

Economic Feasibility Analysis
Multi-family Housing for MBTA Housing Choice
Lincoln, Massachusetts
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Section One

Executive Summary

The Town of Lincoln’s Housing Choice Working Group worked for two years to create a compliant district that would be acceptable to residents. Five options were presented at a special town meeting in December 2023 and the Planning Board was tasked with drafting a bylaw that implemented the chosen option. The proposed zoning will be an Overlay District involving four subdistricts named: Lincoln Woods Subdistrict, Lincoln Road/Lewis Street Subdistrict, Codman Road Subdistrict, and the Village Center District which qualifies as a mandatory mixed-use district. All Districts lie adjacent to and surround the existing MBTA station. The proposed bylaw includes by right density that complies with EOHLC guidelines along with relaxed requirements for building height, stories, minimum lot size, yard requirements, width of lots, lot coverage and parking. The proposed zoning amendment was successfully passed by Town vote at the March 2024 Town Meeting.

Findings:

We analyzed five for-sale development scenarios and five rental scenarios for multi-family projects containing 6 units or more, reviewing the economic viability of requiring 15% of the units to be set aside as affordable (80% of Area Median Income). EOHLC does not define the term “economic feasibility”, the generally accepted definition in the real estate industry would be “A pro forma that yields an acceptable rate of return given the risks associated with the proposed development project”. Although the real estate industry does not have “one” definition of an acceptable rate of return, a residential rental property should yield 10% Internal Rate of Return (IRR) and a for-sale development should yield at least 16% Return on Cost (ROC). Given Lincoln’s strong real market, we believe the rate of returns may be slightly less than noted and remain financially feasible. In summary, the Project Team determined the profit/viability anticipated from each development option, with detailed budgets outlined in Section Four. Relative to housing development options with 15% of the units affordable, we reviewed the following development scenarios:

Condominium housing scenario:

- The anticipated financial return for a 6-unit townhome development.
- The anticipated financial return for an 8-unit townhome development.
- The anticipated financial return for a 10-unit townhome development.
- The anticipated financial return for a 24-unit townhome development.
- The anticipated financial return for a 45-unit townhome development.

Rental housing scenario

- The anticipated financial return for a 6-unit townhome development.
- The anticipated financial return for an 8-unit townhome development.
- The anticipated financial return for a 10-unit townhome development.
- The anticipated financial return for a 24-unit townhome development.
- The anticipated financial return for a 45-unit townhome development.

The results of our analysis are as follows:

For Sale Condominium Scenarios - Preferred Return on Cost (ROC) 16%.

- **6 Unit Townhome:** The ROC for a 6-unit townhome development and 15% affordable units is **14.17%**; although below 16% we believe such a project is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

The data and assumptions requested in this EFA form will allow DHCD to evaluate the potential impacts of any Inclusionary Zoning requirements in excess of what is allowed by the MBTA Communities Act. Please complete this form with all available information and provide source references for each data point as they relate to your MBTA 3A Compliant District(s).

Revenue Sources	Input	Source	Comment
Sale by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$498.00	6 unit sales at 15% affordable	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$70,000	Pro forma budget 15% afford (2)	
Land Development Costs (per unit)	\$691,231	Pro forma budget 15% afford (2)	
Soft Costs (percentage of hard costs)	29.0%	Pro forma budget 15% afford (2)	
Hard Costs (per SQFT)			
Residential	\$260	Pro forma budget 15% afford (2)	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	N/A		
Collection Loss (percentage)	N/A		
Operating Expense (% of EGI)	N/A		
Financial	Input	Source	
Lending Rate (Percentage)	8.00%	Pro forma budget 15% afford (2)	
Lending Term (Years)	Const Loa	Pro forma budget 15% afford (2)	
Debt Equity Ratio	1.0	Pro forma budget 15% afford (2)	
Cap Rate	N/A	Pro forma budget 15% afford (2)	
Return Expectations			
Internal Rate of Return (IRR)	N/A		
Return on Cost (ROC)	14.17%		
Cash on Cash (CoC)	N/A	N/A for rental	

- **8 Unit Townhome:** The anticipated ROC for an 8-unit townhome development and 15% affordable units is **19.65%** and is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

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Revenue Sources	Input	Source	Comment
Sale by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$498.00	8 unit sales at 15% affordable	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$70,000	Pro forma budget 15% afford (2	
Land Development Costs (per unit)	\$681,985	Pro forma budget 15% afford (2	
Soft Costs (percentage of hard costs)	28.0%	Pro forma budget 15% afford (2	
Hard Costs (per SQFT)			
Residential	\$260	Pro forma budget 15% afford (2	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	N/A		
Collection Loss (percentage)	N/A		
Operating Expense (% of EGI)	N/A		
Financial	Input	Source	
Lending Rate (Percentage)	8.00%	Pro forma budget 15% afford (2	
Lending Term (Years)	Const Loa	Pro forma budget 15% afford (2	
Debt Equity Ratio	1.0	Pro forma budget 15% afford (2	
Cap Rate	N/A	Pro forma budget 15% afford (2	
Return Expectations			
Internal Rate of Return (IRR)	N/A		
Return on Cost (ROC)	19.65%		
Cash on Cash (CoC)	N/A		

- **10 Unit Townhome:** The anticipated ROC for a 10-unit townhome development and 15% affordable units is **14.21%** and is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

The data and assumptions requested in this EFA form will allow DHCD to evaluate the potential impacts of any Inclusionary Zoning requirements in excess of what is allowed by the MBTA Communities Act. Please complete this form with all available information and provide source references for each data point as they relate to your MBTA 3A Compliant District(s).

Revenue Sources	Input	Source	Comment
Sale by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$498.00	10 unit sales at 15% affordable	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$70,000	Pro forma budget 15% afford (2)	
Land Development Costs (per unit)	\$672,228	Pro forma budget 15% afford (2)	
Soft Costs (percentage of hard costs)	26.7%	Pro forma budget 15% afford (2)	
Hard Costs (per SQFT)			
Residential	\$260	Pro forma budget 15% afford (2)	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	N/A		
Collection Loss (percentage)	N/A		
Operating Expense (% of EGI)	N/A		
Financial	Input	Source	
Lending Rate (Percentage)	8.00%	Pro forma budget 15% afford (2)	
Lending Term (Years)	Const Loa	Pro forma budget 15% afford (2)	
Debt Equity Ratio	1.0	Pro forma budget 15% afford (2)	
Cap Rate	N/A	Pro forma budget 15% afford (2)	
Return Expectations			
Internal Rate of Return (IRR)	N/A		
Return on Cost (ROC)	14.21%		
Cash on Cash (CoC)	N/A		

- **24 Unit Townhome:** The anticipated ROC for a 24-unit townhome development and 15% affordable units is **15.94%** and is **economically viable**.

Economic Feasibility Analysis - Assumption Checklist

The data and assumptions requested in this EFA form will allow DHCD to evaluate the potential impacts of any Inclusionary Zoning requirements in excess of what is allowed by the MBTA Communities Act. Please complete this form with all available information and provide source references for each data point as they relate to your MBTA 3A Compliant District(s).

Revenue Sources	Input	Source	Comment
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$498.00	2. Operating Expense	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)	N/A		
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$50,000	1. Development Budget	
Land Development Costs (per unit)	\$638,651	1. Development Budget (Selling costs excluded)	
Soft Costs (percentage of hard costs)	16.0%	1. Development Budget (Selling costs excluded)	
Hard Costs (per SQFT)			
Residential	\$282	1. Development Budget	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	N/A		
Collection Loss (percentage)	N/A		
Operating Expense (% of EGI)	N/A		
Financial	Input	Source	
Lending Rate (Percentage)	8.00%	1. Development Budget	
Lending Term (Years)	Const Loan	1. Development Budget	
Debt Equity Ratio	1.0	1. Development Budget	
Cap Rate	N/A	1. Development Budget	
Return Expectations			
Internal Rate of Return (IRR)	16.60%	Development budget	For sale model
Return on Cost (ROC)	15.94%	Development budget	For sale model
Cash on Cash (CoC)	41.60%	Development budget	For sale model

- **45 Unit Townhome:** The anticipated ROC for a 45-unit townhome development and 15% affordable units is **18.03%** and is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

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Revenue Sources	Input	Source	Comment
Revenue Sources			
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$498.00	2. Operating Expense	1,800 Sq Ft
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)	N/A		
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs			
	Input	Source	
Land Acquisition (per unit)	\$51,111	1. Development Budget	
Land Development Costs (per unit)	\$632,700	1. Development Budget (Selling costs excluded)	
Soft Costs (percentage of hard costs)	14.0%	1. Development Budget (Selling costs excluded)	
Hard Costs (per SQFT)			
Residential	\$281	1. Development Budget	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses			
	Input	Source	
Vacancy (percentage)	N/A	2. Operating Expense	
Collection Loss (percentage)	N/A	2. Operating Expense	
Operating Expense (% of EGI)	N/A	2. Operating Expense	
Financial			
	Input	Source	
Lending Rate (Percentage)	8.00%	1. Development Budget	
Lending Term (Years)	Const Loa	1. Development Budget	
Debt Equity Ratio	1.0	1. Development Budget	
Cap Rate	N/A	1. Development Budget	
Return Expectations			
Internal Rate of Return (IRR)	19.10%	5yr - Assumption	5 year hold
Return on Cost (ROC)	18.03%	5yr - Assumption	5 year hold
Cash on Cash (CoC)	43.40%	5yr - Assumption	5 year hold

Rental housing scenario – Preferred Internal Rate of Return (IRR) 10%

In summary on the rental housing option, we determined an overall Internal Rate of Return (IRR) anticipated from such a development. The results are as follows:

- **6 Unit Townhome:** The anticipated IRR for a 6-unit townhome development and 15% affordable units is **8.4%** and is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

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Revenue Sources	Input	Source	Comment
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$2.50	2. Operating Expense	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$75,000	Pro forma budget 15% afford (2)	
Land Development Costs (per unit)	\$651,772	Pro forma budget 15% afford (2)	
Soft Costs (percentage of hard costs)	21.0%	Pro forma budget 15% afford (2)	
Hard Costs (per SQFT)			
Residential	\$260	Pro forma budget 15% afford (2)	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	1.0%	2. Operating Expense	
Collection Loss (percentage)	0.5%	2. Operating Expense	
Operating Expense (% of EGI)	32.0%	2. Operating Expense	
Financial	Input	Source	
Lending Rate (Percentage)	6.00%	2. Operating Expense	
Lending Term (Years)	30	2. Operating Expense	
Debt Equity Ratio	1.2	2. Operating Expense	
Cap Rate	5.00%	2. Operating Expense	
Return Expectations			
Internal Rate of Return (IRR)	8.40%	5yr - Assumption	5 year hold
Return on Cost (ROC)	14.00%	5yr - Assumption	5 year hold
Cash on Cash (CoC)	2.60%	5yr - Assumption	5 year hold

- **8 Unit Townhome:** The anticipated IRR for an 8-unit townhome development and 15% affordable units is **11.6%** and is **economically viable**.

