	24	20
FAR	0.33	0.45	0.43	0.57	0.45	0.36
UNITS/ACRE	15.77	15.77	19.71	19.71	15.77	9.86
COVERAGE	0.16	0.16	0.18	0.20	0.16	0.36
PAVMTCOVRG @ 350SF/SPACE	0.19	0.19	0.24	0.24	0.19	0.12
% OPEN LAND	0.65	0.65	0.58	0.56	0.65	0.52
% OPN LAND ‡ # BDRMS	10.4	15.5	15.1	16.8	15.5	10.4

High number indicates relative satisfaction of opposing preferences - space and density

OPTION	COMM'TY SUPPORT -	0	+	REASONS FOR	DEVELOPER PREFERENCE	REASONS FOR
1 ‡			++	low coverage/low bedrms MBTA example	no	low profit
2 ‡‡			++	low coverage/high bedrms matches scale of imm neigh	good	2nd highest profit
3	++			high coverage/high bedrms unusual bldg type	ok	
4 ‡‡		++		high coverage/high bedrms preferred bldg type	good	highest profit may also be hi cost poss 2 fam own/occ
5			++	low coverage/low bedrms preferred bldg type	ok	lowr profit-may be hi cost - poss 2 fam own occ
6	++			low coverage/low bedrms too few units	no	lowest profit

‡ MBTA/SATF Option ‡‡ Preferred Option

density and open space requirements. Unfortunately, these numbers are not absolute but they can help evaluate options on specific parcels. Such numbers do not answer questions about the feelings of density caused by the type and height of buildings and the space between them.

Meetings between the SATF, the MBTA and consultants produced conceptual plans depicting possible configurations of buildings to meet density requirements (see Appendix C). Scaling the drawings reveals an optimism on the part of the site designer for the size of units. All floor plates drawn are in the 650 - 800 square foot range. Units of this size preclude American families of more than three or four persons. The sizes and numbers of units depicted in these drawings are shown as option one in each of the options charts. It is important that these drawings depict density approved by the SATF. More realistic representations of the same number of units are likely to produce negative feedback. Site coverage could become a larger issue than presently anticipated.

"Triple-deckers" are mentioned as appropriate building types for the parcels but not shown in plan. Triple-deckers provide increased floor area at decreased site coverage. There are economies found in roofing, foundation and plumbing. These savings are somewhat offset by costs associated with increases in fire protection and load bearing requirements. For purposes of analysis, the square foot building costs for triple-deckers are assumed to be the

same as for more conventional structures.

Though triple-deckers are found very close to all three parcels, David Dixon has indicated that they are not a building type preferred by the community. There are difficulties in providing a direct link between a top floor unit and yard space. These links are essential to the appearance of individual ownership sought in the RFP. Triple-deckers are suggested because strong sentiment for maximizing open space is detected and the MBTA/SATF options do not realistically represent open space.

Materials and designs for exteriors can be adapted directly from "simple but elegant" buildings of the period. Examples are available throughout Jamaica Plain, including several new projects that show sensitivty to their architectural context. In most cases, technology can improve the efficiency of interior design and adapt it to a preferred exterior configuration. Choice of materials, inside and out, should consider maintenance. For instance, stained shingles will be easier to maintain than painted clapboards and vinyl-clad windows should be considered as alternatives to the suggested wood sash. These material choices will help insure the life of the building when funds for maintenance are limited, an important consideration for the moderate income homebuyer. A concern for lifetime maintenance cost should be appreciated by all parties. There have been suggestions at SATF meetings to require that rowhouses be faced with brick. Such a requirement will not

be adopted, but hoped for and possibly negotiated for in Stage III. The added cost of brick veneer should be understood by all developers proposing rowhouse type structures.

DETERMINATION OF A DEVELOPMENT PLAN

The following pages discuss the financial analysis of both the RFP and developer generated options. Expected returns have been calculated for each option by four types of developer: for profit, non profit, "hybrid" non-profit and for-profit/non-profit joint venture (see next pages and Appendix B). Balance between high financial returns, low sale prices and perceived community preference determines the "best" set of options. First, based on possible returns and projected sale prices, a type of developer is suggested. Then options are evaluated to determine those most suitable for proposal to the community. Finally, methods for approaching the items of greatest importance to the community and the project are addressed.

Based on ability to deliver the lowest priced housing, the ideal developer for these parcels is a 501 C3 corporation that has written into its articles of incorporation a statement of purpose that includes provisions to sell housing at market-rate for purposes of cross-subsidy. At this point, there seems to be a threshold size of approximately 60 units for experienced developers with these talents. The size of these parcels is too small

OPTION B

JOINT VENTURE - FOR PROFIT AND NON PROFIT

ASSUMPTIONS FOR PARCEL 45: to be sold at market rate — market sale prices: 1000 sf = $150,000; 800 sf = $112,000; 1500 sf = $187,500; 900 sf = $135,000; 1600 sf = $200,000
const cost = $75/sf for units <1000 sf
const cost = $70/sf for units >=1000 sf
land cost = $4000/DU — soft cost = 16% hard cost — finance period cost = 9% x (hard cost + soft cost)

ASSUMPTIONS FOR PARCELS 30 to 33: 50% low/mod - 50%

	low/mod	MHFA	MHP max
2bdr	$55,000	$80,000	$86,000
3bdr	$60,000	$90,000	$98,000
4bdr	$65,000	$100,000	$110,000

const cost = $70/sf for units <1000 sf
const cost = $65/sf for units >=1000 sf
low/mod subsidy = $12,000/DU MHFA 1st subsidy = $12,000/DU
land cost = $4000/DU — soft cost = 16% hard cost — finance period cost = 8% x (hard cost + soft cost)

PARCEL: 45

OPTION:	1 *	2 **	3	4 **	5	6
NUMBER OF UNITS	8	8	10	10	8	5
SF / UNIT	8 @ 900	4 @ 900 / 4 @ 1600	6 @ 1000 / 4 @ 900	5 @ 900 / 5 @ 1600	4 @ 900 / 4 @ 1600	5 @ 1600
BEDR / UNIT	8 @ 2	4 @ 2 / 4 @ 4	6 @ 3 / 4 @ 2	5 @ 2 / 5 @ 4	4 @ 2 / 4 @ 4	5 @ 4
TOTAL SF	7200	10000	9600	12500	10000	8000
SALE PRICE	8 @ 135000	4 @ 135000 / 4 @ 200000	6 @ 150000 / 4 @ 112500	5 @ 135000 / 5 @ 200000	4 @ 135000 / 4 @ 200000	5 @ 200000
TOTAL SALES	1080000	1340000	1350000	1675000	1340000	1000000
TOT HARD COST	540000	718000	720000	897500	718000	560000
TOT DEV COST	714776	939839	950368	1174799	939839	728064
GROSS PROFIT	365224	400161	399632	500201	400161	271936
$ TO 30/31,32/33	-220000	-220000	-220000	-220000	-220000	-220000
NET PROFIT	145224	180161	179632	280201	180161	51936

PARCEL: 30/31

OPTION:	1 *	2 **	3	4	5	6
NUMBER OF UNITS	14	14	12	14	10	9
SF / UNIT	2 @ 1400 / 12 @ 800	8 @ 800 / 6 @ 1000	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
BEDR / UNIT	12 @ 2 / 2 @ 4	8 @ 2 / 6 @ 3	12 @ 3	14 @ 2	10 @ 2	9 @ 3
TOTAL SF	12400	12400	12000	11200	8000	9000
SALE PRICE	6 @ 55000 / 1 @ 65000 / 6 @ 80000 / 1 @ 100000	4 @ 55000 / 3 @ 60000 / 4 @ 80000 / 3 @ 90000	6 @ 60000 / 6 @ 90000	7 @ 55000 / 7 @ 80000	5 @ 55000 / 5 @ 80000	5 @ 60000 / 4 @ 90000
TOTAL SALES	975000	990000	900000	945000	675000	660000
TOT HARD COST	854000	838000	840000	784000	560000	630000
TOT DEV COST	1135798	1115567	1110096	1047290	748064	832572
EXPD CASH SUBSDY	168000	168000	144000	168000	120000	108000
NET	7202	42433	-66096	65710	46936	-64572
NET W NO SUBSDY FR PCL 45	-8512	26719	-84429	49996	24936	-89016

PARCEL: 32/33

OPTION:	1 *	2	3	4	5 **	6
NUMBER OF UNITS	8	8	8	8	9	4
SF / UNIT	2 @ 1400 / 6 @ 800	2 @ 1000 / 6 @ 1000	2 @ 1400 / 6 @ 1000	8 @ 800	6 @ 800 / 3 @ 1000	4 @ 1400
BEDR / UNIT	2 @ 4 / 6 @ 2	2 @ 3 / 6 @ 3	2 @ 4 / 6 @ 3	8 @ 2	6 @ 2 / 3 @ 3	4 @ 4
TOTAL SF	7600	8000	8800	6400	7800	5600
SALE PRICE	1 @ 65000 / 3 @ 55000 / 1 @ 100000 / 3 @ 80000	1 @ 60000 / 3 @ 60000 / 1 @ 90000 / 3 @ 90000	1 @ 65000 / 3 @ 60000 / 1 @ 100000 / 3 @ 90000	4 @ 55000 / 4 @ 80000	3 @ 55000 / 1 @ 60000 / 3 @ 80000 / 2 @ 90000	2 @ 65000 / 2 @ 100000
TOTAL SALES	570000	600000	615000	540000	645000	330000
TOT HARD COST	518000	530000	572000	448000	531000	364000
TOT DEV COST	686959	702132	755237	598451	707396	476242
EXPD CASH SUBSDY	96000	96000	96000	96000	108000	48000
NET	-20959	-6132	-44237	37549	45604	-98242
NET W NO SUBSDY FR PCL 45	-48459	-33632	-71737	10049	21139	-153242

8 MDTA/SATF Option ** Preferred Option

OPTION B

"HYBRID" NON PROFIT DEVELOPER

Assumptions for parcel 45 : to be sold at market rate — market sale prices: 1000 sf = $150,000; 800 sf = $112,000; 1500 sf = $187,500; 900 sf = $135,000; 1600 sf = $200,000
constr. cost = $75/sf for units < 1000sf
constr. cost = $70/sf for units > 1000sf Subsdy to 30's = $400K
land cost = $4000/DU soft cost = 16% hard cost finance period costs = 8% x (hard + soft cost)

Assumptions for parcels 30/31 & 32/33 : 50% low/mod - 50% MHFA 1st

	low/mod	MHFA	MHP max
2bdr	$45,000	$70,000	$86,000
3bdr	$50,000	$85,000	$98,000
4bdr	$55,000	$95,000	$110,000

constr. cost = $70/sf for units < 1000sf
constr. cost = $65/sf for units > 1000sf
low/mod subsidy = $20,000/DU MHFA 1st subsidy = $16,500
land cost = $4000/DU soft cost = 16% hard cost finance period costs = 8% x (hard + soft cost)

