



H & H Associates LLP

December 17, 2013

Jon Schneider, ZBA Chairman
Town of Needham
1471 Highland Avenue
Needham, MA 02492

Re: Pro Forma Review for Needham Mews

Dear Mr. Schneider,

Based on the information provided to the Board, including the most recent information provided by Mr. Jacobs and Attorney Horwitz, I have concluded the project proposed by Mill Creek Residential is likely economic at significantly reduced density, per the standards established to evaluate 40B rental projects by the Department of Housing and Community Development (760CMR56 et al) and Housing Appeals Committee.

There are three primary methodologies that are traditionally used to evaluate 40B rental pro formas. Return on Equity (ROE), Internal Rate of Return (IRR) and Return on Total Cost (ROTC). Based upon my experience with the Housing and Appeals Committee, and the recent HAC's recent ruling in Cirsan vs Woburn, I have determined that ROTC at stabilized occupancy is the appropriate methodology to use. The Mass Housing Partnership (MHP) Guidelines, which is an oft used source for standards, recommend a benchmark ROTC of 2 ½% above the current 10 year T Bill rate. The initial ROTC Benchmark on January 15, 2013 was 4.27% and on November 15, 2013 it was 5.2%.

Based on feedback from the Applicant, the plans proposed for the 300 unit and 268 unit project are well documented. Plans for the 108 unit project do not exist and therefore analysis of the pro forma for this project may have more variability than the proformas for the 268 and 300 unit projects. Nevertheless, based upon my review of the evidence to date, I have attempted to extrapolate the necessary details in order to arrive at a reliable proforma.

There are several significant factors that could impact the economics of the project:

- If the following modifications are made, all of which, in my opinion are warranted, a 108 unit project is economic:
 - Reduce mitigation costs and permit fees from \$2,760K by \$200K to \$1,500K.
 - Reduce the cost of clubhouse and pool by 30% to reflect the needs of a population that is 60% smaller than the 268 unit project

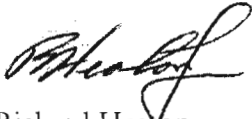
- Reduce architectural and engineering fees from 12% to 5% to be consistent with industry standards and the original 268 unit project.
- Reduce construction costs from \$99/sf to \$91/sf to reflect the cost of similar 40B projects, as well as construction costs used by Mill Creek itself in other proformas.

The detailed financial statements reflecting these changes are attached and will be discussed at the upcoming ZBA meeting.

In reviewing the attached information, please be advised that the methods for financial analysis of c. 40B projects are both evolving and controversial. There are other scenarios that could be used to evaluate this project and may be proposed by the Applicant. In my review, I have attempted to be conservative but, there are other variables and methodologies that may result in a conclusion that further supports a conclusion that a reduction to 108 units would still yield a reasonable and feasible return. As new information becomes available and at the Board's direction, I will update this report.

Attached please find a detailed summary of the information I used to conduct this evaluation.

Sincerely,



Richard Heaton
Partner

Cc: Jason R. Talerman, Esq., Blatman, Bobrowski & Mead, LLC
Shelia Page, Town of Needham

Pro Forma Review for Needham MEWS

Prepared by:
Richard Heaton, H&H Associates
 17-Dec-13

The following report of the Pro Forma for Needham Mews was prepared at the request of the Needham ZBA. Material on the proforma was developed by Michael Jacobs of MHJ Associates and submitted to the ZBA on November 14, 2013. This was used in preparing this report along with material supplied by MassHousing and other reference material provided by the author.

This report provides the following analysis of the different proforma reviews for the project. For each of the attached scenarios, there is an analysis of the Development Cost, Operating Profit and Loss Statement and Cash Flow.

Below is a summary of the different scenarios:

Scenario	Proposed Cost Reduction (\$ Mill)	ROTC @ Stabilization	Benchmark
1 Based on Final Approval by MassHousing prior to issuing the PE letter.		4.27%	Economic Benchmark as determined by MHFA
2 Based on 300 unit plan originally submitted to the ZBA by the Applicant on November 14, 2014.		7.34%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
3 Based on the 268 unit plan submitted by the Applicant to the ZBA on November 14, 2013		7.31%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
4 Based on 108 unit plan submitted by the Applicant to the ZBA on November 14, 2013		4.86%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
5 Based on 108 unit plan submitted by the Applicant to the ZBA on November 14, 2013, reduce Mitigation by \$200K	\$ 0.23	4.89%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
6 Based on 108 unit plan submitted by the Applicant to the ZBA on November 14, 2013, reduce Mitigation by \$1,500K	\$ 1.74	5.06%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
7 Based on 108 unit plan, reduce architectural and engineering fees from 12% to 5%, reduce construction costs and amenities	\$3.87	5.32%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
8 Based on 108 unit plan reduce all costs and reduce mitigation by \$200K.	\$4.10	5.35%	Project is Economic per MassHousing ROTC Benchmark of 4.27%
9 Based on 108 unit plan reduce all costs and reduce mitigation by \$1,500K.	\$5.61	5.56%	Project is Economic per MassHousing ROTC Benchmark of 4.27%