Department of Housing and Community Development
Economic Feasibility Analysis - Assumption Checklist

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Revenue Sources	Input	Source	Comment
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$2.50	2. Operating Expense	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs			
	Input	Source	
Land Acquisition (per unit)	\$70,000	Pro forma budget 15% afford (2)	
Land Development Costs (per unit)	\$641,186	Pro forma budget 15% afford (2)	
Soft Costs (percentage of hard costs)	20.0%	Pro forma budget 15% afford (2)	
Hard Costs (per SQFT)			
Residential	\$260	Pro forma budget 15% afford (2)	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses			
	Input	Source	
Vacancy (percentage)	1.0%	2. Operating Expense	
Collection Loss (percentage)	0.5%	2. Operating Expense	
Operating Expense (% of EGI)	32.0%	2. Operating Expense	
Financial			
	Input	Source	
Lending Rate (Percentage)	6.00%	2. Operating Expense	
Lending Term (Years)	30	2. Operating Expense	
Debt Equity Ratio	1.2	2. Operating Expense	
Cap Rate	5.00%	2. Operating Expense	
Return Expectations			
Internal Rate of Return (IRR)	11.60%	5yr - Assumption	5 year hold
Return on Cost (ROC)	16.10%	5yr - Assumption	5 year hold
Cash on Cash (CoC)	3.00%	5yr - Assumption	5 year hold

- **10 Unit Townhome:** The anticipated IRR for a 10-unit townhome development and 15% affordable units is **9.6%** and is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

The data and assumptions requested in this EFA form will allow DHCD to evaluate the potential impacts of any Inclusionary Zoning requirements in excess of what is allowed by the MBTA Communities Act. Please complete this form with all available information and provide source references for each data point as they relate to your MBTA 3A Compliant District(s).

Revenue Sources	Input	Source	Comment
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$2.50	2. Operating Expense	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$70,000	Pro forma budget 15% afford (2	
Land Development Costs (per unit)	\$633,841	Pro forma budget 15% afford (2	
Soft Costs (percentage of hard costs)	18.8%	Pro forma budget 15% afford (2	
Hard Costs (per SQFT)			
Residential	\$260	Pro forma budget 15% afford (2	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	1.0%	2. Operating Expense	
Collection Loss (percentage)	0.5%	2. Operating Expense	
Operating Expense (% of EGI)	32.0%	2. Operating Expense	
Financial	Input	Source	
Lending Rate (Percentage)	6.00%	2. Operating Expense	
Lending Term (Years)	30	2. Operating Expense	
Debt Equity Ratio	1.2	2. Operating Expense	
Cap Rate	5.00%	2. Operating Expense	
Return Expectations			
Internal Rate of Return (IRR)	9.60%	5yr - Assumption	5 year hold
Return on Cost (ROC)	14.80%	5yr - Assumption	5 year hold
Cash on Cash (CoC)	2.60%	5yr - Assumption	5 year hold

- **24 Unit Townhome:** The anticipated IRR for a 24-unit townhome development and 15% affordable units is **7%** and **is economically viable**.

Economic Feasibility Analysis - Assumption Checklist

The data and assumptions requested in this EFA form will allow DHCD to evaluate the potential impacts of any Inclusionary Zoning requirements in excess of what is allowed by the MBTA Communities Act. Please complete this form with all available information and provide source references for each data point as they relate to your MBTA 3A Compliant District(s).

Revenue Sources	Input	Source	Comment
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$2.43	2. Operating Expense	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		
Construction Costs	Input	Source	
Land Acquisition (per unit)	\$50,000	1. Development Budget	
Land Development Costs (per unit)	\$642,917	1. Development Budget	
Soft Costs (percentage of hard costs)	17.0%	1. Development Budget	
Hard Costs (per SQFT)			
Residential	\$281	1. Development Budget	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed
Operations & Expenses	Input	Source	
Vacancy (percentage)	2.0%	2. Operating Expense	
Collection Loss (percentage)	0.5%	2. Operating Expense	
Operating Expense (% of EGI)	32.0%	2. Operating Expense	
Financial	Input	Source	
Lending Rate (Percentage)	6.00%	1. Development Budget	
Lending Term (Years)	30	1. Development Budget	
Debt Equity Ratio	1.2	1. Development Budget	
Cap Rate	5.00%	1. Development Budget	
Return Expectations			
Internal Rate of Return (IRR)	7.00%	5yr - Assumption	5 year hold
Return on Cost (ROC)	12.80%	5yr - Assumption	5 year hold
Cash on Cash (CoC)	3.20%	5yr - Assumption	5 year hold

- **45 Unit Townhome:** The anticipated IRR for a 45-unit townhome development and 15% affordable units is **9.4%** and is **economically viable**.

Department of Housing and Community Development

Economic Feasibility Analysis - Assumption Checklist

The data and assumptions requested in this EFA form will allow DHCD to evaluate the potential impacts of any Inclusionary Zoning requirements in excess of what is allowed by the MBTA Communities Act. Please complete this form with all available information and provide source references for each data point as they relate to your MBTA 3A Compliant District(s).

Revenue Sources	Input	Source	Comment
Rents by Bed Count (per SQFT)			
Studio/Efficiency	N/A		
One Bedroom			
Two Bedroom	\$2.43	2. Operating Expense	1,800 Sq Ft Floorplan
Three Bedroom			
Sale Value (per SQFT)			
Other Income			
Parking Revenue (per month per space)			
On-Site Laundry (per month)	N/A		
Other (please list)	N/A		

Construction Costs	Input	Source	Comment
Land Acquisition (per unit)	\$51,111	1. Development Budget	
Land Development Costs (per unit)	\$636,643	1. Development Budget	
Soft Costs (percentage of hard costs)	15.0%	1. Development Budget	
Hard Costs (per SQFT)			
Residential	\$281	1. Development Budget	
Commercial Stick Built	N/A		Only residential assumed
Commercial Podium	N/A		Only residential assumed
Commercial Steel	N/A		Only residential assumed
Parking Assumptions			
Parking Ratio	2/Unit	2. Operating Expense	
Parking Cost by Type			
Surface (per space)			Open
Structured (per space)			Open
Underground (per space)	N/A		No underground parking assumed

Operations & Expenses	Input	Source
Vacancy (percentage)	2.0%	2. Operating Expense
Collection Loss (percentage)	0.5%	2. Operating Expense
Operating Expense (% of EGI)	31.0%	2. Operating Expense

Financial	Input	Source
Lending Rate (Percentage)	6.00%	1. Development Budget
Lending Term (Years)	30	1. Development Budget
Debt Equity Ratio	1.2	1. Development Budget
Cap Rate	5.00%	1. Development Budget
Return Expectations		
Internal Rate of Return (IRR)	9.40%	5yr - Assumption
Return on Cost (ROC)	14.00%	5yr - Assumption
Cash on Cash (CoC)	3.70%	5yr - Assumption

Section Two

Project scope and requirements

The overall purpose of this Feasibility Study is to evaluate Lincoln's proposed 3A District, to verify the economic feasibility of requiring inclusionary zoning in line with Lincoln's existing inclusionary zoning requirement of 15% and above the EOHLC limit of 10% for multi-family projects of six units or more. The proposed 3A Zoning Amendment provides the option to the property owner to construct multi-family housing (six or more units) provided specific provisions are adhered to including that 15% of the units are Affordable¹. EOHLC does not define the term "economic feasibility", the generally accepted definition in the real estate industry would be "A pro forma that yields an acceptable rate of return given the risks associated with the proposed development project". Although the real estate industry does not have "one" definition of an acceptable rate of return, a residential rental property should yield 10% Internal Rate of Return (IRR) and a for-sale development should yield at least 16% Return on Cost (ROC). Given Lincoln's strong real market, we believe the rate of returns may be slightly less than noted and still remain financially feasible.

Background

A new law requires MBTA-served Communities to have at least one zoning district of reasonable size in which multi-family housing is permitted as-of-right with zoning that allows a minimum gross density of 15 units per acre, located near public transportation, and eligible for families with children by not having any family related zoning restrictions. These new provisions are specified in a new Section 3A of M.G.L. Chapter 40A. Section 4.B. "Affordability Requirements" of DHCD's *Compliance Guidelines for Multi-Family Zoning Districts* has further limitations related to any affordability requirements to be consistent with the state's law for as-of-right zoning. The guidelines limit municipalities to no more than 10% of the units in a project consisting of affordable units, and the threshold on income of families or individuals who are eligible to occupy affordable units cannot be less than 80% of the Area Median Income. EOHLC will permit more than 10%, but no more than 20% of the units in a project to be affordable units, provided the zoning is supported by an economic feasibility analysis.

On August 10, 2022, and amended October 21, 2022, EOHLC issued guidelines for determining municipal compliance. In the spring of 2023, an Economic Feasibility Analysis – Assumption Checklist was published. Lincoln is categorized as a "commuter rail community" and is required to create a multi-family zone to include a minimum land area of 42 acres and the zoning must allow a minimum unit capacity of 635 multi-family dwelling units.

Lincoln's Zoning Amendment

The Town of Lincoln's Housing Choice Working Group worked for two years to create a compliant district that would be acceptable to residents. Five options were presented at a special town meeting in December 2023 and the Planning Board was tasked with drafting a bylaw that implemented the chosen option. The proposed zoning envisions an Overlay District involving four subdistricts named: Lincoln Woods Subdistrict, Lincoln Road/Lewis Street Subdistrict, Codman

¹ Household income limited to 80% of Area Median Income.

Road Subdistrict, and the Village Center district, which qualifies as a mandatory mixed use district. All Districts lie adjacent to and surround the existing MBTA station. The bylaw includes by right density that complies with EOHLIC guidelines along with relaxed requirements for building height, stories, minimum lot size, yard requirements, width of lots, lot coverage and parking. The proposed zoning amendment was approved by Town vote at the March 2024 Town Meeting.

PROJECT REQUEST and DELIVERABLES

The Consultant Team was asked to review the following:

- Review proposed zoning amendment.
- Perform a feasibility analysis that complies with the MBTA Communities analysis guide, and the Economic Feasibility Analysis Pro Forma Assumptions Checklist.
- Prepare a written report in form and content acceptable to the EOHLIC.

Analysis:

The primary purpose of this feasibility analysis is to determine whether an increase in required affordable housing units can be justified over and above the state limit of 10%. Specifically, the Town of Lincoln requested supporting documentation for the financial feasibility of for sale and rental multi-family projects of six units or more at 15% affordable. We have attached several pro forma budget scenarios hypothesizing the cost and feasibility of increased affordable housing units. We have qualified that such a feasibility analysis is difficult given that there are many unknown variables which make it difficult to accurately predict financial performance. Specifically, there are no architectural renderings or site plan drawings or indeed even a site identified for such a development. A specific site development plan detailing proposed work is then needed to determine various other permits and approvals. That said, the attached budgets are intended to offer guidance to the Town of Lincoln so that a more informed decision can be reached.

In arriving at the attached pro forma budgets, we commissioned a current market study analyzing both for sale and lease housing options. We also researched current construction and development expenses and considered likely escalation in construction costs over time.

The Consulting Team structured a number of hypothetical developments (rental & for sale) with surface parking. We reviewed townhome developments for the development scenarios. We have followed current market trends with a mix of one and two bedroom units and factored in the corresponding mix of affordable units within each of these unit types. Although municipal water is available, public sewer is not available in the Town of Lincoln. Title V regulations limit density to 90 bedrooms on one property. Although package treatment plants allow for greater density, this option is extremely expensive.

Many of the properties within the four subdistricts are already developed. In some cases, the size of the parcel is a few acres in size or less. Given the lack of municipal sewer, most projects will be on septic, thereby limiting a project's size. Given local costs of land and development, townhomes will most likely be the most viable development program for both sale and rental projects. Larger projects using an onsite package treatment plant may be viable, but with site specific development

metrics (demolition costs, land costs, treatment costs, etc.), it is not possible to make a firm determination at this time.

