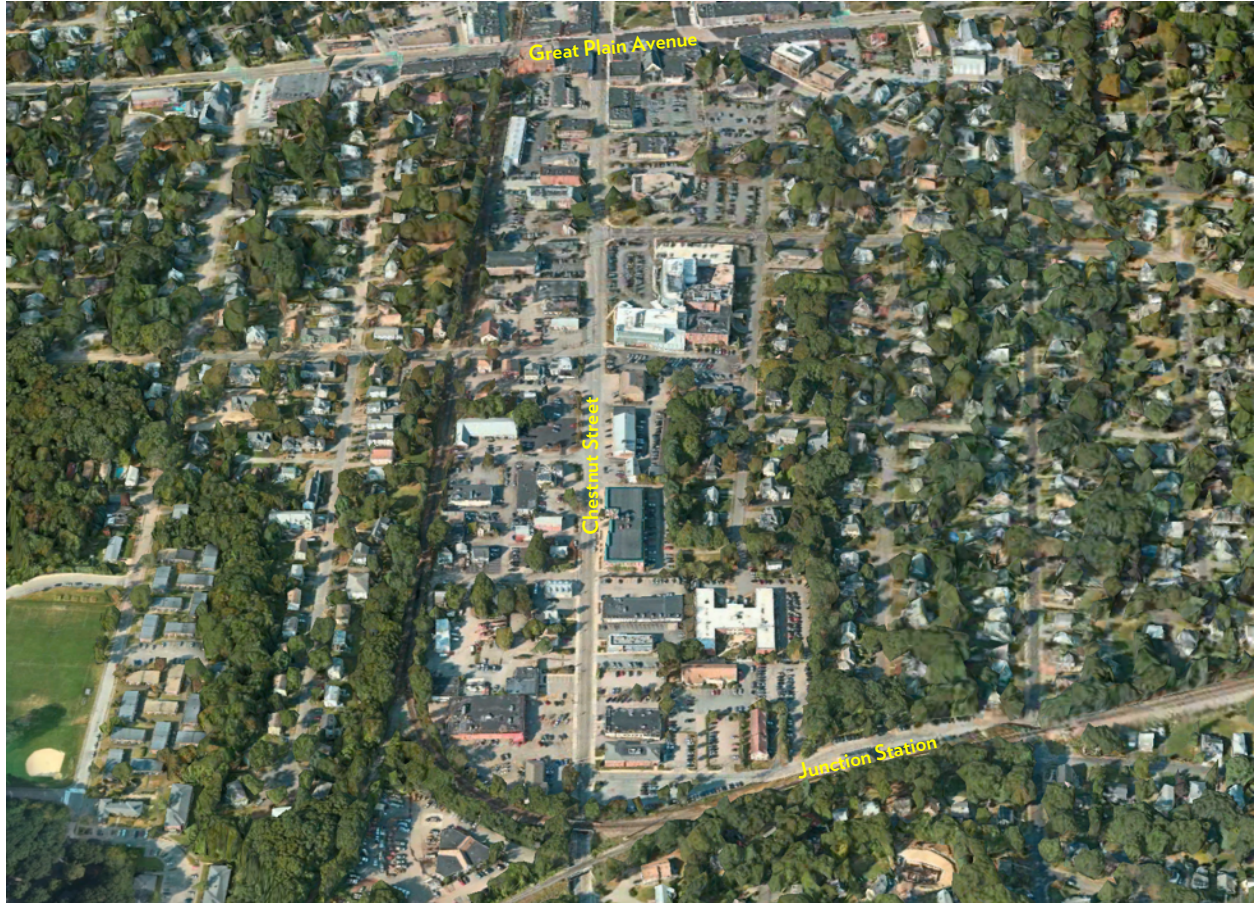


ADDENDUM 3: LOWER CHESTNUT ST DEVELOPMENT

In 2009, the Town of Needham completed the Needham Center Development Plan for the purpose of providing a cohesive vision and comprehensive plan for Needham Center and to unlock the area’s potential. The revitalization of the Lower Chestnut Street area—namely the Chestnut Street corridor south of Great Plain Avenue and north of the MBTA Junction Station—is an important component of the overall Needham Center vision.

Figure 1: Aerial Photo of Lower Chestnut Street Area



The Plan detailed the Village Concept that called for “diverse, mixed-use districts combining residential, commercial and civic uses in a compact area” and proposed new zoning regulations to “encourage massing that helps define the street edge and that serves as a backdrop to the streetscape.” With notable exceptions—including Beth Israel Deaconess Hospital’s new facilities, the new Needham Public Safety building, and a new mixed-use building at 15-17 Oak Street—most of the under-developed areas identified in the Plan have yet to fulfill their full potential in the decade that followed the plan’s adoption.