Needham Mews Development Costs

	4. 108 Unit as Submitted to ZBA			5. Reduce Mitigation by \$200K			6. Reduce Mitigation by \$ 1.5 Mil		
	108	140,238	Total	108	140,238	Total	108	140,238	Total
Number of Units/GSF	\$/Unit	\$/GSF		\$/Unit	\$/GSF		\$/Unit	\$/GSF	
Acquisition Cost	\$ 14,815	\$ 11.41	\$ 1,600,000	\$ 14,815	\$ 11.41	\$ 1,600,000	\$ 14,815	\$ 11.41	\$ 1,600,000
Construction Costs									
Residential	\$ 128,867	\$ 99.24	\$ 13,917,689	\$ 128,867	\$ 99.24	\$ 13,917,689	\$ 128,867	\$ 99.24	\$ 13,917,689
Site Improvements	\$ 42,115	\$ 32.43	\$ 4,548,439	\$ 42,115	\$ 32.43	\$ 4,548,439	\$ 42,115	\$ 32.43	\$ 4,548,439
Garage	\$ 32,035	\$ 24.67	\$ 3,459,798	\$ 32,035	\$ 24.67	\$ 3,459,798	\$ 32,035	\$ 24.67	\$ 3,459,798
Amenities	\$ 17,719	\$ 13.65	\$ 1,913,625	\$ 17,719	\$ 13.65	\$ 1,913,625	\$ 17,719	\$ 13.65	\$ 1,913,625
Landscaping	\$ 6,330	\$ 4.88	\$ 683,683	\$ 6,330	\$ 4.88	\$ 683,683	\$ 6,330	\$ 4.88	\$ 683,683
Gen Dev/OH	\$ 31,815	\$ 24.50	\$ 3,436,056	\$ 31,815	\$ 24.50	\$ 3,436,056	\$ 31,815	\$ 24.50	\$ 3,436,056
Contingency	\$ 12,944	\$ 9.97	\$ 1,397,965	\$ 12,944	\$ 9.97	\$ 1,397,965	\$ 12,944	\$ 9.97	\$ 1,397,965
Total Construction Costs	\$ 271,826	\$ 209.34	\$ 29,357,255	\$ 271,826	\$ 209.34	\$ 29,357,255	\$ 271,826	\$ 209.34	\$ 29,357,255
Soft Costs									
Surveys and Permits	\$ 9,850	\$ 7.59	\$ 1,063,768	\$ 9,850	\$ 7.59	\$ 1,063,768	\$ 9,850	\$ 7.59	\$ 1,063,768
Mitigation	\$ 15,706	\$ 12.10	\$ 1,696,232	\$ 1,493,688	\$ 10.65	\$ 166,544	\$ 1,493,688	\$ 10.65	\$ 166,544
Architecture and Eng	\$ 20,833	\$ 16.04	\$ 2,250,000	\$ 20,833	\$ 16.04	\$ 2,250,000	\$ 20,833	\$ 16.04	\$ 2,250,000
Legal	\$ 15,046	\$ 11.59	\$ 1,625,000	\$ 15,046	\$ 11.59	\$ 1,625,000	\$ 15,046	\$ 11.59	\$ 1,625,000
Closing Costs	\$ 500	\$ 0.39	\$ 54,000	\$ 500	\$ 0.39	\$ 54,000	\$ 500	\$ 0.39	\$ 54,000
Builders Risk	\$ 680	\$ 0.52	\$ 73,393	\$ 680	\$ 0.52	\$ 73,393	\$ 680	\$ 0.52	\$ 73,393
Property Tax	\$ 2,315	\$ 1.78	\$ 250,000	\$ 2,315	\$ 1.78	\$ 250,000	\$ 2,315	\$ 1.78	\$ 250,000
Accounting/Cost Certif	\$ 463	\$ 0.36	\$ 50,000	\$ 463	\$ 0.36	\$ 50,000	\$ 463	\$ 0.36	\$ 50,000
Marketing	\$ 3,611	\$ 2.78	\$ 390,000	\$ 3,611	\$ 2.78	\$ 390,000	\$ 3,611	\$ 2.78	\$ 390,000
Furniture and Eqpt	\$ 5,185	\$ 3.99	\$ 560,000	\$ 5,185	\$ 3.99	\$ 560,000	\$ 5,185	\$ 3.99	\$ 560,000
Construction Insp Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Perman Financing Fee	\$ 1,074	\$ 0.83	\$ 115,975	\$ 1,074	\$ 0.83	\$ 115,975	\$ 1,074	\$ 0.83	\$ 115,975
Construction Loan Fee	\$ 2,611	\$ 2.01	\$ 281,950	\$ 2,611	\$ 2.01	\$ 281,950	\$ 2,611	\$ 2.01	\$ 281,950
Construction Loan Interest	\$ 7,062	\$ 5.44	\$ 762,649	\$ 7,062	\$ 5.44	\$ 762,649	\$ 7,062	\$ 5.44	\$ 762,649
Lease up Operating Deficit	\$ 657	\$ 0.51	\$ 70,912	\$ 657	\$ 0.51	\$ 70,912	\$ 657	\$ 0.51	\$ 70,912
Appraisal	\$ 139	\$ 0.11	\$ 15,000	\$ 139	\$ 0.11	\$ 15,000	\$ 139	\$ 0.11	\$ 15,000
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Soft Cost Contingency	\$ 4,287	\$ 3.30	\$ 462,944	\$ 4,193	\$ 3.23	\$ 452,817	\$ 3,591	\$ 2.77	\$ 387,817
Total Soft Cost	\$ 90,017	\$ 69.32	\$ 9,721,823	\$ 88,048	\$ 67.81	\$ 9,509,152	\$ 75,409	\$ 58.07	\$ 8,144,152
TDC Net of Dev OH	\$ 376,658	\$ 290.07	\$ 40,679,078	\$ 374,689	\$ 288.56	\$ 40,466,406	\$ 362,050	\$ 278.82	\$ 39,101,406
Developers Fee/OH	\$ 38,737	\$ 29.83	\$ 4,183,544	\$ 38,534	\$ 29.68	\$ 4,161,672	\$ 37,234	\$ 28.67	\$ 4,021,292
Operating Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Development Costs	\$ 415,395	\$ 319.90	\$ 44,862,622	\$ 413,223	\$ 318.23	\$ 44,628,079	\$ 399,284	\$ 307.50	\$ 43,122,698

