

COVENANT RESIDENCES

NEWTON

23-Nov-05

****NOT FOR GENERAL DISTRIBUTION******CONDOMINIUM DEVELOPMENT BUDGET**

14 Affordable Units

56 Units

11/23/05

	<u>TOTAL COST</u>	<u>COST / UNIT</u>
ACQUISITION COSTS	\$4,590,000	\$81,964
TOTAL CONSTRUCTION COSTS	\$9,492,341	\$169,506
RESIDENTIAL BUILDING (New)	\$7,086,825	\$126,550
RESIDENTIAL BUILDING (Rehab)	\$420,000	\$7,500
SITE IMPROVEMENTS	\$470,000	\$8,393
LANDSCAPING	\$150,000	\$2,679
COMMUNITY FACILITIES	\$88,500	\$1,580
GARAGE	\$800,000	\$14,286
DEMOLITION	\$25,000	\$446
CONTINGENCY	\$452,016	\$8,072
SOFT COSTS	\$3,348,370	\$59,792
PERMITS AND FEES	\$190,403	\$3,400
ARCHITECTURE & ENGINEERING	\$817,400	\$14,596
SURVEY/TESTING	\$42,500	\$759
LEGAL	\$203,600	\$3,636
TITLE & RECORDING	\$10,000	\$179
BUILDER'S RISK INSURANCE	\$60,951	\$1,088
PROPERTY TAXES	\$61,226	\$1,093
ACCOUNTING/COST CERTIF	\$20,000	\$357
MARKETING	\$895,862	\$15,998
DEED STAMPS	\$83,620	\$1,493
FURNITURE, FIXTURES & EQUIPMENT	\$50,000	\$893
MONITORING AGENT	\$15,000	\$268
FINANCING FEES/LOAN COSTS	\$110,000	\$1,964
DVLPMT OVERHEAD 0.00%	\$0	\$0
CONSTRUCTION LOAN INTEREST	\$412,477	\$7,366
CONSTRUCTION MGMT 0.0%	\$0	\$0
SECURITY	\$50,000	\$893
CONSULTING	\$75,000	\$1,339
UTILITIES	\$40,000	\$714
APPRAISAL	\$10,000	\$0
MAINTENANCE/UNSOLD UNITS	\$43,429	\$776
SOFT COST CONTINGENCY	\$156,902	\$2,802
TOTAL DEVELOPMENT COSTS	\$17,430,711	\$311,263
GROSS SALES PROCEEDS	\$18,337,800	\$327,461
SUBSIDY \$121,429/ affordable unit	\$1,700,000	
TOTAL DEVELOPMENT COSTS	\$17,430,711	\$311,263
DEVELOPER ALLOWANCE/OVERHEAD	\$2,607,089	
ALLOWANCE/OVERHEAD AS % OF TDC	15.0%	

