

To: Mr. Ted Carman, Concord Square Planning and Development  
From: Petersham Advisory Finance Committee  
Re: Your Presentation of September 7, 2016

September 13, 2016

Dear Mr. Carman,

We are writing to outline our concerns regarding your presentation and accompanying documentation at the September 7, 2016 public meeting. Our hope is that the problems we have identified will be corrected and made available before the next public meeting.

**Market Study & Cost Analysis Report:**

The Bonz Market Study from Joanne Shelton is professionally done and supported by documentation. Likewise, your basic cost analysis is thorough and supported by financial data and documentation.

The Concord Square Planning and Development (CSPD) cost analysis based on the Bonz market study projects a financial loss for all options with the exception of options #4 and #5. This is shown in "Analysis A" and should constitute the main conclusion of the CSPD effort. However, an "Analysis B" was added, which inflates Bonz's sources of funds (sale prices) in order to produce a developer profit. It might be acceptable to include "Analysis B" for the purpose of showing how far away we are from a financially viable solution.

It is, however, unacceptable to use "Analysis B" in order to make revenue projections or to recommend a course of action. Such use contravenes the clear directives specified in the RFP (emphasis ours):

Purpose (page 1):

... We encourage the consultant to look creatively at the entire property and to consider a wide range of options ... and **to propose only options with realistic possibilities** for implementation that would also benefit the Town economically.

... We are seeking a professional planning consultant to provide the town with **realistic recommendations on appropriate and financially feasible options** for re-purposing the buildings and/or site of the Nichewaug property and to help us determine what town needs might be met by this redevelopment. ... In short, the Town needs a vision, a plan to get there, and **sufficient hard data** to know, whatever this turns out to be, that it is **economically feasible** for the town and for this property.

To make the inflated "Analysis B" sales prices seem more feasible, page 22 of the Presentation (under the heading "Market Study – Other Sources of Demand") lists Eagle Hill School, Insight Meditation Center and Quabbin Retreat as possible "special sources of interest". This new

market information is not part of the Bonz study (Bonz never mentions this category or these institutions). At the very least, it needs to be separately identified by its source (author) and supporting documentation (market study). In the absence of supporting documentation, it should not be included in the final Presentation and Report: it would simply be another example of the sort of hearsay that has plagued the Nichewaug project from the outset, and which was explicitly proscribed in the RFP:

Products (page 5):

... Any **assumptions** made in the recommendations or proposed options in the report **should be clearly stated**. Similarly, **all calculations in the report should be shown and the source of any values or variables should be noted**.

Additionally, this “special” market study needs to be reconciled with the Bonz study: Eagle Hill and the Meditation Center have been in existence for decades, and their employees, students and families would have been covered in the Bonz market study, just as staff, students and families from similar institutions were covered by Bonz (e.g. Harvard Forest, Quabbin Valley Health Care, Stetson School, Barre Health Center.) There is no obvious justification for labeling Eagle Hill and the Meditation Center as “Other Sources of Demand”.

Consequently, unless there is a documented market study to support “Analysis B” and its revenue projections, both should be removed from the final Presentation and Report.

#### **Water and Septic:**

On the Nichewaug page of the Petersham Town web site, correspondence from Douglas Paine states, in part, “MassDEP will not allow the current nonconforming well to be used as a Public Water Supply source.” This memo is a critical document that places huge constraints on any proposed solution. It therefore needs to be mentioned prominently in your Presentation and Report. It should also be attached to the Presentation and Report as an appendix.

In particular, there is no substantiated written documentation that either an off-site water supply or two wells on site will be approved by DEP, and no detail concerning the process and cost if either of these ideas were pursued. Page 24 of the Presentation offers the opinion that an off-site water supply “may be feasible”, and that the two wells on site “appear feasible”.

The only documented fact we have is that the existing well is nonconforming and cannot be used as a Public Water Supply. Again, statements of conjecture (i.e. “may be feasible” or “appear feasible”) should not be used to support a course of action. Therefore, the off-site well and two wells on site should not be included in the final Presentation and Report unless they can be substantiated by credible written documentation of DEP’s potential approval and the process, costs etc.

### **Financial Analysis:**

The AFC was surprised to learn that your tax revenue projections were based on an analysis supplied by a Town resident. It would have been preferable had you sought our help in this matter, especially since the information supplied to you is incorrect and incomplete. The tax rate is a product of approved expenditure appropriations, other revenue sources and property assessed valuations. More importantly, your projections fail to account for additional costs to the Town. For example, you make no mention of the cost of educating the children who move into the Nichewaug. This includes a data-driven estimate of the number of children, the cost of replacing incoming school choice students (\$5,000/student), a (proportional) estimate of the cost for Special Needs education, and the cost of sending additional students to the regional High School.

### **The Risks We Face:**

Our insistence on sticking to documented facts is based on two considerations. In the first place, the Nichewaug Project has been plagued by soft information for years, making it almost impossible to clarify the facts, let alone decide what values the Town wishes to realize. We hired you to remedy this factual failure. Any deviation from fact-based analysis into speculation brings unnecessary confusion and disagreement into the discussion. For example, one local Petersham web site claims (emphasis ours) that you:

“discussed what [you] determined are viable redevelopment options for the town-owned Nichewaug property at a meeting in Town Hall on Sept. 7.”

And that you (emphasis ours):

“used a traditional market survey of comparable area sales to estimate what such units might sell or rent for in town and suggested that Eagle Hill School in Hardwick, Insight Meditation Center in Barre and the planned Quabbin Retreat in town might well generate additional demand for housing units.”

<http://petershamcommon.com/news.htm>

In both of these examples, your speculations (“Analysis B”) have been represented as being more concrete than you may have intended. The result is that we soon will be back at square one: arguing about feasibility instead of deciding among realistic possibilities.

The second consideration is financial: we believe that the low demolition bid from September 2015 (which we understand is still valid) will be put at risk if demolition is undertaken in two stages. We have to weigh this probability against the probability that a new RFP will result in a financially viable project. If your market-based analysis indicated that redevelopment was financially feasible (i.e. Analysis A), this might be a risk worth taking. But to risk a substantial increase in demolition costs on the basis of the speculations contained in “Analysis B” seems foolhardy.

**Corrective Steps:**

Below is a list of corrective steps that CSPD should take in preparation for its next Presentation and Report:

1. Page 22 of the Presentation should be eliminated or identified as a separate Market Study (not the Bonz study) with its source/author identified, and the market study data it is based on should be given to the Town as was the Bonz report.
2. Eagle Hill School and the Meditation Center were covered in the Bonz study and should not be presented as a specialty market.
3. "Analysis B" should be eliminated from the Presentation and Report as a basis for further action, unless there is a documented market study to support it.
4. The property tax revenue projections should be based on "Analysis A".
5. The off-site well possibility and the two-wells on-site possibility need to be substantiated by credible written documentation of DEP's potential approval, including the process and costs involved and any other significant factors (e.g., abutter's approval). If this cannot be done, both of these ideas should be eliminated in the final Presentation and Report.
6. Any revenue projections must take into account additional costs to the Town, e.g., the number of children that will be added to our elementary and high school, loss of school choice revenue, the marginal cost of adding students to Mahar, and proportional special education needs costs.
7. An estimate needs to be made concerning the effect on the valuation of existing properties due the availability of lower priced housing units.

The Advisory Finance Committee would be happy to meet with you to discuss these matters further.

Respectfully,  
Petersham Advisory Finance Committee

cc: Petersham Selectboard  
Steve Boudreau, Administrative Coordinator