MEMORANDUM

To: Jon D. Schneider, Chairperson, Needham Zoning Board of Appeals

From: Michael Jacobs, MHJ Associates

Re: Needham Mews: 3 Development Scenarios

Date: November 14, 2013

Enclosed with this memorandum, please find a summary as well as individual pro formas for three development scenarios for the Needham Mews 40B development: the originally proposed 300-unit development, the smaller 268-unit development currently proposed by the Applicant, and a 108-unit development suggested as a potential permit condition by various members of the Board.

The 300-unit pro forma is the financial projection included with the original Site Approval application that was submitted to and approved by MassHousing. We have provided additional detail on operating costs in the attached pro forma, which MassHousing's application format does not have room for, but the sums in each category are the same as what was approved by MassHousing as Project Administrator.

Since the original application was submitted over 14 months ago, both the 268-unit and 108-unit pro formas have been updated using the same methodology applied to the original pro forma to reflect the evolving economy and market. This has resulted in changes to capital costs, rental revenues and operating expenses. While the 11% decrease in units for the 268 apartment plan has a negative impact on the development's economics, increases in capital and operating costs are somewhat mitigated by increases in rents and a decrease in interest rates.

Unfortunately, the changes in the economy over the last year cannot compensate for a 64% cut in the number of units in a 108 apartment plan. There are several reasons for this:

- There are various fixed capital costs (e.g. land price) as well as other soft costs that do not decrease on a proportional basis. The result is that the cost per unit significantly increases.
- There has been a large increase in the amount of mitigation/fees added to the project during the permitting process that significantly drive up the cost.
- While overall construction costs obviously decrease, a large portion of the site work is still required to construct the development, increasing the per unit construction cost.

- Operating expenses also do not proportionately decrease. While there will be some proportionate reductions in costs, there will be increases in per unit costs for such items as HVAC system maintenance, landscaping and snow removal. In addition, there is still a minimum level of staffing that is now spread over 2/3's fewer units.

As a result, what you'll see in the attached financial projections is that the 300 unit development approved by MassHousing and the currently proposed 268 unit development have substantially the same return profile. In contrast, a 108 unit development is clearly uneconomic using both the return on equity and return on total cost methodologies.

COMPARISON OF DEVELOPMENT SCENARIOS

NEEDHAM MEWS

CAPITAL BUDGET SUMMARY

	300 Units	268 Units	108 Units
SOURCES			
Mortgage Loan	$46,242,540	$46,361,000	$23,195,000
Contributed Fee	$4,765,756	$4,808,386	$2,801,806
Cash	$24,899,825	$24,964,765	$18,865,816
TOTAL SOURCES	$75,908,121	$76,134,151	$44,862,622
USES			
Land Acquisition	$1,600,000	$1,600,000	$1,600,000
Construction Costs			
Apartments, Garages, Amenities	$42,982,455	$41,806,118	$19,291,112
Site Improvements	$2,964,638	$5,606,496	$4,548,439
Landscaping	$684,683	$753,543	$683,683
Gen Conditions, Overhead, Profit	$6,528,449	$6,739,807	$3,436,056
Contingency	$2,658,011	$2,745,298	$1,397,965
Total Construction	$55,818,237	$57,651,262	$29,357,255
Soft Costs			
Architecture & Engineering	$2,700,000	$2,250,000	$2,250,000
Surveys, Permits, Municipal Fees	$1,250,000	$1,500,000	$2,760,000
Legal	$1,625,000	$1,625,000	$1,625,000
Title and Recording/Closing Costs	$150,000	$134,000	$54,000
Accounting & Cost Certification	$50,000	$50,000	$50,000
Marketing & Rent-Up (including FF&E)	$875,000	$1,025,000	$950,000
Real Estate Taxes	$250,000	$250,000	$250,000
Insurance	$139,546	$144,128	$73,393
Appraisal	$15,000	$15,000	$15,000
Construction Loan Interest	$2,850,580	$1,432,771	$762,649
Financing Fees	$743,638	$745,415	$397,925
Lease-Up/Operating Deficit	$285,411	$212,030	$70,912
Soft Cost Contingency	$546,709	$469,167	$462,944
Total Soft Costs	$11,480,884	$9,852,511	$9,721,823
Developer Fee/Ovheread	$7,009,000	$7,030,377	$4,183,544
TOTAL USES	$75,908,121	$76,134,151	$44,862,622

