

SELECT BOARD MEETING

Wednesday, January 17, 2024

Select Board Meeting Room, 1625 Massachusetts Avenue, Lexington, MA 02420 - Hybrid Participation*
6:30 PM

AGENDA

ITEMS FOR INDIVIDUAL CONSIDERATION

1. Presentation - Housing Feasibility Report 6:35pm
2. Select Board Work Session - Discuss Select Board Report to 2024 Annual Town Meeting 7:20pm
3. Select Board Work Session - Discuss Proposed Updates to Noise Committee Charge 7:30pm

ADJOURN

1. Anticipated Adjournment 7:50pm

Meeting Packet: <https://lexington.novusagenda.com/agendapublic/>

****Members of the public can attend the meeting from their computer or tablet by clicking on the following link at the time of the meeting:***

<https://zoom.us/j/99739813810?pwd=bEZZNE9HK3MyY1AvcWc5d0NsQ0JlQT09>

iPhone one-tap:

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Meeting ID: 997 3981 3810

Passcode: 153496

An Act Relative to Extending Certain State of Emergency

Accommodations: <https://www.mass.gov/the-open-meeting-law>

The next regularly scheduled meeting of the Select Board will be held on Monday, January 22, 2024 at 6:30pm via hybrid participation.

Hearing Assistance Devices Available on Request

All agenda time and the order of items are approximate and subject to change.

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AGENDA ITEM SUMMARY

LEXINGTON SELECT BOARD MEETING

AGENDA ITEM TITLE:

Presentation - Housing Feasibility Report

PRESENTER:

LDa Architects; Carol Kowalski,
Assistant Town Manager for
Development

ITEM NUMBER:

I.1

SUMMARY:

Category: Brainstorming

Attached please find the final report and the final report without Lowell. LDa and Carol Kowalski, Assistant Town Manager for Land Use, Housing and Development will be making the presentation for the Board's discussion.

Please note one of the files was too large to attach to the agenda packet, so both files are included in this dropbox

<https://www.dropbox.com/sc/fo/17e5kkcfvrm93rvtazfm3/h?rlkey=tuchwulze9sam3nywflbq5ri7&dl=0>

SUGGESTED MOTION:

FOLLOW-UP:

DATE AND APPROXIMATE TIME ON AGENDA:

1/17/2024

6:35pm

ATTACHMENTS:

Description	Type
 Presentation	Cover Memo



Study Site A: Depot Lot

Study Site B: Lot behind 1701-1751 Mass Ave.

Study Site C: 173 Bedford Street

TOWN OF LEXINGTON - AFFORDABLE HOUSING STUDY

SELECT BOARD MEETING

JANUARY 17, 2024

STUDY INTRODUCTION

Affordable Housing Study Goals

» **Feasibility & Initial Design Study for the construction of Affordable Housing units at three town-owned properties.**

- Site A: Depot Lot
- Site B: Lot behind 1701-1751 Mass Ave
- Site C: 171-173 Bedford Street

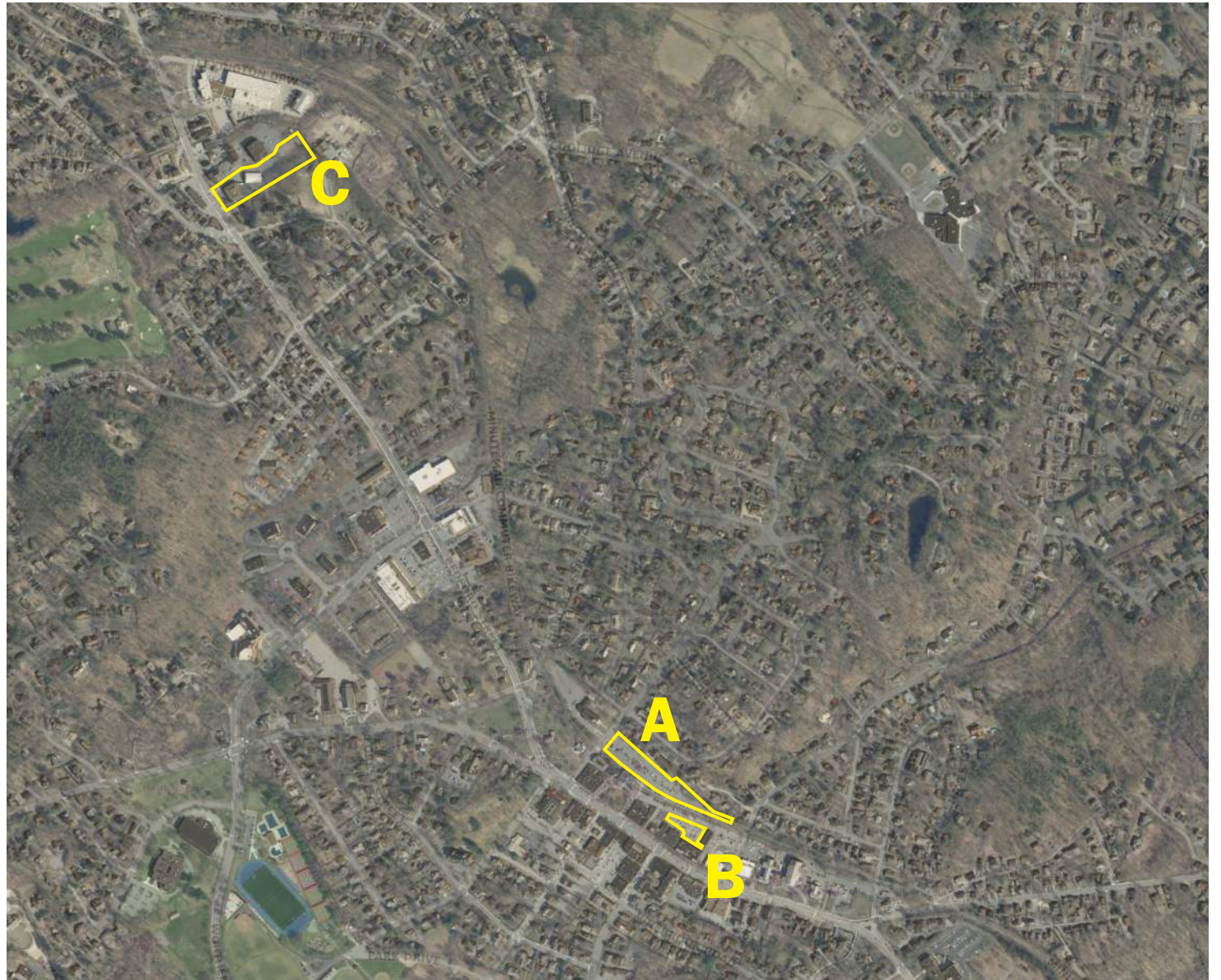
TOWN OF LEXINGTON

Department of Land Use, Housing & Development
Planning Office

Town Engineer

STUDY TEAM

LDa Architecture & Interiors
Kirk & Co Real Estate Counselors
Crowley Cottrell Landscape Architects
Meridian Associates Civil Engineers
Nitsch Engineering, Transportation Engineering
Ellana Inc, Cost Estimator



TODAY'S MEETING

Agenda

1. STUDY GOALS & PROCESS (1 MIN)

2. SITE COMPARISON (5 MIN)

- » Feasible Development for 3 Sites
- » Challenges to Development
- » Benefits to Development

3. HIGHLIGHTS OF EXECUTIVE SUMMARY (15 MIN)

- » Housing Background
 - Housing as an economic engine
 - Impacts of commercial space & structured parking
 - Housing delivery models and why LIHTC
- » Financial Analysis Process & Conclusions
 - Economic analysis (market changes)
 - Housing cost drivers & opportunities to influence
 - Modeling approach
 - Findings
- » Financial Models & Funding Gaps
- » Construction Costs

4. NEXT STEPS (2 MIN)

- » Engaging with Developers

5. SELECT BOARD QUESTIONS & FEEDBACK (15 MIN)

Goals

- » Present the findings of the Housing Study prepared for review & comment.

STUDY GOALS & PROCESS

Goal

With a goal of finding creative, feasible solutions for new affordable housing that are sensitive to the unique Lexington context, The Town of Lexington Land Use, Housing & Development Department sought a design and real estate analyst team to study the feasibility of developing affordable housing on three town owned properties. The properties included:

- » **Depot Lot public parking lot (site A),**
- » **Lot behind 1701-1751 public parking lot (site B),**
- » **Town departmental swing space at 171-173 Bedford St. (site C).**

This report is the summary document completed by the LDa Architecture & Interiors and Kirk & Company team to compile the findings of this feasibility study.

Process

Approx. 35 week study; May 2023 - December 2023

» **Information Gathering Phase**

- Site Visits
- Site Conditions & Regulatory Analysis
- Marketing Conditions Analysis

» **Conceptual Planning**

- Initial Affordable Housing Feasibility Analysis
- Initial Site Programming
- Collect Feedback on Town Priorities to refine Financial Analysis & Development Density
 - Public meetings 9/12/23; 9/26/23; 10/23/23
 - Maximize affordable housing
 - Consider impact of housing on public parking
 - Consider inclusion of commercial space

» **Site by Site Recommendations, Costs & Proforma**

- Develop Conceptual Drawings & Specifications.
- Conceptual Construction Cost Estimates
- Refine Site Programming based on Construction Cost Estimates & Financial Models

SITE COMPARISON

Opportunity for Housing on Each Site

While each site has its own unique challenges and follow-up needed to facilitate development, the study process has yielded a feasible affordable housing solution for each property. These solutions share a few common strategies:

- » **100% Affordable at 60% AMI**
- » **Maximized unit density by focusing on all-residential use.**
- » **Surface parking for residents & visitors only.**
- » **Simple, energy efficient and sustainably designed building masses featuring architectural materials compatible with the Lexington context.**

Each site has the opportunity to successfully support the development of affordable housing. However, as summarized in the chart below, there appear to be fewer challenges to that housing development on the 171-173 Bedford Street property (site C) provided that the town is able to reconsider plans to use the site as departmental swing space until 2031.

SITE COMPARISON

Site	Financially Feasible Development	Challenges to Development	Benefits to Development
Depot Lot (site A)	<ul style="list-style-type: none"> • 100% Affordable at 60% AMI • 92 residential units • 152 surface parking spots 	<ul style="list-style-type: none"> • Diminishes available public parking in town center. • Does not meet Multifamily overlay district requirements for commercial space. • Historic District design review may increase construction cost to enhance massing and materials. • History as train yard raises potential risk for contaminated soils that will increase construction cost. • Presence of sewer easement raises potential risk for site development complications and additional permitting. • Proximity to busy town center increases logistical challenges of construction. 	<ul style="list-style-type: none"> • Optimal proximity to public transportation and town resources. • Housing is an economic engine, bringing housing into the town center can be a catalyst for commercial development.
Lot behind 1701-1751 Mass Ave (site B)	<ul style="list-style-type: none"> • 100% Affordable at 60% AMI • 23 residential units • 23 surface parking spots 	<ul style="list-style-type: none"> • Similar challenges to Site A listed above. • Parking lots and busy retail entries and loading docks that surround the site create a challenging environment for residential use. 	<ul style="list-style-type: none"> • Similar benefits to Site A listed above.
171-173 Bedford Street (site C)	<ul style="list-style-type: none"> • 100% Affordable at 60% AMI • 85 residential units • 102 surface parking spots 	<ul style="list-style-type: none"> • Current town strategy to use site as departmental swing space through 2031 presents a challenge to development timeline. 	<ul style="list-style-type: none"> • Village overlay district provides flexibility to develop site with or without commercial space within the zoning bylaws. • Site shape allows design focus on the Bedford Street facade.

HIGHLIGHTS OF EXECUTIVE SUMMARY

Housing Delivery Methods

1. Dedicated Affordable Housing model

Maximize affordable housing delivery through higher proportions of restricted units at each project and a deeper level of affordability set aside, or lower Area Median Income (AMI).

Provide low- and moderate-income residents with safe, high-quality housing that is affordable at a variety of income set asides.

Typically deeply subsidized and utilize capital and operating subsidies established for the creation and preservation of affordable housing to residents earning less than 80% and more often less than 60% of AMI.

The largest and most robust funding source: Low Income Housing Tax Credit Program (LIHTC) at both the Federal and State level.

Undertaken by housing developers with specialized expertise in delivering Affordable Housing and working within the LIHTC allocation, syndication, and compliance frameworks.

2. Mixed-income or inclusionary model

Seeks to include additional affordable units within more traditional market-rate properties.

Inclusion of a small portion of Affordable units within an unrestricted market-rate housing development.

These units are typically developed under local Inclusionary Zoning measures, Chapter 40B developments, and other similar regulatory structures to encourage additional Affordable Housing development alongside market rate development.

Income restrictions for these properties can

range from 80% of AMI to 120% of AMI, as local and state regulators permit or require.

Capital funding sources and operating subsidies to support these properties and these units are less abundant and robust.

These projects are typically undertaken by traditional market-rate housing developers without deep expertise in Affordable Housing regulations, compliance, and management.

HIGHLIGHTS OF EXECUTIVE SUMMARY

Economic Analysis

Studied economic analysis of hypothetical development scenarios with a variety of housing types to understand the feasibility of delivering housing at a variety of income levels, with a target at between 60% and 80% AMI.

Made refined assumptions regarding the allocation of units by bedroom size: 50% 1-bed, 20% 2-bed, 30% 3-bed, based on feedback from town.

Basis for analysis and policy direction, but market rarely distributes units in that proportion. Flexibility with unit distribution and mix should be considered.

Lexington multifamily rental supply: 24% 1-bed, 56% 2-bed, 20% 3-bed.

LIHTC 2022-2023 Qualified Allocation Plan (QAP) for MA 65%: 2 or more beds; min 10% 3-bed, unless that percentage is infeasible/unsupported by public demand.

Housing Cost Drivers & Opportunities to Influence

Analyzed the financial feasibility as well as the physical constraints of the site to determine whether housing is feasible, but more importantly, what is feasible. This is an iterative process.

Primary opportunities and challenges in the affordable for-sale and rental housing market in Lexington are on the supply side rather than on the demand side. Income and economic capacity influence the supply of housing.

Currently, the public and private financial markets do not supply sufficient resources to meet existing and future housing needs, which is the definition of an economic market failure.

There are **seven primary levers** that directly impact the cost and availability of housing in most markets, Lexington included.

QUESTIONS: What questions can be asked?

TOOLS: What tools are available to address this issue?

EXAMPLES: Successful examples in practice

- 1. Land and Infrastructure**
- 2. Entitlements and Regulation**
- 3. Hard Construction Costs (materials, site work, labor, etc)**
- 4. Soft Costs (architecture, engineering, legal, etc)**
- 5. Developer's Profit**
- 6. Future Operations (Income and Expenses)**
- 7. Capital Sources and Financing**

HIGHLIGHTS OF EXECUTIVE SUMMARY

Modeling Approach

Focus on multifamily rental property types. They provides for a significant majority of Affordable Housing delivery & have access to the most funding to build and operate. (Economics are very similar between property types.)

Look at the gap between what units cost to build and what units are able to generate in an implied value based on the restricted rent or sales price.

First analysis: feasibility based on current economic conditions, capital markets, construction costs, and operations, on a typical basis for both rental and for-sale multifamily units.

Test the feasibility of adding affordable units to the test property against that baseline.

Refined analysis: include primarily affordable development scenarios that include Low Income Housing Tax Credit (LIHTC) models.

Most robust capital financing source for the development of new construction affordable housing within MA and the US.

Variations and modifications to this general model are expected and will serve to enhance the feasibility at the time of development, reflecting then current financial markets, market demand, and funding priorities from capital subsidy sources.

Look at the gap analysis through the lens of a series of capital funding sources that are available to developers to close that gap and make projects feasible.

HIGHLIGHTS OF EXECUTIVE SUMMARY

Findings

Purely market-driven solution to housing supply and affordability is not possible under current economics conditions.

Alternative interventions must be explored and exercised to provide relief to residents through supply side factors such as subsidy through the availability of land, capital subsidy, or other creative allocations.

Economic burdens of mixed-income projects are significant and consistent at various scales.

Larger projects are typically able to offset funding gaps more effectively and efficiently; however, unless there is adequate upward pressure on market rents to self-subsidize the project, additional external subsidy is still required.

Market rents need to be high enough to offset the lower rents of affordable units,

and developers need to be able to show demand for these units to their construction and permanent lenders.

Economics of cross subsidy, from market rate units to Affordable units, is such that rents need to be high enough to pay their

own development costs and contribute additional value to offsetting lower rents.

