

Concord Square Planning & Development, Inc.

Memorandum

To: Petersham Advisory Finance Committee
From: Ted Carman, Concord Square Planning & Development
Subject: Nichewaug Inn Analysis
Date: October 4, 2016

This memo is to address the issues raised in your memorandum of September 13, 2016. I have responded below to each of the seven items you suggested as corrections:

1. With regard to the demand from Eagle Hill, the Quabbin Retreat, and the Meditation Center: The Bonz analysis looked at the sales prices of homes and condominiums that have sold in the region. The demand from Eagle Hill, the Quabbin Retreat and the Meditation Center is demand for which, in my opinion, **there is no appropriate product on the market.** Appropriate product would be housing / condominiums that are convenient to all three demand sources, have high levels of finish, include common spaces to be shared, and are in the Petersham Village Center. Since there is no appropriate housing product being offered, a report on existing sales will not be able to capture the potential market. The assessment that there may be a substantial demand is based on our interview with the Headmaster of Eagle Hill, and conversations by others, as reported to Concord Square, with key personnel at the Hospital and the Meditation Center.
2. I disagree with your assessment that this demand is reflected in the Bonz analysis, as set forth in the above paragraph.
3. Analysis B was prepared to show what the sales prices would have to be in order for the transactions to generate an 18% to 20% profit. It was not presented as a prediction of the market. Also, as you are aware, construction costs and soft costs can vary substantially. The Analysis A and Analysis B put bookends on a range of potential feasibility.
4. I have revised the Cost Benefit Analysis to show the tax revenues based on Analysis A. There are now two analyses, Cost Benefit Analysis A (designated in the upper right hand corner of the spreadsheet) shows the tax revenues based on the Bonz plus 10% figures. Cost Benefit Analysis B shows the revenues based on the 20% profit figures.
5. Finding, developing and obtaining DEP approval for an off-site well will be a task that must be undertaken by a potential developer who is able to be specific in discussions and negotiations with abutters. This task is certainly beyond the scope of our assignment. However, it appears likely that such an agreement is, at the least, theoretically feasible. Accordingly, arbitrarily foreclosing this option to a potential developer does not seem to be in the best interests of the Town, since

if such arrangements for an off-site well could be made they would expand the potential options for moving the project forward.

We are in receipt of an e-mail from DEP setting forth the acceptability of having two wells on the site.

6. With regard to school costs, I have added a column of costs to each of the Cost Benefit Analysis A and B. The number of School Aged Children (SAC) for each housing type are based on extensive work done by the Center for Urban and Regional Policy at Northeastern University in conjunction with an analysis for school cost reimbursement in Chapter 40S, passed by the legislature in 2005. I inflated the school costs at the same rate as the tax revenues. I believe that the estimated number of SAC for each 3 Bedroom Townhouse is probably higher than would actually be the case. One approach would be to have the Townhouses be 2 BR units, which would substantially reduce the number of children.
7. None of the Options suggests that the new housing would be sold at prices that would be less than the costs / prices of the existing housing stock – in fact, the opposite. My opinion is that the redevelopment of the site, if done responsibly and consistent with the quality of the existing village center, would result in an increase in local property values.

I hope that this is helpful to your discussions.

Respectfully submitted,

Ted Carman