

Nichewaug Inn & Academy Property

Petersham, MA

Public Information Meeting #4

Concord Square Planning &
Development, Inc.

Albert, Righter & Tittmann
Architects, Inc.

Bonz & Company

Douglas MacLeay

October 6, 2016



Agenda

- 1. Village Center Environment**
- 2. Market Study / Water & Septic**
- 3. Development Options (total of 6)**
- 4. Cost / Benefit Analysis for the Town**
- 5. Summary of Options / Benefits**
- 6. Recommendations for Town Meeting**

A Quintessential New England Village



Beautiful Homes



Petersham Nichewaug Inn & Academy property

Outstanding Architecture Quality



No Discordant Notes

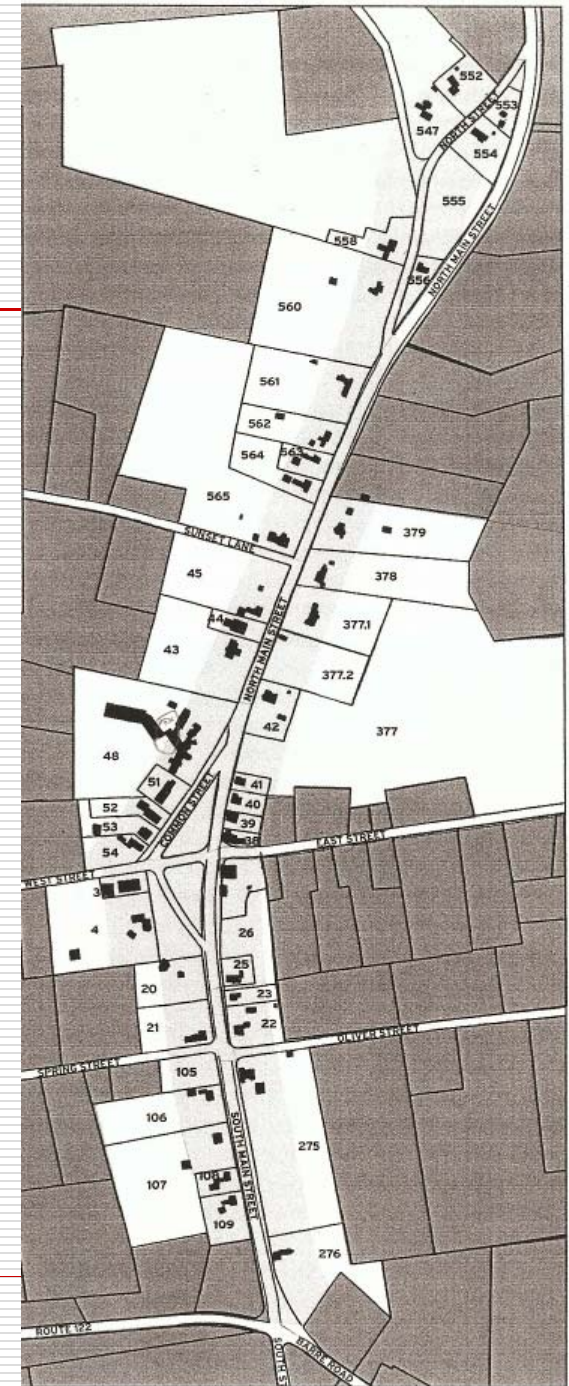


Petersham Nichewaug Inn & Academy property

Emphasis : Historic Preservation

- Federal and State Historic District
- Consistent Quality
- Very few Buildings after 1940

Petersham Nichewaug Inn & Academy property



Our Main Goals

- **Gather public input and help build consensus**
- **Find a feasible solution to:**
 - **Eliminate a fire hazard degrading nearby property values**
 - **Alleviate the Town's financial burden**
 - **Create long term stable revenues for the Town**
 - **Possibly - Preserve the historic Nichewaug Inn**