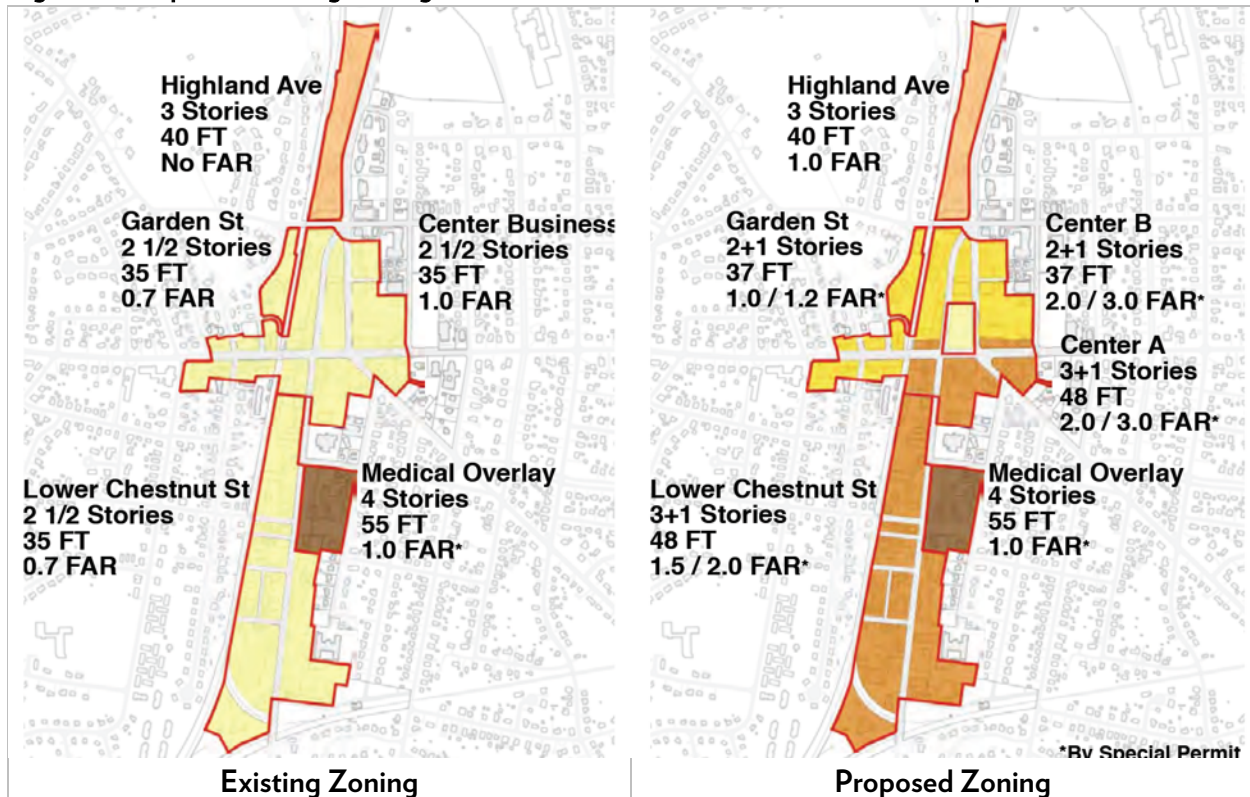
The purpose of this exercise is to illustrate redevelopment projects—at a conceptual level and mostly within the confines of current zoning—that are economically feasible and will enhance the look and feel of the corridor. For this analysis, the impact of adding residential units on Needham’s 40B compliance was not factored into the redevelopment feasibility analysis.

Zoning Changes

The Needham Center Development Plan proposed key zoning changes to the Lower Chestnut Street area that were subsequently approved by the Town. They include:

- Allows four-story buildings with frontage on Chestnut Street (with a 45° sloped roof or a 12-foot setback on the fourth floor).
- Increase minimum lot size from 10,000 SF to 15,000 SF to encourage parcel assembly.
- Increase minimum frontage from 80 feet to 100 feet to reduce the number of curb cuts.
- Increase maximum Floor Area Ratio from 0.70 to 1.5, or 2.0 by special permit.

Figure 2: Proposed Zoning Changes Outlined in the Needham Center Development Plan