PARCEL: 45

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	0	0	0	0	0	0
SF / UNIT	8 @ 900	4 @ 900 4 @ 1600	6 @ 1000 4 @ 900	5 @ 900 5 @ 1600	4 @ 900 4 @ 1600	5 @ 1600
BEDR / UNIT	8 @ 2	4 @ 2 4 @ 4	6 @ 3 4 @ 2	5 @ 2 5 @ 4	4 @ 2 4 @ 4	5 @ 4
TOTAL SF	7200	10000	9600	12500	10000	8000
SALE PRICE	8 @ 135000	4 @ 135000 4 @ 200000	6 @ 150000 4 @ 112500	5 @ 135000 5 @ 200000	4 @ 135000 4 @ 200000	5 @ 200000
TOTAL SALES	1080000	1340000	1350000	1675000	1340000	1000000
TOT HARD COST	540000	718000	720000	897500	718000	560000
TOT DEV COST	676512	899510	902016	1124388	899510	701568
GROSS PROFIT	403488	440490	447984	550612	440490	298432
$ TO 30/31,32/33	-400000	-400000	-400000	-400000	-400000	-400000
NET PROFIT	3488	40490	47984	150612	40490	-101568

PARCEL: 30/31

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	14	14	12	14	10	9
SF / UNIT	2 @ 1400 12 @ 800	8 @ 800 6 @ 1000	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
BEDR / UNIT	12 @ 2 2 @ 4	8 @ 2 6 @ 3	12 @ 3	14 @ 2	10 @ 2	9 @ 3
TOTAL SF	12400	12400	12000	11200	8000	9000
SALE PRICE	6 @ 45000 1 @ 55000 6 @ 70000 1 @ 95000	4 @ 45000 3 @ 50000 4 @ 70000 3 @ 85000	6 @ 50000 6 @ 85000	7 @ 45000 7 @ 70000	5 @ 45000 5 @ 70000	5 @ 50000 4 @ 85000
TOTAL SALES	840000	865000	810000	805000	575000	590000
TOT HARD COST	854000	838000	840000	784000	560000	630000
TOT DEV COST	1125891	1105846	1100352	1038195	741568	825264
EXPD CASH SUBSDY	168000	168000	144000	168000	120000	108000
NET	-117891	-72846	-146352	-65195	-46568	-127264
MAX MHP SALES	1396000	1276000	1176000	1204000	860000	882000
LESS DEVT COST=NET	270109	170154	75648	165805	118432	56736

PARCEL: 32/33

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	8	8	8	8	9	4
SF / UNIT	2 @ 1400 6 @ 800	2 @ 1000 6 @ 1000	2 @ 1400 6 @ 1000	8 @ 800	6 @ 800 3 @ 1000	4 @ 1400
BEDR / UNIT	2 @ 4 6 @ 2	2 @ 3 6 @ 3	2 @ 4 6 @ 3	8 @ 2	6 @ 2 3 @ 3	4 @ 4
TOTAL SF	7600	8000	8800	6400	7800	5600
SALE PRICE	1 @ 65000 3 @ 55000 1 @ 100000 3 @ 80000	1 @ 60000 3 @ 60000 1 @ 90000 3 @ 90000	1 @ 65000 3 @ 60000 1 @ 100000 3 @ 90000	4 @ 55000 4 @ 80000	3 @ 55000 1 @ 60000 3 @ 80000 2 @ 90000	2 @ 65000 2 @ 100000
TOTAL SALES	570000	600000	615000	540000	645000	330000
TOT HARD COST	518000	530000	572000	448000	531000	364000
TOT DEV COST	680950	695984	748602	593254	701237	472019
EXPD CASH SUBSDY	96000	96000	96000	96000	108000	48000
NET	-14950	16	-37602	42746	51763	-94019
MAX MHP SALES	736000	784000	808000	688000	810000	440000
LESS DEVT COST=NET	55050	88016	59398	94746	108763	-32019

for an organization like GBCD, but they can provide technical assistance to the right organization.

A non-profit that has the capacity to utilize profits from market-rate units to subsidize below-market units has a distinct competitive advantage in producing low cost housing. The analysis on the previous page shows that in RFP Option B, $10,000 per low/moderate unit and $5,000 per MHFA First Time unit, can be cut from the sales price. Higher overhead may be required for management personnel and technical backup but should not absorb the substantial additional subsidy.

The relative newness and scarcity of the multi-talented non-profit requires consideration of the next best, and most probable, development entity -- a joint venture between a for- profit developer and a non-profit CDC. This blend of political and technical strength should allow for well-built and inexpensive housing. It lacks the unity of focus inherent in a single developer but may provide the appropriate organization to deal with both the community and business sides of development.

Though the organization of the joint venture and its interaction with the community will determine the mix and plan for the development, some options are more appropriate for proposal than others. The best plan is the one that is most financially successful and likely to pass community scrutiny. The following options work well in combination and strike a balance between financial reality and community

preference.

PARCEL 45

Two options are suggested for parcel 45, one that is likely to be approved, option 2, and one that will provide either high profits or more subsidy, depending on the developer, option 4.

Option 2 has eight units in two structures. Each structure consists of two two-family homes with a firewall separating them. The 900 square foot, two bedroom units are on the ground floor and the 1600 square foot, four bedroom units take the top two stories. The missing 200 square feet represents space lost to roof pitch on the top floor. The volume of these structures matches the volume of adjacent homes and design will reflect the style of the neighborhood. The two-family arrangement allows a private sideyard or backyard to either unit (drawings - Appendix C).

Option 2 projects a 13.5% yield on sales. This projected yield is considered low by traditional housing developers. Caution is advised, as a five percent drop in sales price drops the yield to 8.9% and an 11% price drop erases the return. Recent sales of renovated condominiums in the immediate area have been as low as $103 per square foot in 1986, for a 1700 square foot unit.[29] The breakeven limit on the large units is $110 per square foot and the for-profit developer should be fully confident in $125 per square foot before going ahead. The analysis uses $70 and $75 per square foot for construction costs. Simplifying building design

could easily knock $5 per square foot from those prices.

The reason to choose option 2 over option 4 is for its compatibility with neighbors and likelihood of receiving concensus support. An experienced developer should be able to keep costs below those used in analysis and must plan on doing so. Impediments to cost reduction are the costs of noise reduction between units and expense in matching the "feel" of homes in the area.

Option 4 consists of five rowhouse style buildings with a driveway either through the middle or to one side. Each building has a two bedroom ground floor unit and a four bedroom upper unit. Entrance to the ground floor units will be from the rear or side. Rowhouse construction provides a couple of potential cost advantages. One advantage is shared expense for foundation and utility work and the other is that there are fewer exterior walls to be finished. These savings may be absorbed by strong pressure to use brick on the facades. If brick is required, simple building mass should be used. Visual interest should come from brick pattern and wooden appendages such as dormers, oriels and porches. This approach will keep brick more competitive with wood.

Comparison with option 5, four rowhouses, shows the importance of the five building design to financial return. Cross-subsidy requirements that are based on number of units on parcels 30/31 and 32/33 favor high density on parcel 45. Yield on sales for the eight unit option 5 is 13.4% compared

with 16.7% on option 4. The yield on option 5 is equal to that on option 2 due to duplicity in size and construction cost assumptions. This is important because negotiation may remove two units. Therefore, unless there is great confidence in the ability to control costs in a row house design option 4 should not be selected purely for its financial return.

Interviews with developers indicate that rule of thumb minimum returns on total development costs for a project like this should be in the 15% range, varying with risk tolerance.[30] In light of the low overall returns for the three combined parcels, the for-profit developer, in a joint venture, should have an arrangement to do parcels 30/31 and 32/33 on a limited risk, fee basis. The developer should consider a minimum return requirement and be prepared to back out of negotiations when limits are breached.

An alternative to backing out of the competition is a form of insurance policy with the MBTA. The $10,000 subsidy can be arranged as a participation in the upside for the MBTA in return for lower risk to the developer. The MBTA could further write down the cost for all parcels and establish a minimum subsidy based on unit sales prices. A formula is then worked out wherein 1) when minimum sales prices are met, the next X dollars go to subsidy (up to the amount of original subsidy) 2) additional revenues are split three ways by the MBTA, the developer and more subsidy. The specific return requirements of the developer

will determine negotiating stance. This approach is not necessary for the "hybrid" non-profit as all profits are reinvested. The MBTA is likely to balk at such a proposal, unless it is warranted by very poor market conditions.

PARCELS 30/31 AND 32/33

The choice of options for parcels 30/31 and 32/33 are somewhat more difficult to make. The for-profit developer's returns are maximized when density is highest on parcel 45 and lowest on 30/31 and 32/33. This is because subsidy to the 30's is calculated on a per unit basis. SATF concensus on density assumes that the maximum density agreed to equals the final density. Any density less than concensus on the 30's will be expected to receive additional subsidy, to further lower sales prices.

The non-profit's objective is to get the most and best housing possible with zero net return. A possible arrangement, that reduces risk to profits from parcel 45, has the for-profit do these parcels for a fee, plus incentive. Sales prices are agreed to prior to construction and the developer keeps a portion of the difference between costs and sales prices plus subsidy. This arrangement may not be possible between suspicious or unsophisticated CDCs and for-profit developers.

It is important for the developer to protect the downside on these parcels, especially the for-profit. A prudent plan starts with a positive net to allow for

additional contingency. Choosing the options that yield the highest net (option 4 on 30/31 and option 5 on 32/33) only provides a 4% margin for error. If sale price guarantees are to be met without dipping into parcel 45 profits, the highest possible margin should be used. If costs are actually lower buyers will see direct benefits in lower sale prices.

The difficulty with the MHFA and MHP programs is that bedrooms are highly demanded but not adequately rewarded. The MHP/HOP maximums allow $12,000 per bedroom -- $86,000 for two bedrooms, $98,000 for three and $110,000 for four. At $100 per square foot, for a 10' x 12' room, the increases appear reasonable. On closer examination, this simple addition only makes sense where large, low buildings are possible. On these sites it is important to build vertically. Due to irregular lot configuration, neither of these parcels allows for reasonably configured floorplates of greater than 1000 square feet, without exceeding setback requirements. Minimum space requirements for four bedrooms are about 1100 square feet, the size of an average two bedroom apartment in Jamaica Plain. The minimum addition for staircase and inefficient space, in going from three bedrooms on one floor to four bedrooms on two floors, is 300 square feet.[31] Additional costs come from increasing the building envelope and addition of one half bathroom. The cost for going from three bedrooms to four bedrooms on these sites is much closer to $25,000 than $12,000. Thus the

developer is rewarded for producing fewer bedrooms.

The best options are those which provide much desired three bedroom units and allow for future expansion of two bedroom units. Expansion possibilities can be provided at a relatively low cost. Attics should be designed for future use. Dormer and gable-end windows should be installed, load bearing ceiling joists and rafters instead of trusses should be used, basic electric service should be provided and a means of access should be planned. Additional costs for these features should be minimal, as architectural guidelines will almost certainly pressure the inclusion of dormers and steep roofs in harmony with neighbors.

Finish materials and labor, for unfinished attics, must be provided by owners. Jamaica Plain residents are fortunate in having access to the Building Materials Cooperative that provides owners with a source for low priced materials, technical assistance and trained labor.