COMPARISON OF DEVELOPMENT SCENARIOS

NEEDHAM MEWS

OPERATING BUDGET SUMMARY

	300 Units	268 Units	108 Units
INCOME			
Low Income Rental Income	$1,081,932	$991,848	$406,440
Market-Rate Rental Income	$6,202,800	$6,179,376	$2,547,744
Other Income (garage, unit amenties)	$450,000	$410,640	$158,040
Gross Potential Income	$7,734,732	$7,581,864	$3,112,224
Vacany and Bad Debt	($386,737)	($379,093)	($155,611)
Effective Rental Income	$7,347,995	$7,202,771	$2,956,613
EXPENSES			
Management Fee	$220,440	$216,083	$88,698
Payroll and Related Expenses	$480,000	$480,000	$254,016
General Administrative	$63,900	$63,900	$42,198
Leasing/Marketing	$133,800	$119,528	$54,000
Maintenance	$319,500	$285,420	$139,572
Utilities	$226,800	$202,608	$81,000
Insurance	$90,000	$80,400	$32,400
Real Estate Taxes	$600,000	$562,800	$226,800
Replacement Reserve	$97,500	$87,100	$35,100
Total Operating Expenses	$2,231,940	$2,097,839	$953,784
NET OPERATING INCOME	$5,116,056	$5,104,932	$2,002,829
DEBT SERVICE	$2,470,164	$2,708,099	$1,199,166
CASH FLOW	$2,645,892	$2,396,833	$803,663
Return on Equity (Limited Dividend)	8.92%	8.05%	3.71%
Return on Total Cost	6.74%	6.71%	4.46%

NEEDHAM MEWS-300

UNIT DESCRIPTION				UNITS	% OF TOTAL	AVG NSF	TOTAL SF	TOTAL	MO RENT (NET OF UTILITY ALLOWANCE)	GROSS RENT PER UNIT	RENT PER S.F.
A-1	1 BR	1 BA	Market	35	11.67%	850	29,750	$825,425	$68,785	$1,965	$2.31
A-2	1 BR	1 BA	Market	39	13.00%	950	37,050	$985,692	$82,141	$2,106	$2.22
A-1 Loft	1 BR	1 BA	Market	20	6.67%	970	19,400	$513,936	$42,828	$2,141	$2.21
A-2 Loft	1 BR	1 BA	Market	20	6.67%	1,070	21,400	$547,747	$45,646	$2,282	$2.13
B1	2 BR	2 BA	Market	38	12.67%	1,050	39,900	$1,079,584	$89,965	$2,368	$2.25
B-1 Loft	2 BR	2 BA	Market	20	6.67%	1,170	23,400	$611,037	$50,920	$2,546	$2.18
B-2 Cor	2 BR	2 BA	Market	33	11.00%	1,150	37,950	$994,075	$82,840	$2,510	$2.18
B-2 Cor-L	2 BR	2 BA	Market	20	6.67%	1,300	26,000	$645,304	$53,775	$2,689	$2.07
A-1	1 BR	1 BA	Affordable	19	6.33%	850	16,150	$251,256	$20,938	$1,218	$1.43
A-2	1 BR	1 BA	Affordable	19	6.33%	950	18,050	$251,256	$20,938	$1,218	$1.28
A-1 Loft	1 BR	1 BA	Affordable	0	0.00%	970	0	$0	$0	$1,218	$1.26
A-2 Loft	1 BR	1 BA	Affordable	0	0.00%	1,070	0	$0	$0	$1,218	$1.14
B1	2 BR	2 BA	Affordable	19	6.33%	1,050	19,950	$297,540	$24,795	$1,462	$1.39
B1-Loft	2 BR	2 BA	Affordable	0	0.00%	1,170	0	$0	$0	$1,462	$1.25
B-2 Cor	2 BR	2 BA	Affordable	18	6.00%	1,150	20,700	$281,880	$23,490	$1,462	$1.27
B-2 Cor-L	2 BR	2 BA	Affordable	0	0.00%	1,300	0	$0	$0	$1,462	$1.12
				300		**NSF=**	**309,700**	**$7,284,732**	$607,061	$2,024	$1.96
PCTGE AFFORDABLE			**25.00%**	75	24.17%						
OTHER INCOME-Garage (2nd Space)				$50	225			$135,000			
OTHER INCOME-Unit Amenities				$45	150	**GSF=**	**349,555**	$81,000			
OTHER INCOME-Cable, Phone				$30	300			$108,000			
OTHER-INCOME-Misc Fees				$35	300			$126,000			
GROSS POTENTIAL INCOME								**$7,734,732**			
VACANCY											
Market				5.00%				($386,737)			
Affordable				5.00%							
Other Income				5.00%							
EFFECTIVE RENTAL INCOME								**$7,347,995**			