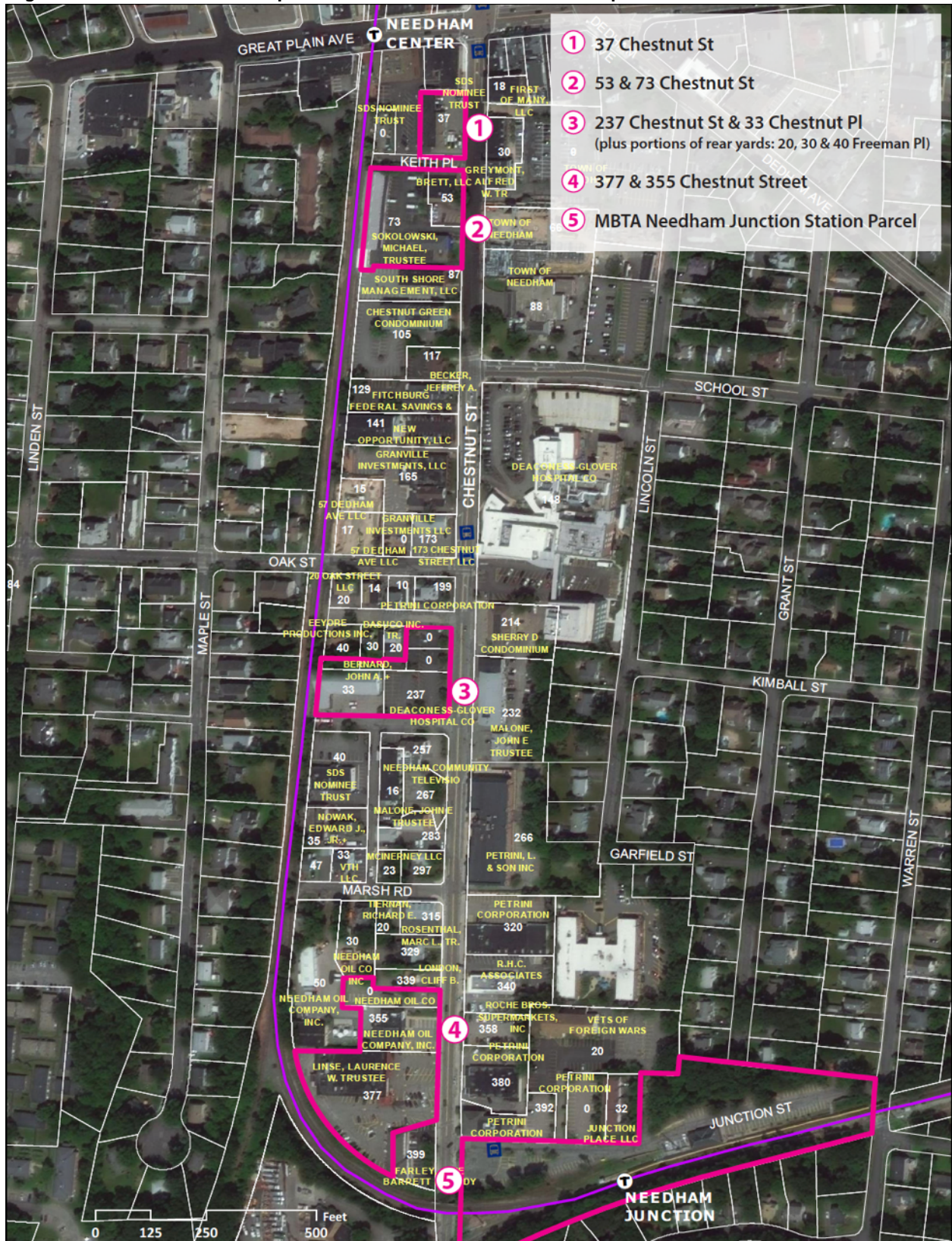


Alternative Redevelopment Sites

The Urban Partners team examined alternative redevelopment scenarios for the following five sites along the Lower Chestnut Street area.

#	Address	Owner	Current Use
1	37 Chestnut St	SDS	Copley Motorcars
2	53 & 73 Chestnut St	Brett, LLC; LEVLEE, LLC	Needham Garden Center; BID Hospital Rehab Center; BID Hospital Purchasing & Shipping
3	237 Chestnut St & 83 Chestnut Pl	BID Hospital, John Malone	BID Hospital parking, Needham Dance Theatre; Holly Cleaners
4	355 & 377 Chestnut St	Needham Oil Company; Laurence Linse	Salem Five Bank; Hercules Cleaners; Roche Bros.
5	Junction Station	MBTA	Junction Station parking

Figure 3: Alternate Redevelopment Sites, with Current Ownership Information

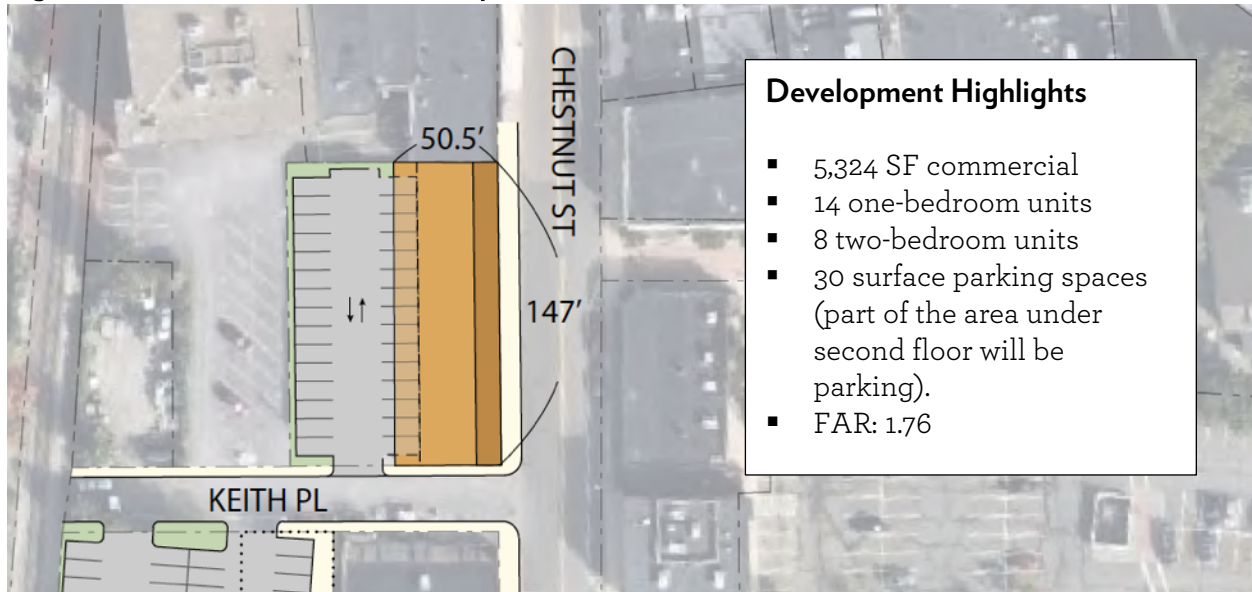


Site #1: 37 Chestnut Street

Figure 4 illustrates an alternative development concept for 37 Chestnut Street:

- a) Demolish existing structure and construct a four-story building.
- b) Ground floor: commercial.
- c) Second & third floors: apartments.
- d) Fourth floor: apartments with a 12 foot setback on Chestnut Street.

Figure 4: 37 Chestnut Street Redevelopment Scenario



Development Budget (37 Chestnut Street)

<u>Budget Item</u>	<u>Amount</u>
Acquisition	\$1,200,000
Construction	
Parking/Site Improvements	\$275,000
Apartment Construction (20,782 SF @ \$200/SF)	\$4,155,000
Commercial Construction (5,324 SF @ \$150/SF)	\$800,000
Lobby Construction (500 SF @ \$170/SF)	\$85,000
Contingency (10%)	\$530,000
Architecture & Engineering (7%)	\$410,000
Other Professional Fees	\$105,000
Carry/Insurance/Construction Interest/Development Fee	\$985,000
Parking In-Lieu Fee (21 Spaces)	\$135,000
Total Development Cost	\$8,680,000

Sources of Funding (37 Chestnut Street)

▪ First Mortgage	\$7,050,000
▪ Owner's Equity	<u>\$1,630,000</u>
Total	\$8,680,000

