

CITY OF NEWTON

IN BOARD OF ALDERMEN

REAL PROPERTY REUSE COMMITTEE REPORT

TUESDAY, JANUARY 31, 2012

Present: Ald. Albright (Chairman), Ald. Merrill, Gentile, Laredo, Danberg, Fischman, Crossley, and Swiston; also present: Ald. Blazar, Kalis, and Linsky
City staff: Candace Havens (Director of Planning & Development), Donnalyn Kahn (City Solicitor), Linda Finucane (Assistant Clerk of the Board), Eve Tapper (Chief Planner for Current Planning), Ouida Young (Associate City Solicitor)

Item Recommitted by Board of Aldermen on January 17, 2012:

#150-09(6) JOINT ADVISORY PLANNING GROUP and PLANNING & DEVELOPMENT DEPARTMENT filing their separate reports pursuant to Ordinance Sec. 2-7(2)b identifying alternatives for the future use of the Austin Street municipal parking lot at 28 Austin Street, on land known as SBL 24, 9, 15, containing approximately 74,536 sq. ft. of land, in Newtonville, which was declared surplus by the Commissioner of Public Works on December 1, 2010.

ACTION: APPROVED 5-0-3 (Albright, Crossley, Danberg abstaining) to set the minimum sale price at \$1 million

NOTE: On October 25, 2011, the previous Real Property Reuse Committee approved a “nominal” sale/lease price contingent on an appraisal being obtained prior to a vote of the board of aldermen. Since it took a while to fund and engage an appraiser, the item was postponed several times to dates certain and ultimately referred to the 2012-13 board of aldermen. The appraisal was received on Friday evening January 13, 2012 prior to the long holiday weekend, too late for distribution to the board. Consequently, the item was recommitted on January 17 to give members the opportunity to read it and to allow the reuse committee to arrange a meeting the appraiser could attend to address any questions it might have. The revised appraisal estimates the value of the land to be approximately \$2.1 million (not the \$2.15 million figure given in the initial report.) The history of the item (committee, planning department, JAPG reports) and the appraisal are available online at www.ci.newton.ma.us on the board of aldermen page under Friday Packet.

Ms. Havens presented a PowerPoint (attached) in which she provided a brief overview of a nominal price v. an appraised price and something in between. Currently, the parking lot has 159 metered-spaces. The charge of the committee and board is to set a *minimum* sale and/or lease price. The nominal price offers flexibility to the City in considering proposals. The appraised value guarantees the city a financial return, but may discourage developers and/or result in a more intense development to cover costs. A price set in between could be based on criteria established by the board to serve the interests of the city. G.L. chapter 30B, the Uniform Procurement Act, allows a municipality to offer property for less than fair market value, provided it is for a valid public purpose, promotes public welfare, and the value has been established, i.e., an appraisal is obtained, before disposition. The Request for Proposals (RFP)

could include a provision that the developer would pay the city for the cost of the upfront costs incurred by the city to provide the necessary data about the property. Ms. Havens suggested that should the committee vote to sell or lease the property, it might request that the Mayor create an evaluation committee to vet the proposals received by the city.

This evening the committee was joined by Dan Clifford of Clifford Appraisal & Consulting. Mr. Clifford noted the parcel contains 1.7 acres, which for Newton is a relatively large piece of undeveloped land. The scope was not straightforward because of the wide range of opinions and development scenarios, which made it problematic. Mr. Clifford contacted an architect to create a *baseline* for a development containing 5,000 square feet of commercial space, no less than 18 units of housing, at least 15% of which would be for low- to moderate-income residents, and 85 public parking spaces to be retained by the city. Using a comparable sales approach and a price per square foot and employing a 42,000 square-foot building as a baseline - without dealing with either surface or structured parking - resulted in approximately \$50 per square foot. He noted that providing 25% affordable housing has not been a barrier to Avalon Bay, which has been very successful in building first class multi-family housing. Also, in his opinion the city's retention of 85 parking spaces is not that much of a drawback.

Aldermen Crossley, Danberg and Albright wish to offer flexibility to a potential developer. They and the community are looking for creativity not just a simple building, and realize that structured parking, pathways, and other amenities are expensive. For example, cost per space for structured parking is estimated at \$20,000-\$25,000 per space. Achieving these goals in their view indicates that setting the price as nominal allows the Mayor to balance the value of the land with the public good offered by the developer. The public good might come in the form of structured parking, open space, increased affordable housing or other amenities important to the village. Alderman Linsky agreed with this perspective.

Alderman Fischman said he had worked on permitting for the Brainerd Road project, one of the comparable land developments provided by Mr. Clifford, which has both surface and underground parking. The sale price for that property was approximately \$40 per square foot. Based on that figure, Alderman Fischman felt the Austin Street lot could warrant \$60 per square foot, perhaps justifying \$3 million. Mr. Clifford said the Newton site is superior to all four sites included in the report. Alderman Laredo asked about revenue – loss or gain? Ms. Havens said that counts taken by the city show approximately 50% of the 159 metered spaces are used at peak hours. These counts established the number of public parking spaces (85) the city needs to retain. The city would continue to receive parking revenue. Rough calculations indicate the project would not be a big revenue generator. Using *very* preliminary back of the envelope calculations, 5,000 square feet of commercial space might generate an approximate \$28,000 in tax revenue a year and, depending on the number of housing units and their size, an additional \$38,000 might be generated from the residential component. Again, Ms. Havens stressed these figures are rough numbers.

The Chairman said the community is looking for a creative development, something other than a “box” represented by all four samples chosen by Mr. Clifford. The JAPG and Ward 2 aldermen envision knitting together a community as well as revitalizing it. They hope to encourage lots of

different proposals to offer more choice to the community. She pointed out that there are currently 5 vacant storefronts in the village and 7 banks all of which limits foot traffic.