PROJECT NAME: COVENANT HOUSE
COMMUNITY: NEWTON
DATE: 11/23/05

NOT FOR GENERAL DISTRIBUTION

SALES SCHEDULE- 56

UNIT DESCRIPTION	UNITS	% OF TOTAL	UNIT SIZE	TOTAL SF	UNIT SALES PRICE	GROSS PROCEEDS	PRICE PER SQ FT
1 BR BA Market	9	19.15%	650	5,850	\$300,000	\$2,700,000	\$461.54
1 BR BA Market	0	0.00%	650	0	\$290,000	\$0	\$446.15
Existing Units:							
1 BR BA Market	9	19.15%	800	7,200	\$340,000	\$3,060,000	\$425.00
1 BR BA Market	3	6.38%	883	2,649	\$375,000	\$1,125,000	\$424.69
1 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
1 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
1 BRD BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
2 BR BA Market	5	10.64%	995	4,975	\$399,000	\$1,995,000	\$401.01
2 BR BA Market	6	12.77%	1,034	6,204	\$410,000	\$2,460,000	\$396.52
2 BR BA Market	3	6.38%	1,048	3,144	\$415,000	\$1,245,000	\$395.99
2 BR BA Market	7	14.89%	1,101	7,707	\$430,000	\$3,010,000	\$390.55
2 BR BA Market	0	0.00%	0	0	\$0	\$0	\$0.00
New Units:							
1 BR BA Affordable	1	2.13%	650	650	\$141,400	\$141,400	\$217.54
1 BR BA Affordable	2	4.26%	650	1,300	\$141,400	\$282,800	\$217.54
1 BR BA Affordable	4	8.51%	800	3,200	\$141,400	\$565,600	\$176.75
1 BR BA Affordable	0	0.00%	883	0	\$141,400	\$0	\$160.14
1 BR BA Affordable	0	0.00%	0	0	\$141,400	\$0	\$0.00
1 BR BA Affordable	0	0.00%	0	0	\$141,400	\$0	\$0.00
1 BRD BA Affordable	0	0.00%	0	0	\$141,400	\$0	\$0.00
2 BR BA Affordable	3	6.38%	995	2,985	\$159,000	\$477,000	\$159.80
2 BR BA Affordable	2	4.26%	1,034	2,068	\$159,000	\$318,000	\$153.77
2 BR BA Affordable	1	2.13%	1,048	1,048	\$159,000	\$159,000	\$151.72
2 BR BA Affordable	1	2.13%	1,101	1,101	\$159,000	\$159,000	\$144.41
2 BR BA Affordable	0	0.00%	0	0	\$159,000	\$0	\$0.00
New Units:							
		11	882	12,352	\$150,200	\$2,102,800	\$170.24
NEW BLDG		44	NSF	42,281 (New Units)			
EXIST BLDG		12	EFFICIENCY	80.5%			
TOTAL UNITS		56	GSF	52,495 (New Units)			
PERCENTAGE AFFORDABLE		25.00% * (32% of baseline 40B/ single parcel approach)					
INCLUDED PARKING		0					
ADDITIONAL PARKING(GARAGE)		32					
TOTAL GARAGE SPACES		32					
GROSS PROCEEDS		\$18,337,800					

\$17,697,800

\$20,000

\$640,000

\$18,337,800

AFFORDABILITY CALCULATION

COVENANT HOUSE

AFFORDABILITY CALCULATION		70%
% of AREA MEDIAN INCOME		70%
BEDROOM SIZE		1BR
AVG PERSONS /HOUSEHOLD		2
70% OF MEDIAN INCOME		\$47,655
MAX MO. HOUSING PAYMENT		\$1,191
CONDOMINIUM FEE		\$134
INSURANCE(IN CONDO FEE)		\$0
TAXES		\$120
AVAILABLE FOR DEBT SERVICE & PMI		\$937
MAXIMUM MORTGAGE		\$134,330
DEBT SERVICE		\$849
PMI		\$87
TOTAL DEBT SERVICE & PMI		\$936
MAXIMUM SALES PRICE		\$141,400

AFFORDABILITY CALCULATION		70%
% of AREA MEDIAN INCOME		70%
BEDROOM SIZE		2BR
AVG PERSONS /HOUSEHOLD		3
70% OF MEDIAN INCOME		\$53,595
MAX MO. HOUSING PAYMENT		\$1,340
CONDOMINIUM FEE		\$151
INSURANCE(IN CONDO FEE)		\$0
TAXES		\$135
AVAILABLE FOR DEBT SERVICE & PMI		\$1,054
MAXIMUM MORTGAGE		\$151,050
DEBT SERVICE		\$955
PMI		\$98
TOTAL DEBT SERVICE & PMI		\$1,053
MAXIMUM SALES PRICE		\$159,000

SALES PRICE ASSUMPTIONS			
PERMANENT LOAN			
INTEREST RATE	6.500%		
AMORTIZATION	30		
PMI (PRIVATE MORTG INSURANCE)	0.78%		
INSURANCE (monthly)	\$0.00	0.00%	
PROPERTY TAX RATE	\$10.20		
MAXIMUM SALES PRICE	95%		

SALES PRICE ASSUMPTIONS			
PERMANENT LOAN			
INTEREST RATE	6.500%		
AMORTIZATION	30		
PMI (PRIVATE MORTG INSURANCE)	0.78%		
INSURANCE (monthly)	\$0.00	0.00%	
PROPERTY TAX RATE	\$10.20		
MAXIMUM SALES PRICE	95%		