Income & Expense Pro Forma (37 Chestnut Street)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
One-bedroom income (@ \$2,000/mo)	\$336,000	\$349,440	\$363,418	\$377,954	\$393,072
Two-bedroom income (@ \$2,500/mo)	\$240,000	\$249,600	\$259,584	\$269,967	\$280,766
Commercial income (5,324 SF @ \$32/SF)	\$170,000	\$176,800	\$183,872	\$191,227	\$198,876
Commercial tenant tax reimbursement	<u>\$29,200</u>	<u>\$30,368</u>	<u>\$31,583</u>	<u>\$32,847</u>	<u>\$34,160</u>
Gross Potential Revenue	\$775,200	\$806,208	\$838,457	\$871,995	\$906,875
Less Vacancy	-\$136,200	-\$32,500	-\$33,799	-\$35,150	-\$36,555
Gross Effective Income	\$639,000	\$773,708	\$804,658	\$836,845	\$870,320
Operating Expenses					
Maintenance & operations residential	\$88,000	\$91,520	\$95,181	\$98,988	\$102,948
Unreimbursed maintenance & operations commercial	\$21,300	\$22,152	\$23,038	\$23,960	\$24,918
Real Estate Taxes	<u>\$79,400</u>	<u>\$82,576</u>	<u>\$85,879</u>	<u>\$89,314</u>	<u>\$92,887</u>
Total Expenses	\$188,700	\$196,248	\$204,098	\$212,262	\$220,752
Net Operating Income	\$450,300	\$577,460	\$600,560	\$624,583	\$649,568
Debt Service					
First Mortgage Debt Service (4.25%/30 Years)	\$420,200	\$420,200	\$420,200	\$420,200	\$420,200
Cash Flow	\$30,100	\$157,260	\$180,360	\$204,383	\$229,368
Return on \$1.63 million equity	1.85%	9.65%	11.07%	12.54%	14.07%

Assumptions	
-	Number of one-bedroom apartments: 14
-	Number of two-bedroom apartments: 8
-	Average residential vacancy rate: 3% (15% in year 1)
-	Average commercial vacancy rate: 7% (25% in year 1)
-	Maintenance & operations residential cost: \$4,000/unit
-	Unreimbursed maintenance & operations commercial: \$4/SF

Feasibility Notes (37 Chestnut Street)

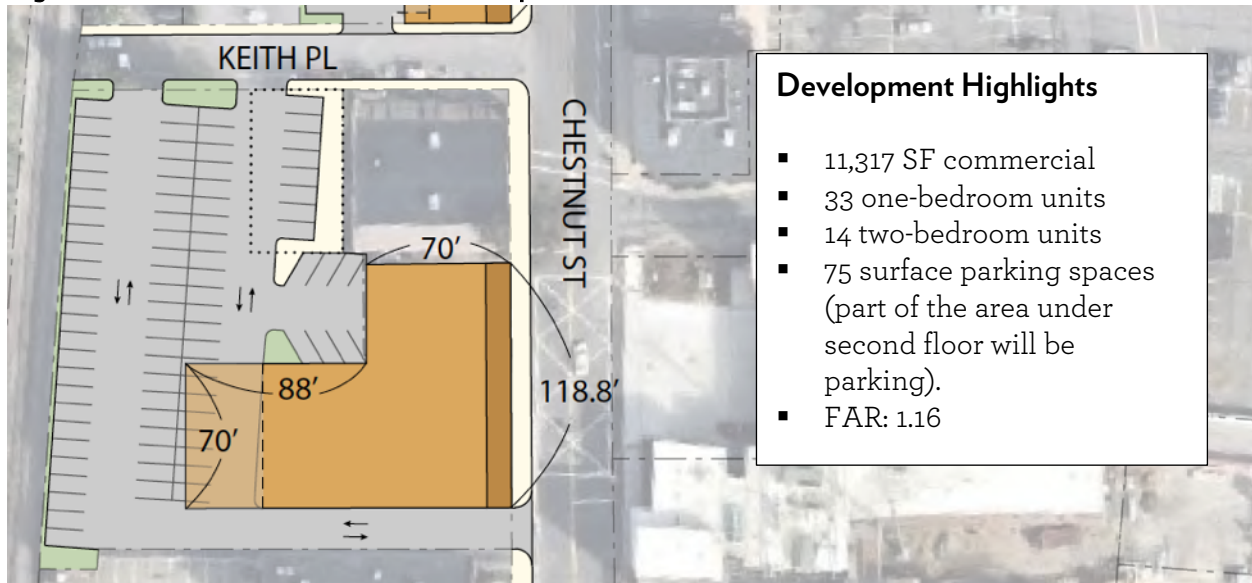
- Based on the assumptions above, the redevelopment scenario is economically feasible—though the anticipated returns on investment may not be sufficient to stimulate development interest in the near term.
- The redevelopment prospects could be improved with off-street parking standard adjustments. Specifically, reducing the parking requirement for 1-bedroom units to 1 parking space (currently 1.5 per unit) and permitting shared parking considerations for 30% of residential spaces to be counted for joint use by commercial users will reduce the fee in-lieu of parking by \$105,000 (\$30,000 instead of \$135,000).

Site #2: 53-73 Chestnut Street

Figure 5 illustrates an alternative development concept for 53-73 Chestnut Street:

- a) Relocate the side lot of Needham Garden Center to be behind the building (see dotted line).
- b) Demolish two other buildings on the site (both of which are occupied by BID Hospital).
- c) Construct a new, L-shaped mixed-use building.
- d) Ground floor: new space for BID Rehabilitation Center and BID Purchasing & Shipping.
- e) Second & third floors: apartments.
- f) Fourth floor: apartments with a 12 foot setback on Chestnut Street.