Alderman Gentile countered that the city doesn't have to give the land away to get something creative. He would like the fair market value of the land to be taken into consideration. Alderman Laredo agreed. The board of aldermen's job is to set the minimum price. The mayor's job is to select the best proposal taking into consideration the minimum price and public benefits. Both are uncomfortable disposing of a valuable asset and not getting a revenue stream.

Alderman Fischman suggested that although \$2.1 million may be a conservative estimate with \$3 million more of a reality, the city must price it somewhat reasonably to offer an incentive to potential developers. He pointed out that if the minimum sale price did not attract proposals, then the mayor could ask the board to amend it.

Alderman Swiston views this property like any other real estate being marketed. A general base scale is 25-30% discount of fair market value. The scope of work relates to the price of the land, which in turn affects the density. For example, up-front costs of \$20,000 to cover site preparation work v. \$1 million would be a steal for a developer. However, overpricing could encourage unwanted density. Alderman Albright emphasized that the goal was revitalization, not density.

Alderman Laredo thought it important to send the message that the city is looking for a good development and as such needs to send a message that we value the property. The city does want a monetary return and should not subsidize a project.

Aldermen Merrill suggested the \$2.1 million appraisal might be an appropriate minimum price.

Alderman Crossley was discouraged by the tenor of this evening's conversation. It goes against what has been discussed for years. This is a unique opportunity - probably the most unique since Oak Hill Park was developed - for the city. She realizes the land has value, but doesn't see this as giving something away. The Request for Proposals must be crafted to attract a certain type of development. She fears a high price will restrict incentives for that type of developer and the ability for a truly interesting project. She sees no point in getting hung up on an appraisal that has limited relevance to what the community is trying to achieve.

Alderman Linsky although he understands and partially agrees with Alderman Gentile said the Newtonville community has waited a long time for this. Newtonville is losing more and more stores and it has like many villages become a hub for banks. The community sees this site as a catalyst for renewal and revitalization. He envisions the Austin Street project as a bundle project, one that needs to create the greatest amount of interest. The appraisal was necessary at some point anyway, so it is good to have and, although he prefers a ground lease, he urged the committee to set a nominal sale price.

Alderman Gentile said that one definition of "nominal" in the 5th edition of Black's Law Dictionary is "...often with the implication that the thing named is so small, slight or the like, in

comparison to what might properly be expected, as scarcely to be entitled to the name, e.g. a nominal price.” He stressed that he is not advocating for a large dense project, simply fiduciary responsibility. He noted that the city pays top dollar for properties it acquires e. g., \$6 million for Kessler Woods, over \$2.5 million for Lake Avenue and Rogers Street; \$2.5 million for Angino Farm. He said he attended a meeting this past weekend at St. Bernard Church in West Newton relative to an appraisal commissioned by the Archdiocese for the church, rectory, and 2 parking lots. Appraisers Colliers Meredith & Grew appraised two small parking lots at over \$1 million each.

Alderman Fischman suggested using the purchase price for off-site benefits such as infrastructure improvements, green space, street trees, landscaping and other public improvements in and on the fringe of Newtonville Square and on Austin Street to facilitate success of the proposal rather than the monies just going into the general fund. Alderman Gentile pointed out that the city has many other needs and that \$1 million was a considerable sum for village improvements.

Alderman Laredo offered a motion that the minimum sale price be set at \$1 million. Alderman Danberg was not prepared to vote for this proposal at this time; she needs to give it more thought. It is important to not reduce the flexibility of the mayor. Alderman Crossley said she could not support it. The cost of structured spaces could be \$1.7 million. If, for example, the city is serious about small, affordable units and if each unit cost the developer approximately \$300,000 each it would require a subsidy. A minimum price of \$1 million is not a strong enough statement to the mayor. The Chairman agreed, \$1 million limits benefits to the community, e.g., undergrounding the utilities would cost more.

Susan Gittelman, Executive Director at B’nai B’rith Housing New England, addressed the committee. Ms. Gittelman suggested the concept of linkage, earmarking monies for the developer to do improvements as part of the project, could buy the city more bang for the buck without the public bidding process. Furthermore, it is a visible, valuable property and Ms. Gittelman, whose organization has been interested in the project from its inception, believes there will be a number of developers competing for development rights. However, Ms. Young cautioned that the attorney general and public construction laws are not helpful in allowing private developers to implement public construction; although it does depend on the scope of the project and where the improvements are located in relation to the project.

The committee reviewed the resolutions included in the previous draft board order. It agreed to strike the following resolution since it seems the use of Community Preservation funds, even if possible, which appears unlikely, simply would take funding from another project(s) with no gain to the city:

8. That the Mayor explore legitimate ways that in addition to the in-kind benefits desired a financial return to the City of nominal compensation be obtained using Community Preservation funds, or otherwise.

The committee amended resolution 2, so that instead of rezoning occurring prior to the RFP, the rezoning shall be done concurrently with the RFP process.

The committee agreed to add three additional resolutions as follows:

- That the city shall work with the developer to address the infrastructure needs identified on page 5 of the Joint Advisory Planning Group Report.
- That the mayor shall appoint a committee comprised of individuals with related expertise to evaluate the proposals.
- That at least the minimum price of \$1 million would be used to improve the area of the project and the environs of Newtonville village.

Upon a motion by alderman Swiston to accept alderman Laredo's motion to set the minimum price at \$1 million, with the amended resolutions to the mayor, the committee voted 5-0-3, with aldermen Albright, Crossley, and Danberg abstaining, to approve the draft board order, attached.

Respectfully submitted,

Susan S. Albright, Chairman