Needham Mews Development Costs

	108	140,238	
Number of Units/GSF	\$/Unit	\$/GSF	Total
Acquisition Cost	\$ 14,815	\$ 11.41	\$ 1,600,000
Construction Costs			
Residential	\$ 118,257	\$ 91.07	\$ 12,771,769
Site Improvements	\$ 42,115	\$ 32.43	\$ 4,548,439
Garage	\$ 32,035	\$ 24.67	\$ 3,459,798
Amenities	\$ 11,813	\$ 13.65	\$ 1,275,750
Landscaping	\$ 6,330	\$ 4.88	\$ 683,683
Gen Dev/OH	\$ 29,501	\$ 22.72	\$ 3,186,121 14%
Contingency	\$ 12,003	\$ 9.24	\$ 1,296,278 5%
Total Construction Costs	\$ 252,054	\$ 194.11	\$ 27,221,838
Soft Costs			
Surveys and Permits	\$ 9,850	\$ 7.59	\$ 1,063,768
Mitigation	\$ 15,682	\$ -	\$ 1,693,688
Architecture and Eng	\$ 8,724	\$ 6.72	\$ 942,242 5%
Legal	\$ 15,046	\$ 11.59	\$ 1,625,000
Closing Costs	\$ 500	\$ 0.39	\$ 54,000
Builders Risk	\$ 680	\$ 0.52	\$ 73,393
Property Tax	\$ 2,315	\$ 1.78	\$ 250,000
Accounting/Cost Certif	\$ 463	\$ 0.36	\$ 50,000
Marketing	\$ 3,611	\$ 2.78	\$ 390,000
Furniture and Eqpt	\$ 5,185	\$ 3.99	\$ 560,000
Construction Insp Fee	\$ -	\$ -	\$ -
Perman Financing Fee	\$ 1,074	\$ 0.83	\$ 115,975
Construction Loan Fee	\$ 2,611	\$ 2.01	\$ 281,950
Construction Loan Interest	\$ 7,062	\$ 5.44	\$ 762,649
Lease up Operating Deficit	\$ 657	\$ 0.51	\$ 70,912
Appraisal	\$ 139	\$ 0.11	\$ 15,000
Other	\$ -	\$ -	\$ -
Soft Cost Contingency	\$ 3,680	\$ 2.83	\$ 397,429 5%
Total Soft Cost	\$ 77,278	\$ 59.51	\$ 8,346,005
TDC Net of Dev OH	\$ 344,147	\$ 265.03	\$ 37,167,843
Developers Fee/OH	\$ 35,393	\$ 27.26	\$ 3,822,439 10%
Operating Reserves	\$ -	\$ -	\$ -
Total Development Costs	\$ 379,540	\$ 292.29	\$ 40,990,282

	108	140,238	
Number of Units/GSF	\$/Unit	\$/GSF	Total
Acquisition Cost	\$ 14,815	\$ 11.41	\$ 1,600,000
Construction Costs			
Residential	\$ 118,257	\$ 91.07	\$ 12,771,769
Site Improvements	\$ 42,115	\$ 32.43	\$ 4,548,439
Garage	\$ 32,035	\$ 24.67	\$ 3,459,798
Amenities	\$ 11,813	\$ 9.10	\$ 1,275,750
Landscaping	\$ 6,330	\$ 4.88	\$ 683,683
Gen Dev/OH	\$ 29,501	\$ 24.50	\$ 3,186,121 14%
Contingency	\$ 12,003	\$ 9.97	\$ 1,296,278 5%
Total Construction Costs	\$ 252,054	\$ 194.11	\$ 27,221,838
Soft Costs			
Surveys and Permits	\$ 9,850	\$ 7.59	\$ 1,063,768
Mitigation	\$ 13,830	\$ -	\$ 1,493,688
Architecture and Eng	\$ 8,724	\$ 16.04	\$ 942,242 5%
Legal	\$ 15,046	\$ 11.59	\$ 1,625,000
Closing Costs	\$ 500	\$ 0.39	\$ 54,000
Builders Risk	\$ 680	\$ 0.52	\$ 73,393
Property Tax	\$ 2,315	\$ 1.78	\$ 250,000
Accounting/Cost Certif	\$ 463	\$ 0.36	\$ 50,000
Marketing	\$ 3,611	\$ 2.78	\$ 390,000
Furniture and Eqpt	\$ 5,185	\$ 3.99	\$ 560,000
Construction Insp Fee	\$ -	\$ -	\$ -
Perman Financing Fee	\$ 1,074	\$ 0.83	\$ 115,975
Construction Loan Fee	\$ 2,611	\$ 2.01	\$ 281,950
Construction Loan Interest	\$ 7,062	\$ 5.44	\$ 762,649
Lease up Operating Deficit	\$ 657	\$ 0.51	\$ 70,912
Appraisal	\$ 139	\$ 0.11	\$ 15,000
Other	\$ -	\$ -	\$ -
Soft Cost Contingency	\$ 3,587	\$ 2.76	\$ 387,429 5%
Total Soft Cost	\$ 75,333	\$ 58.02	\$ 8,136,005
TDC Net of Dev OH	\$ 342,202	\$ 263.54	\$ 36,957,843
Developers Fee/OH	\$ 35,193	\$ 27.10	\$ 3,800,842 10%
Operating Reserves	\$ -	\$ -	\$ -
Total Development Costs	\$ 377,395	\$ 290.64	\$ 40,758,686