Figure 5: 53-73 Chestnut Street Redevelopment Scenario



Development Budget (53-73 Chestnut Street)

Budget Item	Amount
Acquisition + Land Swap	\$2,700,000
Construction	
Demolition	\$200,000
Parking/Site Improvements	\$585,000
Apartment Construction (42,015 SF @ \$200/SF)	\$8,400,000
Commercial Construction (11,317 SF @ \$150/SF)	\$1,700,000
Lobby Construction (500 SF @ \$170/SF)	\$85,000
Contingency (10%)	\$1,075,000
Architecture & Engineering (7%)	\$830,000
Other Professional Fees	\$205,000
Carry/Insurance/Construction Interest/Development Fee	\$2,065,000
Parking In-Lieu Fee (33 Spaces)	\$255,000
Total Development Cost	\$18,100,000

Sources of Funding (53-73 Chestnut Street)

▪ First Mortgage	\$14,820,000
▪ Owner's Equity	<u>\$ 3,280,000</u>
Total	\$18,100,000

Income & Expense Pro Forma (53-73 Chestnut Street)

	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Revenue</u>					
One-bedroom income (@ \$2,000/mo)	\$790,000	\$821,600	\$854,464	\$888,643	\$924,188
Two-bedroom income (@ \$2,500/mo)	\$420,000	\$436,800	\$454,272	\$472,443	\$491,341
Commercial income (11,317 SF @ \$32/SF)	\$360,000	\$374,400	\$389,376	\$404,951	\$421,149
Commercial tenant tax reimbursement	<u>\$60,000</u>	<u>\$62,400</u>	<u>\$64,896</u>	<u>\$67,492</u>	<u>\$70,192</u>
Gross Potential Revenue	\$1,630,000	\$1,695,200	\$1,763,008	\$1,833,529	\$1,906,870
Less Vacancy	-\$286,000	-\$68,000	-\$70,733	-\$73,576	-\$76,532
Gross Effective Income	\$1,344,000	\$1,627,200	\$1,692,275	\$1,759,953	\$1,830,338
<u>Operating Expenses</u>					
Maintenance & operations residential	\$188,000	\$195,520	\$203,341	\$211,474	\$219,933
Unreimbursed maintenance & operations commercial	\$45,000	\$46,800	\$48,672	\$50,619	\$52,644
Real Estate Taxes	<u>\$165,000</u>	<u>\$171,600</u>	<u>\$178,464</u>	<u>\$185,602</u>	<u>\$193,027</u>
Total Expenses	\$398,000	\$413,920	\$430,477	\$447,696	\$465,604
<u>Net Operating Income</u>	\$946,000	\$1,213,280	\$1,261,799	\$1,312,257	\$1,364,735
<u>Debt Service</u>					
First Mortgage Debt Service (4.25%/30 Years)	\$883,300	\$883,300	\$883,300	\$883,300	\$883,300
<u>Cash Flow</u>	\$62,700	\$329,980	\$378,499	\$428,957	\$481,435
<u>Return on \$3.28 million equity</u>	1.91%	10.06%	11.54%	13.08%	14.68%

<u>Assumptions</u>	
-	Number of one-bedroom apartments: 33
-	Number of two-bedroom apartments: 14
-	Average residential vacancy rate: 3% (15% in year 1)
-	Average commercial vacancy rate: 7% (25% in year 1)
-	Maintenance & operations residential cost: \$4,000/unit
-	Unreimbursed maintenance & operations commercial: \$4/SF

Feasibility Notes (53-73 Chestnut Street)

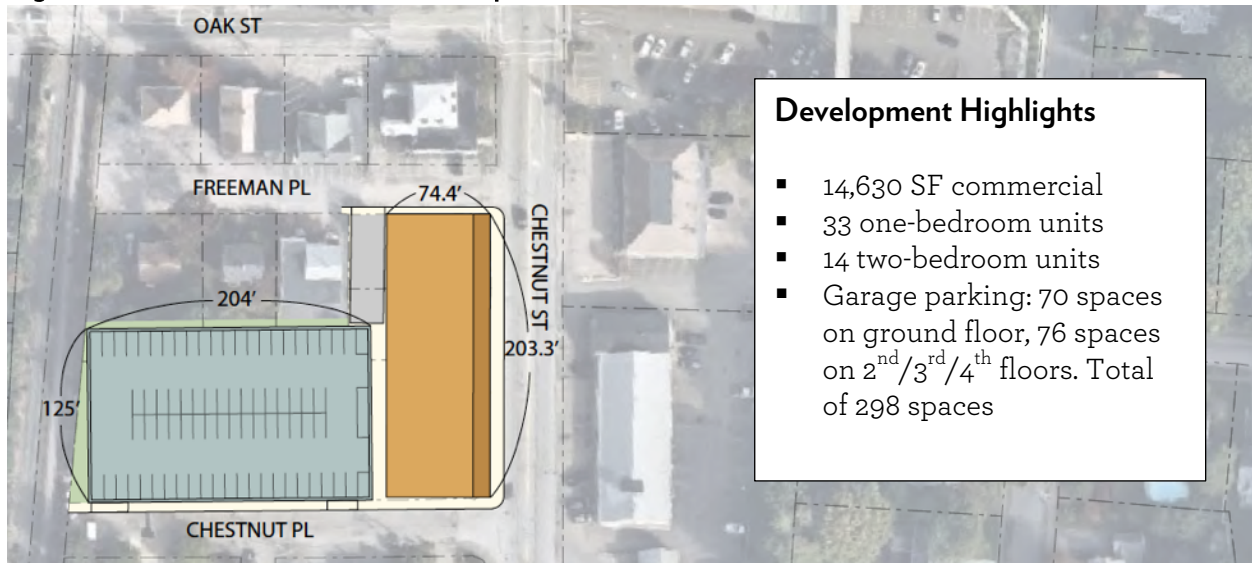
- Based on the assumptions above, the redevelopment scenario is economically feasible—though the anticipated returns on investment may not be sufficient to stimulate development interest in the near term.
- If the parking requirements are modified (1-bedroom units reduced to 1 space per unit and a shared parking arrangement for residential-commercial users permitted at 30%), the fee in-lieu of parking will be eliminated, and thus improving the redevelopment prospects at this site.