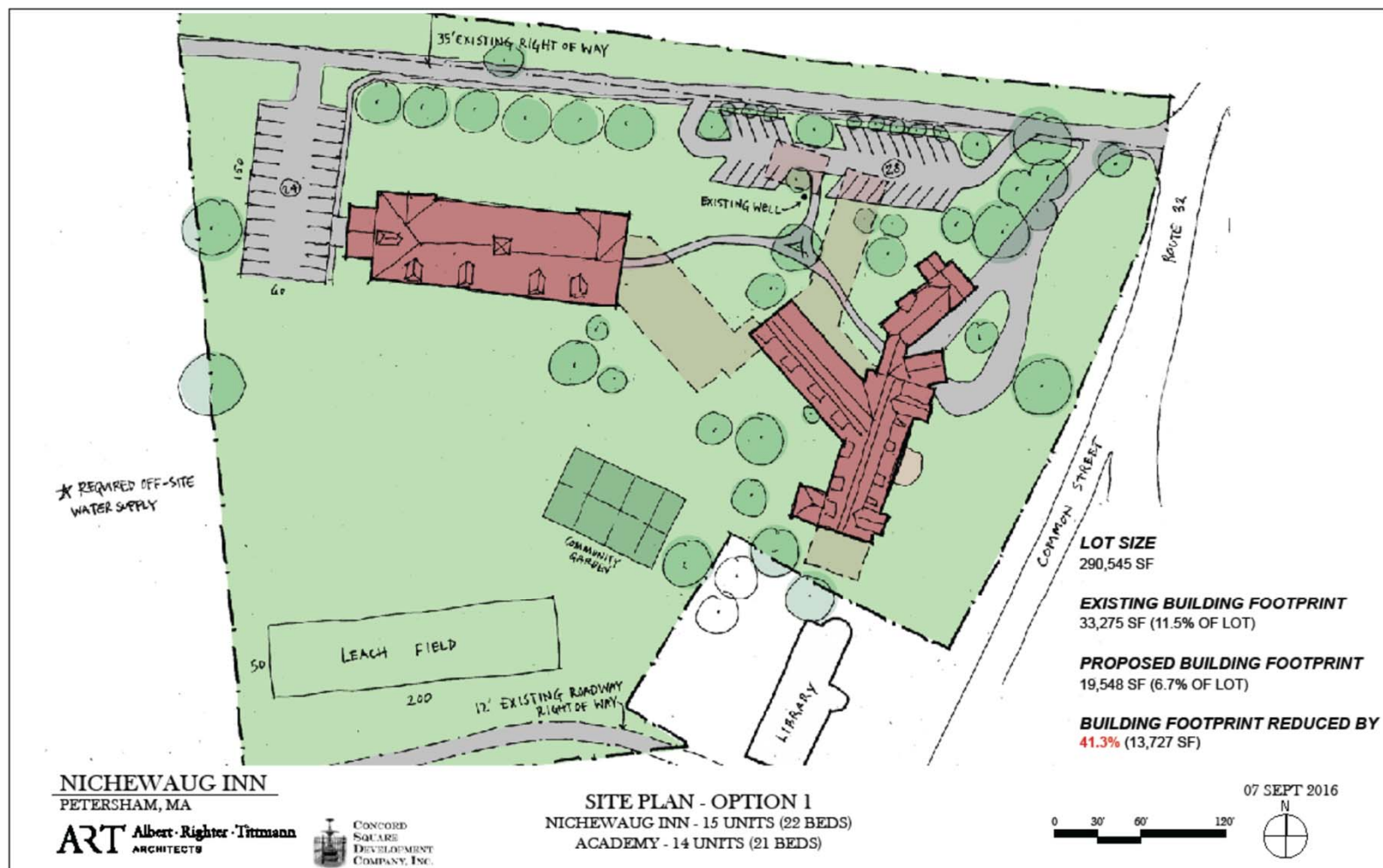
Four Primary Options

Option 1 <ul style="list-style-type: none">• Partial Demolition• 29 new units• Reduce building footprint by 29.7%	Option 2 <ul style="list-style-type: none">• Partial Demolition• 15 new units• Reduce building footprint by 61.3%
Option 3 <ul style="list-style-type: none">• Partial Demolition• 9 new units + 3 new houses• Reduce building footprint by 57.1%	Option 4 <ul style="list-style-type: none">• Total Demolition• 4 new houses• Reduce building footprint by 81.5%

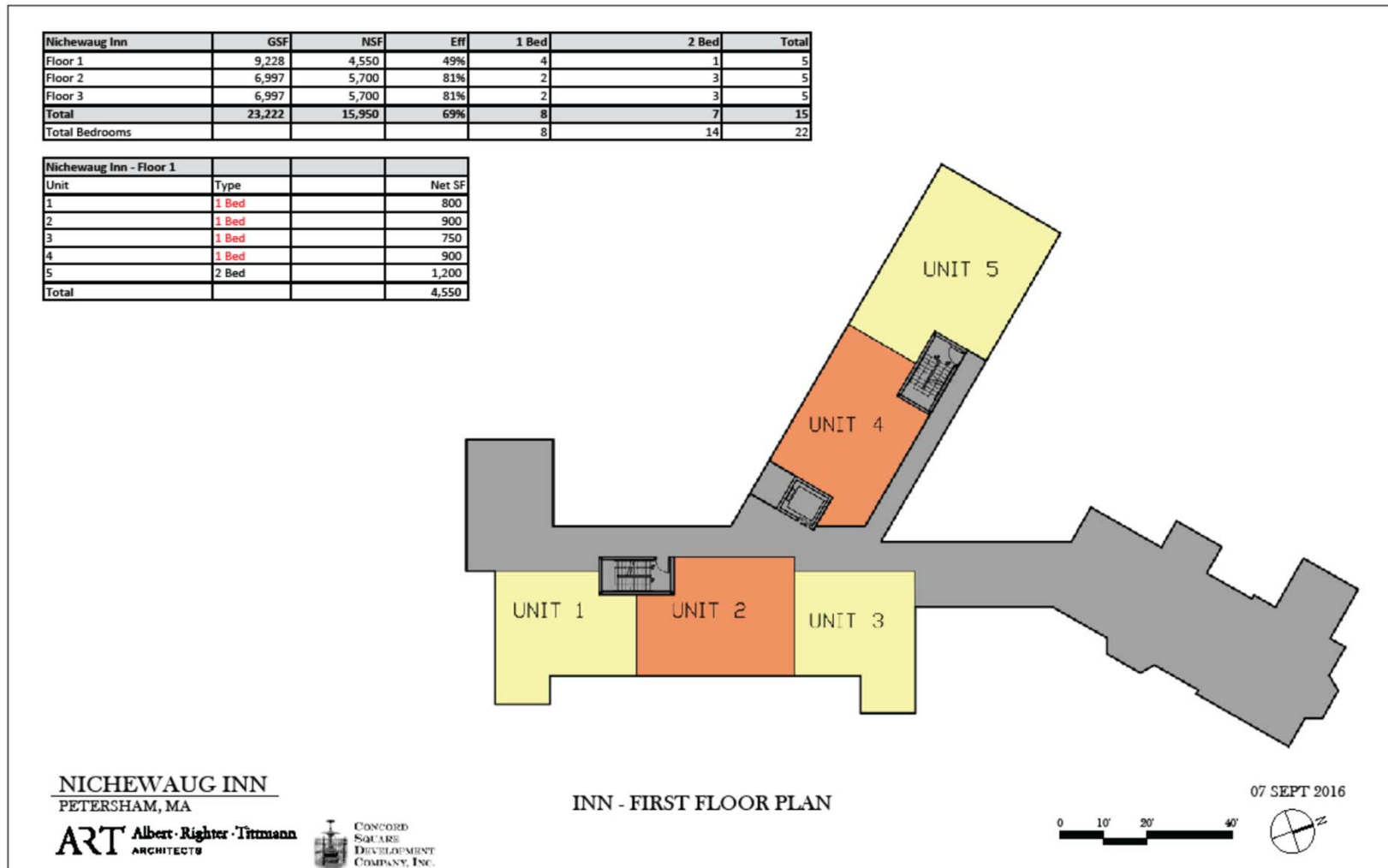
Two additional options analyzed

- ☐ **Option 5 - Complete Demolition with new construction of 15 Townhouses**
- ☐ **Option 6 – Retain Inn and redevelop as rental using Tax Credits and Mass Development Workforce Housing Loans;**