Designing units that encourage improvements may produce two related results: 1) will impact the type of resale restrictions used, and 2) may require slightly higher selling prices. Resale restrictions that account for improvements and tie the value of improvements to the market are most appropriate here. Simple CPI inflators are likely to decrease incentive to improve property and thus decrease the attractiveness to larger families. Initial sale prices must reflect the cost to build flexibility into the unit. It is difficult to estimate community sentiment on either of

these issues, as neither has arisen in SATF meetings.

With the components of the decision on configuration clarified -- positive net after sales and accomodation of families -- most options are eliminated. The "hybrid" non-profit has more choice than the joint venture, because of the availability of internal subsidy. This flexibility potentially allows a better fit with community desires, but the option that works for the joint venture will work for the non-profit. Option 2 on parcel 30/31 is chosen in spite of two negative qualities 1) lower net than option 4 ($26,719 versus $49,996) and 2) triple-deckers may be perceived as a negative by the community. The other two options with positive net, options 4 and 5, have very high site coverage and have only two bedroom units. Pressure to produce more bedrooms will quickly eliminate any net, without relaxation of design guidelines and thus lowered construction costs.

On parcel 32/33 the same approach to picking an option is used as on 30/31. The context of 32/33 includes a newly renovated triple-decker immediately adjacent to the site along Call Street. A good argument can be made that development plans should recognize this building as an architectural opportunity and use a new triple-decker to make a smooth transition to the smaller buildings on Carolina Avenue. Therefore option 5, with the highest net, $49,936, is a logical choice. Option 5 has nine units in one three-family and three two-family buildings. This option

exceeds maximum density by one unit but provides both more bedrooms and more open space than the MBTA/SATF option. Removal of one unit from the triple-decker reduces net to an amount equal to that in option 4, but still provides more bedrooms. Thus, option 5 allows some negotiating flexibility.

ISSUES IN IMPLEMENTING THE PROGRAM

Responses to the design and planning issues will most likely decide the developer of these parcels. Issues surrounding tenancy will be the next most important concerns for the community.[32] The potential developer of these parcels must consider an affirmative marketing program that will reach the broad area. Local CDCs and other non-profit organizations are expected to be knowledgable about the process and problems of affirmative marketing. Advertising plans can be quickly drawn up within the City's Affirmative Marketing Plan Guidelines. All populations and language groups in the area must be reached and applicants screened. The CDCs greatest service may be its word-of-mouth marketing. However, experience indicates that uncles and cousins of CDC employees are often the first to file applications. A competent property management firm should be contracted to screen applicants for the developer. Community groups will want to know the demographic characteristics of the buyer pool. Information on potential buyers will allow outreach to underrepresented groups. During this process,

community groups should not be allowed access to buyers' personal information. Then, to avoid accusations of discrimination, all buyers should be chosen by lottery.[33]

The resale restrictions are likely to be the most difficult issue after planning and design. The eleven MHP HOP low/moderate homes are the only ones subject to resale restrictions. In lieu of a city-wide policy, the developer must provide the mechanism for maintaining the subsidy at resale. The City is in the process of designing a comprehensive long-term affordability program. For various reasons it is leaning toward a program that pegs resale price to CPI or an annual inflation factor.[34] Compatibility with current draft policy may be sought by the PFD. The longer the developer designation process takes, the more likely that compatibility will be required.

Determining the duration of the period that resale restrictions apply presents important philosophical and administrative questions. Ideally the subsidy remains with the unit in perpetuity. There are three factors working against this: 1) the rule against perpetuities, 2) maintenance of an organization to oversee the process, and 3) depreciation of the building. A 99-year term is allowed under the rules of perpetuity, and a lot can change in that time. When units are sold, the developer steps away from the project and allows the City to oversee maintenance of the subsidy. Efficiency of the city organization responsible for housing is the real determinant of the length of time

subsidy remains in a unit. Depreciation is the issue most often raised around resale restrictions by abuttors and conservative economists. The depreciation of a building has been broken into systems by the IRS, but that is inappropriate here. At a certain point the owner will be faced with major repairs, such as roof, boiler and paint. Limits on his/her ability to recoup those costs at sale are deemed obstacles to maintenance. Pro-market abuttors are certain to push for the shortest possible restriction term.[35] A program that removes resale restrictions at the end of depreciable life should promote maintenance. A program that ties resale to a percent of the market value is likely to keep maintenance important in the eyes of the owner for longer than the depreciable life of the building.

Subsidy to MHFA First Time Buyers, in the land cost, should be recaptured by the MBTA/PFD at resale. A lien should be attached in the value of the land as a percent of total property value on the date of original sale. This type of recapture lien should be placed on all resale restricted units. Restricted units should also provide a right of first refusal to the City. This allows the seller to get out quickly and the City to keep the unit affordable. Regardless of the mechanism used, the formulas for determining resale price and the reasons for their use must be clearly understood by buyers.

The developer and lenders will also want relief from restrictions in unusual circumstances. It will be important

for the developer to include an escape clause in the event that units cannot be sold. In a soft market in Boulder, Colorado below-market units were not selling because the difference between the market and below-market was small. The developers and the city agreed to allow sale of the units at market-rate after six months. The geographic constraints in Boston and an historically inelastic supply of housing should keep units priced below MHFA maximums attractive. If this project is conventionally financed, bankers will require assurances that, in the event of default, they too can get their money out. Bankers raise this question; does the bank own units that they can only sell for less than the cost to build? or are restrictions lifted in a default situation? Banking conservatism has led the MHFA to finance most projects of this type.[36]

Hiring quotas are usually the responsibility of the general contractor but should be considered in construction cost estimates. There are two types of quota involved and thus double compliance requirements. First, the MBTA requires 13% MBE and 3% WBE participation, measured in dollar value of contracts. Ownership of the business must be verified as 51% minority or female. Businesses using minorities or women as fronts to get business will be disqualified. The City's hiring quota is measured by work hours per trade. Both systems are monitored weekly by the Mayor's Office of Jobs and Community Sevices and Employment. Non-compliance is grounds for project shutdown and a poor

compliance record can disqualify a development team. With stiff compliance rules and increased quotas, great pressure is applied to minority contractors and will show up at the bottom line. A competent general contractor with assurances of competent sub-contractors is imperative.[37]

In sum, the developer of these parcels needs a local connection and broad experience. A local CDC can provide assistance in marketing and act as a resource if difficulties arise with hiring. The for-profit or "hybrid" non-profit developer must bring to the partnership production experience and administration. Though there are many hurdles, the joint venture provides a good opportunity to bridge the gap between community preferences and the need for quality, low cost housing.

VIII. CONCLUDING REMARKS

This analysis has shed some light on the issues involved in developing these parcels. Many remain unsolvable by the developer. Listed below are some issues that may arise in the course of developer designation. These are issues that the MBTA/PFD and/or SATF chairman must act on to provide the best housing possible.

1) Traditionally the developer has acted as an agent for future tenants by providing "what the market wants". In a competitive RFP process the judges assume ultimate responsibility for what future residents live in. It is incumbent on the MBTA and PFD to remind community members on both political extremes that the housing is not for them but for an unknown group of people. Their only identity is their economic condition. Therefore efforts should be made to give economic decisions priority over aesthetic decisions. This does not mean make 'em cheap. A good argument can be made for the highest quality construction -- to insure the longetivity of subsidy. Arguments in favor of the appropriateness of "Victorian details" are tenuous and, without consideration of maintenance requirements, are selfish and short-sighted. Priority should be given to quality and simplicity.

2) There will definitely be problems with resale restrictions. The city will have ultimate authority over monitoring whatever system is installed. The PFD must be

both open to ideas and willing to mold proposals to be compatible with or adaptable to its ultimate program. There is real danger in designing a program with 30, 40 or 50 year restrictions that does not acknowledge the drastic economic and social changes that can occur both locally and nationally within that period. Mechanisms that are linked to the local home buying economy will be much more effective in the long-term than those linked to an arbitrary national indicator.

3) Because of demands on the construction industry and the lack of subsidy available to developers of for sale housing, a wide range of prices should be expected. Developer's assumptions should be thoroughly investigated and cross-checked in public forums. Danger surrounds the developer that allocates a lot of subsidy to success in the market or public sources. Prices of below-market housing are based on cost to produce and keeping development cost important will reduce the dependence on subsidization.

4) The three warnings above and all issues discussed herein point out the MBTA's politically difficult situation. The MBTA must push the process to both provide needed housing and complete the SWCP. At the same time it must avoid decisions without concensus, regardless of the correctness of those decisions. Moderators should be coached in concensus building.

These RFPs should provide a broad range of alternatives for the community to choose from. Due to the variety, the

selection process will probably be slowed as objectives get blurred. Effective management of the presentation/review procedures and establishment of a concensus set of objective criteria will help produce the valuable addition to the community that is possible on these parcels.

NOTES

1. Alan Lupo, etal. Rites of Way: The Politics of Transportation in Boston and the US City. Boston: Little, Brown, 1971.

2. The information in this section comes primarily from a telephone interview with Richard Fowler, owner Fowler Realty, July 30, 1986. Supplemental information from interviews with: Mark Feldman, Pleasant Realty, July 12, 1986 and Patrick Hollenbeck, Pleasant Realty, July 19, 1986.

3. Telephone interview with Richard Fowler, July 30, 1986.

4. Deborah A. Oriola "Boston at Mid-Decade: Results of the 1985 Household Survey". Boston Redevelopment Authority Preliminary Draft Report. Boston, May 29, 1986.

5. These options are rewritten from the draft RFP version as a result of a July 1, 1986 interview with Daniel Ocasio, Director of Southwest Corridor Project Design and Development. The primary change is the inclusion of the MHFA and MHP as primary subsidy sources.

6. Telephone interview with Richard Fowler, July 30, 1986.

7. Interview with Daniel Ocasio, July 1, 1986.

8. Interview with Daniel Ocasio, July 1, 1986.

9. The information in this section comes primarily from a June 26, 1986 interview and a July 2, 1986 telephone interview with Monte Franke of the Symphony Road Community Associates and OKM Associates. Supplemental information provided by an interview with Peter Roth, of McCormack Development, on June 11, 1986.

10. Ronald Thomas Hafer "Community-Oriented Residential Development of an Urban Neighborhood Site". MS Thesis: Massachusetts Institute of Technology, 1985 p. 10.

11. Telephone interview with Jan Jaffe, Ford Foundation, August 5, 1986.

12. The information sources for this chapter were: Monte Franke, interview on June 26, 1986, telephone interview on July 2, 1986 and Joseph Henefield, Housing Associates, telephone interview on July 23, 1986 and interview on August 4, 1986.

13. Ronald Thomas Hafer "Community-Oriented Residential Development of an Urban Neighborhood Site". MS Thesis: Massachusetts Institute of Technology, 1985, p. 47.

14. Telephone interview with Michael Reiskind, former Chairman of the Green Street SATF, August 1, 1986. Interview with Daniel Ocasio, June 26, 1986.

15. Information in this paragraph from interviews with: Richard Fowler on July 30, 1986 and Patrick Hollenbeck on July 25, 1986.

16. Telephone interviews with Daniel Ocasio, July 15, 1986 and Michael Reiskind, August 1, 1986.

17. Telephone interview with Beth Marcus, Jamaica Plain Neighborhood Development Corporation, July 14, 1986.

18. Interview with Monte Franke, June 26, 1986.

19. Beth Marcus "Resale Restrictions: Designing an Alternative Pricing Mechanism for Below-Market Home Ownership Programs" MCP Thesis, Massachusetts Institute of Technology, 1986.

