

# HART

## Development

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Thursday, May 3, 2007

Richard A. Gelerman, Esq.  
Gelerman, Buschmann & Nichols, P.C.  
30 Walpole Street  
Norwood, MA 02062

Re: Brickstone, Sharon, MA

Dear Attorney Gelerman:

Pursuant to your request, I have reviewed the information regarding the above referenced project. The scope of your request was to review three aspects of the development:

1. Review the numbers and conclusions of the Connery Report and opine on their accuracy.
2. Review the mitigations amounts to the Town of Sharon and opine on their reasonableness given the scope of the proposed project.
3. Provide a rough estimate to add 6,500 square feet to the proposed pumping station for use as fire station.

This review is limited by both the scope of the information provided as well as the understanding of the assignment. The review was primarily based on the information gathered from previous meetings as well as the following:

1. "Fiscal Impact Analysis, Brickstone at Sharon, Sharon, Massachusetts" by Connery Associates and dated March 2007.
2. A Draft of the Development Agreement by and between Brickstone and the Town of Sharon and received by this office on May 3, 2007.

1) Our conclusion is that Connery, while working with data provided by Brickstone, has done a credible job in preparing the fiscal impact analysis. The nature of real estate development of this size and scope makes it difficult to determine what will happen

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during the course of any project. Despite the limiting factors, the report and conclusions of the report, are, on a whole, supportable.

- A. Connery develops his net return to the Town based on estimates derived from projected replacement costs for the entire development that were provided by the developer. These estimates appear to be in line with current development costs.
- B. Connery notes that the Brickstone Community will be built in one single phase with construction to full occupancy expected to take four years. The report should be updated to reflect Brickstone's current phasing plan. Regardless, assuming that construction will begin in 2008, and will take four years to full occupancy in 2012, there will be four separate valuations put on the development each year by the Board of Assessors. Property tax revenue will start with raw land value and then slowly build as improvements are installed. Connery bypasses this phase in the analysis and goes directly to the value of the completed project. This should be amended.
- C. However, the cost/benefit analysis takes today's (2007) municipal costs and compares them to income at the end of construction. The municipal costs should be adjusted for inflation.
- D. Connery uses an estimated replacement value of \$375,000 per unit not including the "amenities building", a value of \$100,000 per nursing home bed and \$3,000,000 for the maintenance facility. These estimates appear to be in line with current market conditions.
- E. Connery uses a per capita method to estimate the new costs associated with the development for libraries, recreation, council on the aging and health department. Connery should redo his estimates by getting information from each of these service areas to find out how many seniors in Sharon currently use each of the programs and the facilities.
- F. Connery does not include an estimate of changes in Chapter 70 or Lottery funding. It would be helpful for the analysis to examine what could happen to state aid with the increased assessed values.
- G. It would be useful for Connery to estimate the additional disposable income that might accrue to local businesses. The retail performance may improve. The taxable value of existing businesses will not increase with an increase in sales.
- H. Connery should provide some indication of the number of service and maintenance employment opportunities that will be available.

In conclusion, Connery's assertion that the Town should receive a net fiscal benefit from the development is supportable and reasonable.

2) After review of the Development Agreement, I believe it is fair and reasonable for a project of this size and scope. I have estimated real cash benefit of approximately \$10,000,000 to the Town:

\$6,500,000	Water System
\$1,882,000	Affordable Housing
\$650,000	Public Safety
\$775,000	Miscellaneous Mitigation
\$75,000	Traffic (Estimate)
<u>\$50,000</u>	Water Quality (Estimate)
\$9,932,000	

Further, the contribution of 249 acres of land to the Town, with an additional 36 acres to have a conservation easement, has a real value to the Town \$14-17,000,000 (based on \$60,000 per acre).

The approximate \$25,000,000 mitigation is reasonable given the size of the development; it works out to approximately \$32,000 per unit, approximately 7-8% of the total costs, and approximately \$23.75 per square foot. Many towns do not have specific mitigation measures in place when dealing with larger scale developments. By way of example, for commercial projects (office and hotels, not residential) over 100,000 square feet, the City of Boston charges \$9.14 per square foot for every square foot over 100,000 square feet. For example a project of 175,000 square feet would be charged 75,000 \* \$9.14 or \$685,000. There is no formulaic approach to mitigation for large scale residential projects, other than the need to provide 15% of the market rate units for affordable housing. Sharon is clearly not Boston, and a project of this size has a more significant impact on Sharon, but the above is instructive as an example of mitigation policy.

3) We estimate an expansion of the pump house to cost approximately \$2,145,000. Note these are hard construction costs only and are based on solely on the simple description outlined above.

Please do not hesitate to contact the undersigned should you have further questions or comments.

Sincerely,

Daniel R. Hart