Potential Option 1: Partial Demo, 29 units



Potential Option 1: Inn Renovation 1st Floor



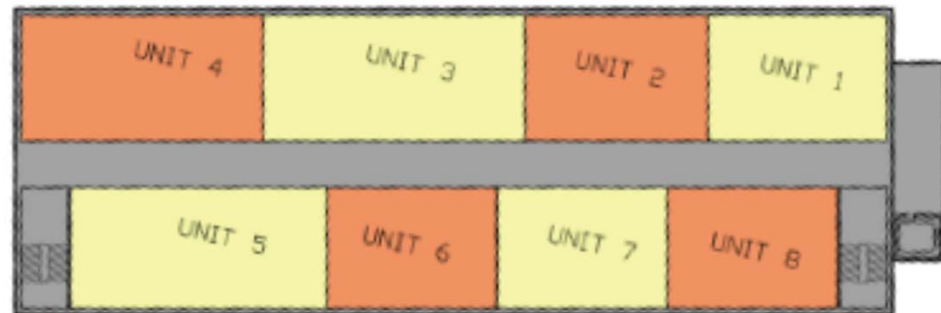
Potential Option 1: Partial Demo

Academy Building- 14 units, 20 bedrooms

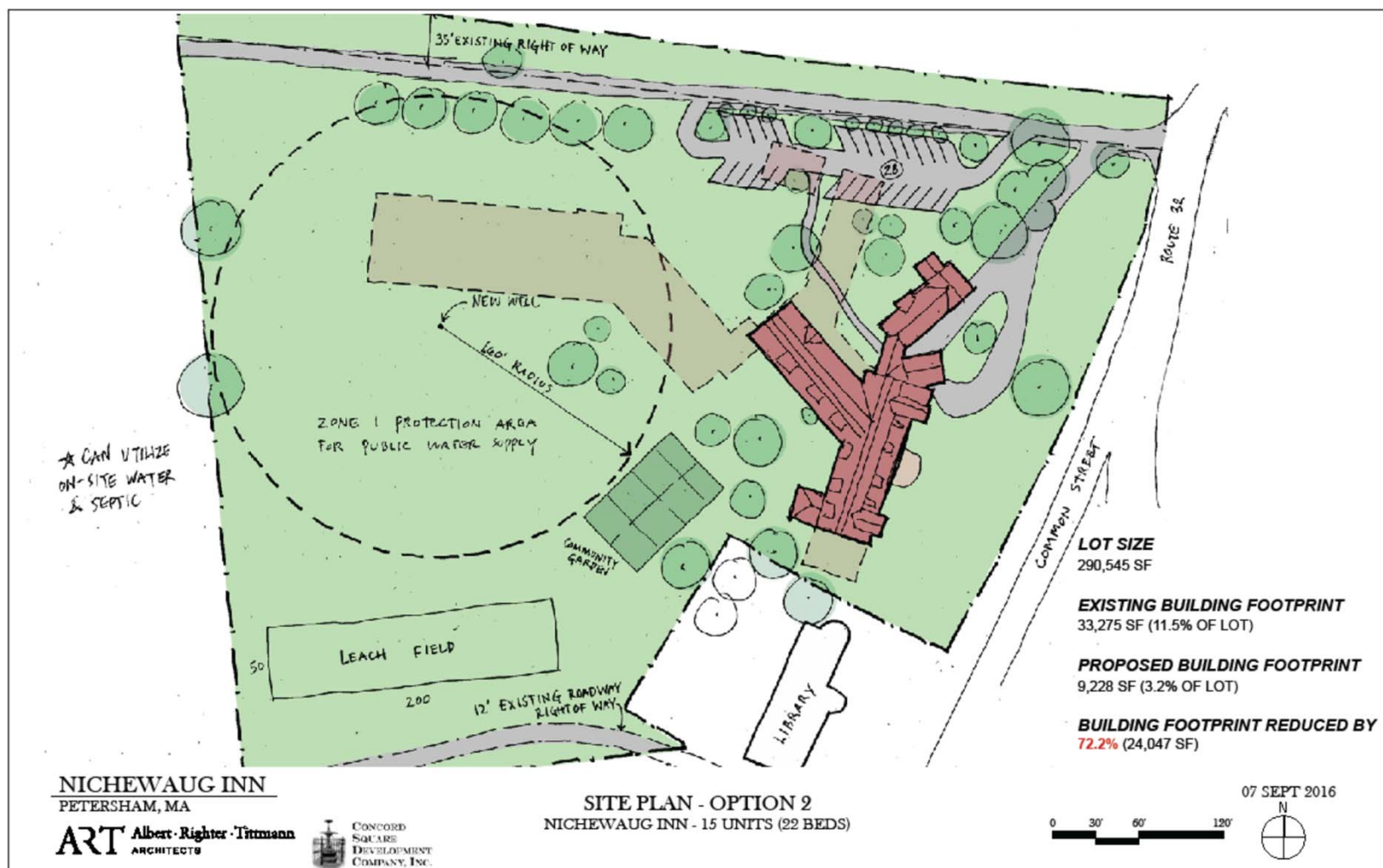
1st Floor



2nd Floor



Potential Option 2: Partial Demo, 15 units



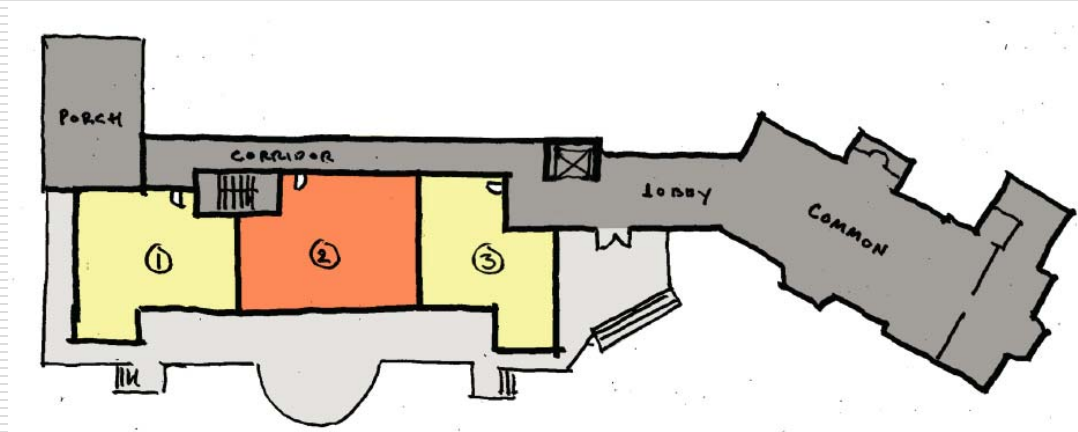
Potential Option 3: Partial Demo, 9 units + 3 houses



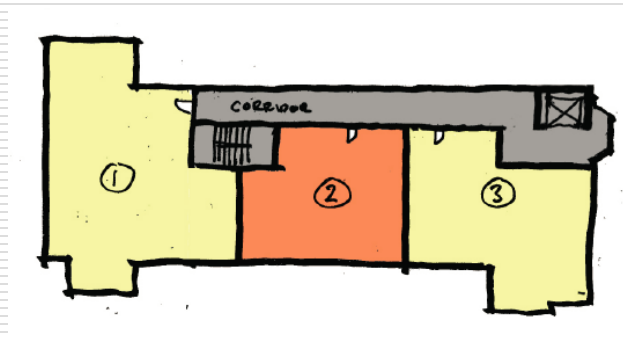
Potential Option 3: Partial Demo, 9 units + 3 houses