Despite rising interest rates and economic headwinds, there is still a shortage of transit-oriented housing in metro Boston. While other markets across the United States, most notably in the sunbelt, are experiencing an influx of inventory, demand for housing in Boston Metro still exceeds supply. However, there are still a number of risks that could impact the performance and viability of the project between now and delivery, including cap rate expansion, higher interest rates, supply chain disruptions and rental rate compression.

Relative to for sale and rental housing, we reviewed the following development scenarios including 15% affordable units:

- The anticipated financial return for a 6-unit townhome development.
- The anticipated financial return for an 8-unit townhome development.
- The anticipated financial return for a 10-unit townhome development.
- The anticipated financial return for a 24-unit townhome development.
- The anticipated financial return for a 45-unit townhome development.

Section Three

A review of the specific zoning components proposed within the Multi-Family and Mixed Use Overlay Districts – The 3A District: An Overlay District to comply with M.G.L. c. 40A. s. 3a.

The Project Team has reviewed the proposed zoning amendment and believe the zoning provides the required density and flexibility to achieve the goal of expanding access to affordable housing in the Town of Lincoln and meets the legislative requirements and EOHLC guidelines of M.G.L. Chapter 40A, Section 3A.

As noted further within this Report, this zoning amendment will create a new real estate marketplace in the community, with housing proposals driving to maximize density. The actual construction of units under the proposed zoning may take some time to come to fruition, as property values for the existing uses compete with the potential for new uses. Given the lack of municipal sewer in the community, Title V requirements will drive site densities as there is a maximum of 90 bedrooms permitted on one site. It is questionable that larger developments projects (over 90 bedrooms) will be proposed given the significant cost of package treatment plants. That said, a larger scale project might be viable with an on-site sewer package treatment system if permitting expenses/construction costs and economies of scale are reached.

Section Four

An Analysis of Lincoln’s local real estate conditions

A comprehensive professional local real estate analysis has been completed by Streamline Communities, which reviewed current real estate market conditions in Lincoln including home values and average rent profiles. Key findings are reported here, with the full report attached in the Appendix.

Single Family Home Market:

- The average sales price has increased from \$1,386,522 to \$1,947,734 or 40 percent from 2019 to 2022.



Solds / Year	2019	2020	2021	2022	2023
List Price	\$1,431,430.43	\$1,471,758.62	\$1,612,230.77	\$1,892,652.17	\$1,485,363.64
Original List Price	\$1,443,208.70	\$1,555,793.10	\$1,676,153.85	\$1,892,652.17	\$1,511,272.73
Sale Price	\$1,386,522.83	\$1,433,539.66	\$1,643,692.31	\$1,947,734.78	\$1,530,056.82

- Yearly sales absorption averages 50 – 70 units per year.
- The average days on market was 49 in 2023, which indicates a seller’s market.
- A buyers’ market is typically 120 – 150 days on market. The small number of days on the market is attributed to the severe lack of inventory. The lack of inventory creates a sellers’ market with high sales prices and quick sales.
- **Conclusion: As it relates to housing need and affordability, Lincoln's local market conditions for condominiums are extremely unfavorable. More specifically, the low housing inventory has placed an upward price pressure on home sale prices. This appreciation trend has been magnified over the last 4 years in Lincoln and Massachusetts in general. The overall trend has created a higher need for both market rate and affordable homes within the Lincoln marketplace.**

Condominium Market:

- The average sales price has increased from \$472,844 to \$651,562 or 37.7 percent from 2019 to 2022.



Solds / Year	2019	2020	2021	2022	2023
List Price	\$471,444.44	\$546,380.00	\$505,355.56	\$618,187.50	\$548,187.50
Original List Price	\$475,900.00	\$560,380.00	\$515,922.22	\$624,437.50	\$562,125.00
Sale Price	\$472,844.44	\$548,064.00	\$508,951.89	\$651,562.50	\$556,037.50

- Yearly sales are extremely low at just 23 in 2022. This is due to the lack of inventory.
- The average days on market was 49 in 2023.
- A buyers' market is typically 120 – 150 days on market. The low days on market is attributed to the severe lack of inventory. The lack of inventory creates a seller's market with high sales prices and quick sales.
- **Conclusion: As it relates to housing need and affordability, Lincoln's local market conditions for condominiums are extremely unfavorable. More specifically, the low housing inventory has placed an upward price pressure on home sale prices. This appreciation trend has been magnified over the last 4 years in Lincoln and Massachusetts in general. The overall trend has created a higher need for both market rate and affordable homes within the Lincoln marketplace.**
- For the purpose of this analysis, building new single family homes would utilize a significant land footprint and would not maximize the density required by the proposed MBTA zoning. Single family development is not feasible in terms of creating a profitable project. Therefore, the following represents new construction values that could be achieved for market rate condominiums only:
 - We analyzed new construction comparative properties located in Lincoln, MA and surrounding towns to determine the value of market rate condominiums.
 - We collected the latest 24 months of sales at each selected community and analyzed price per square foot, to determine value for the subject property.

- Based on our findings, we applied the price per square foot to the projected product type and square footage for the subject property.
- We sorted data by smallest to largest square footage.
- The following highlights the sales utilized to calculate price per square foot and subsequent price recommendations for each product type.
- The following highlights our findings as it relates to market rate condominium new homes:

Townhomes

Style	Beds	Full Bath	Half Bath	Gar. Space	Value	SF	PPSF	
Plex	2	2	0	2	\$ 692,138	1,500	\$461	estimate
Plex	2	2	0	2	\$ 897,166	1,800	\$498	Preston at Cold Brook
Plex	2	2	0	2	\$ 968,195	2,100	\$461	Emery at Cold Brook
Plex	2	2	0	2	\$ 1,089,154	2,400	\$454	Emery at Cold Brook/Hartwell

- We believe, townhome style market rate condominium homes ranging from 1,500 to 2,400 square feet would realize a value of \$692,000 to \$1,089,000 respectively.
- We analyzed 2 bedroom plex style homes only, due to sewer capacity.
- The most ideal comparative property is Preston at Cold Brook Crossing. This property experienced 32 sales in 21 months or 1.52 per month. As such, a similar development priced accordingly would sell at the same monthly rate.
- Note: The price per square footage arrived from specific comparatives are highlighted. The price per square footage was estimated within comparative value ranges, if a reasonable comparative was not identified.

Leasing – Regional Market

Within the primary market, we analyzed the market conditions per CoStar. We determined the following:

- There are 17 key comparable properties within the market area:
- The average rent per unit is \$2,971 and the average rent per square foot is \$2.85.
- The average vacancy rate is 12.5 percent compared to the typical vacancy rate in a stabilized market of 3 to 5 percent. The regional vacancy rate of 12.5 percent is a higher rate because of new construction inventory that is filling with new leases.

Leasing – Lincoln Market

- Year over year effective rent growth decreased for studios and increased for 1, 2, and 3 bedrooms. Overall, this also indicates a very strong rental market.
- The three bedroom homes appear to be in great demand with almost a 9.6 percent increase in rent.

- Concessions under 2.0 percent are very limited within this market, also indicating strong demand. However, there are higher concessions for studios.

Current Conditions in Rent Comps	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Total Number of Units	58	900	1,411	318
Vacancy Rate	51.6%	13.1%	10.2%	14.1%
Asking Rent Per Unit	\$2,355	\$2,524	\$3,056	\$3,975
Asking Rent Per SF	\$4.25	\$3.13	\$2.69	\$2.89
Effective Rents Per Unit	\$2,228	\$2,481	\$3,015	\$3,905
Effective Rents Per SF	\$4.02	\$3.08	\$2.65	\$2.84
Concessions	5.4%	1.7%	1.3%	1.8%
Changes Past Year in Rent Comps	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Year-Over-Year Effective Rent Growth	-2.9%	0.5%	2.2%	9.6%
Year-Over-Year Vacancy Rate Change	51.0%	-4.4%	-3.2%	6.5%
12 Month Absorption in Units	20	110	95	24

Within the primary market, we analyzed the market conditions per CoStar. We determined the following: There are 5 key comparable properties within the market area: 1) The Wright, 2) Katahdin Woods, 3) The Apartments at Cold Brook, 4) Avalon at Bedford, 5) Windsor, and Oriole Landing are our key comparative properties.

- The average rent per unit is \$3,272 and the average rent per square foot is \$3.16.
- The average vacancy rate is 14.4 percent, higher because of new construction inventory compared to the typical vacancy rate in a stabilized market of 3 to 5 percent. The regional vacancy rate of 14.4 percent is a higher rate because of new construction inventory that is filling with new leases.

Current Conditions in Rent Comps	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Total Number of Units	50	409	576	234
Vacancy Rate	59.7%	14.6%	9.5%	16.4%
Asking Rent Per Unit	\$2,437	\$2,841	\$3,316	\$4,094
Asking Rent Per SF	\$4.31	\$3.36	\$3.09	\$2.98
Effective Rents Per Unit	\$2,290	\$2,793	\$3,275	\$4,012
Effective Rents Per SF	\$4.05	\$3.30	\$3.05	\$2.92
Concessions	6.0%	1.7%	1.2%	2.0%
Changes Past Year in Rent Comps	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Year-Over-Year Effective Rent Growth	-3.4%	4.1%	6.4%	12.4%
Year-Over-Year Vacancy Rate Change	-	0.8%	0.4%	7.9%
12 Month Absorption in Units	20	65	44	26

- Year over year effective rent growth decreased for studios and increased for 1, 2, and 3 bedrooms. Overall, this also indicates a strong rental market.
- The three bedroom homes appear to be in great demand with almost a 12.4 percent increase in rent.
- Concessions under 2.0 percent are extremely limited within this market, also indicating strong demand. However, there are higher concessions for studios.

Methodology:

- We utilized Co Star Reports for occupancy, rental averages, and key building amenities. **NOTE:** More specifically, the rent rates utilized in our study are asking rents. The asking rents are broken down by bedroom for each property and is a straight average.
- Rental rates were also researched via internet searches, property websites, Multiple Listing Services, and phone interviews with property Asset Managers.
- Based on the comparable communities identified, we determined the rent per month, square footage, and subsequent rent per square footage.
- We applied the rent per square footage to the product mix for the subject property and calculated the total yearly rent roll for the subject property.

Recommendations- Price Per Square Foot:

- For the purpose of completing a construction proforma for feasibility purposes, we recommend utilizing the square footage sizes noted and subsequent rent per square foot that corresponds to each.

<i>Rent</i>				
<i>Apartment Complex</i>	<i>Studio</i>	<i>1 BR</i>	<i>2 BR</i>	<i>3 Bed</i>
Oriole Landing	x	\$2,705	\$3,740	x
The Wright	\$2,437	\$2,720	\$3,857	\$4,909
The Apartments at Cold Brook Crossing	x	\$2,731	\$3,727	\$5,265
Avalon at Bedford Center	x	\$2,888	\$3,732	x
Average	\$2,437	\$2,761	\$3,764	\$5,087
<i>Square Feet</i>				
<i>Apartment Complex</i>	<i>Studio</i>	<i>1 BR</i>	<i>2 BR</i>	<i>3 BR</i>
Oriole Landing	x	826	1,188	x
The Wright	566	675	1,208	1,410
The Apartments at Cold Brook Crossing	x	828	1,092	1,510
Avalon at Bedford Center	x	862	1,236	x
Average	566	798	1,181	1,460
<i>Price Per Square Foot</i>				
<i>Apartment Complex</i>	<i>Studio</i>	<i>1 BR</i>	<i>2 BR</i>	<i>3 BR</i>
Oriole Landing	x	\$ 3.27	\$ 3.15	x
The Wright	\$ 4.31	\$ 4.03	\$ 3.19	\$ 3.48
The Apartments at Cold Brook Crossing	x	\$ 3.30	\$ 3.41	\$ 3.49
Avalon at Bedford Center	x	\$ 3.35	\$ 3.02	x
Average	\$ 4.31	\$ 3.49	\$ 3.19	\$ 3.49

Recommendations – Unit Mix:

- For the purpose of completing a construction proforma for feasibility purposes, we recommend utilizing a similar product mix.
- The studios within this market produce the least demand.
- A similar product mix percentage will maximize occupancy and density for the project.