20. Green Street Station Area Task Force (SATF) Minutes, January 30, 1986.

21. Interview with Joseph Henefield, August 4, 1986.

22. Central Mortgage and Housing Corporation. Use and Design of Space in the Home. Canada, 1974.

23. Green Street SATF Minutes, January 30, March 4, and April 1, 1986.

24. Telephone interviews with David Dixon, July 21, 1986 and Kevin McColl, July 30, 1986.

25. Interview with Joseph Henefield, August 4, 1986.

26. Interview with Joseph Henefield, August 4, 1986.

27. Telephone interview with David Dixon, July 21, 1986.

28. Telephone interview with Joseph Henefield, July 26, 1986.

29. Telephone interview with Richard Fowler, July 30, 1986.

30. Sources for rule of thumb return requirements were interviews with Joseph Henefield, August 4, 1986, Gerald Brecher, July 10, 1986 and Monte Franke, June 26, 1986.

31. Central Mortgage and Housing Corporation. The Use and Design of Space in the Home. Canada: 1974.

32. Telephone interviews with David Dixon, August 1, 1986 and Michael Reiskind, august 3, 1986.

33. Interview with Joseph Henefield, August 4, 1986.

34. Telephone interview with Beth Marcus, August 2, 1986. Information on resale restrictions from telephone interviews with Beth Marcus, July 14, August 2, and August 9, 1986.

35. Telephone interview with Michael Reiskind, August 3, 1986.

36. Interview with Joseph Henefield, August 4, 1986.

37. Interview with Joseph Henefield, August 4, 1986.

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Appendix A

Income and Eligibility

Purchase Price Limits

The Homeownership Opportunity Program is producing new homes in several price categories. At least 25 percent of the homes in each development will be designated Very Affordable and sell within the following price range:

- In Greater Boston (including Suffolk and parts of Middlesex, Norfolk, Plymouth, Essex, Bristol and Worcester counties). Up to $86,000 for a 2 bedroom unit, $98,000 for a 3 bedroom unit, and $110,000 for 4 or more bedrooms.

- In all other communities. Up to $78,500 for a 2 bedroom unit, $90,500 for a 3 bedroom unit, and $102,500 for 4 or more bedrooms.

These homes will be available with 30-year, graduated payment mortgages for qualified buyers. The initial monthly mortgage payments for a 2-bedroom home (including property taxes and insurance) range up to about $675 per month at an initial mortgage rate presently about 5-1/2 percent. The mortgage interest rate gradually increases, by one percentage point every three years, until it reaches 3 percentage points above the initial rate (in this case 8-1/2 percent). The interest rate and monthly payments then remain constant for the remainder of the loan period. These gradual rate increases will have only a modest impact on monthly payments.

Other homes in a development may be within the following categories:

- Affordable homes, if priced above the previous limits but below $110,000, are eligible for 30-year, fixed-rate MHFA mortgages for qualified buyers. The resulting monthly mortgage payments for these homes (including property taxes and insurance) range up to about $1,050 per month at present interest rates of approximately 8-1/2 percent.

- "Market rate" homes priced above $110,000, if any, may be sold at unrestricted prices to buyers who obtain their own mortgages from private lenders.

- Public housing units, whether detached homes or condominiums, may be sold to the local housing authority for rental to qualifying low-income families. These acquisitions are subject to state public housing guidelines and separate funding awards.

Qualified Purchasers

Each community participating in the Homeownership Opportunity Program may propose its own eligibility requirements in accordance with state guidelines. Potential home buyers are subject to the following income limits:

- Very Affordable homes (eligible for substantially-reduced interest rates as described earlier) are available exclusively for households with incomes below $27,000 (or below $25,000 outside of the Boston area). These are limits for a household of four or less and are increased by $1,500 for each additional dependent.

- Affordable homes are available for households with incomes between $25,000 and $35,000. This limit applies to the first household member and is increased $5,000 for the first dependent and $1,500 for each additional dependent.

To be eligible a purchaser must be buying a home for the first time and must also meet conventional lending requirements such as having a steady income and good credit history. Persons qualify to purchase a home based on their income without regard to marital status.

Each homebuyer will pay at least 5 percent of the purchase price as a down payment and about 3 to 4 percent ~~of the price~~ in additional "closing costs". At the time of purchase a buyer's mortgage payment may not exceed 31 percent of gross monthly income.

Purchaser Selection

The opportunity to purchase one of these new homes is granted by lottery in the community where each development is located. Cities and towns may, in agreement with the developer, set aside some units for certain applicants such as local residents or persons employed in the community. There are also affirmative action guidelines and opportunities in each development for those who are not presently local residents.

INCOME - FAMILY OF FOUR
JAMAICA PLAIN - MEDIAN $17,000
BOSTON SMSA - MEDIAN $34,000

AMOUNT AVAILABLE FOR HOUSING:
AS A PERCENT OF GROSS INCOME

ANNUAL GROSS INCOME	PERCENT OF GROSS INCOME							
	25%	26%	27%	28%	29%	30%	33%	35%
$17,000	$354	$368	$383	$397	$411	$425	$468	$496
$15,000	$313	$325	$338	$350	$363	$375	$413	$438
$17,000	$354	$368	$383	$397	$411	$425	$468	$496
$19,000	$396	$412	$428	$443	$459	$475	$523	$554
$21,000	$438	$455	$473	$490	$508	$525	$578	$613
$23,000	$479	$498	$518	$537	$556	$575	$633	$671
$25,000	$521	$542	$563	$583	$604	$625	$688	$729
$27,000	$563	$585	$608	$630	$653	$675	$743	$788
$29,000	$604	$628	$653	$677	$701	$725	$798	$846
$31,000	$646	$672	$698	$723	$749	$775	$853	$904
$33,000	$688	$715	$743	$770	$798	$825	$908	$963
$35,000	$729	$758	$788	$817	$846	$875	$963	$1,021
$37,000	$771	$802	$833	$863	$894	$925	$1,018	$1,079
$39,000	$813	$845	$878	$910	$943	$975	$1,073	$1,138
$41,000	$854	$888	$923	$957	$991	$1,025	$1,128	$1,196
$43,000	$896	$932	$968	$1,003	$1,039	$1,075	$1,183	$1,254
$45,000	$938	$975	$1,013	$1,050	$1,088	$1,125	$1,238	$1,313
$47,000	$979	$1,018	$1,058	$1,097	$1,136	$1,175	$1,293	$1,371
$49,000	$1,021	$1,062	$1,103	$1,143	$1,184	$1,225	$1,348	$1,429
$51,000	$1,063	$1,105	$1,148	$1,190	$1,233	$1,275	$1,403	$1,488
$53,000	$1,104	$1,148	$1,193	$1,237	$1,281	$1,325	$1,458	$1,546
$55,000	$1,146	$1,192	$1,238	$1,283	$1,329	$1,375	$1,513	$1,604
$57,000	$1,188	$1,235	$1,283	$1,330	$1,378	$1,425	$1,568	$1,663
$59,000	$1,229	$1,278	$1,328	$1,377	$1,426	$1,475	$1,623	$1,721
$61,000	$1,271	$1,322	$1,373	$1,423	$1,474	$1,525	$1,678	$1,779
$63,000	$1,313	$1,365	$1,418	$1,470	$1,523	$1,575	$1,733	$1,838
$65,000	$1,354	$1,408	$1,463	$1,517	$1,571	$1,625	$1,788	$1,896
$67,000	$1,396	$1,452	$1,508	$1,563	$1,619	$1,675	$1,843	$1,954
$69,000	$1,438	$1,495	$1,553	$1,610	$1,668	$1,725	$1,898	$2,013
$71,000	$1,479	$1,538	$1,598	$1,657	$1,716	$1,775	$1,953	$2,071
$73,000	$1,521	$1,582	$1,643	$1,703	$1,764	$1,825	$2,008	$2,129
$75,000	$1,563	$1,625	$1,688	$1,750	$1,813	$1,875	$2,063	$2,188
$77,000	$1,604	$1,668	$1,733	$1,797	$1,861	$1,925	$2,118	$2,246
$79,000	$1,646	$1,712	$1,778	$1,843	$1,909	$1,975	$2,173	$2,304
$81,000	$1,688	$1,755	$1,823	$1,890	$1,958	$2,025	$2,228	$2,363
$83,000	$1,729	$1,798	$1,868	$1,937	$2,006	$2,075	$2,283	$2,421
$85,000	$1,771	$1,842	$1,913	$1,983	$2,054	$2,125	$2,338	$2,479
$87,000	$1,813	$1,885	$1,958	$2,030	$2,103	$2,175	$2,393	$2,538
$89,000	$1,854	$1,928	$2,003	$2,077	$2,151	$2,225	$2,448	$2,596
$91,000	$1,896	$1,972	$2,048	$2,123	$2,199	$2,275	$2,503	$2,654
$93,000	$1,938	$2,015	$2,093	$2,170	$2,248	$2,325	$2,558	$2,713
$95,000	$1,979	$2,058	$2,138	$2,217	$2,296	$2,375	$2,613	$2,771

MAXIMUM HOUSE PRICE BASED ON INCOME AND NOMINAL INTEREST RATE

	ANNUAL GROSS INCOME	MOP 5.5%	8.0%	MHFA 8.5%	9.0%	MARKET 10.0%	10.5%	11.0%	12.0%
		$62,570	$48,417	$46,203	$44,153	$40,483	$38,838	$37,305	$34,538
	$15,000	$62,570	$48,417	$46,203	$44,153	$40,483	$38,838	$37,305	$34,538
	$17,000	$70,912	$54,872	$52,364	$50,040	$45,880	$44,016	$42,279	$39,143
	$19,000	$79,255	$61,328	$58,524	$55,927	$51,278	$49,194	$47,253	$43,748
	$21,000	$87,597	$67,783	$64,685	$61,814	$56,676	$54,373	$52,227	$48,353
	$23,000	$95,940	$74,239	$70,845	$67,701	$62,073	$59,551	$57,201	$52,958
	$25,000	$104,283	$80,694	$77,005	$73,588	$67,471	$64,729	$62,175	$57,563
80% ==>	$27,000	$112,625	$87,150	$83,166	$79,475	$72,869	$69,908	$67,149	$62,169
	$29,000	$120,968	$93,605	$89,326	$85,362	$78,266	$75,086	$72,123	$66,774
100%	$31,000	$129,310	$100,061	$95,487	$91,249	$83,664	$80,264	$77,097	$71,379
MEDIAN =	$33,000	$137,653	$106,516	$101,647	$97,136	$89,062	$85,443	$82,071	$75,984
$34,000	$35,000	$145,996	$112,972	$107,808	$103,023	$94,459	$90,621	$87,045	$80,589
	$37,000	$154,338	$119,427	$113,968	$108,910	$99,857	$95,800	$92,019	$85,194
115% ==>	$39,000	$162,681	$125,883	$120,128	$114,797	$105,255	$100,978	$96,993	$89,799
	$41,000	$171,024	$132,338	$126,289	$120,684	$110,652	$106,156	$101,967	$94,404
	$43,000	$179,366	$138,794	$132,449	$126,571	$116,050	$111,335	$106,941	$99,009
	$45,000	$187,709	$145,250	$138,610	$132,458	$121,448	$116,513	$111,915	$103,614
	$50,000	$208,565	$161,388	$154,011	$147,176	$134,942	$129,459	$124,350	$115,127
	$55,000	$229,422	$177,527	$169,412	$161,893	$148,436	$142,405	$136,785	$126,640
	$60,000	$250,278	$193,666	$184,813	$176,611	$161,930	$155,351	$149,220	$138,152
	$75,000	$312,848	$242,083	$231,016	$220,764	$202,413	$194,188	$186,524	$172,690
	$100,000	$417,130	$322,777	$308,022	$294,352	$269,884	$258,918	$248,699	$230,254