OPERATING EXPENSES		ANNUAL TOTAL	MONTLY TOTAL	PER UNIT ANNUAL	PER GSF ANNUAL
MANAGEMENT FEE	3.00%	$220,440	$18,370	$735	$0.63
PAYROLL & RELATED EXPENSES		$480,000	$40,000	$1,600	$1.37
GENERAL & ADMINISTRATIVE		$63,900	$5,325	$213	$0.18
LEASING/MARKETING		$133,800	$11,150	$446	$0.38
MAINTENANCE		$319,500	$26,625	$1,065	$0.91
UTILITIES		$226,800	$18,900	$756	$0.65
INSURANCE		$90,000	$7,500	$300	$0.26
REAL ESTATE TAXES		$600,000	$50,000	$2,000	$1.72
REPLACEMENT RESERVE		$97,500	$8,125	$325	$0.28
TOTAL OPERATING EXPENSES		**$2,231,940**	$185,995	$7,440	$6.39
EXPENSES AS A PERCENTAGE OF INCOME		30.37%			
NET OPERATING INCOME		**$5,116,056**			

OTHER ASSUMPTIONS				
MARKET RATE INFLATION	3.00%	UTILITY	0 BR	$0.00
AFFORDABLE INFLATION	2.50%	ALLOW.	1 BR	$116.00
OPERATING EXPENSE INFLATION	3.00%		2 BR	$157.00
			3 BR	$0.00

NEEDHAM MEWS-300

DEVELOPMENT BUDGET				
USES		**TOTAL COST**	**COST PER UNIT**	**COST PER G.S.F.**
ACQUISITION COSTS		**$1,600,000**	**$5,333**	**$4.58**
CONSTRUCTION COSTS		**$55,818,237**	**$186,061**	**$159.68**
RESIDENTIAL		$33,356,117	$111,187	$95.42
SITE IMPROVEMENTS		$2,964,638	$9,882	$8.48
GARAGE		$7,768,450	$25,895	$22.22
AMENITIES		$1,857,888	$6,193	$5.32
LANDSCAPING		$684,683	$2,282	$1.96
OTHER		$0	$0	$0.00
OTHER		$0	$0	$0.00
OTHER		$0	$0	$0.00
GEN COND/OVERHEAD/CONST MGMT FEE		$6,528,449	$21,761	$18.68
CONTINGENCY		$2,658,011	$8,860	$7.60
SOFT COSTS		**$11,480,883**	**$38,270**	**$32.84**
SURVEYS AND PERMITS		$1,250,000	$4,167	$3.58
ARCHITECTURE & ENGINEERING		$2,700,000	$9,000	$7.72
LEGAL		$1,625,000	$5,417	$4.65
CLOSING COSTS		$150,000	$500	$0.43
BUILDERS RISK		$139,546	$465	$0.40
PROPERTY TAXES		$250,000	$833	$0.72
ACCOUNTING/COST CERTIFICATION		$50,000	$167	$0.14
MARKETING		$395,000	$1,317	$1.13
FURNITURE, FIXTURES & EQUIPMENT		$480,000	$1,600	$1.37
CONSTRUCTION INSP FEE (MHFA)		$0	$0	$0.00
PERMANENT FINANCING FEES		$231,213	$771	$0.66
MORTGAGE INSURANCE PREMIUM		$0	$0	$0.00
CONSTRUCTION LOAN FEES		$512,425	$1,708	$1.47
CONSTRUCTION LOAN INTEREST		$2,850,580	$9,502	$8.15
LEASE-UP OPERATING DEFICIT		$285,411	$951	$0.82
APPRAISAL		$15,000	$50	$0.04
OTHER-		$0	$0	$0.00
OTHER-		$0	$0	$0.00
SOFT COST CONTINGENCY		$546,709	$1,822	$1.56
DEVELOPER FEE/OVERHEA	**10.17%**	**$7,009,000**	**$23,363**	**$20.05**
OPERATING RESERVES	#DIV/0!	**$0**	**$0**	**$0.00**
TOTAL DEVELOPMENT COSTS		**$75,908,120**	**$253,027**	**$217.16**
SOURCES		**$75,908,120**	**$253,027**	
MORTGAGE LOAN		$46,242,540	$154,142	
DEVELOPER FEE CONTRIBUTED		$4,765,756	$15,886	
TAX CREDIT EQUITY		$0	$0	
SUBSIDY/SUBORD DEBT		$0	$0	
CASH EQUITY		**$24,899,824**	$82,999	