Product Mix					
Apartment Complex	Studio	1 BR	2 BR	3 BR	Total
Oriole Landing	0	38	22	0	
The Wright	50	60	40	45	
The Apartments at Cold Brook Crossing	0	52	38	11	
Avalon at Bedford Center	0	57	82	0	
Total	50	207	182	56	495
	10.10%	41.82%	36.77%	11.31%	100.00%

Lease Market Recommendations:

- We reviewed larger square foot rental products within the market. The inventory for products above 1,300 square feet is limited.
- For a 1,500 square foot townhome product, the price per square foot ranges from \$2.96 to \$3.19 or \$4,380 to \$4,795 per month.
- We recommend using the low end of the range or \$4,380 per month. The low end of the range is recommended because it will help absorb this higher priced product.

Community	Town	Year Built	Beds	Bath	SF	Garage	Basement	Rent	PPSF
The Village at Taylor Pond	Bedford	2009	2	2.0	1,305	x	x	\$3,792	\$2.91
Oriole Landing	Lincoln	2020	2	2.0	1,472	x	x	\$4,523	\$3.07
Avalon at Bedford - 200 Avalon Dr	Bedford	2006/ Renovated	2	2.5	1,480	1	x	\$4,380	\$2.96
Katahdin Woods at Lexington	Lexington	1987/ Renovated 2018	3	2.0	1,500	1	x	\$4,795	\$3.19
The Apts at Cold Brook	Sudbury	2022	3	2.0	1,510	x	x	\$5,426	\$3.59
					1,484			\$4,566	\$3.08
18 Grey Oaks Circle U: 18	Lexington	2017	3	2.5	1,860	1	Unfinished	\$4,950	\$2.66
18 Grey Oaks Circle - Unit 18	Lexington	2017	3	2.5	1,860	1	Unfinished	\$5,600	\$3.01
23 Lily Pond Ln - Unit 23	Lexington	2020	3	2.5	1,871	1	Finished	\$5,000	\$2.67
34 Kendall Ct - Unit 34	Bedford	2013	2	2.5	1,880	2	Unfinished	\$4,250	\$2.26
9 Kendall Court - Unit 9	Bedford	2015	3	3.5	2,143	2	Finished	\$5,700	\$2.66
6 Robinson Rd - Unit 16	Lexington	2015	3	3.5	2,143	1	Finished	\$5,700	\$2.66
12 Lily Pond Lane - Unit 12	Lexington	2020	2	2.5	2,789	2	Finished	\$5,950	\$2.13
17 Lily Pond Lane - Unit 17	Lexington	2020	3	2.5	2,868	2	Finished	\$6,400	\$2.23

Section Five

Financial Feasibility; 15% affordable set aside

A report to answer the question of whether Lincoln's 15% inclusionary zoning proposal is financially feasible to produce multi-family housing, specifically:

- a. Can the proposed zoning support 15% Inclusionary Dwelling units at 80% of AMI and still be economically feasible?

The following pro-forma analysis is undertaken with the goal of determining the economic feasibility of increasing the affordable housing set aside from 10% to 15%. Given the fact that proper assessment of "economic feasibility" involves a series of factors that do not remain static with the passage of time, it is clear that the method of analysis employed when endeavoring to assess economic feasibility at any given point in time also cannot remain fixed or static.²

A pro-forma analysis affords an analyst with a defined methodology for the assessment of economic feasibility.

- At the most preliminary stage, an analyst will commence building his or her pro-forma model by endeavoring to identify all foreseeable fixed and independent variables having the potential to affect the outcome of the analysis.
- As the analysis continues, on-going research and due diligence enables the analyst to assign constantly refined values to those variables contained within the analysis until such time as the analyst is able to confidently predict an outcome.
- Obviously, the more confidence an analyst has in the values assigned to specific variables contained within his/her analysis, the greater the level of confidence the analyst will have in the pro-forma model's ability to accurately predict an outcome.
- In many instances, assignment of one or more independent variables may not involve a single value, but rather a range of values representing the unknown.

By considering the output of a pro-forma model under the range of values assigned to a specific variable, the sensitivity of an unknown to affect the outcome may be better understood. As we have noted elsewhere in the Report, this analysis by default had to make a number of assumptions given the lack of many critical inputs such as site details, architectural drawings, etc. That said, we have drawn on our many years of collective experiences in the business and sought consultation with a host of sources in the real estate market to arrive at these conclusions. The noted profit margins reflect industry standards and include the time required to obtain approvals, construct the development, and complete sales as well as the high risk involved with real estate development in general.

² NHHFA-Meeting the Workforce Housing Challenge.

Condominiums – Preferred Return on Cost (ROC) 16%

Lincoln for sale condominium affordable unit pricing³.

Lincoln 1BR, 80% condo		Lincoln 2BR, 80% Condo		Lincoln 3BR, 80% Condo	
Housing Cost		Housing Cost		Housing Cost:	
Sales Price	\$225,600	Sales Price	\$253,100	Sales Price	\$280,400
5% Down payment	\$11,280	5% Down payment	\$12,655	5% Down payment	\$14,020
Mortgage	\$214,320	Mortgage	\$240,445	Mortgage	\$266,380
Interest rate	7.15%	Interest rate	7.15%	Interest rate	7.15%
Amortization	30	Amortization	30	Amortization	30
Monthly P&I Payments	\$1,447.53	Monthly P&I Payments	\$1,623.98	Monthly P&I Payments	\$1,799.15
Tax Rate	\$13.92	Tax Rate	\$13.92	Tax Rate	\$13.92
monthly property tax	\$262	monthly property tax	\$294	monthly property tax	\$325
Hazard insurance	\$75	Hazard insurance	\$84	Hazard insurance	\$93
PMI	\$139	PMI	\$156	PMI	\$173
Condo/HOA fees (if applicable)	\$150	Condo/HOA fees (if applicable)	\$175	Condo/HOA fees (if applicable)	\$200
Monthly Housing Cost	\$2,074	Monthly Housing Cost	\$2,333	Monthly Housing Cost	\$2,591
Necessary Income:	\$82,949	Necessary Income:	\$93,329	Necessary Income:	\$103,641
Household Income:		Household Income:		Household Income:	
# of Bedrooms	1	# of Bedrooms	2	# of Bedrooms	3
Sample Household size	2	Sample Household size	3	Sample Household size	4
HUD 80% AMI	\$94,800	HUD 80% AMI	\$106,650	HUD 80% AMI	\$118,450
Target Housing Cost (80%AMI)	\$2,370	Target Housing Cost (80%AMI)	\$2,666	Target Housing Cost (80%AMI)	\$2,961

Townhome For Sale Condominium Scenario; 6 Units – 15% affordable

Table One summarizes fixed sale prices of the affordable housing units and estimated price point for market rate condominium units for a 6-unit development with 15% of the units affordable.

Table One
Estimated Sale Prices – 15% Affordable

Sales summary						
Assumes 15% affordable units at 80% median income per DHCD figures						
6 units total		6		two bedroom units		
Market unit price per square foot based on Streamline market study						
800 sf	\$526	1800sf	\$498			
1100 sf	\$526					
1500 sf	\$490					
Total number of affordable units		1		17%		
		Size (SF)		Per sf		
1	affordable	two bedroom unit	1,800	\$253,100	\$141	\$253,100
5	Market	two bedroom unit	1,800	\$896,400	\$498	\$4,482,000
One bedroom condo fee assumed at \$150 per month						
Two bedroom condo fee assumed at \$175 per month						
6						\$4,735,100

³ Provided by the Town of Lincoln's housing consultants, Regional Housing Services Office.

Based on the pro-forma analysis detailed in Table Two, a 6-unit condominium development with 15% affordable would produce **14.17% ROC** and is **economically viable**.

Table Two
6 Unit Condo Pro-forma – 15% Affordable

Date: March 28, 2024						
MBTA zoning and affordable housing feasibility study						
Lincoln Mass						
6 Townhouse units 10,800 Total sf						
15% affordable for sale units						
LINE ITEMS					Per Unit Cost	Total Cost
Land					\$70,000	\$450,000
Construction costs per square foot	\$260				\$468,000	\$2,808,000
Demolition costs (assumes the site is a redevelopment with existing buildings)					\$8,333	\$50,000
TOTAL HARD COSTS						
		\$476,333				\$2,858,000
Accounting					\$1,000	\$6,000
Engineering expenses (permits only, including septic design, no con com assumed)					\$8,000	\$48,000
Legal and consulting fees					\$5,000	\$30,000
Insurance					\$2,500	\$15,000
Utilities					\$1,000	\$6,000
Architectural drawings (3% of construction)	\$84,240				\$14,040	\$84,240
Water fees	\$4,300				\$4,300	\$25,800
Real Estate closing costs (5% of sales)					\$39,459	\$236,755
HUD closing cost items					\$1,000	\$6,000
RE transfer Tax stamps					\$3,599	\$21,592
Interest Expense (assume 10 month build out at 8%)					\$30,000	\$180,000
Finance fees and loan closing costs (assume .005% orig fee)					\$2,500	\$15,000
Misc. costs					\$3,000	\$18,000
Developer fee					\$10,000	\$60,000
Real estate taxes					\$2,000	\$12,000
Soft cost contingency					\$12,500	\$75,000
TOTAL SOFT COSTS						
						\$833,387
Total number of units	Total				\$691,231	\$4,147,387
						0.29159799
sales for 6 units						
	Total sales revenue				\$4,735,100	
	Profit				\$587,713	
	Average profit per unit				\$97,952	
	Average total cost per sf	\$384				
	Average total cost per unit	\$691,231				
	Hard cost per unit	\$476,333				
	Return on cost				14.17%	

Townhome For Sale Condominium Scenario; 8 Units – 15% affordable

Table Three summarizes fixed sale prices of the affordable housing units and estimated price point for market rate condominium units for an 8-unit development with 15% of the units affordable.

Table Three
Estimated Sale Prices – 15% Affordable

Sales summary						
Assumes 15% affordable units at 80% median income per DHCD figures						
8 units total 8 two bedroom units						
Market unit price per square foot based on Streamline market study						
800 sf	\$526	1800sf	\$498			
1100 sf	\$526					
1500 sf	\$490					
Total number of affordable units		1			12.50%	
		Size (SF)		Per sf		
1	affordable	two bedroom unit	1,800	\$253,100	\$141	\$253,100
7	Market	two bedroom unit	1,800	\$896,400	\$498	\$6,274,800
One bedroom condo fee assumed at \$150 per month						
Two bedroom condo fee assumed at \$175 per month						
8						\$6,527,900

Based on the pro-forma analysis detailed in Table Four, an 8-unit condominium development with 15% affordable would produce **19.65% ROC** and is **economically viable**.