Partial Inn Building- 9 units, 12 bedrooms

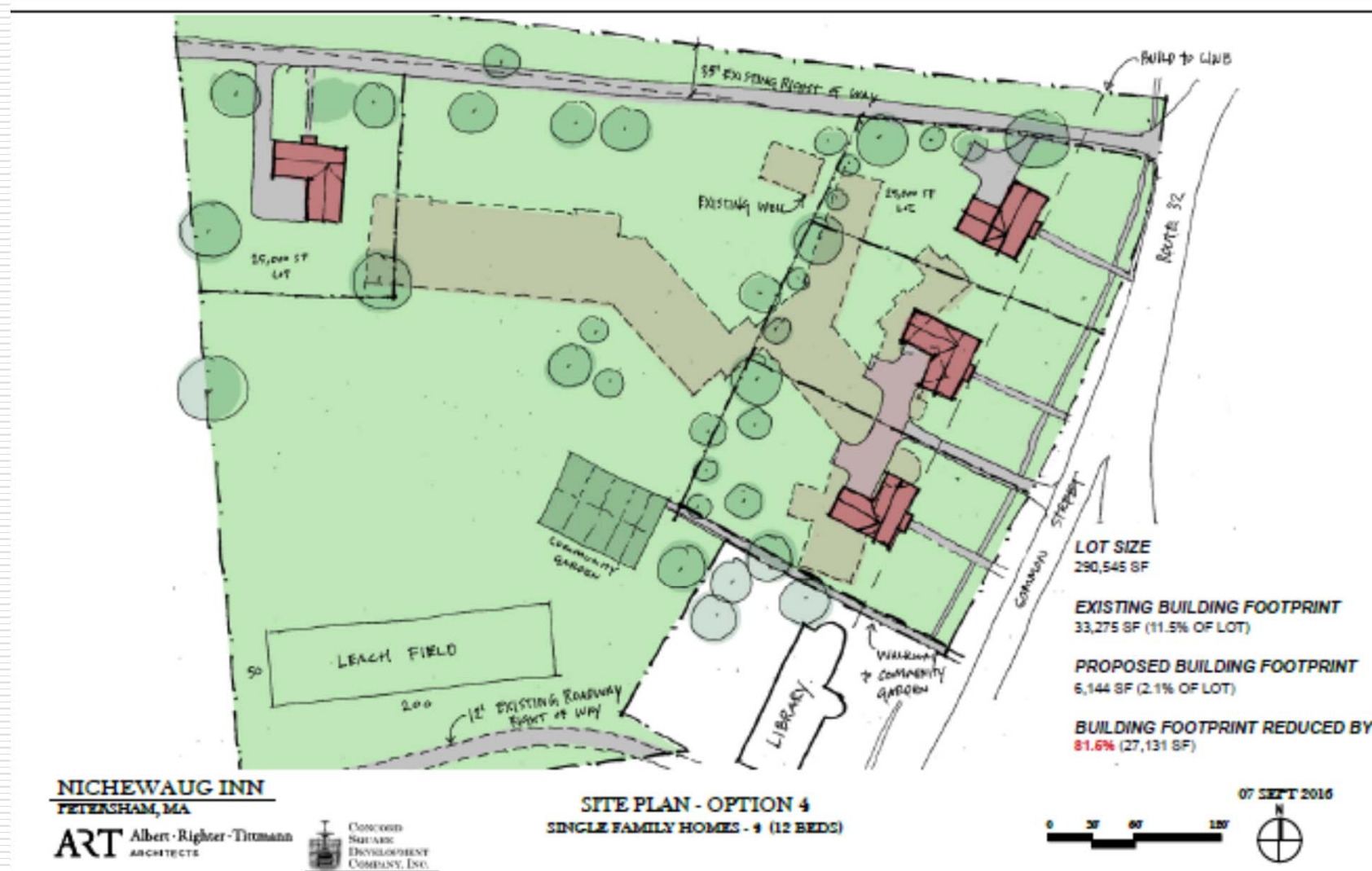
1st Floor



2nd, 3rd Floors



Potential Option 4: Total Demo, 4 houses



Market Study

- **Prepared by Bonz & Company**
- **Examined single family and condominium sales since 2000 in:**
 - Petersham
 - Hardwick
 - Hubbardston
 - New Salem
 - Phillipston
- **Focused on 49 sales in last 12 months for relatively new or substantially renovated units**

Market Study - Findings

Summary of 12 Month Comparable Sales

	Sales Price	Square Feet	Price / s.f.
Minimum	\$229,000	1,196	\$191.47
Maximum	\$500,000	3,694	\$135.35
Median	\$274,950	2,126	\$129.33
Average	\$303,446	2,164	\$140.22

N = 49

Market Study - Conclusions

Exhibit 4 - Estimated Sales Price of Proposed Units

Unit Type	Size	Price / SF Range		Potential Sales Price	
1 BR Condo	700	\$165	\$175	\$115,500	\$122,500
1 BR Condo	900	\$165	\$175	\$148,500	\$157,500
2 BR Condo	1,000	\$165	\$175	\$165,000	\$175,000
2 BR Condo	1,400	\$165	\$175	\$231,000	\$245,000
2 BR SFH	1,600	\$165	\$175	\$264,000	\$280,000
3 BR SFH	2,000	\$165	\$175	\$330,000	\$350,000

Market Study – New Single Family

- **Hubbardston**
 - **Pinecrest Subdivision**
 - **On the market:**
 - **Four to-be built at 1,300 to 1,560 s.f. each**
 - **\$210,000 to \$ 260,000**
 - **\$145 to \$182 per s.f.**
- **New Salem**
 - **On the Market**
 - **One 3 bedroom single family:**
 - **1,200 s.f. at \$200,000 or \$167 per s.f.**

Market Study – Other Sources of Demand

- **Eagle Hill School**
 - 10 miles away
 - 220 students – mostly boarding
 - 80 faculty plus 40 staff
 - Parents – relocating to be nearby
- **Insight Meditation Center**
 - International Reputation and Clientele
- **Quabbin Retreat**
 - Treatment Center of Heywood Hospital
 - 80 Staff members – many professional

Assessments of Other Proposed Uses

- **Housing**
 - Rental housing
 - Seasonal and vacation housing
 - Other types of ownership
- **Commercial/Office**
 - Town administrative office
 - Private commercial uses (Small Inn, restaurant, business support, etc.)
- **Other types of ownership**
 - Town senior center, open space, cemetery, etc.

Water

- **Extensive Discussions with Mass DEP**
 - 12 bedrooms or less – private water supply, local control
 - Over 12 bedrooms requires a Public Water Supply