CONDOMINIUM BUDGET		\$201,600	\$300	AVG
	Prices		% Interest	Fee
42 MARKET	\$371,310		2.098%	\$352
7 1BR	\$141,400		0.799%	\$134
7 2BR	\$159,000		0.898%	\$151
0 3BR	\$0		0.000%	\$0
56 GROSS SALES PROCEEDS	\$17,697,800			

**Covenant Residences on Commonwealth
Condominium Operating Budget
Annual - Estimated**

INCOME	
INCOME (ESTIMATED)*	\$ 201,600
 EXPENSES	
MANAGEMENT FEE	\$ 20,000
ADMINISTRATIVE	\$ 6,250
MAINTENANCE - CONTRACT SERVICES	
LANDSCAPING	\$ 4,200
DECORATING	\$ 1,500
REPAIRS	\$ 5,600
ELEVATOR MAINTENANCE	\$ 6,000
TRASH REMOVAL	\$ 15,400
SNOW REMOVAL	\$ 4,200
EXTERMINATION	\$ 1,500
CLEANING CONTRACT	\$ 18,000
SUBTOTAL MAINTENANCE	\$ 56,400
UTILITIES	
ELECTRICITY	\$ 3,600
NATURAL GAS	\$ 1,400
WATER AND SEWER	\$ 28,000
SUBTOTAL UTILITIES	\$ 33,000
REPLACEMENT RESERVE	\$ 56,000
TAXES, INSURANCE	
INSURANCE	\$ 25,200
SUBTOTAL: TAXES, INSURANCE	\$ 25,200
TOTAL EXPENSES	\$ 196,850
DIFFERENCE	\$ 4,750

*\$300/Month fee on average

(market units = \$350/month on average, affordable units = \$150/month on average)

Developer Allowance and Revenue Sharing Provision

B'nai B'rith Housing is of course aware that the funding we are seeking represents a significant commitment of Newton's CPA funds, but our hope is that a larger project will enable us and the City to achieve economies in development and that the proceeds of the development can be used to advance other projects by us and the City in the future. As an innovative proposal, which we believe is unique to our project, B'nai B'rith Housing proposes that we are willing to share with the City the Developer's Allowance proposed for the development.

Based upon current MassHousing regulations our project proforma contains a Developer's Allowance of \$2,607,089 which, of course is a contingent amount after all sales of units and all costs have been paid. B'nai B'rith Housing proposes that the contingent Developer's allowance, to the extent actually received, be distributed in the following order of priority until fully distributed:

- (i) **First**, \$500,000.00 reimbursement of costs and overhead to Covenant Commonwealth Newton, Inc. or its designee; then
- (ii) **Second**, \$1,000,000.00 Developer's Fee to Covenant Commonwealth Newton, Inc. or its designee; then
- (iii) **Third**, 50% to the City of Newton or its designee to be used for the production or preservation of affordable housing and 50% to Covenant Commonwealth Newton, inc. or its designee, until the City of Newton or its designee shall have received a total amount of \$300,000; then
- (iv) **Fourth**, the balance, if any to Covenant Commonwealth Newton, Inc.

B'nai B'rith Housing believes that this type of innovation is appropriate to the size and significance of the City's contribution to the project, and it is our hope that the proceeds of the project can be re-used to assist both us and the City in continuing to provide affordable housing well into the future.

Byrne McKinney & Associates, Inc.

REAL ESTATE APPRAISERS & CONSULTANTS

To: Susan Gittelman, B'nai B'rith Housing New England
From: Pamela S. McKinney, CRE, MAI, Byrne McKinney & Associates, Inc.
RE: 27-35 Commonwealth Pricing Memo
Date: June 22, 2005

MEMORANDUM

As requested, we have undertaken an analysis of the properties located at 27-35 Commonwealth Avenue in order to estimate a reasonable, market supported transaction range for the properties in their current "as is" condition. The analysis was undertaken in June of 2005 and the transaction range presented by this memo assumes a transaction in this time frame.