	108	140,238	
Number of Units/GSF	\$/Unit	\$/GSF	Total
Acquisition Cost	\$ 14,815	\$ 11.41	\$ 1,600,000
Construction Costs			
Residential	\$ 118,257	\$ 91.07	\$ 12,771,769
Site Improvements	\$ 42,115	\$ 32.43	\$ 4,548,439
Garage	\$ 32,035	\$ 24.67	\$ 3,459,798
Amenities	\$ 11,813	\$ 13.65	\$ 1,275,750
Landscaping	\$ 6,330	\$ 4.88	\$ 683,683
Gen Dev/OH	\$ 29,501	\$ 22.72	\$ 3,186,121 14%
Contingency	\$ 12,003	\$ 9.24	\$ 1,296,278 5%
Total Construction Costs	\$ 252,054	\$ 194.11	\$ 27,221,838
Soft Costs			
Surveys and Permits	\$ 9,850	\$ 7.59	\$ 1,063,768
Mitigation	\$ 1,793	\$ -	\$ 193,688
Architecture and Eng	\$ 8,724	\$ 16.04	\$ 942,242 5%
Legal	\$ 15,046	\$ 11.59	\$ 1,625,000
Closing Costs	\$ 500	\$ 0.39	\$ 54,000
Builders Risk	\$ 680	\$ 0.52	\$ 73,393
Property Tax	\$ 2,315	\$ 1.78	\$ 250,000
Accounting/Cost Certif	\$ 463	\$ 0.36	\$ 50,000
Marketing	\$ 3,611	\$ 2.78	\$ 390,000
Furniture and Eqpt	\$ 5,185	\$ 3.99	\$ 560,000
Construction Insp Fee	\$ -	\$ -	\$ -
Perman Financing Fee	\$ 1,074	\$ 0.83	\$ 115,975
Construction Loan Fee	\$ 2,611	\$ 2.01	\$ 281,950
Construction Loan Interest	\$ 7,062	\$ 5.44	\$ 762,649
Lease up Operating Deficit	\$ 657	\$ 0.51	\$ 70,912
Appraisal	\$ 139	\$ 0.11	\$ 15,000
Other	\$ -	\$ -	\$ -
Soft Cost Contingency	\$ 2,985	\$ 2.30	\$ 322,429 5%
Total Soft Cost	\$ 62,694	\$ 48.28	\$ 6,771,005
TDC Net of Dev OH	\$ 329,563	\$ 253.80	\$ 35,592,843
Developers Fee/OH	\$ 33,893	\$ 26.10	\$ 3,660,462 10%
Operating Reserves	\$ -	\$ -	\$ -
Total Development Costs	\$ 363,457	\$ 279.90	\$ 39,253,305

9. All Changes/ Reduce Mitig by \$1.5Mill

Needham Mews Profit and Loss Statement

	1. Final MassHousing Approval		2. 300 Unit Plan submitted to ZBA		3. 268 Unit Plan submitted to ZBA	
Number of Units	Units	NSF	Units	NSF	Units	NSF
	300	309,700	300	309,700	268	275,825
Market Rate						
Total Market Rate Income						
Affordable Units						
Total Affordable Income	# Units	NSF	# Units	\$/U	# Units	\$/U
	300	309,700	225	234,850	201	207,100
Total			Total		Total	
		\$ 6,202,800		\$ 6,202,800		\$ 6,179,376
Total Other Income		\$ 1,081,932		\$ 1,081,932		\$ 991,848
Gross Potential Income		\$ 7,284,732		\$ 7,284,732		\$ 7,171,224
Vacancy		\$450,000		\$450,000		\$410,640
Effective Income		\$ 7,734,732		\$ 7,734,732		\$ 7,581,864
		\$ (364,237)		\$ (364,237)		\$ (379,093)
				5%		5%
		\$ 7,370,495		\$ 7,347,995		\$ 7,202,771
Total Operating Expenses	\$ 14,688	\$ 12.61	\$ 7,440	\$ 6.39	\$ 7,828	\$ 5.99
		\$ 4,406,299		\$ 2,231,940		\$ 2,097,839
Net Operating Income	\$ 9,881	\$ 8.48	\$ 17,054	\$ 14.64	\$ 19,048	\$ 14.58
		\$ 2,964,196		\$ 5,116,055		\$ 5,104,932

Needham Mews Profit and Loss Statement

	4. 108 Unit as Submitted to ZBA		
	Units	NSF	GSF
Number of Units	108	114,515	140,238 18%
Market Rate			
Total Market Rate Income			\$2.46
Affordable Units	81	86,405	\$2,547,744
Total Affordable Income	27	28,110	\$406,440 \$1.20
Total Other Income	108	114,515	\$ 2,954,184 \$ 25.80
Gross Potential Income			\$158,040 1.12694
Vacancy		5%	\$3,112,224
Effective Income			-\$155,611
Total Operating Expenses	\$ 8,833	\$ 6.80	\$ 953,964
Net Operating Income	\$ 18,543	\$ 14.28	\$2,002,649