Table Four
8 Unit Condo Pro-forma – 15% Affordable

Date: March 28, 2024						
MBTA zoning and affordable housing feasibility study						
Lincoln Mass						
8						
Townhouse units						
14,400						
Total sf						
15% affordable for sale units						
LINE ITEMS					Per Unit Cost	Total Cost
Land					\$70,000	\$560,000
Construction costs per square foot		\$260			\$468,000	\$3,744,000
Demolition costs (assumes the site is a redevelopment with existing buildings)					\$8,125	\$65,000
TOTAL HARD COSTS						
			\$476,125			\$3,809,000
Accounting					\$1,000	\$8,000
Engineering expenses (permits only, including septic design, no con com assumed)					\$7,500	\$60,000
Legal and consulting fees					\$3,750	\$30,000
Insurance					\$2,500	\$20,000
Utilities					\$1,000	\$8,000
Architectural drawings (3% of construction)			\$112,320		\$14,040	\$112,320
Water fees			\$4,300		\$4,300	\$34,400
Real Estate closing costs (5% of sales)					\$40,799	\$326,395
HUD closing cost items					\$1,000	\$8,000
RE transfer Tax stamps					\$3,721	\$29,767
Interest Expense (assume 10 month build out at 8%)					\$26,250	\$210,000
Finance fees and loan closing costs (assume .005% orig fee)					\$2,500	\$20,000
Misc. costs					\$2,500	\$20,000
Developer fee					\$10,000	\$80,000
Real estate taxes					\$2,500	\$20,000
Soft cost contingency					\$12,500	\$100,000
TOTAL SOFT COSTS						
						\$1,078,882
Total number of units	Total				\$681,985	\$5,455,882
						0.28324553
sales for 8 units						
	Total sales revenue				\$6,527,900	
	Profit				\$1,072,018	
	Average profit per unit				\$134,002	
	Average total cost per sf		\$379			
	Average total cost per unit		\$681,985			
	Hard cost per unit		\$476,125			
	Return on cost					19.65%

Townhome For Sale Condominium Scenario; 10 Units – 15% affordable

Table Five summarizes fixed sale prices of the affordable housing units and estimated price point for market rate condominium units for a 10-unit development with 15% of the units affordable.

Table Five
Estimated Sale Prices – 15% Affordable

Sales summary						
Assumes 15% affordable units at 80% median income per DHCD figures						
10 units total						
10 two bedroom units						
Market unit price per square foot based on Streamline market study						
800 sf	\$526	1800sf	\$498			
1100 sf	\$526					
1500 sf	\$490					
Total number of affordable units						
2						
20.00%						
			Size (SF)		Per sf	
2	affordable	two bedroom unit	1,800	\$253,100	\$141	\$506,200
8	Market	two bedroom unit	1,800	\$896,400	\$498	\$7,171,200
One bedroom condo fee assumed at \$150 per month						
Two bedroom condo fee assumed at \$175 per month						
10						\$7,677,400

Based on the pro-forma analysis detailed in Table Six, a 10-unit condominium development with 15% affordable would produce **14.21% ROC** and **is economically viable**.

Table Six
10 Unit Condo Pro-forma – 15% Affordable

Date: March 28, 2024						
MBTA zoning and affordable housing feasibility study						
Lincoln Mass		10	Townhouse units	18,000	total sf	
15% affordable for sale units						
LINE ITEMS				Per Unit Cost		Total Cost
Land				\$70,000		\$700,000
Construction costs per square foot				\$468,000		\$4,680,000
Demolition costs (assumes the site is a redevelopment with existing buildings)				\$6,500		\$65,000
TOTAL HARD COSTS						
		\$593,125				\$4,745,000
Accounting				\$1,000		\$10,000
Engineering expenses (permits only, including septic design, no con com assumed)				\$6,000		\$60,000
Legal and consulting fees				\$3,000		\$30,000
Insurance				\$2,500		\$25,000
Utilities				\$1,000		\$10,000
Architectural drawings (3% of construction)		\$140,400		\$14,040		\$140,400
Water fees		\$4,300		\$4,300		\$43,000
Real Estate closing costs (5% of sales)				\$38,387		\$383,870
HUD closing cost items				\$1,000		\$10,000
RE transfer Tax stamps				\$3,501		\$35,009
Interest Expense (assume 10 month build out at 8%)				\$25,000		\$250,000
Finance fees and loan closing costs (assume .005% orig fee)				\$2,500		\$25,000
Misc. costs				\$2,500		\$25,000
Developer fee				\$8,000		\$80,000
Real estate taxes				\$2,500		\$25,000
Soft cost contingency				\$12,500		\$125,000
TOTAL SOFT COSTS						
						\$1,267,279
				\$672,228		\$6,722,279
Total number of units	Total					
					0.267076701	
sales for 10 units						
	Total sales revenue			\$7,677,400		
Profit				\$955,121		
Average profit per unit				\$95,512		
Average total cost per sf		\$373				
Average total cost per unit		\$672,228				
Hard cost per unit		\$474,500				
Return on cost					14.21%	

Townhome For Sale Condominium Scenario; 24 Units – 15% affordable

Table Seven summarizes fixed sale prices of the affordable housing units and estimated price point for market rate condominium units for a 24-unit development with 15% of the units affordable.

Table Seven
Estimated Sale Prices – 15% Affordable

Sales summary						
Assumes 15% affordable units at 80% median income per DHCD figures						
24 units total		24	two bedroom units			
Market unit price per square foot based on Streamline market study						
800 sf	\$526	1800sf	\$498			
1100 sf	\$526					
1500 sf	\$490					
Total number of affordable units		4	17%			
		Size (SF)	Per sf			
4	affordable	two bedroom unit	1,800	\$253,100	\$141	\$1,012,400
20	Market	two bedroom unit	1,800	\$896,400	\$498	\$17,928,000
One bedroom condo fee assumed at \$150 per month						
Two bedroom condo fee assumed at \$175 per month						
24						\$18,940,400

Based on the pro-forma analysis detailed in Table Eight, a 24-unit condominium development with 15% affordable would produce **15.94%** ROC and is **economically viable**.

Table Eight
24 Unit Condo Pro-forma – 15% Affordable

LINE ITEMS				Per Unit Cost	Total Cost
Land				\$50,000	\$1,200,000
Construction costs per square foot	\$255			\$459,000	\$11,016,000
Escalation estimate (10% due to construction start not likely until 2024)			\$1,101,600	\$45,900	\$1,101,600
Demolition costs (assumes the site is a redevelopment with existing buildings)				\$2,083	\$50,000
TOTAL HARD COSTS			\$270,391		\$12,167,600
		PSF	\$282		
Accounting				\$500	\$12,000
Engineering expenses (permits only, including septic design)				\$4,167	\$100,000
Legal and consulting fees				\$2,083	\$50,000
Insurance				\$500	\$12,000
Utilities				\$500	\$12,000
Architectural drawings (3% of construction)			\$365,028	\$15,210	\$365,028
Water fees				\$4,292	\$103,000
Real Estate closing costs (5% of sales)				\$39,459	\$947,020
HUD closing cost items				\$1,000	\$24,000
RE transfer Tax stamps				\$3,599	\$86,368
Interest Expense (assume 18 month build out at 8%)				\$35,417	\$850,000
Finance fees and loan closing costs (assume .005% orig fee)				\$1,667	\$40,000
Misc. costs				\$500	\$12,000
Developer fee				\$5,833	\$140,000
Real estate taxes				\$667	\$16,000
Soft cost contingency				\$8,333	\$200,000
TOTAL SOFT COSTS			\$92,654	\$0	\$4,169,416
			Total	\$680,709	\$16,337,016
Sales for 24 units					
	Total sales revenue			\$18,940,400	
Profit				\$2,603,384	
Average profit per unit				\$57,853	
Average total cost per sf			\$378		
Average total cost per unit			\$680,709		
Hard cost per unit			\$680,709		
Return on cost				15.94%	

Townhome For Sale Condominium Scenario; 45 Units – 15% affordable

Table Nine summarizes fixed sale prices of the affordable housing units and estimated price point for market rate condominium units for a 45-unit development with 15% of the units affordable.

Table Nine
Estimated Sales Price – 15% Affordable

Assumes 15% affordable units at 80% median income per DHCD figures						
45 units total			45	two bedroom units		
Market unit price per square foot based on Streamline market study						
800 sf		\$526				
1100 sf		\$526				
1500 sf		\$490				
Total number of affordable units			7		16%	
			Size (SF)		Per sf	
7	affordable	two bedroom unit	1,800	\$253,100	\$141	\$1,771,700
38	Market	two bedroom unit	1,800	\$896,400	\$498	\$34,063,200
One bedroom condo fee assumed at \$150 per month						
Two bedroom condo fee assumed at \$175 per month						
45						\$35,834,900

Based on the pro-forma analysis detailed in Table Ten, a 45-unit townhome condominium development with 15% affordable would produce **18.03% ROC** and is **economically viable**.

Table Ten
45 Unit Condo Pro-forma – 15% Affordable

LINE ITEMS				Per Unit Cost	Total Cost
Land				\$51,111	\$2,300,000
Construction costs per square foot	\$255			\$459,000	\$20,665,000
Escalation estimate (10% due to construction start not likely until 2024)			\$2,085,500	\$45,900	\$2,085,500
Demolition costs (assumes the site is a redevelopment with existing buildings)				\$1,778	\$80,000
TOTAL HARD COSTS		\$508,678			\$22,800,500
	PSF	\$281			
Accounting				\$556	\$25,000
Engineering expenses (permits only, including septic design)				\$2,778	\$125,000
Legal and consulting fees				\$1,111	\$50,000
Insurance				\$533	\$24,000
Utilities				\$533	\$24,000
Architectural drawings (3% of construction)		\$684,015		\$15,200	\$684,015
Water fees				\$4,333	\$195,000
Real Estate closing costs (5% of sales)				\$39,817	\$1,791,745
HUD closing cost items				\$533	\$24,000
RE transfer Tax stamps				\$3,831	\$183,407
Interest Expense (assume 18 month build out at 8%)				\$33,333	\$1,500,000
Finance fees and loan closing costs (assume .005% orig fee)				\$1,333	\$60,000
Misc costs				\$533	\$24,000
Developer fee				\$5,333	\$240,000
Real estate taxes				\$667	\$30,000
Soft cost contingency				\$6,667	\$300,000
TOTAL SOFT COSTS		\$168,004			\$7,560,167
			Total	\$674,681	\$30,360,667
	Sales for 45 units				
			Total sales revenue	\$35,834,900	
			Profit	\$5,474,233	
	Average profit per unit			\$121,650	
	Average total cost per sf	\$375			
	Average total cost per unit	\$674,681			
	Hard cost per unit	\$508,678			
	Return on cost			18.03%	

Rental Scenarios – Preferred Internal Rate of Return (IRR) 10%

The economic feasibility analysis used for rental properties involves a much greater variety of metrics to evaluate and consider than for-sale projects. Rental properties are often long-term investments that involve not only the cost of construction, but also management oversight and maintenance along with other costs. There are significant tax advantages associated with rental properties including: mortgage interest tax deductions, accelerated depreciation via cost segregation studies that allows substantial portions of the property's value to depreciate quickly, as well as 1031 exchanges that allows investors to defer capital gain taxes.

Analyzing multi-family development in a rental scenario is somewhat challenging today given the interest rate climate or, more particularly, rising rates and uncertainty within the equity markets. Rates have increased substantially in the last 18 months which stresses the financial performance of any operating pro forma. This is particularly true in the rental scenario. We have analyzed to the best of our ability the following factors:

- Per unit acquisition price.
- Hard and soft construction costs for a project of this size and caliber.
- Rental revenue given the current market conditions and occupancy levels in Lincoln.
- Annualized operating expenses in keeping with competitive properties at 33% of income.