To evaluate the potential for market-rate cross-subsidy we have evaluated the level of market rents required to support the cost of a new construction building with no affordability.

Market Breakeven Rent			
Development Proforma		Per Unit	
Cost to Develop			
Land		\$35,000	
Construction Cost		\$425,000	
Profit and Incentive		\$148,750	
Total Development Cost (Value)		\$608,750	
Capitalization Rate		6.00%	
Required NOI to Support Value		\$36,525	
Operating Proforma		\$/Unit/Year	\$/Unit/Month
Income			
Rental Income		\$56,730	\$4,728
Vacancy Allowance		5.00%	(\$2,837)
Expenses			
Operating Expenses		30%	(\$17,019)
Replacement Reserve			(\$350)
Net Operating Income (NOI)		\$36,525	

HIGHLIGHTS OF EXECUTIVE SUMMARY

Findings

Based on typical development costs and current market rents, there is a feasibility gap for the construction of market rate rental housing. A reduction in hard or soft construction cost inputs, land and site costs, or an increase in rents, to an average unit rent of \$4,728 would have a direct impact on project feasibility.

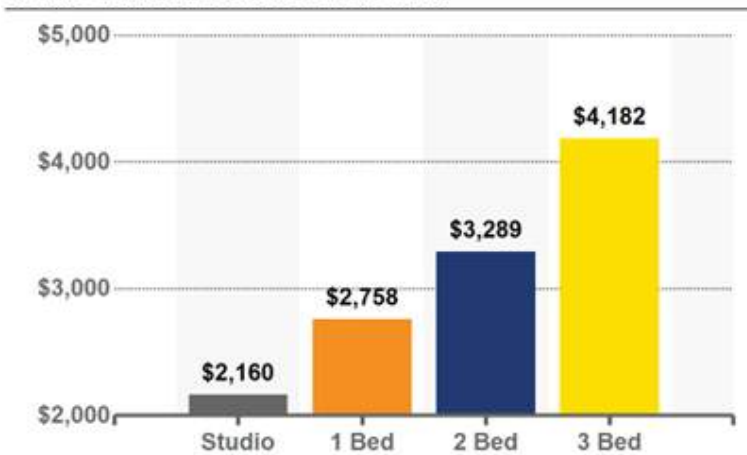
Additionally, current capital markets have had a significant impact on feasibility,

and while this analysis has assumed a capitalization rate of 6.0% for baseline analysis, which is consistent with current yields and market activity, a capitalization rate of 5.0% results in a more feasible market-rate project, however still presents difficulty as interest rates and construction cost escalation have put increased pressure on the economics.

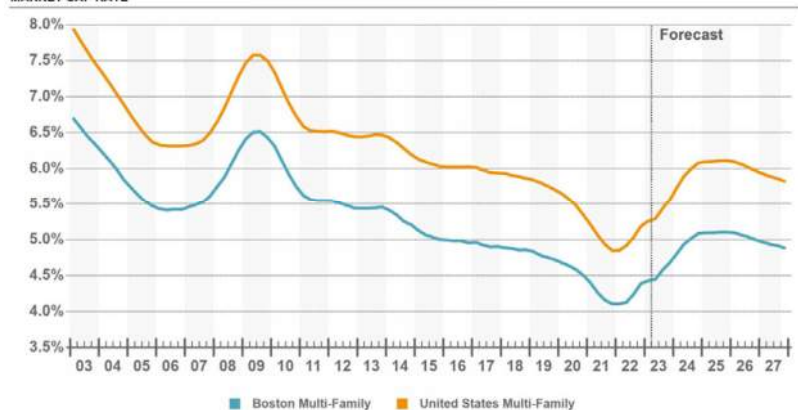
Affordable Rental Apartment Feasibility

The following site scenarios indicate that for a typical LIHTC model including 100% of the units reserved to residents earning less than 60% of AMI, the funding gap, after an assumption of Federal and State LIHTC equity, a supportable first mortgage, and soft sources, is considered a reasonable funding gap that could be filled with a number of combined soft debt, grant, and other subsidy sources, including, but not limited to HOME funds, Affordable Housing Trust Funds, CPA funds, local resources, donated land, and others. Additionally, each of the following scenarios utilize the same repeated methodology based on the unique characteristics of each design and site.

ASKING RENT PER UNIT PER MONTH

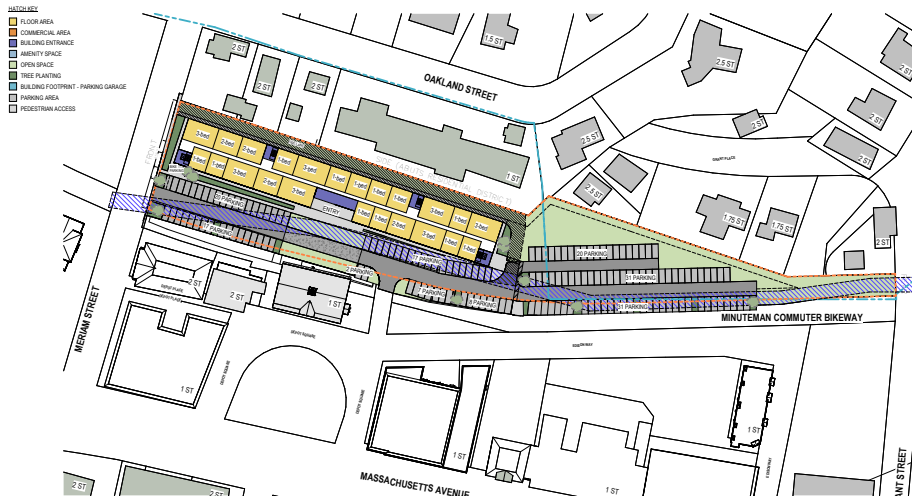


MARKET CAP RATE



SITE A - 100% AFFORDABLE AT 60% OF AMI (LIHTC MODEL)

- Approximately 115,000 sf, 4-story, all-residential development
- 92 residential units (46x1-bedroom, 18x2-bedroom, 28x3-bedroom)
- 152 surface parking spots (92 residential spots to achieve 1 spot/unit, plus 60 public parking spots)



Reconstructed Operating Statement - Site A

Residential Rental Income	Monthly Rent	Annual	Per Unit/Y
46 One-Bedroom Unit - AFFORDABLE - 60% AMI	\$1,670	\$921,840	\$20,040
18 Two-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,004	\$432,864	\$24,048
28 Three-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,315	\$777,840	\$27,780
92			
Gross Potential Rental Income (GPRI)		\$2,132,544	\$23,180
Vacancy & Collection Loss - % of GPRI	5.00%	(\$106,627)	(\$1,159)
Effective Gross Income (EGI)		\$2,025,917	\$22,021
Operating Expenses			
Management Fee - % of EGI	5.00%	\$101,296	\$1,101
Operating Expenses - % of EGI	40.00%	\$810,367	\$8,808
Total Operating Expenses		\$911,663	\$9,909
Replacement Reserves - Per Unit/Year	\$350	\$32,200	\$350
Net Operating Income (NOI)		\$1,082,054	\$11,761

Development Costs

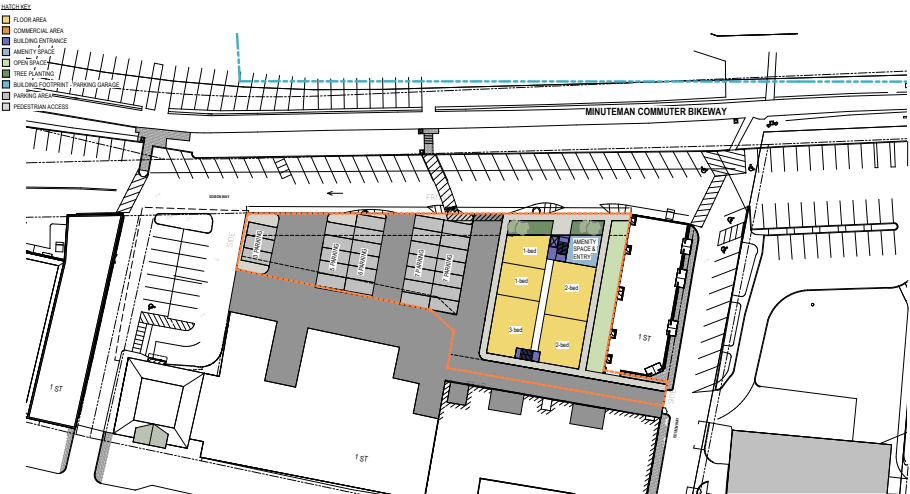
	Per Unit	Total
Land Acquisition	\$35,000	\$3,220,000
Construction Costs	\$438,230	\$40,317,150
Contingencies, Etc.	15%	\$65,734
Developer's Fee, Profit & Incentive	15%	\$65,734
Total Development Costs	\$604,699	\$55,632,295

Reconciliation

	Per Unit	Total
Total Development Costs	\$604,699	\$55,632,295
Total Financeable Value	\$260,870	\$24,000,000
Profit or (Feasibility Gap)	(\$343,829)	(\$31,632,295)
Sources of Capital		
	Per Unit	Total
Federal LIHTC Equity	\$180,000	\$16,560,000
State LIHTC Equity	\$45,000	\$4,140,000
First Mortgage	\$165,989	\$15,271,000
Deferred Developer Fee	\$32,867	\$3,023,786
Land Subsidy	\$35,000	\$3,220,000
Total Sources of Capital	\$458,856	\$42,214,786
Profit or (Funding Gap)	(\$145,842)	(\$13,417,509)

SITE B - 100% AFFORDABLE AT 60% OF AMI (LIHTC MODEL)

- Approximately 23,000 sf, 4-story, all-residential development
- 23 residential units (11x1-bedroom, 5x2-bedroom, 7x3-bedroom)
- 23 surface parking spots (residential use only, 1.2 spots/unit)



Reconstructed Operating Statement - Site B

Residential Rental Income	Monthly Rent	Annual	Per Unit/Y
11 One-Bedroom Unit - AFFORDABLE - 60% AMI	\$1,670	\$220,440	\$20,040
5 Two-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,004	\$120,240	\$24,048
7 Three-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,315	\$194,460	\$27,780
23			
Gross Potential Rental Income (GPRI)		\$535,140	\$23,267
Vacancy & Collection Loss - % of GPRI	5.00%	(\$26,757)	(\$1,163)
Effective Gross Income (EGI)		\$508,383	\$22,104
Operating Expenses			
Management Fee - % of EGI	5.00%	\$25,419	\$1,105
Operating Expenses - % of EGI	40.00%	\$203,353	\$8,841
Total Operating Expenses		\$228,772	\$9,947
Replacement Reserves - Per Unit/Year	\$350	\$8,050	\$350
Net Operating Income (NOI)		\$271,561	\$11,807

Development Costs

	Per Unit	Total
Land Acquisition	\$35,000	\$805,000
Construction Costs	\$408,223	\$9,389,137
Contingencies, Etc.	15%	\$61,234
Developer's Fee, Profit & Incentive	15%	\$61,234
Total Development Costs	\$565,690	\$13,010,878

Reconciliation

	Per Unit	Total
Total Development Costs	\$565,690	\$13,010,878
Total Financeable Value	\$260,870	\$6,000,000
Profit or (Feasibility Gap)	(\$304,821)	(\$7,010,878)
Sources of Capital	Per Unit	Total
Federal LIHTC Equity	\$180,000	\$4,140,000
State LIHTC Equity	\$45,000	\$1,035,000
First Mortgage	\$166,609	\$3,832,000
Deferred Developer Fee	\$30,617	\$704,185
Land Subsidy	\$35,000	\$805,000
Total Sources of Capital	\$457,225	\$10,516,185
Profit or (Funding Gap)	(\$108,465)	(\$2,494,693)

SITE C - 100% AFFORDABLE AT 60% OF AMI (LIHTC MODEL)

- Approximately 96,000 sf, 3-story, all-residential development
- 85 residential units (42x1-bedroom, 18x2-bedroom, 25x3-bedroom)
- 102 surface parking spots (residential use only, 1.2 spots/unit)



Reconstructed Operating Statement - Site C

Residential Rental Income	Monthly Rent	Annual	Per Unit/Y
42 One-Bedroom Unit - AFFORDABLE - 60% AMI	\$1,670	\$841,680	\$20,040
18 Two-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,004	\$432,864	\$24,048
25 Three-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,315	\$694,500	\$27,780
85			
Gross Potential Rental Income (GPRI)		\$1,969,044	\$23,165
Vacancy & Collection Loss - % of GPRI	5.00%	(\$98,452)	(\$1,158)
Effective Gross Income (EGI)		\$1,870,592	\$22,007
Operating Expenses			
Management Fee - % of EGI	5.00%	\$93,530	\$1,100
Operating Expenses - % of EGI	40.00%	\$748,237	\$8,803
Total Operating Expenses		\$841,766	\$9,903
Replacement Reserves - Per Unit/Year	\$350	\$29,750	\$350
Net Operating Income (NOI)		\$999,075	\$11,754

Development Costs	Per Unit	Total
Land Acquisition	\$35,000	\$2,975,000
Construction Costs	\$436,450	\$37,098,250
Contingencies, Etc.	15%	\$65,468
Developer's Fee, Profit & Incentive	15%	\$65,468
Total Development Costs	\$602,385	\$51,202,725

Reconciliation	Per Unit	Total
Total Development Costs	\$602,385	\$51,202,725
Total Financeable Value	\$261,176	\$22,200,000
Profit or (Feasibility Gap)	(\$341,209)	(\$29,002,725)
Sources of Capital	Per Unit	Total
Federal LIHTC Equity	\$180,000	\$15,300,000
State LIHTC Equity	\$45,000	\$3,825,000
First Mortgage	\$165,882	\$14,100,000
Deferred Developer Fee	\$32,734	\$2,782,369
Land Subsidy	\$35,000	\$2,975,000
Total Sources of Capital	\$458,616	\$38,982,369
Profit or (Funding Gap)	(\$143,769)	(\$12,220,356)

CONCEPTUAL CONSTRUCTION COST ESTIMATE ANALYSIS

Original Site Programming Infeasible

Lower unit counts; articulated masses, retail space, parking on street level below residences, equal distribution of unit sizes

A&B, high parking spot/unit ratio

Retail ~ 30% first floor sf

Added total cost for structured parking

Relatively more complex design, small number of units

Added cost/unit for structured
Cost/unit is not feasible

Site	A-1 (Below Grade Parking)	A-2 (Above Grade Parking)	B	C
# Units	54	54	15	95
# 1-Bed units	18	18	6	34
(as % of total units)	33%	33%	40%	36%
#2-Bed units	15	15	3	26
(as % of total units)	28%	28%	20%	27%
#3-Bed units	21	21	6	35
(as % of total units)	39%	39%	40%	37%
# Beds	111	111	30	191
# Structured Parking Spots	195	140	52	0
# Surface Parking Spots	136	195	25	102
# Parking spots	331	335	77	102
#Parking spots/unit	6.13	6.20	5.13	1.07
Total Bldg + Str. Pkg SF	178,181	174,731	63,595	140,260
Total Building SF	88,681	88,681	20,375	140,260
Residential Building SF	79,941	79,941	17,655	129,170
(as % of total SF)	45%	46%	28%	92%
Typical 1 bed SF	775	775	606	725
Typical 2 bed SF	1,100	1,100	1,001	1,000
Typical 3 bed SF	1,300	1,300	1,125	1,300
Residential units & hall	68,001	68,001	14,505	105,940
(as % of total SF)	38%	39%	23%	76%
Entrance, stairs, mech.	9,240	9,240	1,340	16,700
(as % of total SF)	5%	5%	2%	12%
Amenity	2,700	2,700	1,810	6,530
(as % of total SF)	2%	2%	3%	5%
Retail Building SF	8,740	8,740	2,720	11,090
(as % of total SF)	5%	5%	4%	8%
Structured Parking SF	89,500	86,050	43,220	0
(as % of total SF)	50%	49%	68%	0%
Site Area SF	115,870	115,870	33,977	120,661
Building Cost	\$35,765,328	\$37,413,105	\$8,281,055	\$58,441,475
Sitework Cost	\$3,124,209	\$2,888,731	\$881,136	\$2,884,509
<u>Subtotal Cost Building + Site</u>	<u>\$38,889,537</u>	<u>\$40,301,836</u>	<u>\$9,162,191</u>	<u>\$61,325,984</u>
Structured Parking Cost	\$26,492,097	\$12,942,447	\$7,893,079	\$0
<u>Total Cost</u>	<u>\$65,381,634</u>	<u>\$53,244,283</u>	<u>\$17,055,270</u>	<u>\$61,325,984</u>
Building Cost/Unit	\$662,321	\$692,835	\$552,070	\$615,173
Building Cost/Bed	\$322,210	\$337,055	\$276,035	\$305,976
Sitework Cost/Unit	\$57,856	\$53,495	\$58,742	\$30,363
<u>Building + Site Cost/Unit</u>	<u>\$720,177</u>	<u>\$746,330</u>	<u>\$610,813</u>	<u>\$645,537</u>
<u>Building + Site Cost/Bed</u>	<u>\$350,356</u>	<u>\$363,080</u>	<u>\$305,406</u>	<u>\$321,078</u>
Str. Pkg. Cost/Unit	\$490,594	\$239,675	\$526,205	\$0
Str. Pkg Cost/Pkg Spot	\$135,857	\$92,446	\$151,790	0
<u>Total Cost/Unit</u>	<u>\$1,210,771</u>	<u>\$986,005</u>	<u>\$1,137,018</u>	<u>\$645,537</u>
<u>Total Cost/Bed</u>	<u>\$589,024</u>	<u>\$479,678</u>	<u>\$568,509</u>	<u>\$321,078</u>
Building Cost/ Building SF	\$403	\$422	\$406	\$417
Sitework Cost/SF	\$27	\$25	\$26	\$24
Str. Pkg Cost/Str. Pkg SF	\$296	\$150	\$183	\$0
<u>Total Cost/ Total Bldg + Str. Pkg SF</u>	<u>\$367</u>	<u>\$305</u>	<u>\$268</u>	<u>\$437</u>