	5. Reduce Mitigation by \$200K		
	Units	NSF	GSF
Number of Units	108	114,515	140,238 18%
Market Rate			
Total Market Rate Income			\$2.46
Affordable Units	81	86,405	\$2,547,744
Total Affordable Income	27	28,110	\$406,440 \$1.20
Total Other Income	108	114,515	\$ 2,954,184 \$ 25.80
Gross Potential Income			\$158,040 1.1269
Vacancy		5%	\$3,112,224
Effective Income			-\$155,611
Total Operating Expenses	\$ 8,833	\$ 6.80	\$ 953,964
Net Operating Income	\$ 18,543	\$ 14.28	\$2,002,649

	6. Reduce Mitigation by \$1.5 Mil		
	Units	NSF	GSF
Number of Units	108	114,515	140,238 18%
Market Rate			
Total Market Rate Income			\$2.46
Affordable Units	81	86,405	\$2,547,744
Total Affordable Income	27	28,110	\$406,440 \$1.20
Total Other Income	108	114,515	\$ 2,954,184
Gross Potential Income			\$158,040
Vacancy		5%	\$3,112,224
Effective Income			-\$155,611
Total Operating Expenses	\$ 8,833	\$ 6.80	\$ 953,964
Net Operating Income	\$ 18,543	\$ 14.28	\$2,002,649

Needham Mews Profit and Loss Statement

		7. Reduce Arc&Eng/Const Cost		
Units	NSF	GSF	0%	18%
108	114,515	140,238		
# Units	\$/U	Total		
81	86,405	\$2,547,744	\$2.46	
27	28,110	\$406,440	\$1.20	
108	114,515	\$ 2,954,184		
		\$158,040		
		\$3,112,224		
			5%	-\$155,611
				\$2,956,613
	\$ 8,833	\$ 6.80	\$ 953,964	
	\$ 18,543	\$ 14.28	\$2,002,649	

		8. All Chages Reduce Mitig by \$200K		
Units	NSF	GSF	0%	18%
108	114,515	140,238		
# Units	\$/U	Total		
81	86,405	\$2,547,744	\$2.46	
27	28,110	\$406,440	\$1.20	
108	114,515	\$ 2,954,184		
		\$158,040		
		\$3,112,224		
			5%	-\$155,611
				\$2,956,613
	\$ 8,833	\$ 6.80	\$ 953,964	
	\$ 18,543	\$ 14.28	\$2,002,649	

		9. All Changes/ Reduce Mitig by \$1.5Mil		
Units	NSF	GSF	0%	18%
108	114,515	140,238		
# Units	\$/U	Total		
81	86,405	\$2,547,744	\$2.46	
27	28,110	\$406,440	\$1.20	
108	114,515	\$ 2,954,184		
		\$158,040		
		\$3,112,224		
			5%	-\$155,611
				\$2,956,613
	\$ 8,833	\$ 6.80	\$ 953,964	
	\$ 18,543	\$ 14.28	\$2,002,649	

Number of Units

Market Rate

Total Market Rate Income
Affordable Units

Total Affordable Income

Total Other Income

Gross Potential Income

Vacancy

Effective Income

Total Operating Expenses

Net Operating Income

Needham MEWS Cash Flow

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Final MassHousing Approval										
300 Unit Submission to MHFA										
TDC Net of Dev OH	\$ 68,899,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121
Developers Fee/OH	\$ 7,009,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Development Cost	0%	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121	\$ 75,908,121
Total Market Rate Income	3%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Affordable Income	2.5%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Income	3%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Potential Income	5%	\$ 7,734,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vacancy		\$ (364,237)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effective Income	3%	\$ 7,370,495	\$ 7,819,358	\$ 8,053,939	\$ 8,295,557	\$ 8,544,424	\$ 8,800,756	\$ 9,064,779	\$ 9,336,723	\$ 9,616,824
Operating Expenses	3%	\$ 4,406,299	\$ 4,538,488	\$ 4,674,643	\$ 4,814,882	\$ 4,959,328	\$ 5,108,108	\$ 5,261,351	\$ 5,419,192	\$ 5,581,768
Net Operating Income		\$ 2,964,196	\$ 3,053,122	\$ 3,144,716	\$ 3,239,057	\$ 3,336,428	\$ 3,436,316	\$ 3,645,587	\$ 3,754,955	\$ 3,867,603
Return on Total Cost	3.90%	4.02%	4.14%	4.27%	4.40%	4.53%	4.66%	4.80%	4.95%	5.10%
ROE	1.67%	1.97%	2.27%	2.59%	2.92%	3.26%	3.60%	3.96%	4.33%	4.71%

2. 300 Unit Plan submitted to ZBA

	300 Unit	Stabilized Occupancy
TDC Net of Dev OH	\$ 68,899,120	
Developers Fee/OH	\$ 7,009,000	
Total Development Cost	\$ 75,908,120	\$ 75,908,120
Total Market Rate Income	0%	\$ 6,777,967
Total Affordable Income	2.5%	\$ 6,981,306
Total Other Income	3%	\$ 7,190,745
Gross Potential Income	5%	\$ 7,190,745
Vacancy		\$ 1,224,107
Effective Income		\$ 1,254,709
Operating Expenses		\$ 1,286,077
Net Operating Income		\$ 553,443
Return on Total Cost	6.74%	7.34%
ROE	4.33%	4.33%
Jan 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%
Nov 15, 2013, 10 Yr T-bill + 2.5%	8.92%	11.01%