NEEDHAM MEWS-300

	1	2	3	4	5	6	7	8	9	10
AFFORDABLE RENTAL INCOME	$1,081,932	$1,108,980	$1,136,705	$1,165,122	$1,194,250	$1,224,107	$1,254,709	$1,286,077	$1,318,229	$1,351,185
MARKET RENTAL INCOME	$6,202,800	$6,388,884	$6,580,551	$6,777,967	$6,981,306	$7,190,745	$7,406,468	$7,628,662	$7,857,521	$8,093,247
GROSS POTENTIAL INCOME	$7,284,732	$7,497,864	$7,717,255	$7,943,089	$8,175,557	$8,414,852	$8,661,177	$8,914,739	$9,175,751	$9,444,432
OTHER INCOME	$450,000	$463,500	$477,405	$491,727	$506,479	$521,673	$537,324	$553,443	$570,047	$587,148
LESS VACANCY	($386,737)	($398,068)	($409,733)	($421,741)	($434,102)	($446,826)	($459,925)	($473,409)	($487,290)	($501,579)
EFFECTIVE RENTAL INCOME	$7,347,995	$7,563,296	$7,784,927	$8,013,076	$8,247,934	$8,489,699	$8,738,576	$8,994,773	$9,258,507	$9,530,001
OPERATING EXPENSES										
MANAGEMENT FEE	$220,440	$226,899	$233,548	$240,392	$247,438	$254,691	$262,157	$269,843	$277,755	$285,900
PAYROLL & RELATED EXPENSES	$480,000	$494,400	$509,232	$524,509	$540,244	$556,452	$573,145	$590,339	$608,050	$626,291
GENERAL & ADMINISTRATIVE	$63,900	$65,817	$67,792	$69,825	$71,920	$74,078	$76,300	$78,589	$80,947	$83,375
LEASING/MARKETING	$133,800	$137,814	$141,948	$146,207	$150,593	$155,111	$159,764	$164,557	$169,494	$174,579
MAINTENANCE	$319,500	$329,085	$338,958	$349,126	$359,600	$370,388	$381,500	$392,945	$404,733	$416,875
UTILITIES	$226,800	$233,604	$240,612	$247,830	$255,265	$262,923	$270,811	$278,935	$287,303	$295,923
INSURANCE	$90,000	$92,700	$95,481	$98,345	$101,296	$104,335	$107,465	$110,689	$114,009	$117,430
REAL ESTATE TAXES	$600,000	$618,000	$636,540	$655,636	$675,305	$695,564	$716,431	$737,924	$760,062	$782,864
REPLACEMENT RESERVE	$97,500	$100,425	$103,438	$106,541	$109,737	$113,029	$116,420	$119,913	$123,510	$127,215
TOTAL OPERATING EXPENSES	$2,231,940	$2,298,744	$2,367,548	$2,438,413	$2,511,399	$2,586,571	$2,663,993	$2,743,734	$2,825,863	$2,910,451
NET OPERATING INCOME	$5,116,056	$5,264,552	$5,417,379	$5,574,663	$5,736,535	$5,903,128	$6,074,582	$6,251,038	$6,432,644	$6,619,550
DEBT SERVICE	$2,470,164	$2,470,164	$2,470,164	$2,470,164	$2,470,164	$2,470,164	$2,470,164	$2,470,164	$2,470,164	$2,470,164
CASH FLOW	$2,645,892	$2,794,388	$2,947,215	$3,104,499	$3,266,371	$3,432,965	$3,604,418	$3,780,875	$3,962,480	$4,149,386