Conceptual Cost Estimate Assumptions:

- No escalation included
- Based on open-shop labor
- No disposal of contaminated soil
- No work related to sewer easement
- Historic cost/sf data forms basis of estimate
- 15% design & pricing contingency

CONCEPTUAL CONSTRUCTION COST ESTIMATE ANALYSIS

Feasible Design through Iterative Process

- Conceptual Cost Estimate Assumptions:
- No escalation included
 - Based on open-shop labor
 - No disposal of contaminated soil
 - No work related to sewer easement
 - Historic cost/sf data forms basis of estimate
 - 15% design & pricing contingency

Increased unit counts; simplified masses, no retail space, no parking on street level below residences, higher % 1-bedroom units

Reduced parking spot/unit ratio

Retail space changed to residential

No structured parking

Building design simplified, number of units increased

Cost/unit is feasible

Site	A	B	C
# Units	92	23	85
# 1-Bed units	46	11	42
(as % of total units)	50%	48%	49%
#2-Bed units	18	5	18
(as % of total units)	20%	22%	21%
#3-Bed units	28	7	25
(as % of total units)	30%	30%	29%
# Beds	166	42	153
# Structured Parking Spots	0	0	0
# Surface Parking Spots	152	29	102
# Parking spots	152	29	102
#Parking spots/unit	1.65	1.26	1.20
Total Bldg + Str. Pkg SF	115,668	22,973	96,117
Total Building SF	115,668	22,973	96,117
Residential Building SF	115,668	22,973	96,117
(as % of total SF)	100%	100%	100%
Typical 1 bed SF	775	650	675
Typical 2 bed SF	1,100	950	1,000
Typical 3 bed SF	1,300	1,150	1,250
Residential units & hall	106,264	20,670	86,284
(as % of total SF)	92%	90%	90%
Entrance, stairs, mech.	5,856	1,332	5,844
(as % of total SF)	5%	6%	6%
Amenity	3,548	971	3,989
(as % of total SF)	3%	4%	4%
Retail Building SF	0	0	0
(as % of total SF)	0%	0%	
Structured Parking SF	0	0	0
(as % of total SF)	0%	0%	
Site Area SF	115,870	33,977	120,661
Building Cost (modified for unit count)	\$37,428,419	\$8,508,001	\$34,213,707
Sitework Cost	\$2,888,731	\$881,136	\$2,884,509
Subtotal Cost Building + Site	\$40,317,150	\$9,389,137	\$37,098,216
Structured Parking Cost	0	0	0
Total Cost	\$40,317,150	\$9,389,137	\$37,098,216
Building Cost/Unit	\$406,831	\$369,913	\$402,514
Building Cost/Bed	\$225,472	\$202,571	\$223,619
Sitework Cost/Unit	\$31,399	\$38,310	\$33,935
Building + Site Cost/Unit	\$438,230	\$408,223	\$436,450
Building + Site Cost/Bed	\$242,874	\$223,551	\$242,472
Str. Pkg. Cost/Unit	0	0	0
Str. Pkg Cost/Pkg Spot	0	0	0
Total Cost/Unit	\$438,230	\$408,223	\$436,450
Total Cost/Bed	\$242,874	\$223,551	\$242,472
Building Cost/ Building SF	\$324	\$370	\$356
Sitework Cost/Site SF	\$25	\$26	\$24
Str. Pkg Cost/Str. Pkg SF	0	0	0
Total Cost/ Total Bldg + Str. Pkg SF	\$349	\$409	\$386

NEXT STEPS

Engaging with Developers

The housing developed should be primarily affordable housing and qualify for federal and state low-income housing tax credits and maximum state grant funding.

The town should choose a developer to partner with on the site(s) that will be creative, innovative, and thoughtful in delivering housing solutions to the community with maximum public input and responsiveness.

The RFP should be structured and written with enough flexibility to allow proposals that provide mixed-income models, mixed-use models, and creative financing, co-housing, and delivery methods. The Town should also consider creative proposals that include market rate housing to the extent that the overall project is most beneficial to the community.

The sites should be developed at the highest density possible to increase impact and economies of scale to maximize the number of housing units that are constructed.

Parking spaces should be the lowest number needed at the locations, since the sites are enhanced by adjacencies to the bike path and within walking distance to downtown, shopping, and potential employment, to minimize paved area.

The project should abide by local zoning bylaws, but the RFP should allow developers to propose features that require variances (or 40B waivers).

Throughout the analysis period, nonprofit and for-profit developers were interviewed and indicated that they often respond to RFPs for sites made available or controlled by municipalities. These developers expressed the opinion that RFPs that

guide the developer's response without being overly restrictive in the site design, building design, or project layout are the projects that garner the greatest number of submissions and are the most successful.

In advance of issuing an RFP for the site(s), the Town should consider a Request for Interest (RFI) that will create interest in and awareness of the site and will gather key information from the prospective development community regarding what would make the RFP for development of the property most attractive for submission. An RFI may be a helpful step to refine the priorities and craft regulatory and land use policy that is most responsive to the current development situation and community in the future.

QUESTIONS & DISCUSSION



**Feasibility and Initial Design Study for the Construction of
Affordable Housing Units on Town Owned Land**

Town of Lexington, MA
RFQ #23-18

Draft Report for Review submitted: January 11, 2024

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TOWN OF LEXINGTON PROJECT TEAM

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THE STUDY STEP-BY-STEP:

I. COLLECTION OF INFORMATION

6/8/23 TOL Team Meeting #2: Site Findings

II. CONCEPTUAL PLANNING

- 7/31/23 TOL Team Meeting #3: Conceptual Design
- 8/18/23 Informal Meeting with Select Board Members
- 9/12&26/23 Public Stakeholder Meeting
- 10/23/23 Select Board Meeting

III. SITE PROGRAMMING

Conceptual Construction Cost Estimate Summaries

IV. PRELIMINARY REVIEW OF LOWELL STREET (SITE D)

Forthcoming - will be issued separately

APPENDICES

Cost Estimate Back-up InformationA

Online Polls & Stakeholder Feedback B



EXECUTIVE SUMMARY & RECOMMENDATIONS

STUDY GOALS & PROCESS

Introduction

With a goal of finding creative, feasible solutions for new affordable housing that are sensitive to the unique Lexington context, The Town of Lexington Land Use, Housing & Development Department sought a design and real estate analyst team to study the feasibility of developing affordable housing on three town owned properties. The properties included:

- Depot Lot public parking lot (site A),
- Lot behind 1701-1751 public parking lot (site B),
- Town departmental swing space at 171-173 Bedford St. (site C).

This report is the summary document completed by the LDa Architecture & Interiors and Kirk & Company team to compile the findings of this feasibility study. The executive summary section includes a description of the study process, a summary of the financial analysis used to determine housing feasibility and a recommendations for possible housing development approaches on each of the three sites based on their unique site characteristics and challenges. Following the executive summary are additional financial analyses and site programming materials that were developed and presented throughout the course of the study and support the summary findings.

While the study was underway, the Town of Lexington asked the team to review a possible housing development approach on a fourth site located on Lowell Street, near North Street (site D). Based on key metrics developed during the

study of sites A, B & C, a preliminary review of the possible housing development on site D is included at this end of this document. This site appears to have similar potential to the original three sites and warrants additional study beyond what was possible within the preliminary review.

Study Goals

The goal of the feasibility study is to provide the town with sufficient information to determine whether housing is feasible on each property and what parameters shape that feasibility including:

- Site Opportunities & Constraints
- Scale of Development, Unit Type & Mix
- Parking & Site Circulation
- Balance of Affordable and Market Rate Housing
- Key Financial Assumptions
- Zoning Approach
- Historic Context
- Sustainable Design

It is understood that, ultimately, one (or more) of these properties will be made available to market participants through an RFP process for the development of housing at the site. The findings of this study are intended to help the town move to that next step.

Study Process

The goal of this feasibility study is to test conceptual design options and cost merits of new Affordable Housing on three town-owned properties. The study process is described in the project approach described below:

1. Information Gathering:

- Understand Project Goals & Schedule:
 - » Compile existing town documentation; identify key stakeholders; establish schedule & deliverables.
- Site Conditions & Regulatory Analysis:
 - » Town scale analysis such as: zoning, conservation commission, historic districts, MBTA access, vehicular/bicycle/pedestrian access.
 - » Site scale analysis such as: existing vegetation, adjacencies, neighbors, views, parking, utilities, stormwater features, landscape amenities, opportunities for renewable & solar resources.
 - » Building scale analysis such as: setbacks, FAR, height, density, historic district design implications.
- Sustainability Goals & Opportunities:
 - » Review Town's existing site & building sustainability requirements and building energy efficiency requirements.
 - » Establish sustainability & net zero goals for this project. Identify best practices for building & sites to meet those goals that will be included in conceptual planning and cost estimating assumptions.
 - » Identify implications of environmental

permitting on future development costs & timelines.

- Market Conditions Analysis:
 - » Analyze the Town's existing affordable housing and identify potential additional future needs.
 - » Identify relevant regional affordable housing precedents and funding sources.
 - » Help review the goals for affordable housing development amid other ongoing town initiatives.
 - » Study possible funding sources and how they impact financial viability of future affordable housing development.

2. Conceptual Planning:

- Synthesize Site Conditions, Sustainability Goals & Market Conditions:
 - » Determine what housing is feasible on each site within existing zoning. Review if that allowable development can meet the Town's identified affordable housing needs and be financially viable with possible funding sources.
 - » Determine a proposed feasible building size, density, and unit type mix for each site that can meet the Town's identified affordable housing needs. Review options for how to fund housing that meets those needs, and identify what zoning changes would be needed to build that scale of development.
- Design Concepts:
 - » Study through conceptual site plans,

building floor plans and building massing how the identified feasible development can take form for each site. Review the impact of the existing context on the proposed scale of development.

3. Site Recommendations:

- Proposed housing mix for each site (size, density, unit mix, funding sources)
 - » Refine options identified in earlier tasks to further document one approach for each site such that the proposed approach can be priced.
 - » Document regulatory implications of proposed housing for each site such that regulatory impact can be considered in future development timeline.
 - » Prepare renderings of proposed development approach for each site for use in discussions with stakeholders.
- Cost Estimate
 - » Conceptual construction cost estimate for proposed building and landscape development for three sites.
- Proforma
 - » Project Proforma for three sites, addressing how Lexington affordable housing needs are addressed, financial assumptions, project financing, rental rates, and unit mix.
 - » 20-year operating proforma.

In support of this process, the design team met with the Town of Lexington project team and additional key stakeholders and members of the public at the following meetings. Presentation from the meetings can be found in the report appendices, as well as a record of the public feedback provided at the meetings.

- 5/4/23 TOL Team Meeting #1: Site Walk & Kick-off
- 6/8/23 TOL Team Meeting #2: Site Findings
- 6/21/23 Meeting with TOL Housing Advisors from Regional Housing Services Office
- 7/31/23 TOL Team Meeting #3: Conceptual Design
- 8/18/23 Informal Meeting with Select Board Members
- 9/12/23 Public Stakeholder Meeting
- 9/26/23 Public Stakeholder Meeting
- 10/23/23 Select Board Meeting
- 12/18/23 TOL Team Meeting #4: Cost Estimates

HOUSING BACKGROUND

Focus on Housing

Housing is as much an economic engine as anything else. It may be helpful to reframe the housing conversation through that lens and remember that housing is where jobs go to sleep at night. Without adequate, decent, affordable housing at all gradients of economic cohorts, it is difficult to maintain and grow an effective and responsive economy. Further, housing preservation and production is a deliberate effort that requires leadership to enhance the existing supply and create additional opportunities within the market in your effort to address the wider housing shortage and affordability gaps.

The development of housing should be the priority on these sites. Accommodating additional uses such as ground floor retail, public meeting spaces, commercial offices, or enhanced parking, especially structured parking, puts further downward pressure on Affordable Housing rents and financing sources and reduces the efficacy of subsidy dollars. Development focus should be limited to housing, with flexibility of affordability set-aside, however, housing on the sites should be primarily Affordable to residents with incomes less than 80% of AMI.

We have reviewed the addition of both retail and structured parking, analyzed the impact of their inclusion in the development models and recommend flexibility in developing the constraints on the sites for development to exclude requiring either. Should their inclusion be supported by the market in future, flexibility

would allow the developments to maximize those efforts, however, we are concerned that requiring inclusion of retail space or structured parking would limit interest from the development community and reduce the efficacy of the housing development effort.

Impact of Including Commercial Space

Since the Pandemic, Central Business District (CBD) and urban retail has struggled to find relevance and stability in the retail markets surrounding Boston. Sources for capital for development have been cautious when investing in downtown retail and mixed-use properties surrounding Boston. While large format stores, discount stores, and car-centric shopping centers have seen upward demand and rent growth, the urban and CBD markets have seen declines in rents, increased vacancy and concessions, and overall slower demand, even as the economy improves. According to Costar, the retail supply pipeline, already comparatively small in Boston, shrunk to a historically low level in 2023. With starts also lower than in any previous year on record, it can only shrink further in the near future. Less than 600,000 sf of new retail inventory delivered in 2023, only 0.25% of inventory and easily the lowest amount since tracking began in 2006. Demolitions were also at an all-time low at under 70,000 sf, likely due to an uncertain financing environment that has stalled development and redevelopment plans across commercial property sectors.

Mixed-use properties are a laudable property type, and street level retail can activate streets

and neighborhoods and provide enhanced amenities for residents. However, the present economic conditions, coupled with the cost to develop affordable housing in the Metro, makes the prospect of adding retail space to an affordable housing project a difficult exercise in economic feasibility. The potential added benefits to long-term revenue from retail are offset by the up-front cost to build and fit out retail spaces with an uncertain lease up potential. While the Town should not close the door on considerations of street level retail, it is the conclusion of this economic feasibility exercise that requiring mixed-use, ground-floor retail, or co-location of community or other uses would so burden the already stressed economics of an affordable housing program under current economic conditions and would jeopardize production of much needed rental housing.

Impact of Including Structured Parking

The same economics apply to the addition of structured parking, either below ground or otherwise. Current estimates for underground parking exceed \$60,000 per space, with surface structured parking close behind, which adds directly to the cost to deliver affordable housing on these sites. The burden of adding more structured parking to the capital cost of developing the project, without adequate capital subsidy to offset the cost, makes the development unfeasible. It is for this reason that through conversations with the community, Town leadership, and the market, coupled with construction cost estimating data, it was

Town of Lexington

determined that both additional ground floor retail space and structured parking were cost prohibitive and would fundamentally jeopardize the economic feasibility of the sites for housing use.

Housing Delivery Methods

There are two distinct delivery methods for producing additional units of Affordable Housing within Massachusetts, and more broadly, within the context of regulatory and incentive structures within the United States. The first is a dedicated Affordable Housing model where the primary objective is to maximize affordable housing delivery through higher proportions of restricted units at each project and a deeper level of affordability set aside, or lower Area Median Income (AMI). The second is a mixed-income or inclusionary model that seeks to include additional affordable units within more traditional market-rate properties. This is the typical Chapter 40B model, whereby typically 25% of the units are restricted to residents earning less than 80% of AMI, while the remaining 75% of units are unrestricted and rented at market rates. Additionally, project models exist that use a larger affordable set aside, making the projects truly mixed income.