3. 268 Unit Plan submitted to ZBA

	268 Unit	Stabilized Occupancy
TDC Net of Dev OH	\$ 69,103,773	
Developers Fee/OH	\$ 7,030,377	
Total Development Cost	\$ 76,134,150	\$ 76,134,150
Total Market Rate Income	0%	\$ 6,954,942
Total Affordable Income	2.5%	\$ 7,163,498
Total Other Income	3%	\$ 7,163,498
Gross Potential Income	5%	\$ 7,163,498
Vacancy		\$ 1,122,185
Effective Income		\$ 1,150,240
Operating Expenses		\$ 1,178,996
Net Operating Income		\$ 505,035
Return on Total Cost	6.90%	7.52%
ROE	4.33%	4.33%
Jan 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%
Nov 15, 2013, 10 Yr T-bill + 2.5%	8.05%	11.27%

Needham MEWS Cash Flow

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
4. 108 Unit as Submitted to ZBA										
108 Unit Applicant Plan										
TDC Net of Dev OH	\$ 40,679,078									
Developers Fee/OH	\$ 4,183,544									
Total Development Cost	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622	\$ 44,862,622
Total Market Rate Income	0% \$ 2,547,744	\$ 2,624,176	\$ 2,702,902	\$ 2,783,989	\$ 2,867,508	\$ 2,953,534	\$ 3,042,140	\$ 3,133,404	\$ 3,227,406	\$ 3,324,228
Total Affordable Income	2.5% \$ 406,440	\$ 416,601	\$ 427,016	\$ 437,691	\$ 448,634	\$ 459,850	\$ 471,346	\$ 483,129	\$ 495,208	\$ 507,588
Total Other Income	3% \$ 158,040	\$ 162,781	\$ 167,665	\$ 172,695	\$ 177,875	\$ 183,212	\$ 188,708	\$ 194,369	\$ 200,200	\$ 206,206
Gross Potential Income	\$ 3,112,224	\$ 3,203,559	\$ 3,297,582	\$ 3,394,375	\$ 3,494,017	\$ 3,596,595	\$ 3,702,193	\$ 3,810,902	\$ 3,922,814	\$ 4,038,022
Vacancy	5% \$ (155,611)	\$ (160,178)	\$ (164,879)	\$ (169,719)	\$ (174,701)	\$ (179,830)	\$ (185,110)	\$ (190,545)	\$ (196,141)	\$ (201,901)
Effective Income	\$ 2,956,613	\$ 3,043,381	\$ 3,132,703	\$ 3,224,656	\$ 3,319,317	\$ 3,416,765	\$ 3,517,084	\$ 3,620,357	\$ 3,726,673	\$ 3,836,121
Operating Expenses	3% \$ 953,964	\$ 982,583	\$ 1,012,060	\$ 1,042,422	\$ 1,073,695	\$ 1,105,906	\$ 1,139,083	\$ 1,173,255	\$ 1,208,453	\$ 1,244,707
Net Operating Income	\$ 2,002,649	\$ 2,060,798	\$ 2,120,643	\$ 2,182,234	\$ 2,245,622	\$ 2,310,859	\$ 2,378,001	\$ 2,447,102	\$ 2,518,220	\$ 2,591,415
Return on Total Cost	4.46%	4.59%	4.73%	4.86%	5.01%	5.15%	5.30%	5.45%	5.61%	5.78%
Jan 15, 2013, 10 Yr T-bill + 2.5%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Nov 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
ROE	3.71%	3.98%	4.25%	4.54%	4.83%	5.13%	5.44%	5.76%	6.09%	6.43%

Stabilized Occupancy

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
5. Reduce Mitigation by \$200K										
108 UNITS										
TDC Net of Dev OH	\$ 40,466,406									
Developers Fee/OH	\$ 4,161,672									
Total Development Cost	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079	\$ 44,628,079
Total Market Rate Income	0% \$ 2,547,744	\$ 2,624,176	\$ 2,702,902	\$ 2,783,989	\$ 2,867,508	\$ 2,953,534	\$ 3,042,140	\$ 3,133,404	\$ 3,227,406	\$ 3,324,228
Total Affordable Income	2.5% \$ 406,440	\$ 416,601	\$ 427,016	\$ 437,691	\$ 448,634	\$ 459,850	\$ 471,346	\$ 483,129	\$ 495,208	\$ 507,588
Total Other Income	3% \$ 158,040	\$ 162,781	\$ 167,665	\$ 172,695	\$ 177,875	\$ 183,212	\$ 188,708	\$ 194,369	\$ 200,200	\$ 206,206
Gross Potential Income	\$ 3,112,224	\$ 3,203,559	\$ 3,297,582	\$ 3,394,375	\$ 3,494,017	\$ 3,596,595	\$ 3,702,193	\$ 3,810,902	\$ 3,922,814	\$ 4,038,022
Vacancy	5% \$ (155,611)	\$ (160,178)	\$ (164,879)	\$ (169,719)	\$ (174,701)	\$ (179,830)	\$ (185,110)	\$ (190,545)	\$ (196,141)	\$ (201,901)
Effective Income	\$ 2,956,613	\$ 3,043,381	\$ 3,132,703	\$ 3,224,656	\$ 3,319,317	\$ 3,416,765	\$ 3,517,084	\$ 3,620,357	\$ 3,726,673	\$ 3,836,121
Operating Expenses	3% \$ 953,964	\$ 982,583	\$ 1,012,060	\$ 1,042,422	\$ 1,073,695	\$ 1,105,906	\$ 1,139,083	\$ 1,173,255	\$ 1,208,453	\$ 1,244,707
Net Operating Income	\$ 2,002,649	\$ 2,060,798	\$ 2,120,643	\$ 2,182,234	\$ 2,245,622	\$ 2,310,859	\$ 2,378,001	\$ 2,447,102	\$ 2,518,220	\$ 2,591,415
Return on Total Cost	4.49%	4.62%	4.75%	4.89%	5.03%	5.18%	5.33%	5.48%	5.64%	5.81%
Jan 15, 2013, 10 Yr T-bill + 2.5%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Nov 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
ROE	3.75%	4.02%	4.30%	4.59%	4.88%	5.19%	5.50%	5.82%	6.15%	6.49%