 - With a Zone 1 Protection Area
- **Two wells (private) on site appear feasible (24 BRs)**
- **Max. bedrooms to be served on site with PWS - \pm 26**
- **Off-site Water Supply may be feasible**
 - Necessary for Options 1 & 5
 - Require agreements with abutters

Septic

-
- **10,000 s.f. leaching area appears sufficient for all development options**
 - **Ideal location appears to be at the southwest corner of the site, but could vary depending on site plan.**
 - **Use common septic for any Development Options**
 - **Include Library needs in design capacity**
 - **Explore innovative systems (such as Ad-Vantax)**

Development Feasibility

- **Financing Requires that developments must be profitable**
- **Sources of Funds must exceed the Uses of funds;**
- **For-Sale projects – require 18% to 20% margins**
- **Historic Sale prices in Petersham are low compared to probable costs.**

Estimated School Costs

Estimated number of School Aged Children (SAC) Per Housing Type

One Bedroom	0.045
Two Bedroom	0.152
Single Family Home (3 BRs)	0.95

Estimated Cost / SAC

School Choice Revenue	5,000
Other Costs, Averaged: 30.0%	1,500
Budget Amount per student:	6,500

Estimated # school children and Cost per Option

	Option 1 Inn + Acad. Condos	Option 2 Inn 15 Condos	Option 3 Inn - 9 units Homes - 3	Option 4 Homes - 4	Option 5 Townhouses 15	Option 6 Inn Rental
Number of Units / type						
# 1 BR	15	8	6			8
# 2 BR	14	7	3		15	7
# Single Family	0		3	4	0	
Number of SAC / type						
1 BR	0.675	0.36	0.27	0	0	0.36
2 BR	2.128	1.064	0.456	0	2.28	1.064
Single Family	0	0	2.85	3.8	0	0
Total per option	2.803	1.424	3.576	3.8	2.28	1.424
Education Costs	18,220	9,256	23,244	24,700	14,820	9,256

Construction Cost Estimates

Option		Total Units	Total BRs	Total Const. \$ Incl. Conting.	Gross s.f.	Cost per Gross s.f.	Saleable s.f.	Cost per Salable s.f
1	Academy Building	14	21	2,542,265	20,060	\$126.73	13,470	\$188.74
2	Nichewaug Inn	15	22	3,671,668	23,488	\$156.32	15,380	\$238.73
3	Nichewaug Inn	9	12	2,332,300	14,680	\$158.87	9,290	\$251.05
	3 Single Family	3	9	238,298	1,900	\$125.42	1,500	\$158.87
4	4 Single Family	4	12	238,298	1,900	\$125.42	1,500	\$158.87
5	15 Townhouses	15	45	177,811	1,400	\$127.01	1,200	\$148.18
6	Nichewaug as Rental	15	22	3,361,670	23,488	\$143.12	15,380	\$218.57