The first delivery method is a dedicated Affordable Housing model, which is primarily deployed to provide low- and moderate-income residents with safe, high-quality housing that is affordable at a variety of income set asides. These Affordable Housing developments, which typically provide for a majority of or all of the units at the development, are restricted

as permanently affordable through various regulatory frameworks. These projects are typically deeply subsidized and utilize capital and operating subsidies established for the creation and preservation of affordable housing to residents earning less than 80% and more often less than 60% of AMI. The largest and most robust funding source for these properties is the Low Income Housing Tax Credit Program (LIHTC) at both the Federal and State level. These projects are undertaken by housing developers with specialized expertise in delivering Affordable Housing and working within the LIHTC allocation, syndication, and compliance frameworks.

The second delivery method involves the inclusion of a small portion of Affordable units within an unrestricted market-rate housing development. These units are typically developed under local Inclusionary Zoning measures, Chapter 40B developments, and other similar regulatory structures to encourage additional Affordable Housing development alongside market rate development. Income restrictions for these properties can range from 80% of AMI to 120% of AMI, as local and state regulators permit or require. Capital funding sources and operating subsidies to support these properties and these units are less abundant and robust. These projects are typically undertaken by traditional market-rate housing developers without deep expertise in Affordable Housing regulations, compliance, and management.

This mismatch of skills and resources is observable within the region and Lexington and is noted during conversations with active developers and regulators within the market. Conversations with local and regional developers indicated that there is a significant administrative, regulatory, and cost burden for smaller developers, small and mid-size projects, and more traditional market-rate economics to effectively and efficiently deliver mixed-income housing. Often, the resources and subsidies available to these developers and for these projects go unused because of the nature of the administrative and technical burden that application and management require. Small to mid-sized nonprofit developers and joint ventures often provide success in delivering mixed-income housing models within Massachusetts and the region.

Town of Lexington

FINANCIAL ANALYSIS PROCESS

Economic Analysis

Through conversations with the community and policymakers in Lexington, we have refined the analysis of this feasibility exercise to focus on housing that is primarily affordable. In assessing the economics of housing production in Lexington, we have prepared an economic analysis of hypothetical development scenarios with a variety of housing types to understand the feasibility of delivering housing at a variety of income levels, with a target at between 60% and 80% AMI and have presented the following technical memo that outlines the refined assumptions of the modeling approach and discrete findings from the analysis.

Based on discussions with community leaders, housing advocates and providers, and market participants, we have made refined assumptions regarding the allocation of units by bedroom size, and we have provided analysis based on a distribution of units with roughly 50% of the units allocated as one-bedroom units, 20% as two-bedroom units, and 30% as three-bedroom units. This is a basis for analysis and policy direction, but it is important to note that the market rarely distributes units in that proportion. Flexibility with unit distribution and mix should be considered when ultimately determining the site programming of these future developments.

A survey of existing multifamily rental supply within the Lexington market shows that one-bedroom units make up 24% of the supply, two-bedroom units make up 56% of the supply, and three-bedroom units make up 20% of the

supply within the market. Further, the LIHTC 2022-2023 Qualified Allocation Plan (QAP) for Massachusetts states that, for projects applying to DHCD, now, Executive Office of Housing and Livable Communities, at least 65% of the units in a project must include two or more bedrooms, and at least 10% must be three-bedroom units, unless that percentage of two-bedroom or three-bedroom units is infeasible or unsupported by public demand. The priorities of the QAP include providing family housing production in neighborhoods and communities that provide access to opportunities, including, but not limited to, jobs, transportation, education, and public amenities.

Housing Cost Drivers and Opportunities to Influence

In determining the feasibility of developing Affordable Housing on the various sites under review, we have analyzed the financial feasibility as well as the physical constraints of the site to determine whether it is feasible, but more importantly, what is feasible. This is an iterative process of understanding what drives the economics of housing both from market externalities and internal site constraints.

The primary opportunities and challenges in the affordable for-sale and rental housing market in Lexington are on the supply side rather than on the demand side; however, income and economic capacity certainly influence the supply of housing. Understanding what challenges exist paves the way to develop strategies to address those challenges, which present opportunities for public and

private sector leadership in housing policy and creation. Currently, the public and private financial markets do not supply sufficient resources to meet existing and future housing needs, which is the definition of an economic market failure.

There are seven primary levers that directly impact the cost and availability of housing in most markets, Lexington included. Each of these levers can be pulled or pushed to influence the cost of housing and therefore the level of availability, affordability and ultimate development and delivery. The cost of housing is made up of three main parts: the cost of the land, the cost of construction, and the cost of ongoing operations into the future. Within those three components are some subgroups worth expanding on, and each participant in the housing value chain has an opportunity to influence one or more of these subgroups, especially policymakers. It is helpful to begin with the following task list to think about ways local leaders can have an impact:

QUESTIONS: What questions can be asked?

TOOLS: What tools are available to address this issue?

EXAMPLES: Successful examples in practice

1. Land and Infrastructure

Infrastructure is a major cost center and a barrier to development for the private sector, and the cost and availability of raw land is additionally a huge barrier. A lower land cost means a lower per-unit development cost,

so if it is possible to reduce the cost of land by increasing the density of the site through density bonuses, value capture subsidies, or subsidized infrastructure costs, housing becomes more affordable to produce. If the development is the beneficiary of low or no cost land, the project costs will be lower, and housing becomes more financially feasible to develop. The Town of Lexington has significant leverage because the sites are already controlled by the municipality and therefore can be made available to development without cost. This should be considered as a source of direct subsidy.

2. **Entitlements and Regulation**

Entitlements typically include the permits and legal and regulatory hurdles that need to be met in order to build housing, of which there are many. Expedited permitting, approvals, and planning review can result in lower costs and shorter timelines, which reduce risk and ultimately cost. Reducing risk, uncertainty, and time helps to deliver less expensive housing.

3. **Hard Construction Costs (materials, site work, labor, etc)**

Hard costs include raw materials, site work, labor and all the generally understood costs to build housing units. Strategies that can reduce overall cost to develop include value engineering, lower cost materials, and innovative building technologies that reduce cost, like 3d printing, modular construction, manufactured housing and adaptive reuse

of existing buildings. While the Town of Lexington may not have significant control over hard construction costs, consideration of what may drive those costs is essential to understanding the economic feasibility of housing delivery. Structured parking, ground floor retail space, and other cross uses or colocation of use have a negative impact on financial feasibility because they increase hard cost burdens without an offsetting benefit.

4. **Soft Costs (architecture, engineering, legal, etc)**

Soft costs include engineering, architecture, permitting, design, and legal, financing, insurance costs. These costs have an impact on overall cost and affordability as well. These costs are more marginal to an overall project budget, but every bit counts. Cost savings can include repeatable models, simplified designs, and replicable, simple products.

5. **Developer's Profit**

Limiting the profit a developer can generate from a project in order to accommodate affordable housing, workforce housing, or other community benefits is a noble goal. Nonprofit project sponsors are good partners in developing lower cost housing because, by nature of their business, they limit overhead and profit. Additionally, limited dividend policies for developers who utilize public financing or other taxpayer funding subsidy will reduce the total development cost of a

housing unit and reduce the future costs through limits on equity cash out. These are widely used models in Massachusetts and should be considered when refining policy around these sites going forward.

6. **Future Operations (Income and Expenses)**

If you think about all the operating expenses a property will be subject to once built, you can identify discrete solutions to reducing each line item. This is true of both for-sale and rental properties, especially in a climate such as Massachusetts. Expenses like sewer and water can be reduced by greywater recycling systems that reuse greywater, solar arrays and wind energy can reduce electricity expenses, PassivHouse and similar construction techniques can reduce heat loss and lower utility bills, arrangements with the city and county can reduce the real estate property taxes, and alternative arrangements to utility and infrastructure connection and maintenance fees can be developed in order to subsidize the creation of new housing for residents who cannot afford market housing.

7. **Capital Sources and Financing**

Subsidized interest rates and low or no cost capital provide significant upside benefit to the construction of rental and for-sale housing. Low and no cost land, expedited permitting, and reduction of project timing reduce the capital outlay needed and the finance carry that these projects are required to support.

FINANCIAL ANALYSIS PROCESS

Modeling Approach

The approach taken in this analysis was to build development and operating and pro-formas for a limited number of refined development scenarios and housing types in order to determine where there might be opportunities for the market to recognize value in developing housing on the three sites and delivering units. We looked at single-family, condominium, and multifamily residential housing typologies and researched construction costs, current yields, capital inputs, and rent and sales price levels in developing a model for discussion. The initial analysis and discussion with the Town concluded that the focus should be on maximizing the housing density on each of the three sites with affordable housing or primarily affordable housing. Through conversations with the community, Town leadership, and the market, coupled with construction cost estimating data, it was determined that both additional ground floor retail space and structured parking were cost prohibitive and fundamentally jeopardized the economic feasibility of the sites for housing use.

The majority of the work focuses on multifamily rental property types because that is the property type that provides for a significant majority of Affordable Housing delivery, and that is the property type that has access to the most funding to build and operate. However, the economics are very similar between property types, and this approach allows us to look at the gap between what units cost to build and what units are able

to generate in an implied value based on the restricted rent or sales price. This first analysis shows feasibility based on current economic conditions, capital markets, construction costs, and operations, on a typical basis for both rental and for-sale multifamily units. This allows us to see what impact various inputs have on the ultimate feasibility of each scenario.

Once that baseline is set, we can then test the feasibility of adding affordable units to the test property. For our preliminary analysis, we have considered the following scenarios. Through conversations with the Town, community members, and market participants, we have refined our analysis to include primarily affordable development scenarios that include Low Income Housing Tax Credit (LIHTC) models. This is the most robust capital financing source for the development of new construction affordable housing within Massachusetts and the United States as a whole. Through the redevelopment process that the Town will undertake, variations and modifications to this general model are expected and will serve to enhance the feasibility at the time of development, reflecting then current financial markets, market demand, and funding priorities from capital subsidy sources.

For the rental scenarios, we have analyzed a 100% Affordable project at 60% of AMI, typical of a LIHTC model. We then can look at the gap analysis through the lens of a series of capital funding sources that are available to developers to close that gap and make projects feasible. This gap analysis is an easy to understand

way of determining likely feasibility for each project scenario model. If there are not enough subsidy resources available to fill the gap, the project will likely not be feasible enough in the market for a developer to be attracted to the deal and take the risk of developing and sourcing capital.

We have reviewed four discrete scenarios, including a scenario for each of sites A, B, and C, and a fourth alternate arrangement of combining the units allocated to sites A and B on site A. Additionally, preliminary analysis for the Lowell Street site has been conducted and referenced in the appendix of this report.

Findings

In assessing the economics of housing production in Lexington, certain data and information are necessary to baseline before overlaying development assumptions. It is reasonable to conclude that a purely market-driven solution to housing supply and affordability is not possible under current economics conditions. Therefore, alternative interventions must be explored and exercised to provide relief to residents through supply side factors such as subsidy through the availability of land, capital subsidy, or other creative allocations, discussed further in this report.

Each of the following questions has been analyzed and considered on both a quantitative and qualitative basis, as is necessary for all economic analysis. We have answered each of the following discrete questions along with a brief description of each operative

funding source used in the analysis. Generally speaking, the economic burdens of mixed-income projects are significant and consistent at various scales. Larger projects are typically able to offset funding gaps more effectively and efficiently, however, unless there is adequate upward pressure on market rents to self-subsidize the project, additional external subsidy is still required.

As is typically true in markets that are costly to develop in, market rents need to be high enough to offset the lower rents of affordable units, and developers need to be able to show demand for these units to their construction and permanent lenders. The economics of cross subsidy, from market rate units to Affordable units, is such that rents need to be high enough to pay their own development costs and contribute additional value to offsetting lower rents. To evaluate the potential for market-rate cross-subsidy we have evaluated the level of market rents required to support the cost of a new construction building with no affordability. For this analysis, a project that costs approximately \$425,000 per unit in hard costs to build, adjusted for land cost, profit and incentive, on average, needs to generate at least an average monthly unit rent of \$4,728 in order to justify the cost to develop the unit, as indicated below.

Market rents, in theory, are a function of a combination of costs: the cost to operate the project, the cost to construct the project, and the cost of land. The market will increase or decrease rents in line with the price of

land to the very point at which the market is supported. If there is additional rent capacity in a community, typically the price of land will increase to reflect that additional value. Because land prices so quickly recognize and rise to reflect increasing rents, in many communities, it is often hard to capture additional rent capacity as a cross-subsidy.

Market rents of, on average, approximately \$4,728+/- per month are high enough to support themselves without contributing any additional value to a cross-subsidy, which

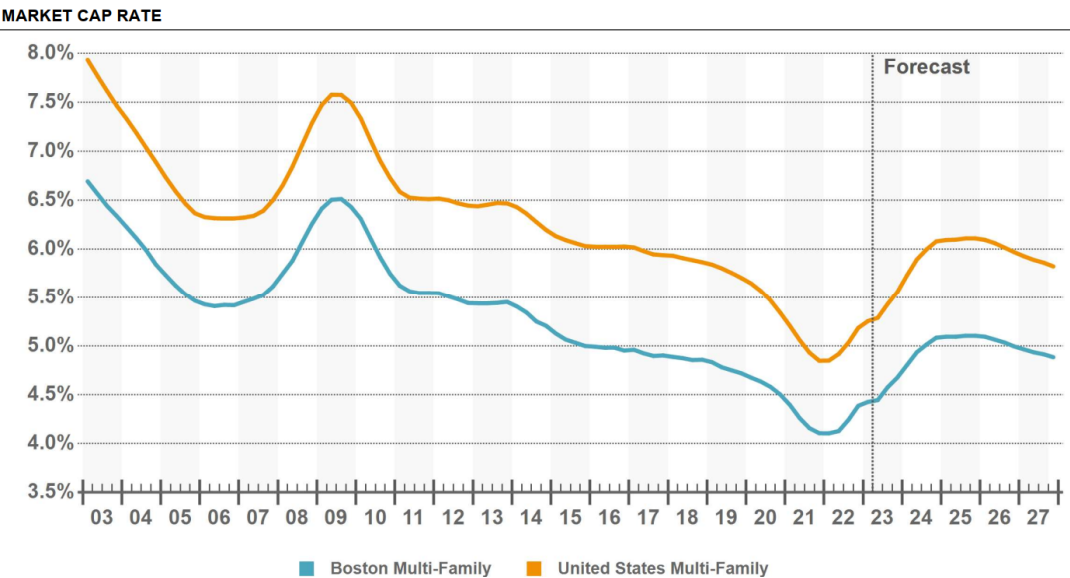
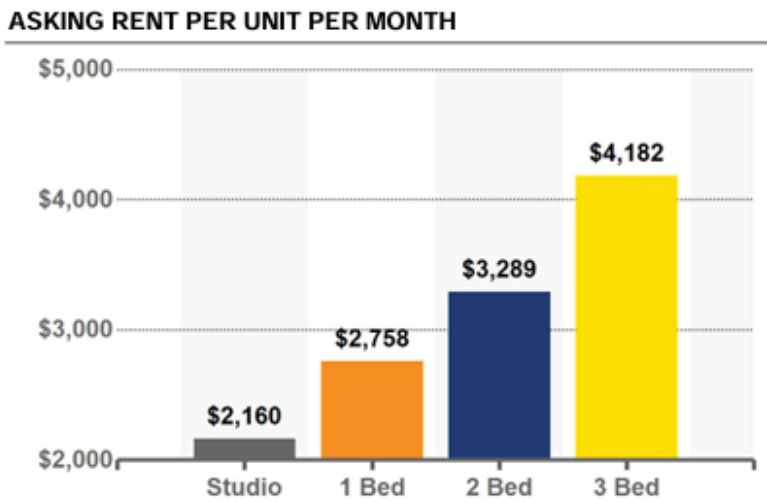
appears to be at the height of the rental market within Lexington. The rents would need to be at least \$5,000 a month to provide cross-subsidy to support affordable units, even at 80% AMI. A household would need to make \$189,000 a year for \$4,728 per month rents to not cost burden them. Further, current market rents within Lexington fall short of the feasibility rent, on average, as indicated by the chart of market rent data for Lexington and surrounding communities on the following pages.