ASSUMPTIONS : 95% of purchase price financed for 30 years
27% of income dedicated to housing, to account for additional unknown of condo fees
median is for family of 4

Appendix B

Financial

OPTION A

FOR PROFIT DEVELOPER

ASSUMPTIONS FOR PARCEL 45: for MHFA 1st Time Homebuyers
const cost = $75/sf for units <1000 sf
const cost = $70/sf for units >=1000 sf
land cost = $4000/DU soft cost = 16% hard cost finance period cost = 9% $(hard + soft cost)

comparable market prices: 1000 sf = $150,000; 800 sf = $112,000; 1500 sf = $187,500; 900 sf = $135,000; 1600 sf = $200,000

ASSUMPTIONS FOR PARCELS 30 to 33 : 50% low/mod - 50% MHFA 1st
const cost = $75/sf for units <1000 sf
const cost = $70/sf for units >=1000 sf
low/mod subsidy = $10,000/DU MHFA 1st subsidy = $10,000/DU ‡‡
land cost = $4000/DU soft cost = 16% hard cost finance period cost = 9% $(hard + soft cost)

	low/mod	MHFA	MHP max
2bdr	$55,000	$ 80,000	$86,000
3bdr	$60,000	$90,000	$98,000
4bdr	$65,000	$100,000	$110,000

PARCEL: 45 ALL MHFA FIRST TIME

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	8	8	10	10	8	5
SF / UNIT	8 @ 900	4 @ 900 4 @ 1600	6 @ 1000 4 @ 900	5 @ 900 5 @ 1500	4 @ 800 4 @ 1600	5 @ 1600
BEDR / UNIT	8 @ 2	4 @ 2 4 @ 4	6 @ 3 4 @ 2	5 @ 2 5 @ 4	4 @ 2 4 @ 4	5 @ 4
TOTAL SF	7200	10000	~~9600~~	~~12000~~	~~9600~~	~~8000~~
SALE PRICE	8 @ 80000	4 @ 80000 4 @ 100000	4 @ 80000 6 @ 90000	5 @ 80000 5 @ 100000	4 @ 80000 4 @ 100000	5 @ 100000
TOTAL SALES	640000	720000	860000	900000	720000	500000
TOT HARD COST	504000	668000	672000	802500	640000	520000
TOT DEV COST	669258	876619	889677	1054681	841216	677488
EXPD CASH SUBSDY	80000	80000	100000	100000	80000	50000
NET	50742	-76619	70323	-54681	-41216	-127488
MAX MHFA SALES	688000	784000	908000	980000	784000	550000
LESS DEVT COST=NET	18742	-92619	18323	-74681	-57216	-127488

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	14	14	12	14	10	9
SF / UNIT	2 @ 1400 12 @ 800	8 @ 800 6 @ 1000	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
BEDR / UNIT	12 @ 2 2 @ 4	8 @ 2 6 @ 3	12 @ 3	14 @ 2	10 @ 2	9 @ 3
TOTAL SF	12400	12400	12000	11200	8000	9000
SALE PRICE	6 @ 55000 1 @ 65000 6 @ 80000 1 @ 100000	4 @ 55000 3 @ 60000 4 @ 80000 3 @ 90000	6 @ 60000 6 @ 90000	7 @ 55000 7 @ 80000	5 @ 55000 5 @ 80000	5 @ 60000 4 @ 90000
TOTAL SALES	975000	990000	900000	945000	675000	660000
TOT HARD COST	854000	838000	840000	784000	560000	630000
TOT DEV COST	1135798	1115567	1110096	1047290	748064	832572
EXPD CASH SUBSDY	140000	140000	120000	140000	100000	90000
NET	-20798	14433	-90096	37710	26936	-82572
NET W O SUBSDY FR PCL 45	-160798	-125567	-210096	-102290	-73064	-172572

PARCEL: 32/33

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	8	8	8	8	9	4
SF / UNIT	2 @ 1400 6 @ 800	2 @ 1000 6 @ 1000	2 @ 1400 6 @ 1000	8 @ 800	6 @ 800 3 @ 1000	4 @ 1400
BEDR / UNIT	2 @ 4 6 @ 2	2 @ 3 6 @ 3	2 @ 4 6 @ 3	8 @ 2	6 @ 2 3 @ 3	4 @ 4
TOTAL SF	7600	8000	8800	6400	7800	5600
SALE PRICE	1 @ 65000 3 @ 55000 1 @ 100000 3 @ 80000	1 @ 60000 3 @ 60000 1 @ 90000 3 @ 90000	1 @ 65000 3 @ 60000 1 @ 100000 3 @ 90000	4 @ 55000 4 @ 80000	3 @ 55000 1 @ 60000 3 @ 80000 2 @ 90000	2 @ 65000 2 @ 100000
TOTAL SALES	570000	600000	615000	540000	645000	330000
TOT HARD COST	518000	530000	572000	448000	531000	364000
TOT DEV COST	686959	702132	755237	598451	707396	476242
EXPD CASH SUBSDY	80000	80000	80000	80000	90000	40000
NET	-36959	-22132	-60237	21549	27604	-106242
NET W O SUBSDY FR PCL 45	-116959	-102132	-140237	-58451	-62396	-146242

‡‡ Doubtful availability of subsidy - use "net w 0 subsidy" for comparison

OPTION B

FOR PROFIT DEVELOPER

ASSUMPTIONS FOR PARCEL 45 : to be sold at market rate — market sale prices : 1000 sf = $150,000
const cost = $75/sf for units <1000 sf — 800 sf = $112,000 — 1500 sf = $187,500
const cost = $70/sf for units >=1000 sf — 900 sf = $135,000 — 1600 sf = $200,000
land cost = $4000/DU — soft cost = 16% hard cost — finance period cost = 9% %(hard + soft cost)

ASSUMPTIONS FOR PARCELS 30 to 33 : 50% low/mod - 50% MHFA 1st

	low/mod	MHFA	MHP max
2bdr	$55,000	$80,000	$86,000
3bdr	$60,000	$90,000	$98,000
4bdr	$65,000	$100,000	$110,000

const cost = $70/sf for units <1000 sf
const cost = $65/sf for units >=1000 sf
low/mod subsidy = $10,000/DU MHFA 1st subsidy = $10,000/DU
land cost = $4000/DU — soft cost = 16% hard cost — finance period cost = 9% %(hard + soft cost)

PARCEL : 45

OPTION :	1	2	3	4	5	6
NUMBER OF UNITS	8	8	10	10	8	5
SF / UNIT	8 @ 900	4 @ 900	6 @ 1000	5 @ 900	4 @ 900	5 @ 1600
		4 @ 1600	4 @ 900	5 @ 1600	4 @ 1600	
BEDR / UNIT	8 @ 2	4 @ 2	6 @ 3	5 @ 2	4 @ 2	5 @ 4
		4 @ 4	4 @ 2	5 @ 4	4 @ 4	
TOTAL SF	7200	10000	9600	12500	10000	8000
SALE PRICE	8 @ 135000	4 @ 135000	6 @ 150000	5 @ 135000	4 @ 135000	5 @ 200000
		4 @ 200000	4 @ 112500	5 @ 200000	4 @ 200000	
TOTAL SALES	1080000	1340000	1350000	1675000	1340000	1000000
TOT HARD COST	540000	718000	720000	897500	718000	560000
TOT DEV COST	714776	939839	950368	1174799	939839	728064
GROSS PROFIT	365224	400161	399632	500201	400161	271936
$ TO 30/31,32/33	-220000	-220000	-220000	-220000	-220000	-220000
NET PROFIT	145224	180161	179632	280201	180161	51936

PARCEL : 30/31

OPTION :	1	2	3	4	5	6
NUMBER OF UNITS	14	14	12	14	10	9
SF / UNIT	2 @ 1400	8 @ 800	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
	12 @ 800	6 @ 1000				
BEDR / UNIT	12 @ 2	8 @ 2	12 @ 3	14 @ 2	10 @ 2	9 @ 3
	2 @ 4	6 @ 3				
TOTAL SF	12400	12400	12000	11200	8000	9000
SALE PRICE	6 @ 55000	4 @ 55000	6 @ 60000	7 @ 55000	5 @ 55000	5 @ 60000
	1 @ 65000	3 @ 60000				
	6 @ 80000	4 @ 80000	6 @ 90000	7 @ 80000	5 @ 80000	4 @ 90000
	1 @ 100000	3 @ 90000				
TOTAL SALES	975000	990000	900000	945000	675000	660000
TOT HARD COST	854000	838000	840000	784000	560000	630000
TOT DEV COST	1135798	1115567	1110096	1047290	748064	832572
EXPD CASH SUBSDY	140000	140000	120000	140000	100000	90000
NET	-20798	14433	-90096	37710	26936	-82572
NET W O SUBSDY FR PCL 45	-160798	-125567	-210096	-102290	-73064	-172572

PARCEL : 32/33

OPTION :	1	2	3	4	5	6
NUMBER OF UNITS	8	8	8	8	9	4
SF / UNIT	2 @ 1400	2 @ 1000	2 @ 1400	8 @ 800	6 @ 800	4 @ 1400
	6 @ 800	6 @ 1000	6 @ 1000		3 @ 1000	
BEDR / UNIT	2 @ 4	2 @ 3	2 @ 4	8 @ 2	6 @ 2	4 @ 4
	6 @ 2	6 @ 3	6 @ 3		3 @ 3	
TOTAL SF	7600	8000	8800	6400	7800	5600
SALE PRICE	1 @ 65000	1 @ 60000	1 @ 65000	4 @ 55000	3 @ 55000	2 @ 65000
	3 @ 55000	3 @ 60000	3 @ 60000		1 @ 60000	
	1 @ 100000	1 @ 90000	1 @ 100000	4 @ 80000	3 @ 80000	2 @ 100000
	3 @ 80000	3 @ 90000	3 @ 90000		2 @ 90000	
TOTAL SALES	570000	600000	615000	540000	645000	330000
TOT HARD COST	518000	530000	572000	448000	531000	364000
TOT DEV COST	686959	702132	755237	598451	707396	476242
EXPD CASH SUBSDY	80000	80000	80000	80000	90000	40000
NET	-36959	-22132	-60237	21549	27604	-106242
NET W O SUBSDY FR PCL 45	-116959	-102132	-140237	-58451	-62396	-146242