Site #3: 237 Chestnut Street

Figure 6 illustrates an alternative development concept for 237 Chestnut Street:

- a) Demolish existing building (currently: Holly Cleaners and Needham Dance Theatre).
- b) Develop new mixed-use building with ground floor commercial (relocate Holly Cleaners and Needham Dance Theatre into this space and add medical offices).
- c) Second & third floors: apartments.
- d) Fourth floor: apartments with a 12 foot setback on Chestnut Street.
- e) Parking garage for BID Hospital and new development (298 spaces on 4 levels).

Figure 6: 237 Chestnut Street Redevelopment Scenario



Development Budget (237 Chestnut Street)

Budget Item	Amount
Acquisition	\$-
Construction	
Site Improvements	\$435,000
Apartment Construction (42,950 SF @ \$200/SF)	\$8,590,000
Commercial Construction (14,630 SF @ \$150/SF)	\$2,195,000
Lobby Construction (500 SF @ \$170/SF)	\$85,000
Contingency (10%)	\$1,130,000
Architecture & Engineering (7%)	\$870,000
Other Professional Fees	\$220,000
Carry/Insurance/Construction Interest/Development Fee	\$1,740,000
Total Development Cost	\$15,265,000

Sources of Funding (237 Chestnut Street)

▪ First Mortgage	\$12,690,000
▪ Owner's Equity	<u>\$ 2,575,000</u>
Total	\$15,265,000

Income & Expense Pro Forma (237 Chestnut Street)

	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Revenue</u>					
One-bedroom income (@ \$2,000/mo)	\$790,000	\$821,600	\$854,464	\$888,643	\$924,188
Two-bedroom income (@ \$2,500/mo)	\$420,000	\$436,800	\$454,272	\$472,443	\$491,341
Commercial income (14,630 SF @ \$32/SF)	\$470,000	\$488,800	\$508,352	\$528,686	\$549,834
Commercial tenant tax reimbursement	<u>\$63,000</u>	<u>\$65,520</u>	<u>\$68,141</u>	<u>\$70,866</u>	<u>\$73,701</u>
Gross Potential Revenue	\$1,743,000	\$1,812,720	\$1,885,229	\$1,960,638	\$2,039,063
Less Vacancy	-\$315,000	-\$77,000	-\$80,063	-\$83,247	-\$86,559
Gross Effective Income	\$1,428,000	\$1,735,719	\$1,805,166	\$1,877,391	\$1,952,504
<u>Operating Expenses</u>					
Maintenance & operations residential	\$190,000	\$197,600	\$205,504	\$213,724	\$222,273
Unreimbursed maintenance & operations commercial	\$60,000	\$62,400	\$64,896	\$67,492	\$70,192
Ground Lease	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Parking Lease from Garage	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000
Real Estate Taxes	<u>\$145,000</u>	<u>\$150,800</u>	<u>\$156,832</u>	<u>\$163,105</u>	<u>\$169,629</u>
Total Expenses	\$705,000	\$720,800	\$737,232	\$754,321	\$772,094
<u>Net Operating Income</u>	\$723,000	\$1,014,920	\$1,067,934	\$1,123,069	\$1,180,410
<u>Debt Service</u>					
First Mortgage Debt Service (4.25%/30 Years)	\$756,300	\$756,300	\$756,300	\$756,300	\$756,300
<u>Cash Flow</u>	-\$33,300	\$258,620	\$311,634	\$366,769	\$424,110
<u>Return on \$2.575 million equity</u>	-1.29%	10.04%	12.10%	14.24%	16.47%

Assumptions

- Number of one-bedroom apartments: 33
- Number of two-bedroom apartments: 14
- Average residential vacancy rate: 3% (15% in year 1)
- Average commercial vacancy rate: 7% (25% in year 1)
- Maintenance & operations residential cost: \$4,000/unit
- Unreimbursed maintenance & operations commercial: \$4/SF
- Ground lease payment for 237 Chestnut: 6% of market value
- Parking lease payment for BID Garage: \$175/month per space

Feasibility Notes (237 Chestnut Street)

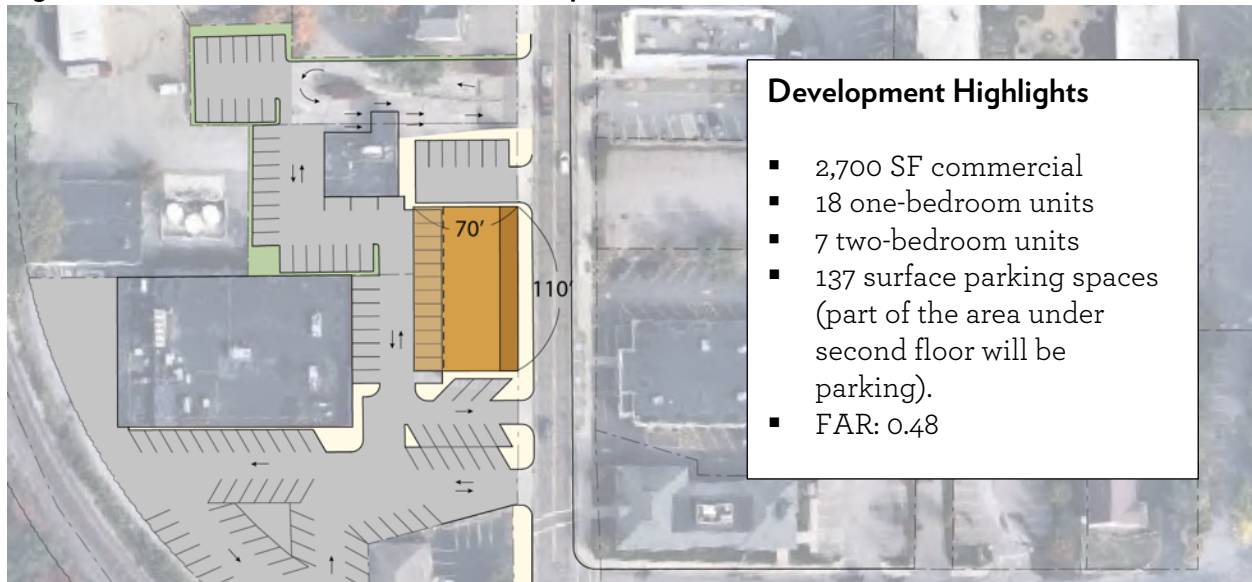
- Based on the assumptions above, the redevelopment scenario is economically feasible.
- The development cost for BID Hospital to build the garage is not reflected in the above pro-forma analysis. In order to build the garage, BID will need to acquire 33 Chestnut Pl and portions of the backyards of 20 30, and 40 Freeman Pl to accommodate the minimum garage width of 125 feet. The construction cost is estimated at approximately \$35,000 per space.
- In addition to accommodating staff/visitor parking in the garage, BID Hospital will receive on-going cash benefits from the mixed-use development (ground lease payment of \$150,000 and parking space lease payment of \$160,000).