Market Breakeven Rent			
Development Proforma		Per Unit	
Cost to Develop			
Land		\$35,000	
Construction Cost		\$425,000	
Profit and Incentive		\$148,750	
Total Development Cost (Value)		\$608,750	
Capitalization Rate		6.00%	
Required NOI to Support Value		\$36,525	
Operating Proforma		\$/Unit/Year	\$/Unit/Month
Income			
Rental Income		\$56,730	\$4,728
Vacancy Allowance	5.00%	(\$2,837)	
Expenses			
Operating Expenses	30%	(\$17,019)	
Replacement Reserve		(\$350)	
Net Operating Income (NOI)		\$36,525	

Town of Lexington

Feasibility and Initial Design Study for the Construction of Affordable Housing Units on Town Owned Land

FINANCIAL ANALYSIS PROCESS



Based on typical development costs and current market rents, there is a feasibility gap for the construction of market rate rental housing. A reduction in hard or soft construction cost inputs, land and site costs, or an increase in rents, to an average unit rent of \$4,728 would have a direct impact on project feasibility. Additionally, current capital markets have had a significant impact on feasibility, and while this analysis has assumed a capitalization rate of 6.0% for baseline analysis, which is consistent with current yields and market activity, a capitalization rate of 5.0% results in a more feasible market-rate project, however still presents difficulty as interest rates and construction cost escalation have put increased pressure on the economics.

While cap rates are currently higher than recent history, if we look at cap rates over time, it is important to note that current cap rates are in line with long-term historical trends. Since the 2008 financial crisis, significant cap rate compression has been driven, mostly, by persistent expansionary monetary policy, historically high levels of liquidity, and historically low cost of capital, which has had an effect of driving down cap rates in nearly every market in the United States. As indicated by the chart above, multifamily cap rates in the Boston market were between 5.5% and 6.5% in the leadup to the Global Financial Crisis, while they were in the range of 4.0% and 5.5% in the decade of recovery thereafter.

As previously discussed in the preliminary analysis, there is a significant feasibility gap at almost all levels of for-sale units at all income levels. The one exception might be a project that is so heavily weighted towards market rate to make the affordability considerations nearly inconsequential. It is for that reason that in this final, refined analysis, we have largely ignored for-sale condominium units and focused on rental apartments. What is important to note is that there are few, if any, capital subsidy offsets for residential subdivision and condominium developers that would offset these costs, with the exception of internal project subsidy, contributions from the municipality, or low-cost financing for homeowners.

FINANCIAL ANALYSIS CONCLUSIONS

Affordable Rental Apartment Feasibility

The following site scenarios indicate that for a typical LIHTC model including 100% of the units reserved to residents earning less than 60% of AMI, the funding gap, after an assumption of Federal and State LIHTC equity, a supportable first mortgage, and soft sources, is considered a reasonable funding gap that could be filled with a number of combined soft debt, grant, and other subsidy sources, including, but not limited to HOME funds, Affordable Housing Trust Funds, CPA funds, local resources, donated land, and others. Additionally, each of the following scenarios utilize the same repeated methodology based on the unique characteristics of each design and site.

SITE SPECIFIC RECOMMENDATIONS - SITE A: DEPOT LOT

Site Characteristics

The Depot Lot is a 2.66 acre public parking lot in Lexington's town center within the Central Business zoning district. With the newly adopted Multi-family overlay district, housing is allowed with a building height up to 52' (4-stories) and with 30% of first floor space allocated for commercial use. The site is within the Battle Green Historic overlay district and abuts historically significant buildings including the Merriam MH and Company building to the north and the Lexington Depot building to the south.

The property is a needle shape. There is approximately 150 ft of street frontage along Merriam Street at the western property line that tapers to 30 ft of frontage on Grant Street at the eastern property line. The long northern property line abuts single family residential properties with varying depth of tree buffer. The long southern property line is defined by the Minuteman Commuter Bikeway with additional public parking lots beyond that to the south.

There are no existing structures on the site, except for a small parking lot attendant booth. The lot currently provides approximately 300 public parking spaces and is actively used, with peak usage midday. The parking lot serves nearby town offices, the retail and commercial spaces along the Mass Ave corridor, and visitors to the Battle Green historic site, all within the busy town center. The lot is also used as part of the tour-bus turn around route for the Battle Green historic site.

As part of this study, the town emphasized that there is a strong desire to maintain the existing 300 public parking spaces while adding housing to the Depot Lot. Public feedback to the presentation of study progress in Fall of 2023 indicated that the final location of those 300 parking spaces—whether it be maintained on the Depot Lot, shifted to another existing town parking lot, increased beyond 300 spots, or reduced below 300 spots—should be studied further. The impact of development on this busy site for the neighboring retail and commercial tenants was also a concern reported in public feedback. Any development on this site will need to be aware of both additional historic district design review and additional parking and traffic analysis needs.

The site is well served by public transportation. The #62 and #76 MBTA bus routes serve the neighborhood surrounding the site, which connect Lexington town center to the Alewife MBTA station, the Bedford VA Hospital, and the MIT Lincoln Laboratory. Other privately operated bus and shuttle services, including LexExpress, LRTA, and Rev Shuttle, have stops in Lexington near the site. The site is directly on the Minuteman Commuter Bikeway, another connection to Cambridge and the Alewife MBTA station. The sidewalks and pedestrian accommodations in the area appear to be recently updated and in good condition. It is recommended that any future development of the property include additional study of traffic at the intersection at Depot Square and Mass Ave.

There are numerous retail options in Lexington town center as well as a grocery store within 1/2 mile. Fiske Elementary School, William Diamond Middle School, and Lexington High School are between 1 and 1.5 miles from the site. In addition, the site is directly across the street from the Carey Memorial Library and within 1/4 mile of Town Hall and the newly renovated Police Department.

Site Opportunities & Constraints

While the location of the Depot Lot provides optimal connections to public transportation and town services, it has several challenges to development, including the proximity to historic resources, impacts on the busy commercial district, and the town's desire to maintain the existing 300 public parking spaces. Based off existing town maps there is also an MDC sewer easement approximately 20 ft wide and over 1000 ft long that runs through the southern half of the site. The precise location of the easement should be surveyed. Assuming that relocation of the easement will be a development challenge, the needle shape of the site and the extent of the easement leaves a significantly smaller than 2.66 acre area of the site available for building housing.

The historic use of the property as the train yard also raises concern that there may be soil remediation required as part of site development. Soil testing should be completed prior to development.

Full development of the property will require the removal of some existing trees. The tree

Town of Lexington

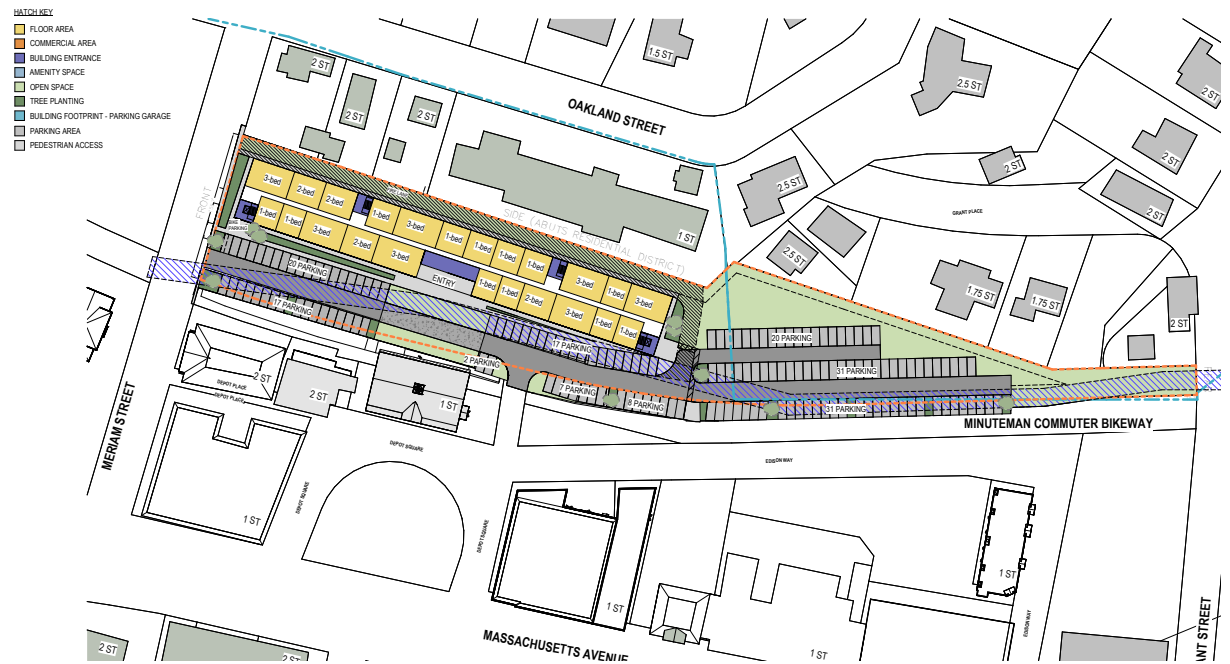
warden should be consulted so the required replacement trees can be planned for in the development site plan.

The long thin proportions of this site allows for particular design attention to be focused on the Merriam Street building elevation and street scape to respond to the street scale and local building vernacular. This is the portion of the property that will be most visible from the Battle Green historic site. Being surrounded by the Historic Depot building, the bikeway and parking lots to the south and adjacent to the historic Merriam MH and Company building to the north means there is no clear “back” or service side to housing developed on this property. Enhanced finish materials and articulation of the building mass that may be required to fit into these surroundings can be a challenge to construction cost by adding complexity.

The area of the site that is not optimal for a new building or structured parking can remain as surface parking or be dedicated to open recreational space or planted area. The existing parking lot does not contain parking lot trees, which should be added to future surface parking on the lot.



Conceptual rendering of site A housing



Conceptual floor plan of site A housing, street level

SITE A: DEPOT LOT (continued)

Site Programming

Options for the development of housing on the Depot Lot considered the impact of the following factors.

- Maximizing the amount of housing on the site vs. maintaining open space.
- Maximizing the building massing vs. smaller scale more articulated building massing.
- Unit type mix
- Maintaining 300 existing public parking spaces through a combination of surface parking & structured parking.
- The inclusion of commercial space on the first floor.

These alternate versions of the development can be found in Conceptual Planning and Site Recommendations back-up information included in this report.

Building Massing

Based on feedback from the town and stakeholders, the focus of the site programming and conceptual design efforts was on maximizing the number of units on each site. While maximizing the number of units helps to increase the impact of the housing development and take advantage of economies of scale, it is a challenge to the design goal of fitting within the Lexington context of smaller and more articulated building masses. As design of the housing develops in future phases of this project, a careful balance of efficiency of floorplan layouts with consideration for contextual details and materials will be important.

Unit mix

Initial site programming and conceptual design used a blended unit mix of 1/3 each 1-bedroom (typically 650-700 sf), 2-bedroom (typically 950-1000 sf), and 3-bedroom (typically 1200 - 1250 sf) units. After discussion with town stakeholders, that unit mix was adjusted to prioritize 1-bedroom and 3-bedroom units, as those are the most often requested within the town.

For the purposes of programming and conceptual design, the building massing and the unit type, size and mix was the same for both rental and ownership models.

Parking

The initial site programming conceptual design for the Depot lot included options to maximize housing, add parking for the new housing and maintain the 300 existing public parking spaces. Since the current site is completely covered with parking, adding any housing to the site while maintaining 300 public parking spaces requires that structured parking be built on site. As described further below, the cost of structured public parking in addition to the cost of housing development creates a financial model that is infeasible.

Rather than the housing development supporting the cost of the housing units plus the cost of approximately 1 surface parking spot/unit, maintaining the 300 public parking spaces would make the development responsible for supporting the cost of the building plus the cost of 3-6 additional structured parking spots per unit (depending on development size).

The proposed surface parking on the Depot Lot will require alternate solutions for the balance for the 240 public parking spaces displaced by the housing. The study recommends that if the Depot Lot is selected for housing development, the town will need to address the 300 public parking spaces as a town investment by:

- Dividing the Depot Lot and building structured parking on the portion of the lot retained.
- Building structured public parking on another town owned parking lot in the town center.

Commercial Space

The initial site programming conceptual design also included 30% of the street level floorplan dedicated to commercial space, as required in the Multi-family overlay district for the CB zone. While this is a requirement of the overlay district, it was not clear from the public feedback we received if there is demand for additional commercial space in the town center. The financial impacts of the commercial space are challenging to the housing development. The need to comply with this aspect of the overlay district zoning should be reviewed as the project develops.

Construction Cost Estimates

Initial construction cost estimates that included articulated building masses, additional public parking, and commercial spaces on the first floor indicated that these initial conceptual designs were not financially feasible. The

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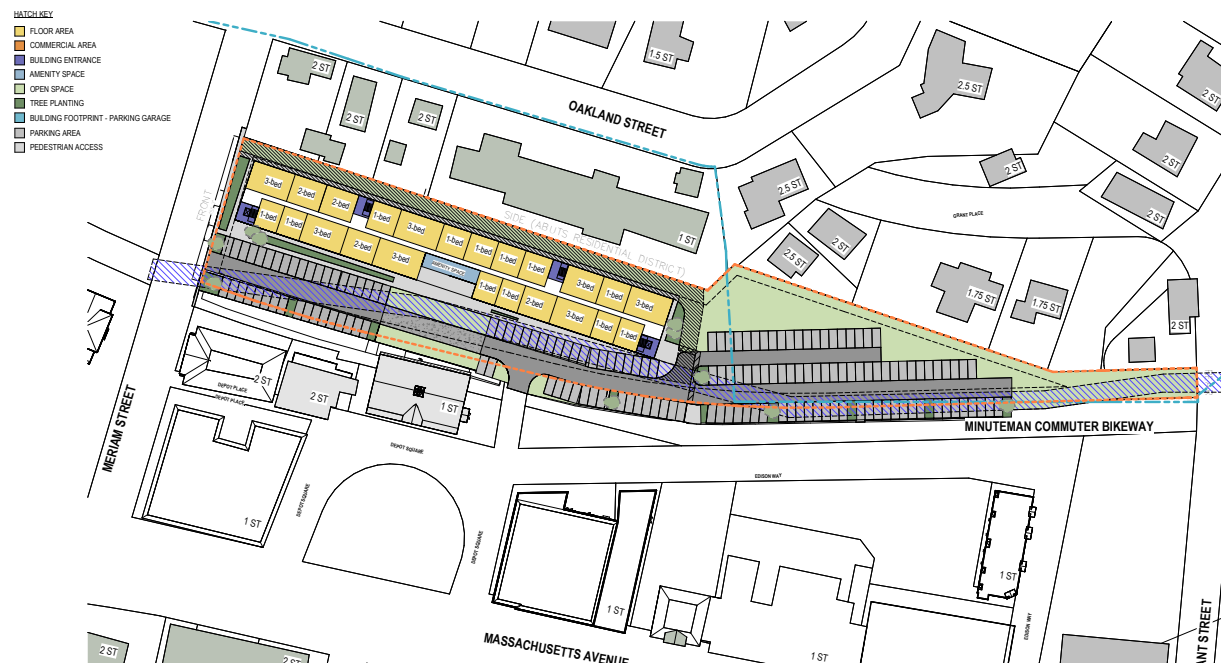
articulated mass and the inclusion of the commercial space reduced the building area available for housing units while the added parking increased the overall construction cost. For example, the cost of structured parking to meet the parking request added an additional \$13,000,000 (above grade structured parking) to \$26,500,000 (below grade structured parking) to the construction cost. When distributed across the number of units initially proposed, that added \$240,000 to \$500,000 per unit in construction cost above the cost of building the units themselves. As described in the following financial analysis section, that added cost/unit is not feasible for the housing development.

Working from this initial construction cost feedback, several aspects of the conceptual design were studied to help identify a site program conceptual design that could reach a cost/unit that met financial feasibility. The adjustments that helped to bring construction costs within range of financial feasibility, as described in the following financial analysis sections, included:

- Simplifying the building form to reduce the amount of building envelope per building area.
- Maximizing unit counts per floor by eliminating floor area set aside for commercial use.
- Adjusting the unit counts to include approximately 50% 1-bedroom, 20% 2-bedroom, 30% 3-bedroom to increase the unit counts.



Conceptual rendering of site A housing



Conceptual floor plan of site A housing, levels 2-4

SITE A: DEPOT LOT (continued)

- Eliminating structured parking.
- Eliminating parking at the street level under the building to simplify the building structure.
- Limiting parking count to serve the residences only.