OPTION A

NON PROFIT DEVELOPER

Assumptions for parcel 45 : MHFA 1st Time Homebuyer — comparable market prices : 1000 sf = $150,000; 800 sf = $112,000; 1500 sf = $187,500; 900 sf = $135,000; 1600 sf = $200,000
constr. cost = $75/sf for units < 1000sf
constr. cost = $70/sf for units > 1000sf
land cost = $4000/DU soft cost = 16% hard cost finance period costs = 8% x (hard + soft cost)

Assumptions for parcels 30/31 & 32/33 : 50% low/mod - 50% MHFA 1st — low/mod: 2bdr $55,000; 3bdr $60,000; 4bdr $65,000 — MHFA: $80,000; $90,000; $100,000 — MHP max: $86,000; $98,000; $110,000
constr. cost = $70/sf for units < 1000sf
constr. cost = $65/sf for units > 1000sf
low/mod subsidy = $12,000/DU MHFA 1st subsidy = $12,000/DU
land cost = $4000/DU soft cost = 16% hard cost finance period costs = 8% x (hard + soft cost)

PARCEL : 45 MHFA FIRST TIME HOMEBUYER

OPTION :	1	2	3	4	5	6
NUMBER OF UNITS	8	8	10	10	8	5
SF / UNIT	8 @ 900	4 @ 900	6 @ 1000	5 @ 900	4 @ 900	5 @ 1600
		4 @ 1600	4 @ 900	5 @ 1600	4 @ 1600	
BEDR / UNIT	8 @ 2	4 @ 2	6 @ 3	5 @ 2	4 @ 2	5 @ 4
		4 @ 4	4 @ 2	5 @ 4	4 @ 4	
TOTAL SF	7200	10000	9600	12500	10000	8000
SALE PRICE	8 @ 70000	4 @ 55000	4 @ 70000	5 @ 70000	4 @ 70000	5 @ 95000
		4 @ 95000	6 @ 85000	5 @ 95000	4 @ 95000	
TOTAL SALES	560000	600000	790000	825000	660000	475000
TOT HARD COST	504000	668000	672000	835000	668000	520000
TOT DEV COST	663411	868870	881882	1086088	868870	671456
EXPD CASH SUBSDY	96000	96000	120000	120000	96000	60000
NET	-7411	-172870	28118	-141088	-112870	-136456
MAX MHP SALES	688000	784000	932000	980000	784000	550000
LESS DEVT COST=NET	24589	-84870	50118	-106088	-84870	-121456

PARCEL : 30/31

OPTION :	1	2	3	4	5	6
NUMBER OF UNITS	14	14	12	14	10	9
SF / UNIT	2 @ 1400	8 @ 800	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
	12 @ 800	6 @ 1000				
BEDR / UNIT	12 @ 2	8 @ 2	12 @ 3	14 @ 2	10 @ 2	9 @ 3
	2 @ 4	6 @ 3				
TOTAL SF	12400	12400	12000	11200	8000	9000
SALE PRICE	6 @ 45000	4 @ 45000	6 @ 50000	7 @ 45000	5 @ 45000	5 @ 50000
	1 @ 55000	3 @ 50000				
	6 @ 70000	4 @ 70000	6 @ 85000	7 @ 70000	5 @ 70000	4 @ 85000
	1 @ 95000	3 @ 85000				
TOTAL SALES	840000	865000	810000	805000	575000	590000
TOT HARD COST	854000	838000	840000	784000	560000	630000
TOT DEV COST	1125891	1105846	1100352	1038195	741568	825264
EXPD CASH SUBSDY	168000	168000	144000	168000	120000	108000
NET	-117891	-72846	-146352	-65195	-46568	-127264
MAX MHP SALES	1396000	1276000	1176000	1204000	860000	882000
LESS DEVT COST=NET	270109	170154	75648	165805	118432	56736

PARCEL : 32/33

OPTION :	1	2	3	4	5	6
NUMBER OF UNITS	8	8	8	8	9	4
SF / UNIT	2 @ 1400	2 @ 1000	2 @ 1400	8 @ 800	6 @ 800	4 @ 1400
	6 @ 800	6 @ 1000	6 @ 1000		3 @ 1000	
BEDR / UNIT	2 @ 4	2 @ 3	2 @ 4	6 @ 2	6 @ 2	4 @ 4
	6 @ 2	6 @ 3	6 @ 3		3 @ 3	
TOTAL SF	7600	8000	8800	6400	7800	5600
SALE PRICE	1 @ 65000	1 @ 60000	1 @ 65000	4 @ 55000	3 @ 55000	2 @ 65000
	3 @ 55000	3 @ 60000	3 @ 60000		1 @ 60000	
	1 @ 100000	1 @ 90000	1 @ 100000	4 @ 80000	3 @ 80000	2 @ 100000
	3 @ 80000	3 @ 90000	3 @ 90000		2 @ 90000	
TOTAL SALES	570000	600000	615000	540000	645000	330000
TOT HARD COST	518000	530000	572000	448000	531000	364000
TOT DEV COST	680950	695984	748602	593254	701237	472019
EXPD CASH SUBSDY	96000	96000	96000	96000	108000	48000
NET	-14950	16	-37602	42746	51763	-94019
MAX MHP SALES	736000	784000	808000	688000	810000	440000
LESS DEVT COST=NET	55050	88016	59398	94746	108763	-32019

OPTION A

JOINT VENTURE - FOR PROFIT AND NON PROFIT

ASSUMPTIONS FOR PARCEL 45: for MHFA 1st Time Homebuyers comparable market prices: 1000 sf = $150,000
const cost = $75/sf for units (1000 sf 800 sf = $112,000 1400 sf = $187,500
const cost = $70/sf for units >=1000 sf 900 sf = $135,000 1600 sf = $200,000
land cost = $4000/DU soft cost = 16% hard cost finance period cost = 8% x (hard cost + soft cost)

ASSUMPTIONS FOR PARCELS 30 to 33: 50% low/mod - 50% M

	low/mod	MHFA	MHP max
2bdr	$55,000	$80,000	$86,000
3bdr	$60,000	$90,000	$98,000
4bdr	$65,000	$100,000	$110,000

const cost = $70/sf for units (1000 sf
const cost = $65/sf for units >=1000 sf
low/mod subsidy = $12,000/DU MHFA 1st subsidy = $12,000/DU
land cost = $4000/DU soft cost = 16% hard cost finance period cost = 8% x (hard cost + soft cost)

PARCEL: 45 MHFA 1ST TIME HOMEBUYERS

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	8	8	10	10	8	5
SF / UNIT	8 @ 900	4 @ 900 4 @ 1600	6 @ 1000 4 @ 900	5 @ 900 5 @ 1600	4 @ 900 4 @ 1600	5 @ 1600
BEDR / UNIT	8 @ 2	4 @ 2 4 @ 4	6 @ 3 4 @ 2	5 @ 2 5 @ 4	4 @ 2 4 @ 4	5 @ 4
TOTAL SF	7200	10000	9600	12500	10000	8000
SALE PRICE	8 @ 80000 0	4 @ 80000 4 @ 100000	4 @ 80000 6 @ 90000	5 @ 80000 5 @ 100000	4 @ 80000 4 @ 100000	5 @ 100000
TOTAL SALES	640000	720000	860000	900000	720000	500000
TOT HARD COST	504000	668000	672000	835000	668000	520000
TOT DEV COST	669258	876619	889677	1095774	876619	677488
EXPD CASH SUBSDY	96000	120000	120000	120000	96000	60000
NET	66742	-60619	90323	-75774	-60619	-117488
MAI MHP SALES	688000	784000	908000	980000	784000	550000
LESS DEVT COST=NET	18742	-92619	18323	-115774	-92619	-127488

PARCEL: 30/31

OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	14	14	12	14	10	9
SF / UNIT	2 @ 1400 12 @ 800	8 @ 800 6 @ 1000	12 @ 1000	14 @ 800	10 @ 800	9 @ 1000
BEDR / UNIT	12 @ 2 2 @ 4	8 @ 2 6 @ 3	12 @ 3	14 @ 2	10 @ 2	9 @ 3
TOTAL SF	12400	12400	12000	11200	8000	9000
SALE PRICE	6 @ 55000 1 @ 65000 6 @ 80000 1 @ 100000	4 @ 55000 3 @ 60000 4 @ 80000 3 @ 90000	6 @ 60000 6 @ 90000	7 @ 55000 7 @ 80000	5 @ 55000 5 @ 80000	5 @ 60000 4 @ 90000
TOTAL SALES	975000	990000	900000	945000	675000	660000
TOT HARD COST	854000	838000	840000	784000	560000	630000
TOT DEV COST	1135798	1115567	1110096	1047290	748064	832572
EXPD CASH SUBSDY	168000	168000	144000	168000	120000	108000
NET	7202	42433	-66096	65710	46936	-64572
NET W O SUBSDY FR PCL 45	-8512	26719	-84429	49996	24936	-89016