Feasibility – Option 1

Unit Size and Number

	Inn	Academy
1 BR Size	846	796
2 BR Size	1,230	1,129
# 1 BR Units	8	7
# 2 BR Units	7	7
Total Units	15	14

Requires off-site water supply

Feasibility – Option 1

Nichewaug Inn + Academy Building

Sources of Funds		Analysis A	Analysis B	
	Bonz +			Bonz +
Nichewaug Sales	10.0%	2,960,650	5,652,150	110.0%
Academy Sales	10.0%	2,592,975	3,960,180	68.0%
Cost of Sales @	6.0%	(333,218)	(576,740)	
Total Sources		5,220,408	9,035,590	
Uses of Funds				
Acquisition		\$1.00	\$1.00	
Water & Septic		138,000	138,000	
Soft Costs		1,129,806	1,129,806	
Academy Const.	\$113	2,311,150	2,311,150	
Nichewaug Const.	\$142	3,337,880	3,337,880	
Const. Conting.	10.0%	564,903	564,903	
Misc.		50,000	50,000	
		7,531,740	7,531,740	
Total Sources		5,220,408	9,035,590	
Total Uses		(7,531,740)	(7,531,740)	
Developer Profit		(2,311,333)	1,503,850	
Profit as % of Costs		-30.7%	20.0%	

Feasibility – Option 1

Unit Pricing

Sale Prices	Inn	Academy Building
Bonz plus	10.0%	10.0%
One BR Units	\$162,903	\$153,175
Two BR Units	\$236,775	\$217,250
Price per s.f.	\$193	\$193
Bonz plus	110.0%	68.0%
One BR Units	310,997	233,940
Two BR Units	452,025	331,800
Price per s.f.	\$368	\$294

Option 1 Cost Benefit Assumptions

Total Sales value		9,612,330
Assessed Value percent		90.0%
Assessed Value		<u>8,651,097</u>
Tax Rate		\$16.42
Annual Property taxes		142,051
Annual Inflation		3.1%
Total Cost		715,211
Cont. & Mgmt	10.0%	71,521
Issuance Cost	8.0%	<u>57,217</u>
Amount of Debt		843,949
Debt Service @	6.7216%	56,727

Option 1 Cost - Benefit

Number of SAC	2.803
First year education cost	18,220

	Analysis A	Analysis B
Twenty year Cost Benefit	582,941	2,196,254

Feasibility – Option 2

Nichewaug Inn – 15 Units

	Sale Prices	# Units
Bonz plus	10.0%	
One BR Units	\$162,903	8
Two BR Units	\$236,775	7
Price per s.f.	\$193	15

		Size of Units
Bonz plus	110.0%	
One BR Units	310,997	846
Two BR Units	452,025	1,230
Price per s.f.	\$368	

Feasibility – Option 2

Source & Uses of Funds

Sources of Funds		Analysis A	Analysis B
	Bonz +	10.0%	110.0%
Nichewaug Sales		2,960,650	5,652,150
Cost of Sales @	6.0%	(177,639)	(339,129)
Total Sources		2,783,011	5,313,021
Uses of Funds			
Acquisition		1	1
Water & Septic		69,000	69,000
Soft Costs		667,576	667,576
Nichewaug Const.	\$142	3,337,880	3,337,880
Const. Conting.	10.0%	333,788	333,788
Misc.		25,000	25,000
		4,433,245	4,433,245
Total Sources		2,783,011	5,313,021
Total Uses		(4,433,245)	(4,433,245)
Developer Profit		(1,650,234)	879,776
Profit as % of Costs		-37.2%	19.8%

Option 2 Cost - Benefit Assumptions

Total Sales value		5,652,150
Assessed Value percent		90.0%
Assessed Value		<u>5,086,935</u>
Tax Rate		\$16.42
Annual Property taxes		83,527
Annual Inflation		3.1%
Cost of Env. & Demo		885,201
Cont. & Mgmt	10.0%	88,520
Issuance Cost	8.0%	<u>70,816</u>
Amount of Debt		1,044,537
Debt Service @	6.7216%	70,209

Option 2 Cost - Benefit

Number of SAC	1.4	
First year education cost	9,256	
	Analysis A	Analysis B
Twenty year Cost Benefit	(476,309)	593,548

Feasibility – Option 3

Nichewaug – 9 units

	Sale Prices	# Units	# BRs
Bonz plus	10.0%		
One BR Units	\$171,004	6	6
Two BR Units	\$254,100	3	6
Price per s.f.	\$193	9	12

		Size of Units
Bonz plus	120.0%	
One BR Units	342,008	888
Two BR Units	508,200	1,320
Price per s.f.	\$385	

Private water supply - 12 Bedrooms

Feasibility – Option 3

Nichewaug – 9 Units

Sources of Funds		Analysis A	Analysis B
	Bonz +	10.0%	120.0%
Nichewaug Sales		1,788,325	3,576,650
Cost of Sales @	6.0%	(107,300)	(214,599)
Total Sources		1,681,026	3,362,051
Uses of Funds			
Acquisition		1	1
Water & Septic		41,500	41,500
Soft Costs		424,055	424,055
Nichewaug Const.	\$144	2,120,273	2,120,273
Const. Conting.	10.0%	212,027	212,027
Misc.		25,000	25,000
		2,822,855	2,822,855
Total Sources		1,681,026	3,362,051
Total Uses		(2,822,855)	(2,822,855)
Developer Profit		(1,141,830)	539,196
Profit as % of Costs		-40.4%	19.1%