Recognizing the sensitivity to the financial performance of projects of this size, based on prevailing interest rates, the current interest rate climate is more problematic and is keeping larger institutional investors on the sideline. Needless to say, net operating income (NOI) translates to less financing as rates increase and actual Cap rates are affected accordingly. A 100 basis point reduction in interest rates translates into significant loan capacity which creates a significantly more attractive investment scenario. Given the interest rate market, larger new rental projects may be slow coming to the market until such time as rates slide back to more viable ranges.

We have consulted with a number of real estate experts in the region who are actively in the rental market including the developer of Oriole Landing. Many are hitting the pause button at this time. However, even with the large number of variables already identified within this study, as well as Lincoln's rental market strength, we are of the opinion that a 15% mandated affordable housing townhouse unit set-aside for a rental project **would be viable** even in those cases where the IRR is below 10% based on the current rental prices (market rate & affordable) present in the community.

Townhome Rental Scenario; 6 Units – 15% affordable

Table Eleven summarizes the cost of construction related to a 6-unit townhome development.

Table Eleven
Pro Forma Construction Budget

MBTA zoning and affordable housing feasibility study						
	Lincoln Mass	6	units	10,800	Total Sq. Ft.	
	15% affordable for rental units					
LINE ITEMS				Per Unit Cost		Total Cost
Land				\$75,000		\$450,000
Construction costs per square foot	\$260			\$468,000		\$2,808,000
Escalation estimate (10% due to construction start not likely until 2024)	\$280,800			\$0		\$0
Demolition costs (assumes the site is a redevelopment with existing buildings)				\$8,333		\$50,000
TOTAL HARD COSTS		\$476,333				\$2,858,000
Accounting				\$1,000		\$6,000
Engineering expenses (permits only, including septic design)				\$8,000		\$48,000
Legal and consulting fees				\$5,000		\$30,000
Insurance				\$2,500		\$15,000
Utilities				\$1,000		\$6,000
Architectural drawings (3% of construction)	\$85,740			\$14,040		\$84,240
Water fees				\$4,300		\$25,800
Real Estate closing costs (5% of sales)				\$0		
HUD closing cost items				\$1,000		\$6,000
RE transfer Tax stamps				\$3,599		\$21,592
Interest Expense (10 month build-out)				\$30,000		\$180,000
Finance fees and loan closing costs (assume .005% orig fee)				\$2,500		\$15,000
Misc. costs				\$3,000		\$18,000
Developer fee				\$10,000		\$60,000
Real estate taxes				\$2,000		\$12,000
Soft cost contingency				\$12,500		\$75,000
TOTAL SOFT COSTS		\$100,439				\$602,632
	Total			\$651,772		\$3,910,632
Total number of units				Soft Cost %	21.1%	

Townhome Rental Scenario; 8 Units – 15% affordable

Table Thirteen summarizes the cost of construction related to an 8-unit townhome development.

Table Thirteen
Pro Forma Budget – 15% Affordable

MBTA zoning and affordable housing feasibility study						
	Lincoln Mass		8	units	14,400	Total Sq. Ft.
	15% affordable rental units					
LINE ITEMS					Per Unit Cost	Total Cost
Land					\$70,000	\$560,000
Construction costs per square foot	\$260				\$468,000	\$3,744,000
Escalation estimate (10% due to construction start not likely until 2024)					\$0	\$0
Demolition costs (assumes the site is a redevelopment with existing buildings)					\$8,125	\$65,000
TOTAL HARD COSTS			\$476,125			\$3,809,000
Accounting					\$1,000	\$8,000
Engineering expenses (permits only, including septic design)					\$7,500	\$60,000
Legal and consulting fees					\$3,750	\$30,000
Insurance					\$2,500	\$20,000
Utilities					\$1,000	\$8,000
Architectural drawings (3% of construction)					\$14,040	\$112,320
Water fees					\$4,300	\$34,400
Real Estate closing costs (5% of sales)					\$0	
HUD closing cost items					\$1,000	\$8,000
RE transfer Tax stamps					\$3,721	\$29,767
Interest Expense (10 month build-out)					\$26,250	\$210,000
Finance fees and loan closing costs (assume .005% orig fee)					\$2,500	\$20,000
Misc. costs					\$2,500	\$20,000
Developer fee					\$10,000	\$80,000
Real estate taxes					\$2,500	\$20,000
Soft cost contingency					\$12,500	\$100,000
TOTAL SOFT COSTS						\$760,487
					\$641,186	\$5,129,487
					Soft Cost %	20.0%

Based on the analysis detailed in Table Fourteen, an 8-unit townhome rental development with 15% affordable would produce **11.6% IRR** and is **economically viable**.

Table Fourteen
8-Unit Rental Operating Expenses – 15% Affordable

Number of Units:		8		Affordable		1		13%		PSF Analysis		
				Rent @		80%		Utility Allowance		Rent /Month		
RENTAL REVENUES		Units	Approx. Sq. Ft.	Rent @		Utility Allowance	Rent /Month	Annual Rent	Parking Count	PSF Analysis		
Affordable 1 BR	0	800	See attached (right)	0	2,240	0	0	0	0	1 BR (800 sq ft)	\$ 3.27	
Affordable 2 BR	0	1,100	See attached (right)	0	2,466	0	0	0	0	2 BR (1,100 sq ft)	\$ 3.15	
Affordable 2 BR	1	1,800	See attached (right)	1,800	2,466	29,592	2	2	2	2 BR (1,800 sq ft)	\$ 2.50	
Affordable 3 BR	0	1,400	See attached (right)	0	2,711	0	0	0	0	3 BR (1,400 sq ft)	\$ 3.48	
Total Affordable Rent									29,592	Average PSF	\$ 3.10	
Market 1 BR	0	800	0	0	0	0	0	0	0	Annual Concessions Calculator (assumes 1 month on market leases)		
Market 2 BR	0	1,100	0	0	0	0	0	0	0	1 BR (800 sq ft)	\$ -	
Market 2 BR	7	1,800	12,600	4,500	378,000	14	0	0	0	2 BR (1,100 sq ft)	0	
Market 3BR	0	1,400	0	0	0	0	0	0	0	2 BR (1,300 sq ft)	31,500	
Total Units	8				378,000					3 BR (1,400 sq ft)	0	
Check	0	Total Rentable Sq Ft	14,400	Total Market Rents	378,000					Total Lease-up Concessions	\$ 31,500	
Gross Annual Rental Income Lincoln Massachusetts Rental hous										407,592		
misc income @ 1% rental income										4,076		
Total "OTHER" income										4,076		
TOTAL GROSS INCOME										411,668		
OPERATING EXPENSES										Total		
MANAGEMENT FEE	20,273									20,273	Per Unit	1,001
ADMINISTRATION									16,000	2,000		
MAINTENANCE									32,000	4,000		
UTILITIES									10,000	1,250		
TAXES	Assessment Ratio	40%	Mill Rate	1.55%					31,803	3,975		
RESIDENT SERVICES									6,000	750		
INSURANCE									8,000	1,000		
REPLACEMENT RESERVES									4,000	500		
TOTAL OPERATING EXPENSES										128,075		
OPERATING PRO-FORMA- initial yr - stabilized occupancy												
Gross Rental Income										411,668		
Other Income (parking + miscellaneous)										4,076		
(less) Vacancy 2.5% gross										10,292		
(less) Vacancy on Other Income										0		
Effective Total Income										405,452		
(less) Annual Operating Expenses										-128,075		
NET OPERATING INCOME										277,377		
Expense Ratio										32%		
Debt Service Coverage Ratio										1.20		
Available for debt service										231,147		
Supportable Loan										3,212,785		
										#REF!		
Sale Calculation												
Sale Cap Rate										5.00%		
Assumed Sale										6,565,488		
PSF										\$ 456		
Assumptions												
Vacancy & Bad Debt (All Units)										1.50%		
Vacancy										1.00%		
Collections Loss										0.50%		
Vacancy & Bad Debt (Other Income)										0.00%		
Management Fee (as a % gross income)										6.50%		
Number of Months										12		
Interest Rate										6.00%		
Debt Service Coverage Ratio										1.20		
Per Unit												
500										\$2.50		
2 br Average										\$1.25		
800										\$0.00		
Mortgage Calculator												
Total monthly payment allowed										19,262		
Estimated monthly escrow payment										0		
Homeowner's insurance, if applicable										0		
Homeowner's dues and other fees, if any										0		
Annual interest rate										4.00		
Duration of loan (in years)										30		
Monthly principal + interest payment										19,262		
Maximum loan amount										3,212,785		

Townhome Rental Scenario; 10 Units – 15% affordable

Table Fifteen summarizes the cost of construction related to a 10-unit townhome development.

Table Fifteen
Pro Forma Budget

MBTA zoning and affordable housing feasibility study						
	Lincoln Mass	10	units	18,000	total sf	
	15% affordable rental units					
LINE ITEMS				Per Unit Cost		Total Cost
Land				\$70,000		\$700,000
Construction costs per square foot	\$260			\$468,000		\$4,680,000
Escalation estimate (10% due to construction start not likely until 2024)				\$0		\$0
Demolition costs (assumes the site is a redevelopment with existing buildings)				\$6,500		\$65,000
TOTAL HARD COSTS		\$474,500				\$4,745,000
Accounting				\$1,000		\$10,000
Engineering expenses (permits only, including septic design)				\$6,000		\$60,000
Legal and consulting fees				\$3,000		\$30,000
Insurance				\$2,500		\$25,000
Utilities				\$1,000		\$10,000
Architectural drawings (3% of construction)				\$14,040		\$140,400
Water fees				\$4,300		\$43,000
Real Estate closing costs (5% of sales)				\$0		
HUD closing cost items				\$1,000		\$10,000
RE transfer Tax stamps				\$3,501		\$35,009
Interest Expense (10 month build-out)				\$25,000		\$250,000
Finance fees and loan closing costs (assume .005% orig fee)				\$2,500		\$25,000
Misc. costs				\$2,500		\$25,000
Developer fee				\$8,000		\$80,000
Real estate taxes				\$2,500		\$25,000
Soft cost contingency				\$12,500		\$125,000
TOTAL SOFT COSTS						\$893,409
				\$633,841		\$6,338,409
				Soft Cost %		18.8%

Based on the analysis detailed in Table Sixteen, a 10-unit townhome rental development with 15% affordable would produce **9.6% IRR** and is **economically viable**.