Site #4: 355 & 377 Chestnut Street

Figure 7 illustrates an alternative development concept for 355 & 377 Chestnut Street:

- a) Demolish the southern half of 355 Chestnut (retain Salem Five Bank, relocate Hercules Cleaners). Acquire a portion of Roche Brothers parking lot along Chestnut Street frontage.
- b) Develop new four-story mixed-use building with ground floor commercial.
- c) Second & third floors: apartments.
- d) Fourth floor: apartments with a 12 foot setback on Chestnut Street.

Figure 7: 355 & 377 Chestnut Street Redevelopment Scenario



Development Budget (355 & 377 Chestnut Street)

Budget Item	Amount
Acquisition (portion of Roche Bro. Parking Lot)	\$500,000
Construction	
Demolition	\$50,000
Parking/Site Improvements	\$280,000
Apartment Construction (42,015 SF @ \$200/SF)	\$4,355,000
Commercial Construction (11,317 SF @ \$150/SF)	\$750,000
Lobby Construction (500 SF @ \$170/SF)	\$85,000
Contingency (10%)	\$545,000
Architecture & Engineering (7%)	\$420,000
Other Professional Fees	\$105,000
Carry/Insurance/Construction Interest/Development Fee	\$920,000
Total Development Cost	\$8,010,000

Sources of Funding (355 & 377 Chestnut Street)

▪ First Mortgage	\$ 6,800,000
▪ Owner's Equity	\$ <u>1,210,000</u>
Total	\$ 8,010,000

Income & Expense Pro Forma (355 & 377 Chestnut Street)

	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Revenue</u>					
One-bedroom income (@ \$2,000/mo)	\$430,000	\$447,200	\$465,088	\$483,692	\$503,039
Two-bedroom income (@ \$2,500/mo)	\$210,000	\$218,400	\$227,136	\$236,221	\$245,670
Commercial income (2,700 SF @ \$32/SF)	\$85,000	\$88,400	\$91,936	\$95,613	\$99,438
Commercial tenant tax reimbursement	<u>\$14,000</u>	<u>\$14,560</u>	<u>\$15,142</u>	<u>\$15,748</u>	<u>\$16,378</u>
Gross Potential Revenue	\$739,000	\$768,560	\$799,302	\$831,274	\$864,525
Less Vacancy	-\$121,000	-\$27,000	-\$28,087	-\$29,218	-\$30,393
Gross Effective Income	\$618,000	\$741,560	\$771,215	\$802,057	\$834,132
<u>Operating Expenses</u>					
Maintenance & operations residential	\$100,000	\$104,000	\$108,160	\$112,486	\$116,986
Unreimbursed maintenance & operations commercial	\$11,000	\$11,440	\$11,898	\$12,374	\$12,868
Real Estate Taxes	<u>\$67,000</u>	<u>\$69,680</u>	<u>\$72,467</u>	<u>\$75,365</u>	<u>\$78,380</u>
Total Expenses	\$178,000	\$185,120	\$192,524	\$200,225	\$208,234
<u>Net Operating Income</u>	\$440,000	\$556,440	\$578,691	\$601,831	\$625,898
<u>Debt Service</u>					
First Mortgage Debt Service (4.25%/30 Years)	\$405,300	\$405,300	\$405,300	\$405,300	\$405,300
<u>Cash Flow</u>	\$34,700	\$151,140	\$173,391	\$196,531	\$220,598
<u>Return on \$2.575 million equity</u>	2.87%	12.49%	14.33%	16.24%	18.23%

<u>Assumptions</u>	
-	Number of one-bedroom apartments: 18
-	Number of two-bedroom apartments: 7
-	Average residential vacancy rate: 3% (15% in year 1)
-	Average commercial vacancy rate: 7% (25% in year 1)
-	Maintenance & operations residential cost: \$4,000/unit
-	Unreimbursed maintenance & operations commercial: \$4/SF

Feasibility Notes (355 & 377 Chestnut Street)