NEEDHAM MEWS-268

UNIT DESCRIPTION				UNITS	% OF TOTAL	AVG NSF	TOTAL SF	TOTAL	MO RENT (NET OF UTILITY ALLOWANCE	GROSS RENT PER UNIT	RENT PER S.F.
A-1	1 BR	1 BA	Market	43	16.04%	775	33,325	$1,113,528	$92,794	$2,158	$2.78
A-1Loft	1 BR	1 BA	Market	15	5.60%	900	13,500	$406,440	$33,870	$2,258	$2.51
A-1 Den	1 BR	1 BA	Market	37	13.81%	1,000	37,000	$1,002,552	$83,546	$2,258	$2.26
A-1 D+L	1 BR	1 BA	Market	11	4.10%	1,125	12,375	$311,256	$25,938	$2,358	$2.10
B1	2 BR	2 BA	Market	52	19.40%	1,065	55,380	$1,778,400	$148,200	$2,850	$2.68
B-1 Loft	2 BR	2 BA	Market	16	5.97%	1,300	20,800	$561,600	$46,800	$2,925	$2.25
B-1 Den	2 BR	2 BA	Market	8	2.99%	1,065	8,520	$280,800	$23,400	$2,925	$2.75
B-1 D+L	2 BR	2 BA	Market	4	1.49%	1,300	5,200	$148,800	$12,400	$3,100	$2.38
TH	2 BR	2 BA	Market	15	5.60%	1,400	21,000	$576,000	$48,000	$3,200	$2.29
A-1	1 BR	1 BA	Affordable	15	5.60%	775	11,625	$203,400	$16,950	$1,253	$1.62
A-1 Loft	1 BR	1 BA	Affordable	5	1.87%	900	4,500	$67,800	$5,650	$1,253	$1.39
A1-Den	1 BR	1 BA	Affordable	12	4.48%	1,000	12,000	$162,720	$13,560	$1,253	$1.25
A-1 D+L	1 BR	1 BA	Affordable	4	1.49%	1,125	4,500	$54,240	$4,520	$1,253	$1.11
B1	2 BR	2 BA	Affordable	17	6.34%	1,065	18,105	$276,216	$23,018	$1,516	$1.42
B1-Loft	2 BR	2 BA	Affordable	5	1.87%	1,300	6,500	$81,240	$6,770	$1,516	$1.17
B1-Den	2 BR	2 BA	Affordable	3	1.12%	1,065	3,195	$48,744	$4,062	$1,516	$1.42
B-1 D+L	2 BR	2 BA	Affordable	1	0.37%	1,300	1,300	$16,248	$1,354	$1,516	$1.17
TH	2 BR	2 BA	Affordable	5	1.87%	1,400	7,000	$81,240	$6,770	$1,516	$1.08
				268		NSF=	275,825	$7,171,224	$597,602	$2,230	$2.17
PCTGE AFFORDABLE			25.00%	67	24.92%						
OTHER INCOME-Garage (2nd Space				$75	134			$120,600			
OTHER INCOME-Unit Amenities				$45	150	GSF=	350,173	$81,000			
OTHER INCOME-Cable, Phone				$30	268			$96,480			
OTHER-INCOME-Misc Fees				$35	268			$112,560			
GROSS POTENTIAL INCOME								**$7,581,864**			
VACANCY											
Market				5.00%				($379,093)			
Affordable				5.00%							
Other Income				5.00%							
EFFECTIVE RENTAL INCOME								**$7,202,771**			

OPERATING EXPENSES		ANNUAL TOTAL	MONTLY TOTAL	PER UNIT ANNUAL	PER GSF ANNUAL
MANAGEMENT FEE	3.00%	$216,083	$18,007	$806	$0.62
PAYROLL & RELATED EXPENSES		$480,000	$40,000	$1,791	$1.37
GENERAL & ADMINISTRATIVE		$63,900	$5,325	$238	$0.18
LEASING/MARKETING		$119,528	$9,961	$446	$0.34
MAINTENANCE		$285,420	$23,785	$1,065	$0.82
UTILITIES		$202,608	$16,884	$756	$0.58
INSURANCE		$80,400	$6,700	$300	$0.23
REAL ESTATE TAXES		$562,800	$46,900	$2,100	$1.61
REPLACEMENT RESERVE		$87,100	$7,258	$325	$0.25
TOTAL OPERATING EXPENSES		**$2,097,839**	$174,820	$7,828	$5.99
EXPENSES AS A PERCENTAGE OF INCOME		29.13%			
NET OPERATING INCOME		**$5,104,932**			