Feasibility – Option 4

Single Family Homes

Sources of Funds	Bonz +	Analysis A 10.0%	Analysis B 17.0%
Sale Proceeds		365,750	389,025
Less Cost of Sales @		(21,945)	(23,342)
Total Sources		343,805	365,684
Uses of Funds			
Acquisition from the Town		1	1
Water & Septic		14,125	14,125
Soft Costs		29,795	29,795
Const. Cost		238,298	238,298
Misc.		25,000	25,000
Total Uses		307,219	307,219
Total Sources		343,805	365,684
Total Uses		(307,219)	(307,219)
Developer Profit		36,586	58,464
Profit as % of Costs		11.9%	19.0%

Feasibility – Option 4

Single Family Homes

	Size	Constr. Cost	\$ / s.f.
Home	1,500	218,498	\$145.67
Garage	400	19,800	\$49.50
Total	1,900	238,298	
			\$125.42
Sales Price		365,750	\$243.83

Cost Benefit – Option 3

Nichewaug – 9 Units + 3 S.F. homes

Sales value - Inn		3,576,650
Sales value - homes		<u>1,167,075</u>
Total Sales		4,743,725
Assessed Value percent		<u>90.0%</u>
Assessed Value		4,269,353
Tax Rate		\$16.42
Annual Property taxes		70,103
Annual Inflation		3.1%
Total Cost		958,110
Cont. & Mgmt	10.0%	95,811
Issuance Cost	8.0%	<u>76,649</u>
Amount of Debt		1,130,570
Debt Service @	6.7216%	75,992

Nichewaug – 9 Units + 3 S.F. Homes

Number of SAC	3.6
First year education cost	23,244

	Analysis A	Analysis B
Twenty year Cost Benefit	(998,052)	(259,447)

4 Single Family Homes

Cost Benefit Assumptions

Sales value - homes		389,025	per home
Total Sales		1,556,100	
Assessed Value percent		90.0%	
Assessed Value		<u>1,400,490</u>	
Tax Rate		\$16.42	
Annual Property taxes		22,996	
Annual Inflation		3.1%	
Total Cost		971,629	
Cont. & Mgmt	10.0%	97,163	
Issuance Cost	8.0%	<u>77,730</u>	
Amount of Debt		1,146,522	
Debt Service @	6.7216%	77,064	

4 Single Family Homes

Number of SAC	3.8
First year education cost	24,700

	Analysis A	Analysis B
Twenty year Cost Benefit	(1,624,125)	(1,587,119)

Feasibility – Option 5

Townhouses

Sources of Funds	Analysis A	Analysis B
Bonz +	10.0%	18.0%
Sale Proceeds	269,500	289,100
Less Cost of Sales @	(16,170)	(17,346)
Total Sources	253,330	271,754
Uses of Funds		
Acquisition from the Town	1	1
Water & Septic	11,200	11,200
Soft Costs	22,897	22,897
Const. Cost	177,811	177,811
Misc.	19,000	19,000
Total Uses	230,909	230,909
 Total Sources	 253,330	 271,754
Total Uses	(230,909)	(230,909)
Developer Profit	22,421	40,845
Profit as % of Costs	9.7%	17.7%

Feasibility – Option 5 Townhouses

	Size	Constr. Cost	\$ / s.f.
Home	1,200	167,911	\$139.93
Garage	200	9,900	\$49.50
Total	1,400	177,811	\$127.01
Sales Price		269,500	\$224.58

15 Townhouses

Cost Benefit Assumptions

Sales value - homes		289,100	per townhouse
Total Sales		4,336,500	
Assessed Value percent		90.0%	
Assessed Value		3,902,850	
Tax Rate		\$16.42	
Annual Property taxes		64,085	
Annual Inflation		3.1%	
Total Cost		971,629	
Cont. & Mgmt	10.0%	97,163	
Issuance Cost	8.0%	77,730	
Amount of Debt		1,146,522	
Debt Service @	6.7216%	77,064	

Option 5 - Townhouses

Assume all Townhouses are 2 bedroom units

Number of SAC	2.3
First year education cost	14,820

	Analysis A	Analysis B
Twenty year Cost Benefit	(333,039)	(216,175)

Nichewaug Inn – Option 6

(Option 2 as Rentals – 9 Units)

Rent Summary

	Type	No. Units	Avg s.f. Leasable per unit	Rent per unit	Rent per s.f.
Inn	1 BR	8	846	\$1,185	\$1.40
Inn	2 BR	7	1,230	\$1,661	\$1.35

Feasibility – Option 6

Rental Operations

Sources of Funds

Conventional Debt	1,489,000
Federal Historic Credit	809,000
State Historic Credit	724,000
Mass Housing Program	1,100,000
Developer Equity	300,000
Deferred Developer Fee	407,000
Total	<u>4,829,000</u>

Feasibility – Option 6

Rental Operations

Uses of Funds

	Rehab Costs	
Acquisition	1	0
Soft Costs	708,000	530,000
Construction Costs	3,112,657	2,888,657
Const. Contingency	249,013	231,093
Development Fee	657,000	609,719
Miscellaneous	18,329	0
Total	4,745,000	4,259,469

Feasibility – Option 6

Rental Operations

FEASIBILITY ISSUES WITH THIS OPTION / APPROACH

1. The Mass Housing Program is new, and the funding may not be available / feasible;
2. The Federal & State Historic Tax Credits are likely to require retaining much of the internal layout and organization of the Nichewaugh Inn, compromising marketability;
3. It can take two to four years to obtain the full allocation of State Historic Tax Credits.