Financially Feasible Development

Based on the site characteristics, opportunities and constraints, the site programming options reviewed and the construction cost estimates, the housing development that proves to be the most achievable at the Depot Lot is as follows:

- 100% Affordable at 60% AMI
- Approximately 115,000 sf, 4-story, all-residential development
- 92 residential units (46x1-bedroom, 18x2-bedroom, 28x3-bedroom)
- 152 surface parking spots (92 residential spots to achieve 1 spot/unit, plus 60 public parking spots)

Financial Analysis

The models below assume a development program of 100% affordable units reserved at 60% or lower than the Area Median Income (AMI), distributed according to the LDa site programming analysis. The property operating model is developed based on typical operations and underwriting standards and includes a vacancy & collection loss factor of 5%, a management fee of 5%, an operating expense ratio of 40%, and a \$350/unit/year replacement reserve allowance. All typical for multifamily affordable housing operations in the Boston metropolitan area.

SITE A - 100% Affordable at 60% of AMI (LIHTC Model)**Reconstructed Operating Statement - Site A**

Residential Rental Income	Monthly Rent	Annual	Per Unit/Y
46 One-Bedroom Unit - AFFORDABLE - 60% AMI	\$1,670	\$921,840	\$20,040
18 Two-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,004	\$432,864	\$24,048
28 Three-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,315	\$777,840	\$27,780
92			
Gross Potential Rental Income (GPRI)		\$2,132,544	\$23,180
Vacancy & Collection Loss - % of GPRI	5.00%	(\$106,627)	(\$1,159)
Effective Gross Income (EGI)		\$2,025,917	\$22,021
Operating Expenses			
Management Fee - % of EGI	5.00%	\$101,296	\$1,101
Operating Expenses - % of EGI	40.00%	\$810,367	\$8,808
Total Operating Expenses		\$911,663	\$9,909
Replacement Reserves - Per Unit/Year	\$350	\$32,200	\$350
Net Operating Income (NOI)		\$1,082,054	\$11,761

The Reconstructed Operating Statements below show the typical expected operations and ultimately indicate the Net Operating Income the property would be able to generate, which is the basis for understanding the total financeable value and supportable first mortgage. On top of the primary debt we layer on subsidy sources for analysis purposed and decision making.

We reconcile the financial resources the project can support, along with the high-level capital subsidy sources available to the project, in light of the assumption of Total Development Costs (TDC), which have been developed based on the construction cost analysis provided by LDa, with additional contingencies, land value, and profit and incentive. As indicated

Development Costs

	Per Unit	Total
Land Acquisition	\$35,000	\$3,220,000
Construction Costs	\$438,230	\$40,317,150
Contingencies, Etc.	15%	\$65,734
Developer's Fee, Profit & Incentive	15%	\$65,734
Total Development Costs	\$604,699	\$55,632,295

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below, we have assumed a land acquisition placeholder of \$35,000 per unit, a total construction cost of \$438,230 per unit of residential housing, a 15% contingency, and a 15% line item for developer's fee, profit, incentive, and overhead costs. This results in a Total Development Cost for Site A of \$604,699 per unit, or \$55,632,295 for the 92-unit building program, as indicated by the chart to the right. Reconciling the TDC of \$604,699 per unit with the implied financeable value of only \$260,870, we identify a feasibility gap of \$343,829 per unit, which must be filled with a variety of capital subsidy sources, including, but not limited to, state and federal LIHTC, a first mortgage supported by the property's cash flow, deferred developer fees, direct land gift subsidy, local CPA funds, Affordable Housing Trust funds, HOME funds, and any number of soft sources, grants, and dedicated affordable housing support funds available through the State of Massachusetts, and potentially local sources.

We have assumed, for the purposes of this analysis, that a portion of the developer fee would be deferred, and the land would be made available to the developer at low- or no cost, to illustrate the impact on feasibility. These are two strategies nearly every affordable housing development utilizes in order to make the deal financially feasible. This leaves Site A with a potential funding gap of \$145,842 per unit, which represents approximately 24% of the TDC, which is reasonable to fill with a variety of discrete soft debt instruments, grants, or other sources of capital subsidy.

Reconciliation	Per Unit	Total
Total Development Costs	\$604,699	\$55,632,295
Total Financeable Value	\$260,870	\$24,000,000
Profit or (Feasibility Gap)	(\$343,829)	(\$31,632,295)
Sources of Capital	Per Unit	Total
Federal LIHTC Equity	\$180,000	\$16,560,000
State LIHTC Equity	\$45,000	\$4,140,000
First Mortgage	\$165,989	\$15,271,000
Deferred Developer Fee	\$32,867	\$3,023,786
Land Subsidy	\$35,000	\$3,220,000
Total Sources of Capital	\$458,856	\$42,214,786
Profit or (Funding Gap)	(\$145,842)	(\$13,417,509)

This is consistent with typical affordable housing development practice. We have not defined a specific capital program for this analysis because the sources are varied and specific to a development program, which may or may not be reasonable to assume in a feasibility exercise. It is typical for affordable housing developments in Massachusetts to use at least 5-10 separate funding sources and programs for development, and the assumptions made in this model are

considered to be conservative to illustrate a most likely scenario rather than a best-case scenario. Any improvements to interest rates for multifamily loans, reduction in capitalization rates in the market, reduction in permitting timing, materials cost, labor cost, or efficiencies in development, construction, or expedited entitlements will reduce overall cost, risk, and timing, and therefore increase the financial feasibility of development.

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SITE SPECIFIC RECOMMENDATIONS - SITE B: LOT BEHIND 1701-1751 MASS AVE

Site Characteristics

The Lot behind 1701-1751 Mass Ave is a 0.78 acre public parking lot in Lexington's town center within the Central Business zoning district. With the newly adopted Multi-family overlay district, housing is allowed with a building height up to 52' (4-stories) and with 30% of first floor space allocated for commercial use. The site is within the Battle Green Historic overlay district but does not abut any historically significant buildings, and development on the site would not be visible from the Battle Green historic site. The property is mid block and would also have limited visibility from Mass Ave or Grant Street.

The horn shaped site is surrounded by existing commercial buildings on the east and south and existing parking lots on the north and west. The Minuteman Commuter Bikeway runs just north of the northern property line.

There are no existing structures on the site. The lot currently provides approximately 56 public parking spaces and is actively used, with peak usage midday. The parking lot serves nearby town offices and the retail and commercial spaces along the Mass Ave corridor within the busy town center. The lots is also used as part of the driving path for cars and trucks accessing the back of the mass Ave commercial buildings.

As part of this study, the town emphasized that the existing 56 public parking spaces should be maintained while adding housing

to the Lot behind 1701-1751 Mass Ave. Public feedback to the presentation of study progress in Fall of 2023 indicated that the final location of those 56 parking spaces—whether it be maintained on the current lot, shifted to another existing town parking lot, increased beyond 56 spots, or reduced below 56 spots—should be studied. The impact of development on this busy site for the neighboring retail and commercial tenants was also a concern reported in public feedback. Any development on this site will need to be aware of both additional historic district design review and additional parking and traffic analysis needs.

Site Opportunities & Constraints

As a town center parking lot, the Lot behind 1701-1751 Mass Ave shares the same good connection to public transportation, retail options, and town services as was described for Site A (the Depot Lot). It also shares the challenges to development including the proximity to historic resources, impacts on the busy commercial district, and the town's desire to maintain the existing 56 public parking spaces.

Based off existing town maps, there are existing easements along the southern side of the site to maintain a circulation path for vehicles accessing the rear of the commercial buildings along Mass Ave. These entrances for pedestrians, cars, and delivery trucks were observed to be very active, and maintaining clear site circulation will be important to any site development. In addition to the easement, a pedestrian circulation path needs to be

maintained on the eastern edge of the property for visitors to the commercial building on Grant street.

Historic maps show that this site used to house the sheds for the former town hall, and it was directly adjacent to the train yard. Soil testing should be completed prior to development.

The active commercial spaces and copious amount of parking and drive aisles that surround this site present a challenge when creating a comfortable residential environment, especially on the first floor. Site materials and plantings should be considered with goal of creating separation visually and acoustically from the active surroundings. The tight site and mid-block location offers minimal options for open space for recreation or plantings. The existing parking lot does not contain parking lot trees, which should be added to future surface parking on the lot.

Site Programming

Options for the development of housing on the Lot behind 1701-1751 Mass Ave considered the impact of the following factors.

- Unit type mix
- Maintaining 56 existing public parking spaces through a combination of surface parking & structured parking.
- The inclusion of commercial space on the first floor.

These alternate versions of the development can be found in Conceptual Planning and Site Recommendations back-up information included in this report.

Town of Lexington

Building Massing

Based on feedback from the town and stakeholders, the focus of the site programming and conceptual design efforts was on maximizing the number of units on each site. Given the compact size of the Lot behind 1701-1751 Mass Ave, maximizing the amount of housing is most achievable by locating a simple building mass on the east side of the property, where the footprint can be the largest. Maintaining pedestrian friendly circulation is important as the site is surrounded by parking and drive aisles.

Unit mix

Initial site programming and conceptual design used a blended unit mix of 1/3 each 1-bedroom (typically 650-700 sf), 2-bedroom (typically 950-1000 sf), and 3- bedroom (typically 1200 - 1250 sf) units. After discussion with town stakeholders, that unit mix was adjusted to prioritize 1-bedroom and 3-bedroom units, as those are the most often requested within the town.

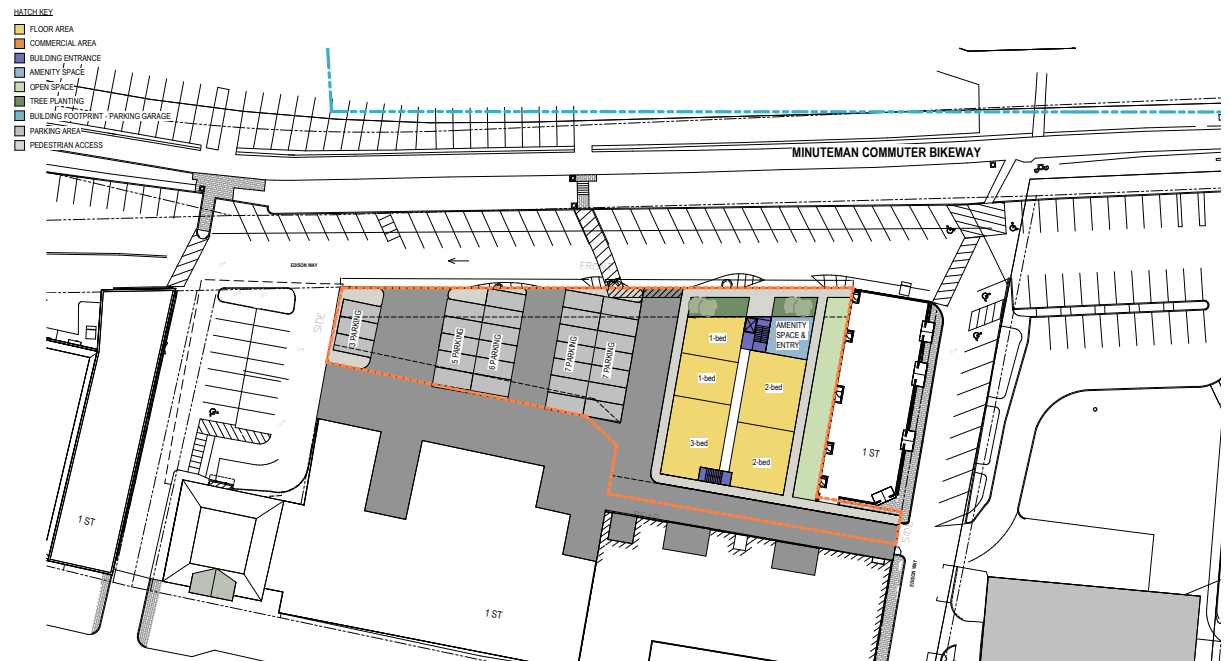
For the purposes of programming and conceptual design, the building massing and the unit type, size and mix was the same for both rental and ownership models.

Parking

The initial site programming conceptual design for the Lot behind 1701-1751 Mass Ave included options to maximize housing, add parking for the new housing and maintain the 56 existing public parking spaces. Since the current site is completely covered with



Conceptual rendering of site B housing



Conceptual floor plan of site B housing, street level

Town of Lexington

SITE B: LOT BEHIND 1701-1751 MASS AVE (continued)

parking, adding any housing to the site while maintaining 56 public parking spaces requires that structured parking be built on site. As described further below, the cost of structured public parking in addition to the cost of housing development creates a financial model that is infeasible.

Rather than the housing development supporting the cost of the housing units plus the cost of approximately 1 surface parking spot/unit, maintaining the 56 public parking spaces would make the development responsible for supporting the cost of the building plus the cost of 3-6 additional structured parking spots per unit (depending on development size).

The proposed surface parking on the Lot behind 1701-1751 Mass Ave will require alternate solutions for the 56 public parking spaces displaced by the housing. The study recommends that if this site is selected for housing development, the town will need to address the 56 public parking spaces as a town investment by.

- Building structured public parking on another town owned parking lot in town center.

Commercial Space

The initial site programming conceptual design also included 30% of the street level floorplan dedicated to commercial space as required in the Multi-family overlay district for the CB zone. Since this site is surrounded by parking lots and retail spaces, using the first

floor of the building for commercial space is appealing programmatically as it would raise the residential spaces above the street level noise and activity. However, as described in the following section, the inclusion of the commercial space limits the number of units able to be developed. While commercial space is a requirement of the overlay district, it was not clear from the public feedback we received if there is demand for additional commercial space in the town center. The financial impacts of the commercial space are challenging to the housing development. The need to comply with this aspect of the overlay district zoning should be reviewed as the project develops.

Construction Cost Estimates

Initial construction cost estimates that included additional public parking and commercial spaces on the first floor indicated that these initial conceptual designs were not financially feasible. The inclusion of the commercial space reduced the building area available for housing units, while the added parking increased the overall construction cost. For example, the cost of structured parking to meet the parking request added an additional \$7,900,000 (above grade structured parking) to the construction cost. When distributed across the number of units initially proposed, that added \$525,000 per unit in construction cost above the cost of building the units themselves. As described in the following financial analysis section, that added cost/unit is not feasible for the housing development.

Working from this initial construction cost

feedback, several aspects of the conceptual design were studied to help identify a site program conceptual design that could reach a cost/unit that met financial feasibility. The adjustments that helped to bring construction costs within range of financial feasibility, as described in the following financial analysis sections, included:

- Maximizing unit counts per floor by eliminating floor area set aside for commercial use.
- Adjusting the unit counts to include approximately 50% 1-bedroom, 20% 2-bedroom, 30% 3-bedroom to increase the unit counts.
- Eliminating structured parking.
- Eliminating parking at the street level under the building to simplify the building structure.
- Limiting parking count to serve the residences only.

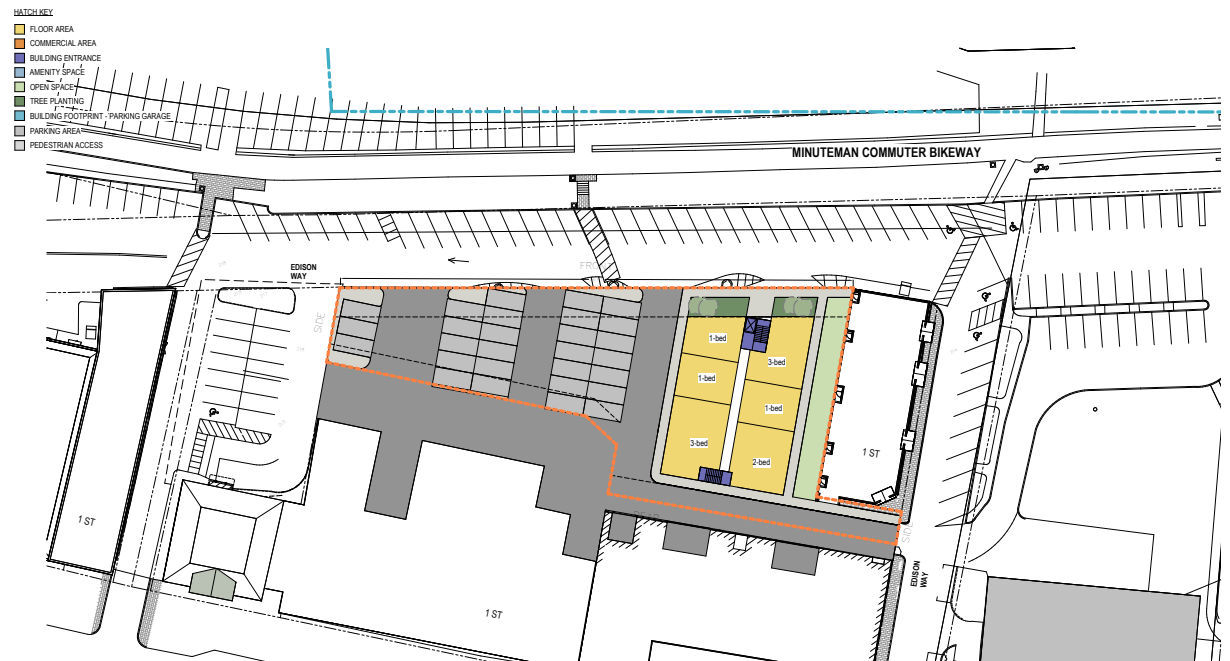
Financially Feasible Development

Based on the site characteristics, development opportunities and constraints, and site programming options reviewed, the housing development the proves to be the most achievable at the Lot behind 1701-1751 Mass Ave is as follows:

- 100% Affordable at 60% AMI
- Approximately 23,000 sf, 4-story, all-residential development
- 23 residential units (11x1-bedroom, 5x2-bedroom, 7x3-bedroom)
- 23 surface parking spots (residential use only, 1.2 spots/unit)



Conceptual rendering of site B housing



Conceptual floor plan of site B housing, levels 2-4

SITE B: LOT BEHIND 1701-1751 MASS AVE (continued)**Financial Analysis**

The models below assume a development program of 100% affordable units reserved at 60% or lower than the Area Median Income (AMI), distributed according to the LDa site programming analysis. The property operating model is developed based on typical operations and underwriting standards and includes a vacancy & collection loss factor of 5%, a management fee of 5%, an operating expense ratio of 40%, and a \$350/unit/year replacement reserve allowance. All typical for multifamily affordable housing operations in the Boston metropolitan area.