PARCEL: 32/33

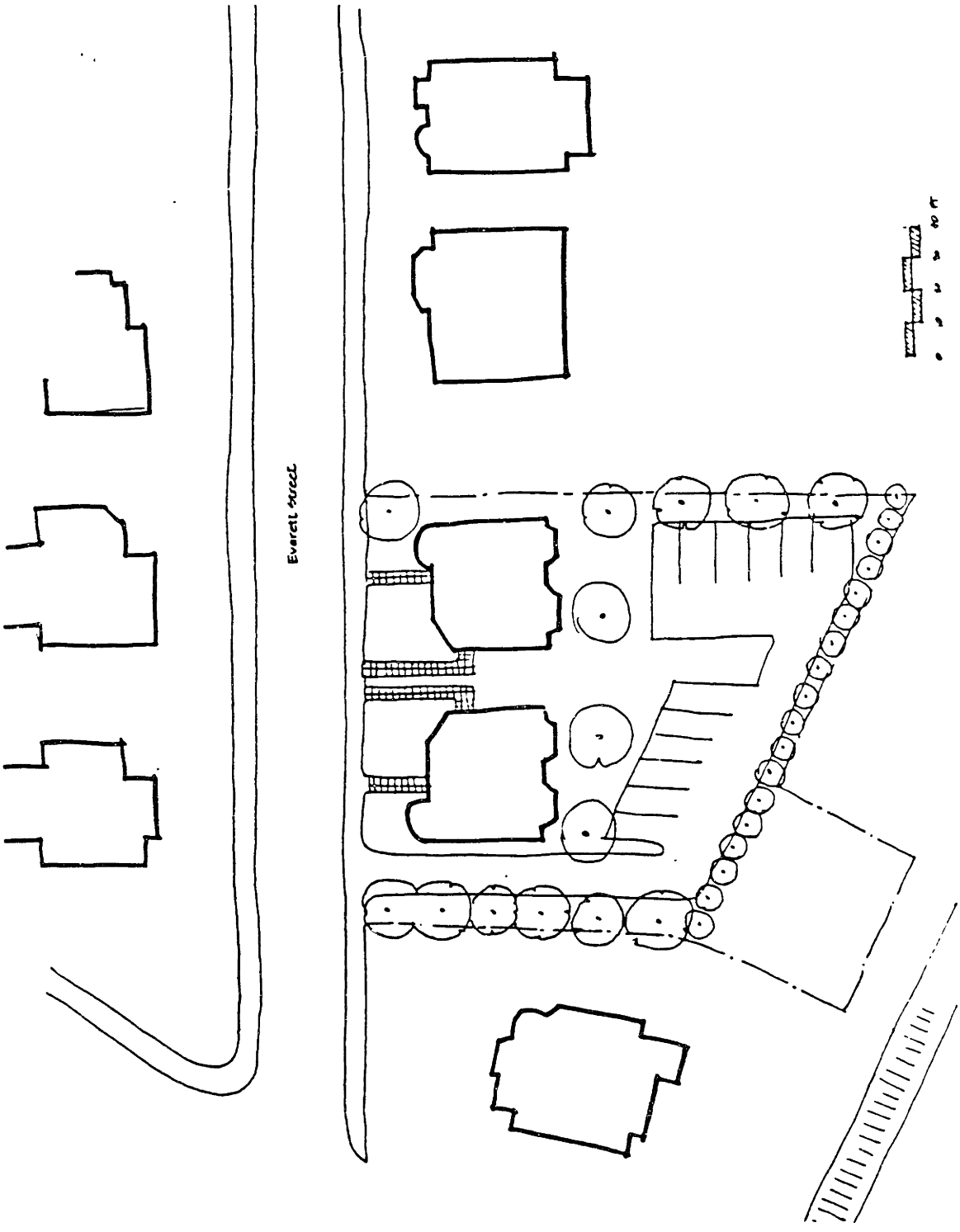
OPTION:	1	2	3	4	5	6
NUMBER OF UNITS	8	8	8	8	9	4
SF / UNIT	2 @ 1400 6 @ 800	2 @ 1000 6 @ 1000	2 @ 1400 6 @ 1000	8 @ 800	6 @ 800 3 @ 1000	4 @ 1400
BEDR / UNIT	2 @ 4 6 @ 2	2 @ 3 6 @ 3	2 @ 4 6 @ 3	8 @ 2	6 @ 2 3 @ 3	4 @ 4
TOTAL SF	7600	8000	8800	6400	7800	5600
SALE PRICE	1 @ 65000 3 @ 55000 1 @ 100000 3 @ 80000	1 @ 60000 3 @ 60000 1 @ 90000 3 @ 90000	1 @ 65000 3 @ 60000 1 @ 100000 3 @ 90000	4 @ 55000 4 @ 80000	3 @ 55000 1 @ 60000 3 @ 80000 2 @ 90000	2 @ 65000 2 @ 100000
TOTAL SALES	570000	600000	615000	540000	645000	330000
TOT HARD COST	518000	530000	572000	448000	531000	364000
TOT DEV COST	686959	702132	755237	598451	707396	476242
EXPD CASH SUBSDY	96000	96000	96000	96000	108000	48000
NET	-20959	-6132	-44237	37549	45604	-98242
NET W O SUBSDY FR PCL 45	-48459	-33632	-71737	10049	21159	-153242

DEVELOPMENT COST SUMMARY	PARCEL 45 OPTION 2			PARCEL 30/31 OPTION 2			PARCEL 32/33 OPTION 5		
SITE SQUARE FOOTAGE	22100			17760			13875		
NUMBER OF UNITS	10			14			9		
% MKT/1ST TIME/LO-MOD	100/0/0			0/50/50			0/55/45		
# 1 BDR/2 BDR/3 BDR/4 BDR	0/5/0/5			0/8/6/0			0/6/3/0		
% COVERED - BLDG/PAV/OPEN	.16/.19/.65			.29/.20/.51			.25/.16/.59		
	PER SF	PER UNIT	TOTAL	PER SF	PER UNIT	TOTAL	PER SF	PER UNIT	TOTAL
ACQUISITION	$4.00	$4,000	$40,000	$4.52	$4,000	$56,000	$4.62	$4,000	$36,000
CONSTRUCTION COSTS									
TOT BLDG SF			10000			12400			7800
AVG COST/SF	$70.00	$70,000	$700,000	$67.50	$59,786	$837,000	$67.50	$59,786	$526,500
SITEWORK COSTS									
PAVEMENT ETC	$1.50	$675	$6,750	$1.50	$429	$6,000	$1.50	$348	$4,875
LANDSCAPE		$950	$9,500		$679	$9,500		$679	$9,500
TOTAL CONST COST	$71.63	$71,625	$716,250	$68.75	$60,893	$852,500	$69.34	$60,813	$540,875
SOFT COSTS									
ARCH AND ENG		$4,656	$46,556		$3,958	$55,413		$3,953	$35,157
PROJ MGMT		$1,791	$17,906		$1,522	$21,313		$1,520	$13,522
DEVELOPMENT		$2,149	$21,488		$1,827	$25,575		$1,824	$16,226
LEGAL/ACCTG		$750	$7,500		$750	$7,500		$750	$7,500
CONDO DOCS		$750	$7,500		$750	$7,500		$750	$7,500
MARKETING		$1,250	$12,500		$1,250	$12,500		$1,250	$12,500
SECURITY		$250	$2,500		$179	$2,500		$179	$2,500
R E TAXES		$100	$1,000		$71	$1,000		$111	$1,000
INSURANCE		$358	$3,581		$304	$4,263		$304	$2,704
FINANCING COSTS									
TOT CONS COST		$71,625	$716,250		$60,893	$852,500		$60,813	$540,875
TOT SOFT COSTS		$12,053	$120,531		$10,612	$137,563		$10,641	$98,609
FIN PERIOD	9 MONTHS			9 MONTHS			9 MONTHS		
CONS INTRST @ 10.00%			$31,379	@ 5%		$18,564	@ 5%		$11,990
SUBTOTAL FINANCED COSTS			$868,161			$1,008,626			$651,475
FINANCE FEE			$8,682			$10,086			$6,515
CLOSING COST			$8,682			$10,086			$6,515
SUBTOTAL COSTS	$93	$92,552	$925,524	$87	$77,486	$1,084,799	$90	$77,834	$700,504
CONTINGENCY @ 5.00%	ALL COSTS		$46,276			$54,240			$35,025
TOTAL DEVELOPMENT COST	$97	$97,180	$971,800	$92	$81,360	$1,139,039	$94	$81,725	$735,529
DEVELOPER CASH REQUIREMENT			$40,000			$56,000			$36,000
TOTAL SALES			$1,340,000			$990,000			$645,000
PLUS SUBSIDY			($230,000)			$168,000			$108,000
TOTAL REVENUE			$1,110,000			$1,158,000			$753,000
LESS COSTS			$971,800			$1,139,039			$735,529
TOTAL RETURN			$138,200			$18,961			$17,471
YIELD ON SALES			10.3%			1.9%			2.7%
YIELD ON COSTS			14.2%			1.7%			2.4%
RETURN ON EQUITY			345.5%			33.9%			48.5%
TOTAL PROJECT:									
YIELD ON SALES			5.9%						
YIELD ON COSTS			6.1%						
RETURN ON EQUITY			132.3%						