Nichewaug – Option 6

Cost Benefit Assumptions

Annual Property taxes		21,102
Annual Inflation		3.1%
 Total Cost		 715,211
Cont. & Mgmt	10.0%	71,521
Issuance Cost	8.0%	57,217
Amount of Debt		<u>843,949</u>
Debt Service @	6.7216%	56,727

Inn Rental: Option 6 – Cost Benefit

Number of SAC	1.4	
First year education cost	9,256	
	Analysis A	Analysis B
Twenty year Cost Benefit	(806,810)	(806,810)

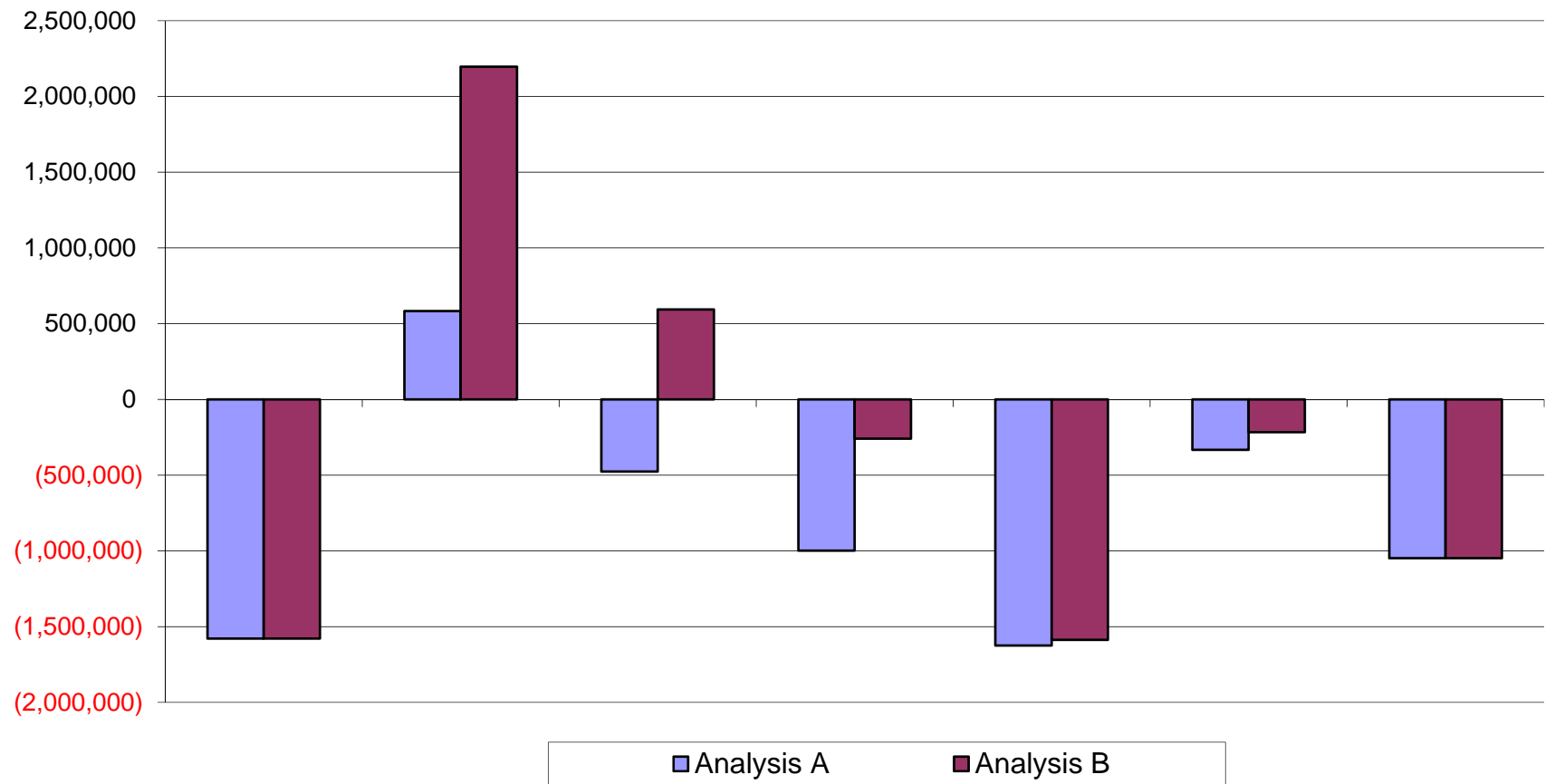
Construction Cost Estimates

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5	15 Townhouses	15	45	177,811	1,400	\$127.01	1,200	\$148.18
6	Nichewaug as Rental	15	22	3,361,670	23,488	\$143.12	15,380	\$218.57

Summary

Option		Total Units	Total BRs	Profit Loss Bonz + 10%	Percent Profit	% Added to Bonz for feasibility	Well PWS	Net Benefit to Town
1	Nichewaug + Academy	29	43	(2,311,333)	-30.7%	110.0% 68.0%	PWS Off Site	2,196,254
2	Nichewaug Inn	15	22	(1,665,234)	-37.4%	110.0%	PWS On Site	593,548
3	Nichewaug Inn	9	12	(2,822,855)	-40.4%	120.0%	Existing Private } (259,447)	
	3 Single Family	3	9	121,007	13.3%	17.0%		
4	4 Single Family	4	12	161,343	13.3%	17.0%	Existing	(1,587,119)
5	15 Townhouses	15	45	336,313	9.7%	18.0%	PWS Off Site	(216,175)
6	Nichewaug as Rental	15	22	N/A			PWS On Site	(1,047,908)

Net cost to Town for each option



Recommendations

- **Hold a Town Meeting to fund environmental clean-up and demolition of the connector building;**
 - **Commit to subsequent demolition:**
 - A) to support an approved development proposal; or
 - B) to demolish all remaining buildings on the site
 - C) Make site available to developers for \$1.00
- **Authorize a Request for Development Proposals**
 - For sections of the remaining buildings
 - For new construction
- **Appoint a Nichewaug Property Committee**
 - To issue the RFP
 - To evaluate proposals and make recommendations to the Selectboard for consideration by Annual Town Meeting in June, 2017

Q & A

