

Hamilton Development Corporation
September 28, 2016

The Hamilton Development Corporation met at Hamilton Town Hall at 7:32 a.m. on Wednesday, September 28, 2016 with Bill Gisness, Brian Stein, Rick Mitchell, Anthony Nickas, Tom Goodwin present. Community Projects Coordinator Dorr Fox also present.

Call to order

Brian Stein called the HDC meeting to order at 7:32 a.m.

Warrant for bills

Tom Goodwin moved to approve warrant #1707 for \$1,788 for the mortgage. Rick Mitchell seconded the motion. VOTE: Unanimous.

59/63 Willow Street

Harborlight Community Partners reported that it will do the renovation work at the commercial space by the end of the week. Stein reported that he had asked Meridian Associates to do a site plan review package to understand the cost if the HDC decided to move forward developing its site. Also, no information has been received on tree removal cost at the property. The HDC does not have to receive okay from the Town to remove the tree.

Bill Gisness continues to work with Nordblom and Peter Gourdeau to understand costs associated with developing the Willow Street site. The HDC revisited its financial model to determine number of units and rental cost for building with 7,500 sf of commercial space which identified a \$1 million shortfall. Assumptions on costs need to be refined as well as operating expenses.

Goodwin described how with office condominiums sales money comes back earlier in the process, and there is demand for 1,000 to 1,100 sf units. He reiterated his concern about visibility of retail at the Willow Street site and availability of leasing with premium associated with ownership right. He suggested that presales could be done to enhance saleability. Anthony Nickas concurred about the visibility of retail but acknowledged this may not apply to all commercial establishments. It was noted that 80% of Gourdeau's Willow Street property is rented including to businesses. A market

study could be done to understand retail demand. Also mentioned was business owners working from home may want to relocate to a downtown commercial location.

The HDC discussed rental rates for commercial space (i.e., \$14 to \$20 sf). No rental rates were included in the multi-family economic model for the 63 Willow Street space just for development of the 59 Willow Street part of the parcel. The assumptions are that the building will be three stories, and 40,000 sf with residential stories on two stories (gross residential 30,000 sf). The HDC has been analyzing a total of 20 units with 50% one bedroom (750 sf, \$1,600/month rent) and 50% two bedroom (1,000 sf, \$2,200/month rent). The commercial space will be 7,500 sf at \$20 a square foot for \$150,000.

The HDC reviewed the stabilized proforma with rental revenue of \$456,000 and \$150,000 from the commercial space. The Corporation discussed how the operating expense of \$74,449 was likely estimated too low for the area. Both residential and commercial properties are running on 5.5% vacancy. Also noted was that the operating expense could be as high as \$9,500 per unit per month. A replacement reserve should be funded on an annual basis and may be required based on financing. The net operating income was estimated at \$419,000 relative to debt service and loan size. The total financing fee is a one-time cost that would be amortized over time.

Also discussed was sources and uses of money with debt of \$5.9 million. Assumptions were on the land cost of \$600,000 and \$200 sf for a stick built property. Site work was estimated at \$5 sf. Parking area is \$3,000 per parking space. A total bill to develop the property is \$7.1 million and includes reserve for interest incurred during construction when there is no income.

There remains a \$1.1 million short fall in sources. The HDC discussed how it could reach a breakeven number of units to offset the predicted shortfall. Cost and income from the commercial space was built into the model. If the development was commercial condominiums for sale there would likely not be a shortfall. The residential space could be condominium as well. The consensus amongst the HDC was that neighbors would favor condominiums while the Town needs rental properties. A property owner subletting condominiums was not perceived as a best practice to manage tenant population. Also noted was height of building could vary based on whether or not this would be a Chapter 40B project.

The HDC discussed how conversation should occur with realtors to understand what development would be best at the site (i.e., apartments). Ideally commercial space on the first floor but the development has to be economically feasible. The residential is more valuable than the commercial and be better received by neighbors. Assumptions

about what a building will cost have to be fine tuned (i.e., \$1.75 a square foot and 30 units) as well as operating costs and type of units (commercial or residential or a mix).

Fox will speak to realtor Peggy McNamara for her data points on comparable rental costs. It was noted that an intern could be used to research the costs on the Internet using towns similar to Hamilton. There was discussion about if the HDC should spend \$2,500 for a market study. Goodwin will ask his contacts for a price on a study of residential and commercial rents and commercial and residential condominium sale prices. The Corporation discussed how McNamara had previously provided estimated condominium costs at \$349,000 to \$399,000 depending on the amenities such as fitness center and a pool as well as outside space and roof deck. There was discussion about whether or not there was any financial return on investment anticipated with the 63 Willow Street building.

Nickas will revise the economic model relative to construction costs and bring it back a couple of scenarios for further Corporation review. Goodwin agreed to speak to bankers to assess their scope.

The Corporation continues to work with outside organizations relative to their interest in developing the Willow Street site. Also mentioned was how four or five sites in Town are being considered for affordable housing. The HDC will also consider Chapter 40B option for its property (Andrew DeFranza could be invited to an upcoming HDC meeting). The HDC is targeting the end of a year as a possible deadline to make a decision about a how to move forward with the property.

Mitchell moved to adjourn the meeting at 8:17 a.m. Goodwin seconded the motion.
VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: _____
Brian Stein, President