The Reconstructed Operating Statements below show the typical expected operations and ultimately indicate the Net Operating Income the property would be able to generate, which is the basis for understanding the total financeable value and supportable first mortgage. On top of the primary debt we layer on subsidy sources for analysis purposed and decision making.

We reconcile the financial resources the project can support, along with the high-level capital subsidy sources available to the project, in light of the assumption of Total Development Costs (TDC), which have been developed based on the construction cost analysis provided by LDa, with additional contingencies, land value, and profit and

SITE B - 100% Affordable at 60% of AMI (LIHTC Model)**Reconstructed Operating Statement - Site B**

Residential Rental Income	Monthly Rent	Annual	Per Unit/Y
11 One-Bedroom Unit - AFFORDABLE - 60% AMI	\$1,670	\$220,440	\$20,040
5 Two-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,004	\$120,240	\$24,048
7 Three-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,315	\$194,460	\$27,780
23			
Gross Potential Rental Income (GPRI)		\$535,140	\$23,267
Vacancy & Collection Loss - % of GPRI	5.00%	(\$26,757)	(\$1,163)
Effective Gross Income (EGI)		\$508,383	\$22,104
Operating Expenses			
Management Fee - % of EGI	5.00%	\$25,419	\$1,105
Operating Expenses - % of EGI	40.00%	\$203,353	\$8,841
Total Operating Expenses		\$228,772	\$9,947
Replacement Reserves - Per Unit/Year	\$350	\$8,050	\$350
Net Operating Income (NOI)		\$271,561	\$11,807

Development Costs

	Per Unit	Total
Land Acquisition	\$35,000	\$805,000
Construction Costs	\$408,223	\$9,389,137
Contingencies, Etc.	15%	\$61,234
Developer's Fee, Profit & Incentive	15%	\$61,234
Total Development Costs	\$565,690	\$13,010,878

incentive. As indicated below, we have assumed a land acquisition placeholder of \$35,000 per unit, a total construction cost of \$438,230 per unit of residential housing, a 15% contingency, and a 15% line item for developer's fee, profit, incentive, and overhead costs. This results in a Total Development Cost for Site B of \$565,690 per unit, or \$13,010,878 for the 23-unit building program, as indicated by the chart to the right. Reconciling the TDC of \$565,690 per unit with the implied financeable value of only \$260,870, we identify a feasibility gap of \$304,821 per unit, which must be filled with a variety of capital subsidy sources, including, but not limited to, state and federal LIHTC, a first mortgage supported by the property's cash flow, deferred developer fees, direct land gift subsidy, local CPA funds, Affordable Housing Trust funds, HOME funds, and any number of soft sources, grants, and dedicated affordable housing support funds available through the State of Massachusetts, and potentially local sources.

We have assumed, for the purposes of this analysis, that a portion of the developer fee would be deferred, and the land would be made available to the developer at low- or no cost, to illustrate the impact on feasibility. These are two strategies nearly every affordable housing development utilizes in order to make the deal financially feasible. This leaves Site B with a potential funding gap of \$108,465 per unit, which represents approximately 19% of the

Reconciliation	Per Unit	Total
Total Development Costs	\$565,690	\$13,010,878
Total Financeable Value	\$260,870	\$6,000,000
Profit or (Feasibility Gap)	(\$304,821)	(\$7,010,878)
Sources of Capital	Per Unit	Total
Federal LIHTC Equity	\$180,000	\$4,140,000
State LIHTC Equity	\$45,000	\$1,035,000
First Mortgage	\$166,609	\$3,832,000
Deferred Developer Fee	\$30,617	\$704,185
Land Subsidy	\$35,000	\$805,000
Total Sources of Capital	\$457,225	\$10,516,185
Profit or (Funding Gap)	(\$108,465)	(\$2,494,693)

TDC, which is reasonable to fill with a variety of discrete soft debt instruments, grants, or other sources of capital subsidy.

This is consistent with typical affordable housing development practice. We have not defined a specific capital program for this analysis because the sources are varied and specific to a development program, which may or may not be reasonable to assume in a feasibility exercise. It is typical for affordable housing developments in Massachusetts to use at least 5-10 separate funding sources and programs for development, and the assumptions made in this model are considered to be conservative to illustrate a

most likely scenario rather than a best-case scenario. Any improvements to interest rates for multifamily loans, reduction in capitalization rates in the market, reduction in permitting timing, materials cost, labor cost, or efficiencies in development, construction, or expedited entitlements will reduce overall cost, risk, and timing, and therefore increase the financial feasibility of development.

SITE SPECIFIC RECOMMENDATIONS - SITE C: 171-173 BEDFORD STREET

Site Characteristics

171-173 Bedford Street is a 2.7 acre lot within the Central Local Office zoning district. With the newly adopted Village overlay district, a building height of 40' (3-stories) is allowed if the development does not include 1st-floor commercial space and 60' (5-stories) is allowed with 30% of the 1st floor space being commercial.

The site is adjacent to a collection of small commercial buildings and parking lots along the northwest and northeast property lines and across Bedford Street. A wooded slope separates the site from single family neighbors along the southeast property line.

There are two existing town-owned buildings on the property, currently in use as the temporary location of the Lexington Police Department. The 70 existing surface parking spaces serve staff, visitors, and equipment for the Police Department and do not include any additional public parking. The existing Police Department garage is a temporary structure and not suitable for housing. The existing office building, built in the 1970's, is not an ideal footprint or massing for housing. If this site is chosen for housing, it is recommended to the existing buildings be removed rather than attempt to renovate them for housing.

The site has been identified as potential future town departmental swing space through 2031. Reviewing the town's swing-space needs was not part of this study.

However, it was noted in the public feedback to the presentation of study progress in Fall of 2023 that the time implications of waiting to develop this site so it can continue to serve as departmental swing space should be reconsidered if this site proves to be optimal for housing.

The site is located along the 62 MBTA bus route and within 1200 feet of the A1/A2 Lexpress bus route and the Minuteman Commuter Bikeway. Bedford Street has bike lanes on both sides of the street within the vicinity of the site. Being about one mile from Lexington Town Center, there is also reasonable access to the bus and shuttle routes nearby the Depot Lot and Lot behind 1701-1751 Mass Ave.

While this site is slightly further from the retail options in Lexington Town Center, there is a small retail center across the street and a grocery store within 1/2 mile. Fiske Elementary School, William Diamond Middle School, and Lexington High School are between 1.5 and 2 miles from the site.

Development Opportunities & Constraints

Once the existing buildings are removed, 171-173 Bedford Street is a relatively level and open site with no know easements that will limit the build-able area of the site, beyond the required zoning setbacks. Historic maps of the property indicate that there may be an area of wet soils at the northeast end and that there may have been a car barn on the property at one time. Soil testing should be completed to review both conditions prior to development.

Full development of the property will require the removal of some existing trees. The tree warden should be consulted so the required replacement trees can be planned for in the development site plan.

The long thin proportions of this site allows for particular design attention to be focused on the Bedford Street building elevation and street scape to respond to the street scale and local building vernacular. A simplified building design can extend deeper into the property, where it is not as visible, helping to manage construction costs and complexity. The parking lots and driveways of the commercial neighbors abut the northwest property line. It is recommended that parking and drive access for future housing be along that side of the property as well. Trees and planted areas should be incorporated within the new parking. The southwest side of the site can be designed with recreation areas and planted areas adjacent the residential neighbors.

Site Programming

Options for the development of housing at 171-173 Bedford Street considered the impact of the following factors.

- Maximizing the amount of housing on the site vs. maintaining open space.
- Maximizing the building massing vs. a smaller scale more articulated building massing.
- Unit type mix
- The inclusion of commercial space on the first floor to take advantage of the zoning

height bonus for additional building height (5 stories in lieu of 3 stories if at least 30% of the first floor includes commercial space.)

These alternate versions of the development can be found in the Conceptual Planning and Site Recommendations back-up information included in this report.

Building Massing

Based on feedback from the town and stakeholders, the focus of the site programming and conceptual design efforts was on maximizing the number of units on each site. While maximizing the number of units helps to increase the impact of the housing development and take advantage of economies of scale, it is a challenge to the design goal of fitting within the Lexington context of smaller and more articulated building masses. As design of the housing develops in future phases of this project, a careful balance of efficiency of floorplan layouts with consideration for contextual details and materials will be important.

Unit mix

Initial site programming and conceptual design used a blended unit mix of 1/3 each 1-bedroom (typically 650-700 sf), 2-bedroom (typically 950-1000 sf), and 3- bedroom (typically 1200 - 1250 sf) units. After discussion with town stakeholders, that unit mix was adjusted to prioritize 1-bedroom and 3-bedroom units, as those are the most often requested within the town.



Conceptual rendering of site C housing



Conceptual floor plan of site C housing, street level

Town of Lexington

SITE C: 171-173 BEDFORD STREET (continued)

For the purposes of programming and conceptual design, the building massing and the unit type, size and mix was the same for both rental and ownership models.

Parking

In all scenarios considered for 171-173 Bedford Street, the proposed parking was designated for residents and visitors to the site only. No additional Lexington Public parking was considered as part of the development at 171-173 Bedford Street.

Commercial Space

The Village overlay district allows a height bonus for multifamily developments that dedicate 30% of the street level floorplan to commercial space. A development without commercial space can be 3 stories, and one with commercial space can be 5 stories. Initial site programming conceptual designs for 171-173 Bedford Street included the required commercial space to take advantage of the added height. Using the same floor plan, a development that included the commercial space and built to 5 stories could provide +/- 55 additional units on the property. However, in reviewing the building massing, a five story building abutting Bedford Street in this location was noticeably out of scale with the neighborhood, so the recommendation was to maintain 3-stories at Bedford Street and increase the building height deeper into the site where the scale would not be as noticeable. This reduced the unit count bonus to +/- 30 while still including the costs of building

commercial space. It was not clear from the public feedback we received if there is demand for commercial space in this location, and the financial impacts of the commercial space are challenging to the housing development. Because the Village overlay allows for development without commercial space, that is the recommendation for this site.

Construction Cost Estimates

Initial construction cost estimates that included articulated building masses, a building height that stepped up from 3-stories to 5-stories, and commercial spaces on the first floor indicated that these initial conceptual designs were not financially feasible. The articulated mass and the inclusion of the commercial space reduced the building area available for housing units. For example, the 11,000 sf dedicated to commercial space added an additional \$4,300,000 to the construction cost or approximately \$40,000 per unit when distributed across the number of units initially proposed. As described in the following financial analysis section, that added cost/unit is not feasible for the housing development.

Working from this initial construction cost feedback, several aspects of the conceptual design were studied to help identify a site program conceptual design that could reach a cost/unit that met financial feasibility. The adjustments that helped to bring construction costs within range of financial feasibility, as described in the following financial analysis sections, included:

- Simplifying the building form to reduce the amount of envelope per building area.
- Maximizing unit counts per floor by eliminating floor area set aside for commercial use.
- Adjusting the unit counts to include approximately 50% 1-bedroom, 20% 2-bedroom, 30% 3-bedroom to increase the unit counts.

Financially Feasible Development

Based on the site characteristics, development opportunities and constraints, and site programming options reviewed, the housing development the proves to be the most achievable at 171-173 Bedford Street is as follows:

- 100% Affordable at 60% AMI
- Approximately 96,000 sf, 3-story, all-residential development
- 85 residential units (42x1-bedroom, 18x2-bedroom, 25x3-bedroom)
- 102 surface parking spots (residential use only, 1.2 spots/unit)



Conceptual rendering of site C housing



Conceptual floor plan of site C housing, levels 2-3

SITE C: 171-173 BEDFORD STREET (continued)**Financial Analysis**

The models below assume a development program of 100% affordable units reserved at 60% or lower than the Area Median Income (AMI), distributed according to the LDa site programming analysis. The property operating model is developed based on typical operations and underwriting standards and includes a vacancy & collection loss factor of 5%, a management fee of 5%, an operating expense ratio of 40%, and a \$350/unit/year replacement reserve allowance. All typical for multifamily affordable housing operations in the Boston metropolitan area.

The Reconstructed Operating Statements below show the typical expected operations and ultimately indicate the Net Operating Income the property would be able to generate, which is the basis for understanding the total financeable value and supportable first mortgage. On top of the primary debt we layer on subsidy sources for analysis purposed and decision making.

We reconcile the financial resources the project can support, along with the high-level capital subsidy sources available to the project, in light of the assumption of Total Development Costs (TDC), which have been developed based on the construction cost analysis provided by LDa, with additional contingencies, land value, and profit and incentive. As indicated below, we have assumed a land acquisition placeholder of \$35,000 per unit, a total construction cost

SITE C - 100% Affordable at 60% of AMI (LIHTC Model)**Reconstructed Operating Statement - Site C**

Residential Rental Income	Monthly Rent	Annual	Per Unit/Y
42 One-Bedroom Unit - AFFORDABLE - 60% AMI	\$1,670	\$841,680	\$20,040
18 Two-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,004	\$432,864	\$24,048
25 Three-Bedroom Unit - AFFORDABLE - 60% AMI	\$2,315	\$694,500	\$27,780
85			
Gross Potential Rental Income (GPRI)		\$1,969,044	\$23,165
Vacancy & Collection Loss - % of GPRI	5.00%	(\$98,452)	(\$1,158)
Effective Gross Income (EGI)		\$1,870,592	\$22,007
Operating Expenses			
Management Fee - % of EGI	5.00%	\$93,530	\$1,100
Operating Expenses - % of EGI	40.00%	\$748,237	\$8,803
Total Operating Expenses		\$841,766	\$9,903
Replacement Reserves - Per Unit/Year	\$350	\$29,750	\$350
Net Operating Income (NOI)		\$999,075	\$11,754

Development Costs

	Per Unit	Total
Land Acquisition	\$35,000	\$2,975,000
Construction Costs	\$436,450	\$37,098,250
Contingencies, Etc.	15%	\$5,564,738
Developer's Fee, Profit & Incentive	15%	\$5,564,738
Total Development Costs	\$602,385	\$51,202,725

Town of Lexington

of \$438,230 per unit of residential housing, a 15% contingency, and a 15% line item for developer's fee, profit, incentive, and overhead costs. This results in a Total Development Cost for Site C of \$602,385 per unit, or \$51,202,725 for the 85-unit building program, as indicated by the chart to the right.

Reconciling the TDC of \$602,385 per unit with the implied financeable value of only \$261,176, we identify a feasibility gap of \$341,209 per unit, which must be filled with a variety of capital subsidy sources, including, but not limited to state and federal LIHTC, a first mortgage supported by the property's cash flow, deferred developer fees, direct land gift subsidy, local CPA funds, Affordable Housing Trust funds, HOME funds, and any number of soft sources, grants, and dedicated affordable housing support funds available through the State of Massachusetts, and potentially local sources.