Table Sixteen
10-Unit Rental Operating Expenses – 15% Affordable

Number of Units:		10		Affordable		2		20%		PSF Analysis	
Units	Approx. Sq. Ft.	Rent @ 80%	Utility Allowance	Rent /Month	Annual Rent	Parking Count					
RENTAL REVENUES											
Affordable 1 BR	0	800	See attached (right)	0	2,240	0				1 BR (800 sq ft)	\$ 3.27
Affordable 2 BR	0	1,100	See attached (right)	0	2,466	0				2 BR (1,100 sq ft)	\$ 3.15
Affordable 2 BR	2	1,800	See attached (right)	3,600	2,466	59,184				2 BR (1,800 sq ft)	\$ 2.50
Affordable 3 BR	0	1,400	See attached (right)	0	2,711	0				3 BR (1,400 sq ft)	\$ 3.48
										Average PSF	\$ 3.10
Market											
Market 1 BR	0	800		0	0	0				Annual Concessions Calculator (assumes 1 month on market lease)	
Market 2 BR	0	1,100		0	0	0				1 BR (800 sq ft)	\$ -
Market 2 BR	8	1,800	14,400	4,500	432,000	16				2 BR (1,100 sq ft)	0
					432,000	0				2 BR (1,800 sq ft)	36,000
Market 3BR	0	1,400		0	0	0				3 BR (1,400 sq ft)	0
Total Units	10									Total Lease-up Concessions	\$ 36,000
Check	0	Total Rentable Sq Ft	18,000			18					
Gross Annual Rental Income Lincoln Massachusetts Rental hou 491,184											
misc income @ 1% rental income (4,912											
Total "OTHER" Income 4,912											
TOTAL GROSS INCOME 496,096											
OPERATING EXPENSES											
MANAGEMENT FEE	24,430				24,430					Per Unit	
ADMINISTRATION					20,000					1,001	
MAINTENANCE					40,000					2,000	
UTILITIES					12,500					4,000	
TAXES	Assessment Ratio 40% Mill Rate 1.55%				39,298					1,250	
RESIDENT SERVICES					7,500					3,930	
INSURANCE					10,000					750	
REPLACEMENT RESERVES					5,000					1,000	
TOTAL OPERATING EXPENSES	32%				158,728					500	
OPERATING PRO-FORMA- initial yr - stabilized occupancy											
Gross Rental Income 496,096											
Other Income (parking + miscellaneous) 4,912											
(less) Vacancy 2.5% gross 12,402											
(less) Vacancy on Other Income 0											
Effective Total Income 488,605											
(less) Annual Operating Expenses -158,728											
NET OPERATING INCOME 329,877											
Expense Ratio 32%											
Debt Service Coverage Ratio 1.20											
Available for debt service 274,897											
Supportable Loan 3,820,882											
#REF!											
Sale Calculation											
Sale Cap Rate					5.00%						
Assumed Sale					7,803,831						
PSF					\$ 434						
Mortgage Calculator											
Total monthly payment allowed 22,908											
Estimated monthly escrow payment 0											
Homeowner's insurance, if applicable 0											
Homeowner's dues and other fees, if any 0											
Annual interest rate 6.00											
Duration of loan (in years) 30											
Monthly principal + interest payment 22,908											
Maximum loan amount 3,820,882											

24 Townhome Rental Units – 15% affordable

Table Seventeen summarizes the cost of construction related to a 24-unit townhome development.

Table Seventeen
24 Unit Townhome Rental Development Budget

<i>Lincoln Massachusetts Rental housing at 15% affordable mix</i>			
3/25/2023			
Number of Units	24		
Acquisition price	\$1,200,000	26.667	Land Cost/ unit
GSF - residential buildings	43,200		Total cost per sf
Surface parking spaces			\$357
Construction costs/gsf			Total hard cost per sf
residential bldgs	\$300.00		\$281.66
Hard cost, GO, GC and builder profit included			
GSF - clubhouse	0		
Soft Cost contingency	1%		
Construction Period (in months)	18		
Construction Loan interest = loan amount x 50% x interest rate x construction period	8.00%		
Finance Fees (appli/constr/permanent)	1.00%		
SOURCES & USES			
		Per Unit	Total
Acquisition		50,000	1,200,000
Hard Costs			
Sub-Total Site Work (in hard cost)		\$0	\$0
Construction			
Building structures -			\$11,016,000
On site sewer treatment system			\$0
Sub-total -Site & Building construction	\$459,000		\$11,016,000
Demolition costs (assumed)			\$50,000
Escalation clause (10% consruction start 2	\$45,900		\$1,101,600
Sub-Total Hard Costs	\$506,983.33		\$12,167,600
Soft Costs			
Accounting		500	\$12,000
Engineering expenses (permits only, including septic design		4,167	\$100,000
Legal and consulting fees		2,083	\$50,000
Insurance		500	\$12,000
Utilities		500	\$12,000
Architectural drawings (3% of construction)		15,210	\$365,028
Water fees		4,292	\$103,000
HUD closing cost items		1,000	\$24,000
RE transfer Tax stamps		3,599	\$86,368
Interest Expense (assume 18 month build out at 8%)		35,417	\$850,000
Finance fees and loan closing costs (assume .005% orig fee)		1,667	\$40,000
Misc. costs		500	\$12,000
Developer fee		5,833	\$140,000
Real estate taxes		667	\$16,000
Soft cost contingency		8,333	\$200,000
Sub-Total Soft Costs		84,267	2,022,396
Sub-Total Acquisition + Hard + Soft Costs		641,250	15,389,996
Soft Costs (percentage of hard costs)		17%	
TOTAL NET DEVELOPMENT COSTS		641,250	15,389,996
Capitalized Reserves			
Initial Rent-Up Reserves		1,667	40,000
Operating Reserves (2 mo -oper exp)			
Sub-Total Capitalized Reserves		1,667	40,000
TOTAL DEVELOPMENT COSTS		642,917	15,429,996
DEVELOPMENT SOURCES			
Permanent Loan		383,697	9,208,732
Equity Required		259,219	6,221,264
Developer Cash Equity Required		259,219	6,221,264
TOTAL DEVELOPMENT SOURCES		642,917	15,429,996
Debt to Equity Ratio			1.5

Based on the analysis detailed in Table Eighteen, a 24-unit townhome rental development with 15% affordable would produce **7% IRR** and is **economically viable**.

Table Eighteen
24-Unit Rental Operating Expenses – 15% Affordable

Lincoln Massachusetts Rental housing at 15% affordable mix

Number of Units:		24		Affordable		4		17%	
Units	Approx. Sq. Ft.	Rent @ 80%	Utility Allowance	Rent /Month	Annual Rent	Parking Count			
RENTAL REVENUES									
Affordable 1 BR	0	800	See attached (right)	0	2,240	0	0		
Affordable 2 BR	0	1,100	See attached (right)	0	2,466	0	0		
Affordable 2 BR	4	1,800	See attached (right)	7,200	2,466	0	118,368		
Affordable 3 BR	0	1,400	See attached (right)	0	2,711	0	0		
				Total Affordable Rent	118,368				
Market 1 BR	0	800		0	2,616	0	0		
Market 2 BR	0	1,100		0	3,465	0	0		
Market 2 BR	20	1,800		36,000	4,380	0	1,051,200	40	
							1,051,200		
Market 3BR	0	1,400		0	4,872	0	0	0	
Total Units				24			Total Market Rents	1,051,200	
Check				0	Total Rentable Sq Ft	43,200		48	

Gross Annual Rental Income Lincoln Massachusetts Rental hous: 1,169,568

misc income @ 1% rental income 11,696
Total "OTHER" Income 11,696

TOTAL GROSS INCOME 1,181,264

OPERATING EXPENSES		Total
MANAGEMENT FEE	58,171	58,171
ADMINISTRATION		56,250
MAINTENANCE		63,750
UTILITIES		30,000
TAXES	Assessment Ratio .40% Mill Rate 1.55%	95,418
RESIDENT SERVICES		36,000
INSURANCE		21,600
REPLACEMENT RESERVES		7,200
TOTAL OPERATING EXPENSES		368,389

OPERATING PRO-FORMA- initial yr - stabilized occupancy		
Gross Rental Income		1,181,264
Other Income (parking + miscellaneous)		11,696
(less) Vacancy 2.5% gross	29,532	29,532
(less) Vacancy on Other Income		0
Effective Total Income		1,163,428
(less) Annual Operating Expenses		-368,389
NET OPERATING INCOME		795,038
Expense Ratio		32%
Debt Service Coverage Ratio		1.20
Available for debt service		662,532
Supportable Loan		9,208,732

Sale Calculation	
Sale Cap Rate	5.00%
Assumed Sale	18,789,312
PSF	\$ 435

PSF Analysis	
1 BR (800 sq ft)	\$ 3.27
2 BR (1,100 sq ft)	\$ 3.15
2 BR (1,800 sq ft)	\$ 2.43
3 BR (1,400 sq ft)	\$ 3.48
Average PSF	\$ 3.08

Parking Ratio 2.0

Annual Concessions Calculator (assumes 1 month on market lease)	
1 BR (800 sq ft)	\$ -
2 BR (1,100 sq ft)	0
2 BR (1,300 sq ft)	87,600
3 BR (1,400 sq ft)	0
Total Lease-up Concessions	\$ 87,600

Assumptions	
Vacancy & Bad Debt (All Units)	2.50%
Vacancy	2.00%
Collections Loss	0.50%
Vacancy & Bad Debt (Other Income)	0.00%
Management Fee (as a % gross income)	6.50%

Per Unit	
1,001	
2,344	
2,656	
1,250	
3,976	
1,500	
900	
-	
300	
2,302	
2 br Average	\$2.43
	\$2.79
	\$3.48

Mortgage Calculator	
Total monthly payment allowed	55,211
Estimated monthly escrow payment	0
Homeowner's insurance, if applicable	0
Homeowner's dues and other fees, if any	0
Annual interest rate	6.00
Duration of loan (in years)	30
Monthly principal + interest payment	55,211
Maximum loan amount	9,208,732

45 Townhome Rental Units – 15% affordable

Table Nineteen summarizes the cost of construction related to a 45-unit townhome development.

Table Nineteen
45 Unit Townhome Rental Development Budget

Lincoln Massachusetts Rental housing at 15% affordable mix			
9/24/2023			
Number of Units	45		
Acquisition price	\$2,300,000	51,111	Land Cost/ unit
GSF - residential buildings	81,000		Total cost per sf
Surface parking spaces			\$354
Construction costs/gsf			
residential bldgs	\$300.00		Total hard cost per sf
Hard cost, GO, GC and builder profit included			\$281.49
GSF - clubhouse	0		
Soft Cost contingency	1%		
Construction Period (in months)	18		
Construction Loan interest = loan amount x 50% x interest rate x construction period	8.00%		
Finance Fees (appli/constr/permanent)	1.00%		
SOURCES & USES			
		Per Unit	Total
Acquisition		51,111	2,300,000
Hard Costs			
Sub-Total Site Work (in hard cost)		\$0	\$0
Construction			
Building structures -			\$20,655,000
On site sewer treatment system			\$0
Sub-total -Site & Building construction		\$459,000	\$20,655,000
Demolition costs (assumed)			\$80,000
Escalation clause (10% consrtruction start 2024)		\$45,900	\$2,065,500
Sub-Total Hard Costs		\$506,677.78	\$22,800,500
Soft Costs			
Accounting	\$ 556		\$25,000
Engineering expenses (permits only, including septic design)	\$ 2,778		\$125,000
Legal and consulting fees	\$ 1,111		\$50,000
Insurance	\$ 533		\$24,000
Utilities	\$ 533		\$24,000
Architectural drawings (3% of construction)	\$ 15,200		\$684,015
Water fees	\$ 4,333		\$195,000
HUD closing cost items	\$ 533		\$24,000
RE transfer Tax stamps	\$ 3,631		\$163,407
Interest Expense (assume 18 month build out at 8%)	\$ 33,333		\$1,500,000
Finance fees and loan closing costs (assume .005% orig fee)	\$ 1,333		\$60,000
Misc. costs	\$ 533		\$24,000
Developer fee	\$ 5,333		\$240,000
Real estate taxes	\$ 667		\$30,000
Soft cost contingency	\$ 6,667		\$300,000
Sub-Total Soft Costs		77,076	3,468,422
Sub-Total Acquisition + Hard + Soft Costs		634,865	28,568,922
Soft Costs (percentage of hard costs)		15%	
TOTAL NET DEVELOPMENT COSTS		\$634,865	\$28,568,922
Capitalized Reserves			
Initial Rent-Up Reserves		\$1,778	\$80,000
Operating Reserves (2 mo -oper exp)			
Sub-Total Capitalized Reserves		\$1,778	\$80,000
TOTAL DEVELOPMENT COSTS		\$636,643	\$28,648,922
DEVELOPMENT SOURCES			
Permanent Loan		\$386,949	\$17,412,708
Equity Required		\$249,694	\$11,236,214
\			
Developer Cash Equity Required		\$249,694	\$11,236,214
TOTAL DEVELOPMENT SOURCES		\$636,643	\$28,648,922
Debt to Equity Ratio			1.5

Section Six

Conclusions

For sale housing option – Preferred Return of Cost (ROC) 16%

In summary, we determined an overall percentage of profit anticipated from the for sale housing scenarios. These budgets are attached. The results are as follows:

- The anticipated ROC for a 6-unit garden style development and 15% affordable units is **14.7%** and **is economically viable**.
- The anticipated ROC for an 8-unit garden style development and 15% affordable housing units is **19.65%** and **is economically viable**.
- The anticipated ROC for a 10-unit garden style development and 15% affordable housing units is **14.21%** and **is economically viable**.
- The anticipated ROC for a 24-unit townhome development and 15% affordable units is **15.94%** and **is economically viable**.
- The anticipated ROC for a 45-unit townhome development and 15% affordable units is **18.03%** and **is economically viable**.