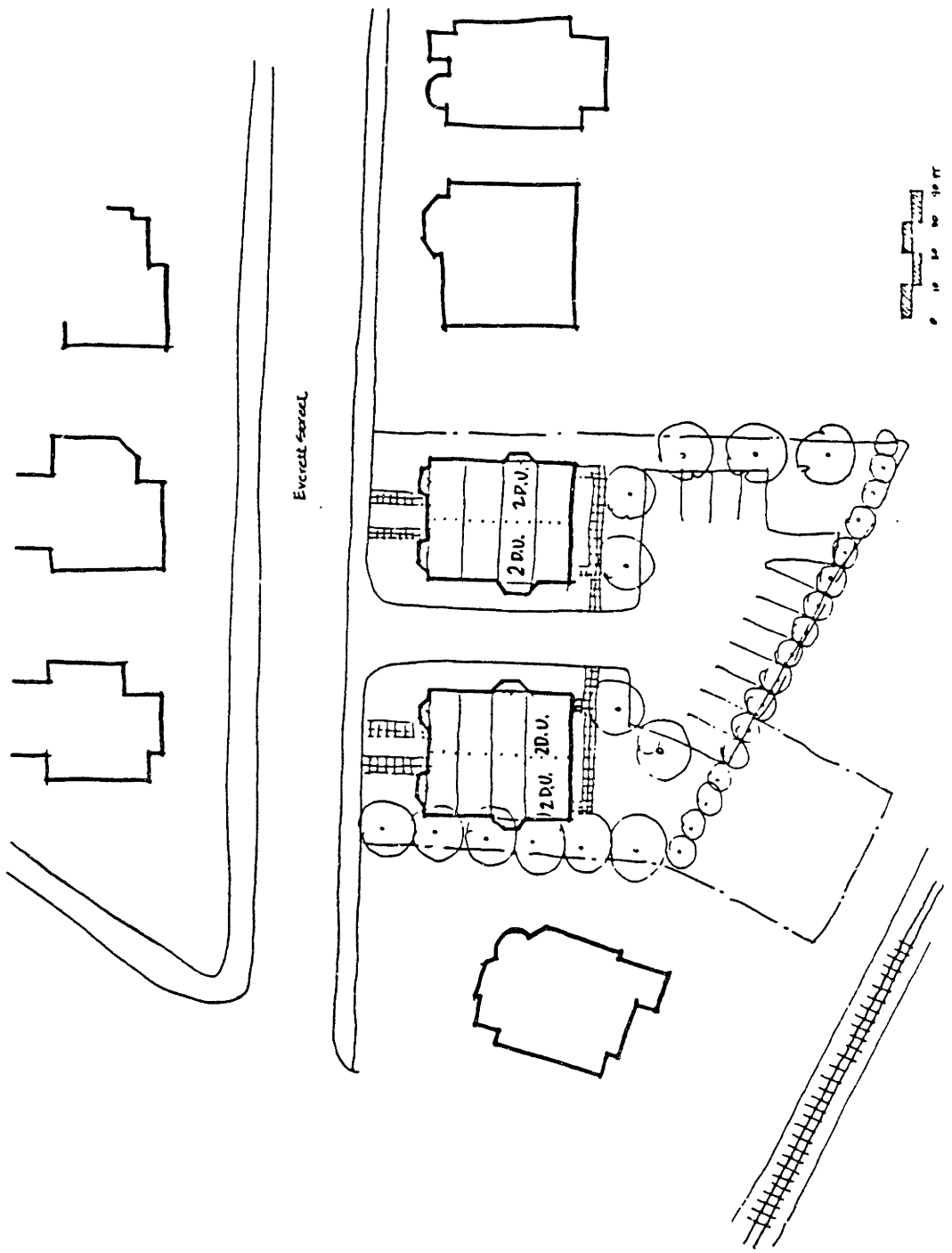
Appendix C

Site Plans

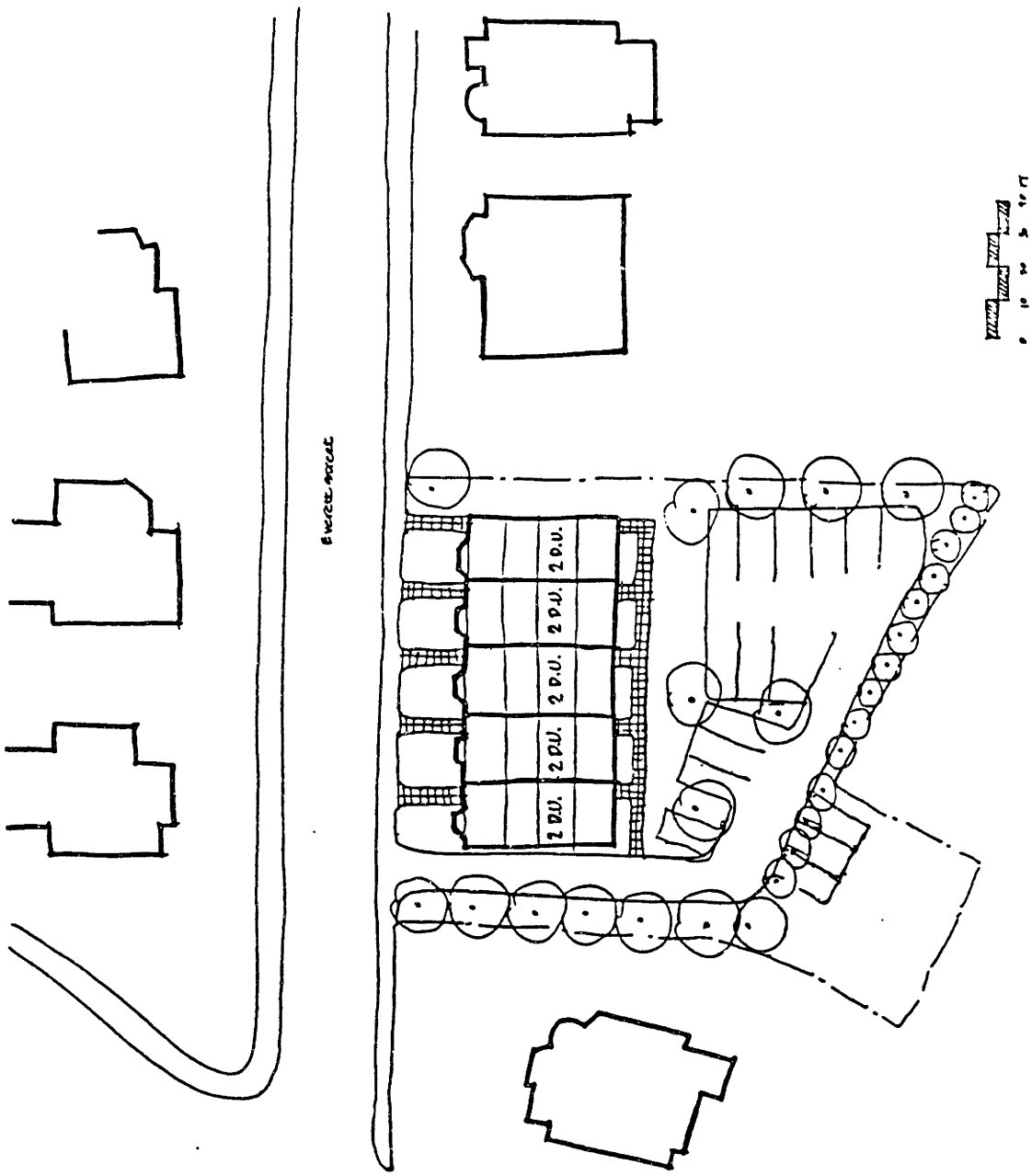
PARCEL 45 -- OPTION 1

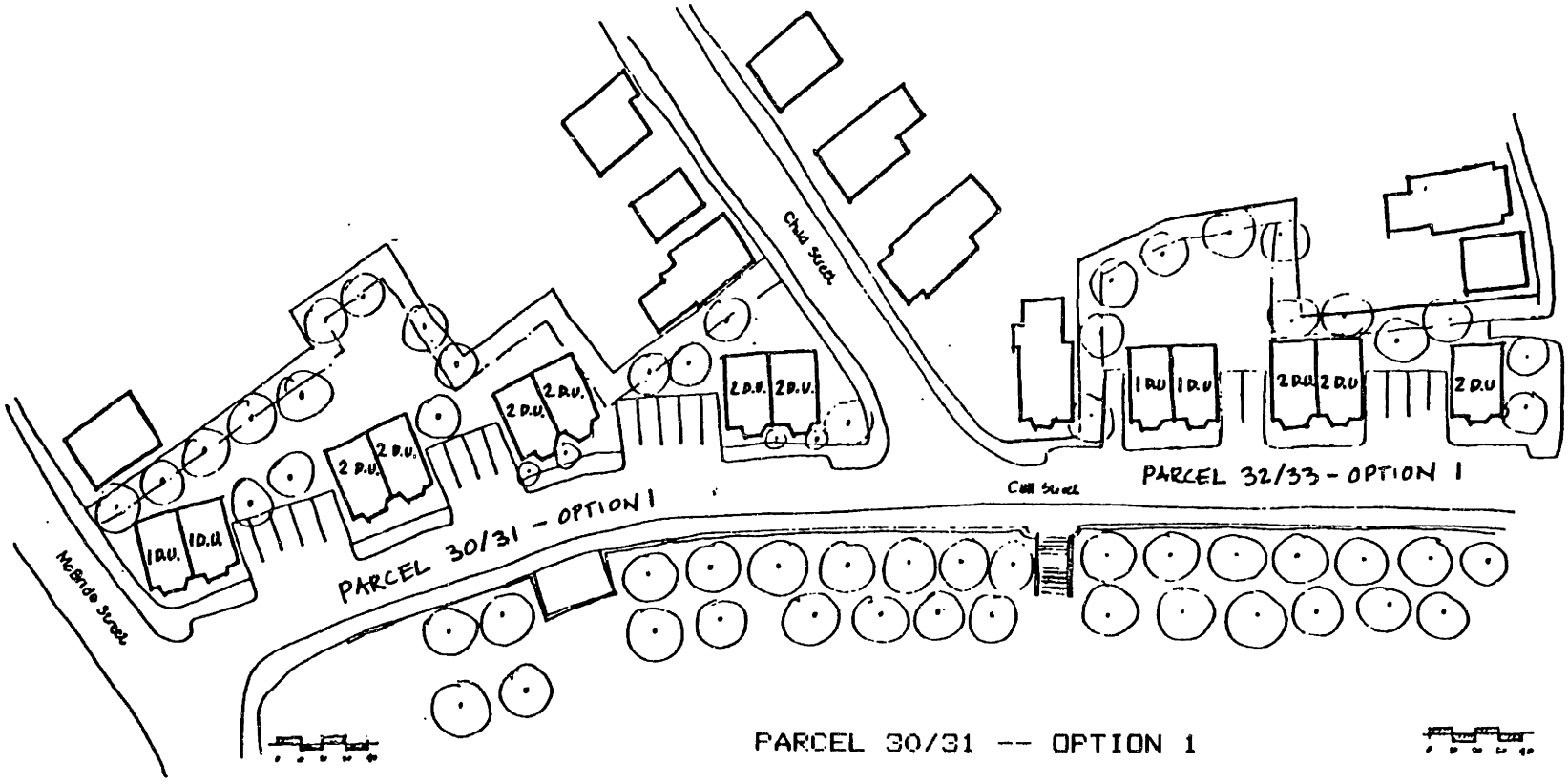


PARCEL 45 -- OPTION 2



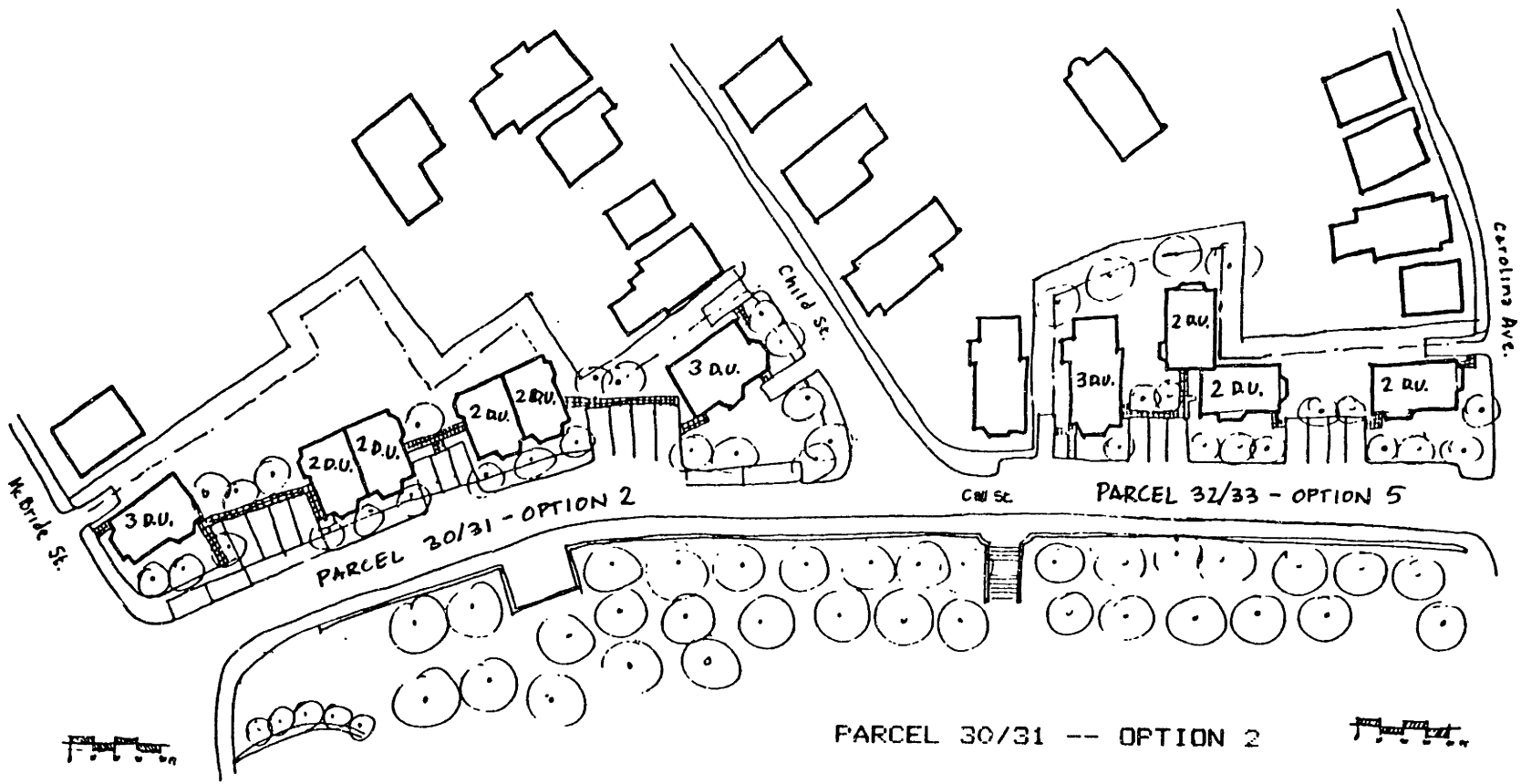
PARCEL 45 -- OPTION 4





PARCEL 30/31 -- OPTION 1

PARCEL 32/33 -- OPTION 1



PARCEL 30/31 -- OPTION 2

PARCEL 32/33 -- OPTION 5