We have assumed, for the purposes of this analysis, that a portion of the developer fee would be deferred, and the land would be made available to the developer at low- or no cost, to illustrate the impact on feasibility. These are two strategies nearly every affordable housing development utilizes in order to make the deal financially feasible. This leaves Site C with a potential funding gap of \$143,769 per unit, which represents approximately 24% of the TDC, which is reasonable to fill with a variety of discrete soft debt instruments, grants, or other sources of capital subsidy.

Reconciliation	Per Unit	Total
Total Development Costs	\$602,385	\$51,202,725
Total Financeable Value	\$261,176	\$22,200,000
Profit or (Feasibility Gap)	(\$341,209)	(\$29,002,725)
Sources of Capital	Per Unit	Total
Federal LIHTC Equity	\$180,000	\$15,300,000
State LIHTC Equity	\$45,000	\$3,825,000
First Mortgage	\$165,882	\$14,100,000
Deferred Developer Fee	\$32,734	\$2,782,369
Land Subsidy	\$35,000	\$2,975,000
Total Sources of Capital	\$458,616	\$38,982,369
Profit or (Funding Gap)	(\$143,769)	(\$12,220,356)

This is consistent with typical affordable housing development practice. We have not defined a specific capital program for this analysis because the sources are varied and specific to a development program, which may or may not be reasonable to assume in a feasibility exercise. It is typical for affordable housing developments in Massachusetts to use at least 5-10 separate funding sources and programs for development, and the assumptions made in this model are considered to be conservative to illustrate a most likely scenario rather than a best-case

scenario. Any improvements to interest rates for multifamily loans, reduction in capitalization rates in the market, reduction in permitting timing, materials cost, labor cost, or efficiencies in development, construction, or expedited entitlements will reduce overall cost, risk, and timing, and therefore increase the financial feasibility of development.

SITE COMPARISON & NEXT STEPS

Opportunity for Housing on Each Site

While each site has its own unique challenges and follow-up needed to facilitate development, the study process has yielded a feasible affordable housing solution for each property. These solutions share a few common strategies:

- 100% Affordable at 60% AMI
- Maximized unit density by focusing on all-residential use.
- Surface parking for residents & visitors only.
- Simple, energy efficient and sustainably designed building masses featuring architectural materials compatible with the Lexington context.

Each site has the opportunity to successfully support the development of affordable housing. However, as summarized in the chart below, there appear to be fewer challenges to that housing development on the 171-173 Bedford Street property (site C) provided that the town is able to reconsider plans to use the site as departmental swing space until 2031.

Site	Financially Feasible Development	Challenges to Development	Benefits to Development
Depot Lot (site A)	<ul style="list-style-type: none"> • 100% Affordable at 60% AMI • 92 residential units • 152 surface parking spots 	<ul style="list-style-type: none"> • Diminishes available public parking in town center. • Does not meet Multifamily overlay district requirements for commercial space. • Historic District design review may increase construction cost to enhance massing and materials. • History as train yard raises potential risk for contaminated soils that will increase construction cost. • Presence of sewer easement raises potential risk for site development complications and additional permitting. • Proximity to busy town center increases logistical challenges of construction. 	<ul style="list-style-type: none"> • Optimal proximity to public transportation and town resources. • Housing is an economic engine, bringing housing into the town center can be a catalyst for commercial development.
Lot behind 1701-1751 Mass Ave (site B)	<ul style="list-style-type: none"> • 100% Affordable at 60% AMI • 23 residential units • 23 surface parking spots 	<ul style="list-style-type: none"> • Similar challenges to Site A listed above. • Parking lots and busy retail entries and loading docks that surround the site create a challenging environment for residential use. 	<ul style="list-style-type: none"> • Similar benefits to Site A listed above.
171-173 Bedford Street (site C)	<ul style="list-style-type: none"> • 100% Affordable at 60% AMI • 85 residential units • 102 surface parking spots 	<ul style="list-style-type: none"> • Current town strategy to use site as departmental swing space through 2031 presents a challenge to development timeline. 	<ul style="list-style-type: none"> • Village overlay district provides flexibility to develop site with or without commercial space within the zoning bylaws. • Site shape allows design focus on the Bedford Street facade.

Engaging with Developers

It is understood that, ultimately, one (or more) of these properties will be made available to market participants through an Request for Proposals (RFP) process for the development of housing at the site. The following recommendations are intended to help the town in planning for that next step:

A. The housing developed should be primarily affordable housing and qualify for federal and state low-income housing tax credits and maximum state grant funding, as further described within this report. The town should choose a developer to partner with on the site(s) that will be creative, innovative, and thoughtful in delivering housing solutions to the community with maximum public input and responsiveness. The RFP should be structured and written with enough flexibility to allow proposals that provide mixed-income models, mixed-use models, and creative financing, co-housing, and delivery methods. The Town should also consider creative proposals that include market rate housing to the extent that the overall project is most beneficial to the community.

B. The sites should be developed at the highest density possible to increase impact and economies of scale to maximize the number of housing units that are constructed. Parking spaces should be the lowest number needed at the locations, since the sites are enhanced by adjacencies to the bike path and within walking distance to downtown, shopping, and potential employment, to minimize paved area. The project should abide by local zoning bylaws, but the RFP should allow developers to propose features that require variances (or 40B waivers).

C. Throughout the analysis period, nonprofit and for-profit developers were interviewed and indicated that they often respond to RFPs for sites made available or controlled by municipalities. These developers expressed the opinion that RFPs that guide the developer's response without being overly restrictive in the site design, building design, or project layout are the projects that garner the greatest number of submissions and are the most successful.

D. In advance of issuing an RFP for the site(s), the Town should consider a Request for Interest (RFI) that will create interest in and awareness of the site and will gather key information from the prospective development community regarding what would make the RFP for development of the property most attractive for submission. An RFI may be a helpful step to refine the priorities and craft regulatory and land use policy that is most responsive to the current development situation and community in the future.

AGENDA ITEM SUMMARY

LEXINGTON SELECT BOARD MEETING

AGENDA ITEM TITLE:

Select Board Work Session - Discuss Select Board Report to 2024 Annual Town Meeting

PRESENTER:

Joe Pato, Select Board Chair

ITEM NUMBER:

I.2

SUMMARY:

Category: Brainstorming

**Public comments will not be taken for this item as it is a work session topic.*

The Board is being asked to discuss drafting a Select Board Report to 2024 ATM to determine topic areas and assign scribes.

For reference, attached is a list of the topics which were included in last year's Select Board Report to 2023 Annual Town Meeting.

Suggested schedule for a Select Board Report to ATM:

- Draft scribed sections due to Kim Katzenback, Executive Clerk, by 2/27/2024
- Scribed sections will be compiled into a rough draft to be included at the 3/4/2024 Select Board meeting packet. Members review draft prior to the meeting in preparation to discuss report during the March 4th meeting for any necessary edits.
- Any additional edits after the meeting will be due to Ms. Katzenback by 3/13/2024.
- Final draft will then be scheduled for review and approval at the 3/18/2024 Select Board meeting.

SUGGESTED MOTION:

FOLLOW-UP:

DATE AND APPROXIMATE TIME ON AGENDA:

1/17/2024

7:20pm

ATTACHMENTS:

Description

Type



2023 ATM SB Report to Town Meeting list of topics

Backup Material

Topics that were included in Last Year's March 2023 ATM Report to Town Meeting:

2023 ATM SELECT BOARD REPORT SECTIONS	SCRIBED by
Message from the Select Board	Jill
Select Board Goals	Suzie
Budget Challenges FY2024 and Beyond	Doug
American Rescue Plan Act (ARPA)	Doug
Social Racial Equity Initiatives	Mark
Municipal & School Building Projects	Mark
Update on recent Home Rule Petitions	Joe
2025: The 250 th Anniversary of the Battle of Lexington	Suzie

AGENDA ITEM SUMMARY

LEXINGTON SELECT BOARD MEETING

AGENDA ITEM TITLE:

Select Board Work Session - Discuss Proposed Updates to Noise Committee Charge

PRESENTER:

Joe Pato, Select Board Chair

ITEM NUMBER:

I.3

SUMMARY:

Category: Informing

**Public comments will not be taken for this item as it is a work session topic.*

Attached please find a draft revised charge for the Noise Committee. The draft addresses the following objectives:

- Expanding membership to 5-7 members
- Setting an explicit quorum
- Clarify advisory role and relationship with other bodies and staff
- Outline desired skill sets
- Identify balance of resident protection and consideration of desirable noise producing activities

The attached draft includes comments highlighting changes with explanations for the change. A redline copy showing changes from the current charge is also included.

SUGGESTED MOTION:



FOLLOW-UP:

DATE AND APPROXIMATE TIME ON AGENDA:

1/17/2024

7:30pm

ATTACHMENTS:

Description		Type
	Draft Noise Committee Charge Revision	Backup Material
	Redline Changes for draft charge	Backup Material

**NOISE ADVISORY COMMITTEE
DRAFT PROPOSED CHARGE 1/11/2024**

Members: 5-7
Quorum: a majority of the members then in office but at least 3
Appointed By: Select Board
Length of A Member's Term: 3 years, staggered
Appointments Made: September 30
Meeting Times: As Posted

Commented [1]: expanded at the request of the SB

Commented [2]: Set quorum given variable membership size

Description: The Noise Advisory Committee shall advise the Select Board on issues related to the noise bylaw. The Committee is charged with annually reviewing the entire noise bylaw, monitoring its efficacy and suggesting updates to the noise bylaw and the regulatory process that would establish and maintain noise standards throughout the community; recommend amendments to the bylaws and regulations and, if required, propose appropriations so that the noise bylaw and the related set of regulations can be effectively implemented and administered.

The Noise Advisory Committee shall work closely with other Town committees and Town departments when activities in their purview are negatively affected by noise or create noise experienced by residents. The Committee shall also coordinate as appropriate with intergovernmental groups from the towns adjoining Hanscom Field on noise-related issues (Hanscom Area Towns, Hanscom Field Advisory Commission). The Committee may participate as a member of regional groups seeking to acquire expertise that is broadly applicable across municipalities such as noise measurement methodologies or state and federal legal constraints on local bylaws.

Commented [3]: set criteria for when other committees or departments are involved

The Noise Advisory Committee shall analyze on a quarterly basis all recorded complaints concerning disturbing noise, and report to the Select Board areas of concern. The Committee may recommend improvements to the Select Board in how complaints are captured and made available for internal and public review.

Commented [4]: Cleanup references to HATS groups as well as explain what kinds of regional activities might be pursued.

The Noise Advisory Committee will coordinate with departments responsible for enforcing noise bylaw regulations to identify challenges in enforcement with bylaw language and to obtain feedback on any suggested changes to the bylaw in terms of enforceability.

Commented [5]: Clarify that role is to review issues and make recommendations but isn't to be involved in the administration of the bylaw (exemption and special permit functions removed)

Desired Member Skill Sets:

Commented [6]: Identify relationship with staff enforcement

Commented [7]: New section identifying desired skills

- **Public Health:** The Noise Advisory Committee will include members with or otherwise acquire expertise in public health aspects of noise to assure that the noise bylaw contains noise limits that are in keeping with established research on the effects of noise.
- **Construction and Noise Mitigation:** The Committee will include members with or otherwise acquire expertise in construction and noise mitigation methodologies to assure that the noise bylaw contains implementation guidance which balances the rights of residents to not be unduly disturbed by noise with the rights of property owners to improve their land with new construction.

- Noise Measurement: The Committee will include members with or otherwise acquire expertise in noise measurement to assure that the noise bylaw aligns with up-to-date and feasible methodologies for testing and documenting noise levels.
- Legal Considerations: The Committee will include members with or otherwise acquire expertise in legal considerations of noise bylaw language such as state and federal laws to which the bylaw must conform; or bylaw language that might inadvertently make the Town vulnerable to legal action.

Criteria for Membership: The Noise Advisory Committee will include five to seven members at-large which should consider both needed expertise and the ability to represent the needs of residents who experience disturbing noise or who create disturbing noise in the process of an otherwise valued activities. Liaisons from the Select Board, the Board of Health (the Chamber of Commerce?) and the Planning Board or their designee should also participate.

Commented [8]: We want representation from residents as well as from those who generate noisy activities

Commented [9]: The chamber or other organization is desirable but is not under the control of the Town so can't be required.

Ref.: Revised charge adopted by the Selectmen on January 12, 2004.
Board of Selectmen voted to designate as Special Municipal Employees on 1/18/06.
Revised charge adopted by the Selectmen on December 21, 2011.
Revised charge adopted by the Selectmen on January 23, 2012, revising membership to 5.
Revised charge adopted by Select Board on XXXX 2024

NOISE ADVISORY COMMITTEE
DRAFT PROPOSED CHARGE 1/11/2024

Members: 5-7
Quorum: a majority of the members then in office but at least 3
Appointed By: Select Board ~~of Selectmen~~
Length of A Member's Term: 3 years, staggered
Appointments Made: September 30
Meeting Times: As Posted

Description: The Noise Advisory Committee shall advise the ~~Selectmen~~ Select Board on issues related to the noise ~~by-law~~ bylaw. The Committee is charged with annually reviewing the entire noise ~~by-law~~ bylaw, monitoring its efficacy and suggesting updates to the noise ~~by-law~~ bylaw and the regulatory process that would establish and maintain noise standards throughout the community; recommend amendments to the ~~by-laws~~ bylaws and regulations and, if required, propose appropriations so that the noise ~~by-law~~ bylaw and the related set of regulations can be effectively implemented and administered.

The Noise Advisory Committee shall work closely with other Town committees, ~~town and Town~~ departments ~~and with the neighborhoods dealing with when activities in their purview are negatively affected by noise related problems, including providing technical assistance where appropriate, and shall or create noise experienced by residents. The Committee shall also coordinate its efforts with the as appropriate with intergovernmental groups from the towns adjoining Hanscom Field on noise-related issues (Hanscom Area Towns (HATS) Environmental Subcommittee on, Hanscom Field Advisory Commission). The Committee may participate as a member of regional groups seeking to acquire expertise that is broadly applicable across municipalities such issues as the location of Hanscom noise monitors and aircraft engine run-up problems a noise measurement methodologies or state and federal legal constraints on local bylaws.~~

The Noise Advisory Committee shall ~~review~~ analyze on a quarterly basis all ~~the~~ recorded complaints ~~and the filed complaint forms~~ concerning disturbing noise, and report to the ~~Selectmen~~ Select Board areas of concern. ~~The Committee may recommend improvements to the Select Board in how complaints are captured and made available for internal and public review. The Selectmen may refer to the committee for review all requests for exemptions and Special Permits, and after consultation with the Selectmen and proper notice by the Selectmen to the affected parties, hold public meetings, conduct site visits if appropriate, and make recommendations to the Board of Selectmen.~~

The Noise Advisory Committee will coordinate with departments responsible for enforcing noise bylaw regulations to identify challenges in enforcement with bylaw language and to obtain feedback on any suggested changes to the bylaw in terms of enforceability.

Desired Member Skill Sets:

- Public Health: The Noise Advisory Committee will include members with or otherwise acquire expertise in public health aspects of noise to assure that the noise bylaw contains noise limits that are in keeping with established research on the effects of noise.
- Construction and Noise Mitigation: The Committee will include members with or otherwise acquire expertise in construction and noise mitigation methodologies to assure that the noise bylaw contains implementation guidance which balances the rights of residents to not be unduly disturbed by noise with the rights of property owners to improve their land with new construction.
- Noise Measurement: The Committee will include members with or otherwise acquire expertise in noise measurement to assure that the noise bylaw aligns with up-to-date and feasible methodologies for testing and documenting noise levels.
- Legal Considerations: The Committee will include members with or otherwise acquire expertise in legal considerations of noise bylaw language such as state and federal laws to which the bylaw must conform; or bylaw language that might inadvertently make the Town vulnerable to legal action.

Criteria for Membership: The Noise Advisory Committee will include five ~~to seven~~ members at-large ~~from the various geographic areas of which should consider both needed expertise and the community and liaisons ability to represent the needs of residents who experience disturbing noise or who create disturbing noise in the process of an otherwise valued activities.~~ Liaisons from the ~~Board of Selectmen, Planning Select~~ Board, ~~the~~ Board of Health, ~~HATS Environmental Subcommittee and~~ (the Chamber of Commerce,?) and the Planning Board or their designee should also participate.

Ref.: Revised charge adopted by the Selectmen on January 12, 2004.
 Board of Selectmen voted to designate as Special Municipal Employees on 1/18/06.
 Revised charge adopted by the Selectmen on December 21, 2011.
 Revised charge adopted by the Selectmen on January 23, 2012, revising membership to 5.
Revised charge adopted by Select Board on XXXX 2024