Stabilized Occupancy

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
6. Reduce Mitigation by \$ 1.5 Mil										
108 Unit Plan Corrected										
TDC Net of Dev OH	\$ 39,101,406									
Developers Fee/OH	\$ 4,021,292									
Total Development Cost	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698	\$ 43,122,698
Total Market Rate Income	0% \$ 2,547,744	\$ 2,624,176	\$ 2,702,902	\$ 2,783,989	\$ 2,867,508	\$ 2,953,534	\$ 3,042,140	\$ 3,133,404	\$ 3,227,406	\$ 3,324,228
Total Affordable Income	2.5% \$ 406,440	\$ 416,601	\$ 427,016	\$ 437,691	\$ 448,634	\$ 459,850	\$ 471,346	\$ 483,129	\$ 495,208	\$ 507,588
Total Other Income	3% \$ 158,040	\$ 162,781	\$ 167,665	\$ 172,695	\$ 177,875	\$ 183,212	\$ 188,708	\$ 194,369	\$ 200,200	\$ 206,206
Gross Potential Income	\$ 3,112,224	\$ 3,203,559	\$ 3,297,582	\$ 3,394,375	\$ 3,494,017	\$ 3,596,595	\$ 3,702,193	\$ 3,810,902	\$ 3,922,814	\$ 4,038,022
Vacancy	5% \$ (155,611)	\$ (160,178)	\$ (164,879)	\$ (169,719)	\$ (174,701)	\$ (179,830)	\$ (185,110)	\$ (190,545)	\$ (196,141)	\$ (201,901)
Effective Income	\$ 2,956,613	\$ 3,043,381	\$ 3,132,703	\$ 3,224,656	\$ 3,319,317	\$ 3,416,765	\$ 3,517,084	\$ 3,620,357	\$ 3,726,673	\$ 3,836,121
Operating Expenses	3% \$ 953,964	\$ 982,583	\$ 1,012,060	\$ 1,042,422	\$ 1,073,695	\$ 1,105,906	\$ 1,139,083	\$ 1,173,255	\$ 1,208,453	\$ 1,244,707
Net Operating Income	\$ 2,002,649	\$ 2,060,798	\$ 2,120,643	\$ 2,182,234	\$ 2,245,622	\$ 2,310,859	\$ 2,378,001	\$ 2,447,102	\$ 2,518,220	\$ 2,591,415
Return on Total Cost	4.64%	4.78%	4.92%	5.06%	5.21%	5.36%	5.51%	5.67%	5.84%	6.01%
Jan 15, 2013, 10 Yr T-bill + 2.5%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Nov 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
ROE	4.03%	4.32%	4.62%	4.93%	5.25%	5.58%	5.91%	6.26%	6.62%	6.99%

Stabilized Occupancy

Needham MEWS Cash Flow

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
7. Reduce Arc&Eng/Const Cost										
108 Unit H&H Plan										
TDC Net of Dev OH	\$ 37,167,843									
Developers Fee/OH	\$ 3,822,439									
Total Development Cost	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282	\$ 40,990,282
Total Market Rate Income	0%	\$ 2,624,176	\$ 2,702,902	\$ 2,783,989	\$ 2,867,508	\$ 2,953,534	\$ 3,042,140	\$ 3,133,404	\$ 3,227,406	\$ 3,324,228
Total Affordable Income	2.5%	\$ 406,440	\$ 416,601	\$ 427,016	\$ 437,691	\$ 448,634	\$ 459,850	\$ 471,346	\$ 483,129	\$ 495,208
Total Other Income	3%	\$ 158,040	\$ 162,781	\$ 167,665	\$ 172,695	\$ 177,875	\$ 183,212	\$ 188,708	\$ 194,369	\$ 200,200
Gross Potential Income	\$ 3,112,224	\$ 3,203,559	\$ 3,297,582	\$ 3,394,375	\$ 3,494,017	\$ 3,596,595	\$ 3,702,193	\$ 3,810,902	\$ 3,922,814	\$ 4,038,022
Vacancy	5%	\$ (155,611)	\$ (160,178)	\$ (164,879)	\$ (169,719)	\$ (174,701)	\$ (179,830)	\$ (185,110)	\$ (190,545)	\$ (196,141)
Effective Income	\$ 2,956,613	\$ 3,043,381	\$ 3,132,703	\$ 3,224,656	\$ 3,319,317	\$ 3,416,765	\$ 3,517,084	\$ 3,620,357	\$ 3,726,673	\$ 3,836,121
Operating Expenses	3%	\$ 953,964	\$ 982,583	\$ 1,012,060	\$ 1,042,422	\$ 1,073,695	\$ 1,105,906	\$ 1,139,083	\$ 1,173,255	\$ 1,208,453
Net Operating Income	\$ 2,002,649	\$ 2,060,798	\$ 2,120,643	\$ 2,182,234	\$ 2,245,622	\$ 2,310,859	\$ 2,378,001	\$ 2,447,102	\$ 2,518,220	\$ 2,591,415
Return on Total Cost	4.89%	5.03%	5.17%	5.32%	5.48%	5.64%	5.80%	5.97%	6.14%	6.32%
Jan 15, 2013, 10 Yr T-bill + 2.5%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Nov 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
ROE	4.12%	4.32%	4.62%	4.93%	5.25%	5.58%	5.91%	6.26%	6.62%	6.99%