Rental housing scenario – Preferred Internal Rate of Return (IRR) 10%

In summary, we determined an overall rate of return (IRR) anticipated from the rental scenarios. These budgets are attached. The results are as follows:

- The anticipated IRR for a 6-unit townhome development and 15% affordable housing units is **8.4%** and **is economically viable**.
- The anticipated IRR for an 8-unit townhome development and 15% affordable housing units is **11.6%** and **is economically viable**.
- The anticipated IRR for a 10-unit townhome development and 15% affordable housing units is **9.6%** and **is economically viable**.
- The anticipated IRR for a 24-unit townhome development and 15% affordable units is **7%** and **is economically viable**.
- The anticipated IRR for a 45-unit townhome development and 15% affordable units is **9.4%** and **is economically viable**.

Section Seven

Analysis Assumptions.

The Town of Lincoln is considering an increase in the proposed affordable units that will be generated by virtue of the state's MBTA zoning. Specifically, the Town would like to increase the number of affordable units required over the EOHLC limit of 10% to 15% to align with its existing inclusionary zoning. Any increase over 10% requires an economic feasibility analysis acceptable to EOHLC. In order to conduct this feasibility analysis, a number of qualifications and assumptions had to be made given the lack of detailed information that is typically available such as site location, agreed purchase price, building plans, etc. These qualifiers are as follows:

- There is no site-specific information, which also means there are no definitive site plans with which to estimate a site development budget. Without a particular site, it is very difficult to accurately forecast site development expenses. We are anticipating a site with no ledge (or blasting required). We are assuming what average site development costs might be without any unusual subsurface geotechnical or environmental issues.
- As no public sewer exists in the community, Title V regulations dictate the maximum number of bedrooms potential on a property. Although package treatment plants are a possibility, they are extremely expensive.
- There are no architectural plans or renderings with which to estimate building costs.
- Given the lack of detailed plans of any kind, the Project Team created a "proto typical" project with which to complete the feasibility analysis. This may or may not be what is ultimately introduced once the zoning has passed.
- New energy codes will more than likely require that this project be served with no or minimal fossil fuels. This will require electric based air source heat pumps for heating and cooling. This study assumes that the electrical service required for such a development be available.
- As a site has not been identified, there is no ability to properly forecast the acquisition cost of the development land. The Project Team has analyzed neighboring comparables, as well as obtaining opinions from other real estate professionals in the field, to estimate an acquisition price that is reasonable. That said, there is also one other factor that makes determining the land acquisition cost challenging. The Massachusetts legislature requires that this land be zoned as of right. "As-of-right" means development may proceed without the need for a special permit, variance, zoning amendment or other discretionary zoning approval. Site plan review is a regulatory tool to regulate and review a use but is not an outright prohibition. Site plan review can regulate and review a use and can impose reasonable conditions, but it cannot impose conditions that would unreasonably delay a project nor make a project infeasible to proceed. Therefore, when this zoning is created, those properties that fall within the new overlay districts will likely see an appreciable

increase in their value. That fact alone could actually work against the creation of affordable housing because per unit land costs will increase, potentially significantly. This is contrary to a typical 40B project where the land can be acquired far more economically because a developer is able to override local zoning with the exchange of providing 25% of the units as affordable housing. The result of the above is that properly anticipating the land acquisition on a per unit basis is difficult and will only reveal itself after the zoning has passed and actual proposals are brought forward.

- There is no accurate way of forecasting the cost of land and potential demolition costs (assuming a redevelopment site) since this analysis is not based on an actual land acquisition pro forma. For purposes of this feasibility study, we are assuming a site in Lincoln we are assuming a per unit land cost ranging from \$41,660 - \$51,000.
- This budget does not contemplate the additional expenses often associated with Union labor contracts. While difficult to accurately estimate, the additional expenses could amount to 15 or 20% of total construction costs. That additional cost would negatively impact on the overall financial return as budgeted.
- The current interest and borrowing climate are keeping many larger projects, and institutional lenders in particular, on the sidelines. It is possible that current rates may see improvement over the next twelve months, which would have a general positive impact on financial viability for smaller for sale projects and rental properties.

Appendix

Supporting Documents

**FOUGERE PLANNING & DEVELOPMENT, Inc. Mark
J. Fougere, AICP**

Milford, New Hampshire 03055

phone: 603-315-1288 email: fougereplanning@comcast.net

June 13, 2023

Ms. Paula Vaughn-MacKenzie
Director of Planning & Land Use
Town of Lincoln
16 Lincoln Road
Lincoln Road, MA 01773

Dear Ms. Vaughn-MacKenzie,

Please find attached a Scope of Services relative to the Economic Feasibility Analysis associated with the Affordable Housing Requirement MBTA Multi-family Zoning. Fougere Planning has teamed with Monrovia Housing LLC and Streamline Communities relative to this RFQ.

I will be the lead contact for the initiative coordinating the project team, analyzing the proposed zoning and interfacing with Lincoln Staff. Mr. Steve Paquette is President of Monrovia Housing and has been developing affordable housing in Massachusetts under the State's 40B program for over 30 years. Mr. Paquette, through a series of development scenarios, will undertake a pro forma analysis to determine the viability of increasing the percentage of affordable housing above State requirements. Mr. Tom Skahen of Streamline Communities has a deep and extensive understanding of the real estate market and will be providing detailed data on the local housing market. Our Team completed a similar assignment for the Town of Lexington this past spring and have recently been re-engaged by the community to provide additional financial details to meet recently released DHCD Feasibility Analysis guidelines.

We look forward to working with Town of Lincoln on this endeavor.

Sincerely

Mark J. Fougere

Mark J. Fougere, AICP

Scope of Services Lincoln Economic Feasibility Analysis

Note: In reviewing the Scope of Services associated with the proposed Economic Feasibility Analysis, DHCD's requires that the third party performing the Analysis, as well as the methodology of the analysis, is acceptable to DHCH. As noted in their requirements⁴: "The affordability requirements applicable in the multi-family zoning district are supported by an economic feasibility analysis, prepared for the municipality by a qualified and independent third party acceptable to DHCD, and using a methodology and format acceptable to DHCD. The analysis must demonstrate that a reasonable variety of multi-family housing types can be feasibly developed at the proposed affordability levels, taking into account the densities allowed as of right in the district, the dimensional requirements applicable within the district, and the minimum number of parking spaces required." By accepting this proposal by the Project Team, the Town of Lincoln acknowledges that DHCD has not accepted this third party Team. The Town of Lincoln is welcome to submit this proposal to DHCD to obtain preapproval if deemed appropriate; we would welcome a review of our professional credentials. In addition, to the best of our knowledge, DHCD has not reviewed and approved an Economic Feasibility Analysis adhering to their recently released guidelines.

PROJECT DELIVERABLES:

- a. The Project Team will review Lincoln's HCA Zoning parameters when finalized by the Housing Choice Working Group and the Planning Board.

 - b. The Project Team will conduct a feasibility analysis that complies with the MBTA Communities feasibility analysis guide, and the Economic Feasibility Analysis Pro Forma Assumptions Checklist provided by the State. The Project Team will analyze Lincoln's local real estate market conditions including local lease rates, land values, construction costs, average rents and home sales. The Team will also work with the Town's Assessing Department to further expand our knowledge of the local real estate market. The findings associated from this analysis will form the basis on evaluating the proposed increase in affordable unit set-aside. Included in this proposal will be a current market study prepared by a leading Massachusetts market analyst, Streamline Communities, engaged by the project team to assist in the assessment of market conditions in Lincoln of both home ownership and rental pricing scenarios.
-
1. Given inflation costs in construction over the last few years, it is difficult to forecast exact construction costs, especially given the fact that there are no architectural renderings or engineering site plans with which to estimate such costs. Site development costs can vary

⁴ Compliance Guidelines for Multi-family Zoning Districts Under Section 3A of the Zoning Act, Section 4.b.(iii).

widely given surface as well as subservice conditions of the individual site. The Project Team will attempt to factor in the generic costs associated with a typical project to determine the

financial performance of a proposed development. Certain assumptions will need to be made as well on the financial impacts of other costs such as environmental conditions. The existence or the lack of availability of municipal utilities such as water and sewer will have an impact on density and site development expenses. In addition, the possibility that a development project could be a “union” will have to be taken into consideration, as this scenario could increase construction costs by 20%.

Typical hard costs (construction and site related expenses) generally include the following:

- Site development expenses.
- Road construction.
- Drainage systems.
- Actual construction costs (foundation work through occupancy permit).
- Offsite improvements (if any, varies from site to site).
- Landscape and irrigation.
- General conditions (the costs associated with maintaining month to month construction; dumpsters, toilets, job supervision, heat and winter conditions expenses, insurance coverage, etc).

The typical soft costs (non-construction costs) can vary greatly but generally include the following:

- Accounting.
- Engineering (civil, site, wetlands, traffic, etc.).
- Legal and consulting fees.
- Insurance.
- Utilities.
- Architectural drawings.
- Utility fees.
- Real estate closing costs (5% of sales).
- HUD closing cost items.
- Real Estate transfer tax stamps.
- Interest Expenses.
- Finance fees and loan closing costs.
- Misl. Expenses.
- Real estate taxes.

- c. The Project Team will deliver the Economic Feasibility Report in form and content acceptable to the Executive Office of Housing and Livable Communities (EOHLC) by August 15, 2023.

- d. A revised Report, incorporating any required changes by the EOHLC review will be submitted by March 15, 2024. Any required revisions of the Report based upon comments received from the State shall be billed at an hourly rate as follows: Fougere Planning/Mark Fougere @ \$155/hour; SPL Development/Steve Paquette @ \$155/hour and Tom Skahen \$150/hour.
- e. To complete the foregoing analysis, the total project cost is \$30,000. Invoices will be issued monthly for completed work, itemizing tasks undertaken and completed.
- f. The Project Team has an expectation that assistance will be provided by Town Staff as needed in order to adhere to noted project deadlines and budget.