27-29 Commonwealth Avenue

The properties in question include 27-29 Commonwealth Avenue a 12-unit apartment building containing 12, one-bedroom apartments and a commercial office space. The property is located opposite the front gates to Boston College on Commonwealth and is adjacent to the Boston College station stop on the MBTA Greenline. There are 12 garage parking spaces. Based on assessment records, the building square footage is 13,096 GSF. The lot square footage is 14,993 SF. The apartments are fully occupied with market rents reported to be roughly \$1,400 per month for the upcoming academic year. The FY2005 assessment by the City of Newton is \$2,612,000.

The property is located in the M2 zone. While compatible from a use perspective, the current improvements appear to exceed the density which would be allowed under the current zoning. In our judgment given the zoning, and the power of the location opposite the Boston College campus, the highest and best use of this property would be for a conversion and sale of the existing apartment building as condominiums.

On this basis, the value of the property in its as is condition may be estimated as a function of the sale potential of the end units (estimated to command between \$300,000 and \$325,000 per unit and \$250-\$300/SF for the commercial space) and parking spaces (estimated to command between \$25,000 to \$30,000 per space), less the cost of sales including marketing (5% of sales) and modest interior renovation costs (\$25,000-\$35,000 per unit), less the cost of the entrepreneurial profit (estimated at roughly 15% of gross sales) required to compensate the investor.

These parameters produce a transaction range for the existing improvements of between \$3,200,000 and \$3,500,000 or between \$244 and \$267 per SF "as is". This transaction range for 27-29 Commonwealth Avenue is supported by recent comparable sales (2002-2004) of a number of other small scale (< 20 units) apartment properties in Newton and Brighton that have sold at prices between \$228 and \$288 per GSF.

35 Commonwealth Avenue

35 Commonwealth Avenue consists of a 48,829 SF lot with 70 ft of frontage on Commonwealth Avenue as well as frontage on the Commonwealth Golf Course. It is located in an MR1 zone and is currently improved with a vacant, older (circa 1900) single family residence in poor condition. The FY2005 assessment by the City of Newton is \$506,200.

The site is well suited to residential use given its Chestnut Hill address and its direct frontage on and views of the adjacent golf course. The reasonably probably development scenarios for the site in our opinion include either the reconstruction of the existing single family residence or the creation of a cluster-style development of up to nine units. The single-family renovation/reconstruction could be accomplished by-right. A cluster-style program would require a Special Permit.

Comparable sales in Newton for single family infill development sites range between \$1,000,000 (2002 sale of a 45,000 SF lot in an inferior location) to \$2,300,000 (2001 sale of a 34,000 SF lot in a superior location). Current listings include a 38,000 SF lot on Chestnut Hill Rd with an asking price of \$2,195,000 and a 27,000 SF lot on Rachel Rd with an asking price of \$1,099,000. In our opinion, the transaction data suggests that a single family development opportunity of 48,829 SF of land overlooking the golf course with a Commonwealth Avenue address and proximity to Boston College might be expected to achieve price on the order of \$1,500,000.

As for the cluster concept, examination of 45 small scale cluster developments in Newton undertaken between 1980 and 2005, indicates that the median site area per unit in these smaller scale clusters is approximately 5,000 SF per unit in both the M1 and M2 zones and 5,800 SF per unit in the single family zones with median lot sizes of 40,000 SF (M1), 28,000 SF (M2) and 38,000SF (SF zones) respectively. On this basis, a 5,000 SF per unit density appears reasonable and yields a nine unit development potential for the land at 35 Commonwealth Avenue.

Comparable sales for small scale cluster the surrounding suburban market range between \$200,000 and \$250,000 per market rate unit (affordable units not counted). A nine unit program would require that one unit be set aside to meet the inclusionary zoning requirement. As such a nine unit cluster site overlooking the golf course might be expected to achieve pricing on the order of \$225,000 per unit for 8 units, so a price of roughly \$1,800,000.

In our judgment, the price for the 35 Commonwealth site can be reasonably estimated to fall between \$1,500,000 and \$1,800,000.

Taken together, it is our opinion that the transaction range for the two sites is well supported at between \$4,700,000 and \$5,100,000.