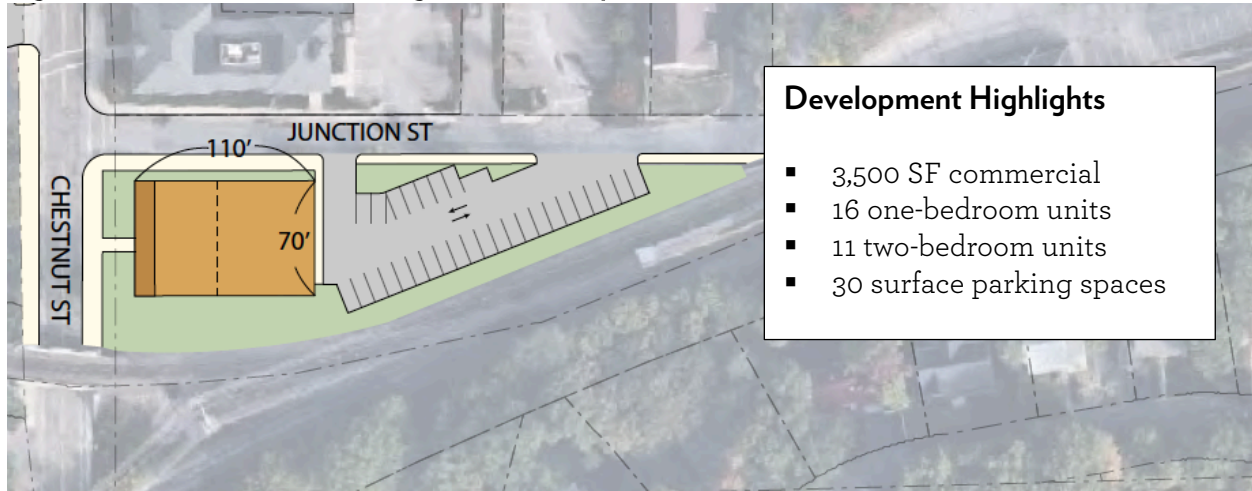
- Based on the assumptions above, the redevelopment scenario is economically feasible.
- The above scenario assumes the participation of the current owner of 355 Chestnut Street, Needham Oil Company, as an incremental investment.
- Project feasibility will be enhanced by reducing parking standards (both a reduction of 1-bedroom units and a shared parking considerations).

Site #5: Junction Station Parking Lot Site

Figure 8 illustrates an alternative development concept for the Junction Station parking lot:

- a) Relocate bus turnaround to deeper into the site.
- b) Build a four-story mixed-use building.
- c) Ground floor: professional medical office space.
- d) Second & third floors: apartments.
- e) Fourth floor: apartments with a 12 foot setback on Chestnut Street.

Figure 8: Junction Station Parking Lot Redevelopment Scenario



Development Budget (Junction Station Parking Lot)

Budget Item	Amount
Acquisition	\$-
Construction	
Parking/Site Improvements	\$305,000
Apartment Construction (26,460 SF @ \$200/SF)	\$5,290,000
Commercial Construction (3,500 SF @ \$150/SF)	\$525,000
Contingency (10%)	\$610,000
Architecture & Engineering (7%)	\$470,000
Other Professional Fees	\$120,000
Carry/Insurance/Construction Interest/Development Fee	\$940,000
Total Development Cost	\$8,260,000

Sources of Funding (Junction Station Parking Lot)

▪ First Mortgage	\$6,820,000
▪ Owner's Equity	\$1,440,000
Total	\$8,680,000

Income & Expense Pro Forma (Junction Station Parking Lot)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
One-bedroom income (@ \$2,000/mo)	\$384,000	\$399,360	\$415,334	\$431,948	\$449,226
Two-bedroom income (@ \$2,500/mo)	\$330,000	\$343,200	\$356,928	\$371,205	\$386,053
Commercial income (3,500 SF @ \$32/SF)	\$110,000	\$114,400	\$118,976	\$123,735	\$128,684
Commercial tenant tax reimbursement	<u>\$16,000</u>	<u>\$16,640</u>	<u>\$17,306</u>	<u>\$17,998</u>	<u>\$18,718</u>
Gross Potential Revenue	\$840,000	\$873,600	\$908,544	\$944,886	\$982,681
Less Vacancy	-\$138,600	-\$31,500	-\$32,758	-\$34,066	-\$35,427
Gross Effective Income	\$701,400	\$842,100	\$875,787	\$910,820	\$947,255
Operating Expenses					
Maintenance & operations residential	\$110,000	\$114,400	\$118,976	\$123,735	\$128,684
Unreimbursed maintenance & operations commercial	\$14,000	\$14,560	\$15,142	\$15,748	\$16,378
Ground Lease	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Parking Lease from MBTA Lots	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Real Estate Taxes	<u>\$70,000</u>	<u>\$72,800</u>	<u>\$75,712</u>	<u>\$78,741</u>	<u>\$81,890</u>
Total Expenses	\$279,000	\$286,760	\$294,831	\$303,224	\$311,953
Net Operating Income	\$422,400	\$555,340	\$580,956	\$607,596	\$635,302
Debt Service					
First Mortgage Debt Service (4.25%/30 Years)	\$406,700	\$406,700	\$406,700	\$406,700	\$406,700
Cash Flow	\$15,700	\$148,640	\$174,256	\$200,896	\$228,602
Return on \$1.44 million equity	1.09%	10.32%	12.10%	13.95%	15.88%

Assumptions	
-	Number of one-bedroom apartments: 16
-	Number of two-bedroom apartments: 11
-	Average residential vacancy rate: 3% (15% in year 1)
-	Commercial rents: \$32/SF
-	Average commercial vacancy rate: 7% (25% in year 1)
-	Maintenance & operations residential cost: \$4,000/unit
-	Unreimbursed maintenance & operations commercial: \$4/SF

Feasibility Notes (Junction Station Parking Lot)

- Based on the assumptions above, the redevelopment scenario is economically feasible.
- Assumption is that MBTA will retain ownership of the lot and grant a ground lease for the project for an annual payment of \$60,000.
- Additionally, MBTA will receive payment for leasing 30 parking spaces (\$25,000 per year).
- The turnaround for the 59 bus will need to be relocated deeper into the site.
- Commuter parking spaces will need to be relocated deeper into the site.
- Project feasibility will be enhanced by reducing parking standards (both a reduction of 1-bedroom units and a shared parking considerations).

Representative Photos of Four-Story Mixed-Use Developments

The following are photo renderings of mixed-use projects in other communities that fit the size and scale of development projects envisioned in the above redevelopment analysis.



A mixed-use project proposed in Jamaica Plain section of Boston.



A mixed-use project proposed in Minneapolis