

Austin Street Partners

Financial Benefits To City - True Cost to Developer

What are the financial benefits to the City?

The City of Newton will receive **over \$11 million** (\$11,050,000) in financial benefits in addition to all the intangible benefits of new housing opportunities and retail choices:

- 1) Over **\$2,100,000** will be paid to the City in a single payment when construction begins -- \$1,050,000 for the 99-year lease, \$750,000 to be used for off-site improvements and over \$300,000 in building permit fees.
- 2) The City will receive 17 new affordable homes (25% of the total) with a cost subsidy of approximately \$335,000 per home from the developer or **\$5,700,000**.
- 3) The City will receive a newly reconstructed 127-space municipal parking lot, a rebuilt Bram Way, a new public plaza and updated site utilities and storm water management at a cost to the developer of over **\$850,000**.
- 4) 35 new daytime garage spaces will be available to Newtonville employees saving the City the cost of expanding the Austin Street municipal parking lot by constructing underground parking at a cost of over **\$1,400,000**.
- 5) Finally, the City will receive over \$40,000 annually in new property tax revenue in excess of new municipal costs during the 99-year lease period, according to the City's Fiscal Impact Analysis. Assuming a present value at 4%, these new real estate taxes are worth over **\$1,000,000** to the City over the 99-year lease period.

And the City will continue to own and collect all of the parking revenue from its Austin Street Municipal Parking Lot, just as it does now.

What is the true cost of the land to developer?

The true cost of the land to the developer **exceeds \$7,000,000** or \$100,000 per housing unit and \$100 per square foot of retail space. Here's why:

- 1) In addition to a single payment to the City of **\$1,050,000** at closing for the 99-year lease:
- 2) Any developer has to provide 15% (10) affordable units, but Austin Street Partners is providing 25% (17) units. To include seven extra affordable units, the developer must provide a cost subsidy of approximately \$335,000 per home or **\$2,350,000**.
- 3) Although the land is being leased, the City is reserving most of the land for public parking. The developer must construct 90 underground parking spaces at a cost of approximately **\$3,600,000** (\$40,000 per space) to accommodate its parking needs to allow continued municipal surface parking in the reconstructed Austin Street Municipal Parking Lot.

Hence, the true land cost is established by what is required by the City in addition to what would be required of a conventional developer. In the absence of these requirements (ie, additional affordable housing and underground parking), a developer could pay over \$7,000,000 for the unencumbered land with permits for 68 housing units (with 15% affordable), 5000 square feet of retail space and 90 surface parking spaces.

Source: Austin Street Partners, 9/22/15