Stabilized Occupancy

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
8. All Chages Reduce Mitig by \$200K										
108 UNITS										
TDC Net of Dev OH	\$ 36,957,843									
Developers Fee/OH	\$ 3,800,842									
Total Development Cost	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686	\$ 40,758,686
Total Market Rate Income	0%	\$ 2,547,744	\$ 2,624,176	\$ 2,702,902	\$ 2,783,989	\$ 2,867,508	\$ 3,042,140	\$ 3,133,404	\$ 3,227,406	\$ 3,324,228
Total Affordable Income	2.5%	\$ 406,440	\$ 416,601	\$ 427,016	\$ 437,691	\$ 448,634	\$ 459,850	\$ 471,346	\$ 483,129	\$ 495,208
Total Other Income	3%	\$ 158,040	\$ 162,781	\$ 167,665	\$ 172,695	\$ 177,875	\$ 183,212	\$ 188,708	\$ 194,369	\$ 200,200
Gross Potential Income	\$ 3,112,224	\$ 3,203,559	\$ 3,297,582	\$ 3,394,375	\$ 3,494,017	\$ 3,596,595	\$ 3,702,193	\$ 3,810,902	\$ 3,922,814	\$ 4,038,022
Vacancy	5%	\$ (155,611)	\$ (160,178)	\$ (164,879)	\$ (169,719)	\$ (174,701)	\$ (179,830)	\$ (185,110)	\$ (190,545)	\$ (196,141)
Effective Income	\$ 2,956,613	\$ 3,043,381	\$ 3,132,703	\$ 3,224,656	\$ 3,319,317	\$ 3,416,765	\$ 3,517,084	\$ 3,620,357	\$ 3,726,673	\$ 3,836,121
Operating Expenses	3%	\$ 953,964	\$ 982,583	\$ 1,012,060	\$ 1,042,422	\$ 1,073,695	\$ 1,105,906	\$ 1,139,083	\$ 1,173,255	\$ 1,208,453
Net Operating Income	\$ 2,002,649	\$ 2,060,798	\$ 2,120,643	\$ 2,182,234	\$ 2,245,622	\$ 2,310,859	\$ 2,378,001	\$ 2,447,102	\$ 2,518,220	\$ 2,591,415
Return on Total Cost	4.91%	5.06%	5.20%	5.35%	5.51%	5.67%	5.83%	6.00%	6.18%	6.36%
Jan 15, 2013, 10 Yr T-bill + 2.5%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Nov 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
ROE	4.17%	4.48%	4.79%	5.11%	5.44%	5.77%	6.12%	6.48%	6.85%	7.23%

Stabilized Occupancy

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
9. All Changes/ Reduce Mitig by \$1.5Mil										
108 UNITS										
TDC Net of Dev OH	\$ 35,592,843									
Developers Fee/OH	\$ 3,660,462									
Total Development Cost	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305	\$ 39,253,305
Total Market Rate Income	0%	\$ 2,547,744	\$ 2,624,176	\$ 2,702,902	\$ 2,783,989	\$ 2,867,508	\$ 3,042,140	\$ 3,133,404	\$ 3,227,406	\$ 3,324,228
Total Affordable Income	2.5%	\$ 406,440	\$ 416,601	\$ 427,016	\$ 437,691	\$ 448,634	\$ 459,850	\$ 471,346	\$ 483,129	\$ 495,208
Total Other Income	3%	\$ 158,040	\$ 162,781	\$ 167,665	\$ 172,695	\$ 177,875	\$ 183,212	\$ 188,708	\$ 194,369	\$ 200,200
Gross Potential Income	\$ 3,112,224	\$ 3,203,559	\$ 3,297,582	\$ 3,394,375	\$ 3,494,017	\$ 3,596,595	\$ 3,702,193	\$ 3,810,902	\$ 3,922,814	\$ 4,038,022
Vacancy	5%	\$ (155,611)	\$ (160,178)	\$ (164,879)	\$ (169,719)	\$ (174,701)	\$ (179,830)	\$ (185,110)	\$ (190,545)	\$ (196,141)
Effective Income	\$ 2,956,613	\$ 3,043,381	\$ 3,132,703	\$ 3,224,656	\$ 3,319,317	\$ 3,416,765	\$ 3,517,084	\$ 3,620,357	\$ 3,726,673	\$ 3,836,121
Operating Expenses	3%	\$ 953,964	\$ 982,583	\$ 1,012,060	\$ 1,042,422	\$ 1,073,695	\$ 1,105,906	\$ 1,139,083	\$ 1,173,255	\$ 1,208,453
Net Operating Income	\$ 2,002,649	\$ 2,060,798	\$ 2,120,643	\$ 2,182,234	\$ 2,245,622	\$ 2,310,859	\$ 2,378,001	\$ 2,447,102	\$ 2,518,220	\$ 2,591,415
Return on Total Cost	5.10%	5.25%	5.40%	5.56%	5.72%	5.89%	6.06%	6.23%	6.42%	6.60%
Jan 15, 2013, 10 Yr T-bill + 2.5%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%
Nov 15, 2013, 10 Yr T-bill + 2.5%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
ROE	4.53%	4.85%	5.19%	5.54%	5.90%	6.26%	6.64%	7.03%	7.43%	7.84%

Stabilized Occupancy