OTHER ASSUMPTIONS				
MARKET RATE INFLATION	3.00%	UTILITY ALLOW.	0 BR	$0.00
AFFORDABLE INFLATION	2.50%		1 BR	$123.00
OPERATING EXPENSE INFLATION	3.00%		2 BR	$162.00
			3 BR	$0.00

NEEDHAM MEWS-268

DEVELOPMENT BUDGET				
USES		**TOTAL COST**	**COST PER UNIT**	**COST PER G.S.F.**
ACQUISITION COSTS		**$1,600,000**	**$5,970**	**$4.57**
CONSTRUCTION COSTS		**$57,651,262**	**$215,117**	**$164.64**
RESIDENTIAL		$31,890,989	$118,996	$91.07
SITE IMPROVEMENTS		$5,606,496	$20,920	$16.01
GARAGE		$8,001,504	$29,856	$22.85
AMENITIES		$1,913,625	$7,140	$5.46
LANDSCAPING		$753,543	$2,812	$2.15
OTHER		$0	$0	$0.00
OTHER		$0	$0	$0.00
OTHER		$0	$0	$0.00
GEN COND/OVERHEAD/CONST MGMT		$6,739,807	$25,149	$19.25
CONTINGENCY		$2,745,298	$10,244	$7.84
SOFT COSTS		**$9,852,512**	**$36,763**	**$28.14**
SURVEYS AND PERMITS		$1,500,000	$5,597	$4.28
ARCHITECTURE & ENGINEERING		$2,250,000	$8,396	$6.43
LEGAL		$1,625,000	$6,063	$4.64
CLOSING COSTS		$134,000	$500	$0.38
BUILDERS RISK		$144,128	$538	$0.41
PROPERTY TAXES		$250,000	$933	$0.71
ACCOUNTING/COST CERTIFICATION		$50,000	$187	$0.14
MARKETING		$405,000	$1,511	$1.16
FURNITURE, FIXTURES & EQUIPMENT		$620,000	$2,313	$1.77
CONSTRUCTION INSP FEE (MHFA)		$0	$0	$0.00
PERMANENT FINANCING FEES		$231,805	$865	$0.66
MORTGAGE INSURANCE PREMIUM		$0	$0	$0.00
CONSTRUCTION LOAN FEES		$513,610	$1,916	$1.47
CONSTRUCTION LOAN INTEREST		$1,432,771	$5,346	$4.09
LEASE-UP OPERATING DEFICIT		$212,030	$791	$0.61
APPRAISAL		$15,000	$56	$0.04
OTHER-		$0	$0	$0.00
OTHER-		$0	$0	$0.00
SOFT COST CONTINGENCY		$469,167.23	$1,751	$1.34
DEVELOPER FEE/OVERHEA	**10.17%**	**$7,030,377**	**$26,233**	**$20.08**
OPERATING RESERVES	#DIV/0!	**$0**	**$0**	**$0.00**
TOTAL DEVELOPMENT COSTS		**$76,134,151**	**$284,083**	**$217.42**
SOURCES		**$76,134,151**	**$284,083**	
MORTGAGE LOAN		$46,361,000	$172,989	
DEVELOPER FEE CONTRIBUTED		$4,808,386	$17,942	
TAX CREDIT EQUITY		$0	$0	
SUBSIDY/SUBORD DEBT		$0	$0	
CASH EQUITY		**$24,964,765**	$93,152	

NEEDHAM MEWS-268

	1	2	3	4	5	6	7	8	9	10
AFFORDABLE RENTAL INCOME	$991,848	$1,016,644	$1,042,060	$1,068,112	$1,094,815	$1,122,185	$1,150,240	$1,178,996	$1,208,470	$1,238,682
MARKET RENTAL INCOME	$6,179,376	$6,364,757	$6,555,700	$6,752,371	$6,954,942	$7,163,590	$7,378,498	$7,599,853	$7,827,849	$8,062,684
GROSS POTENTIAL INCOME	$7,171,224	$7,381,401	$7,597,760	$7,820,483	$8,049,757	$8,285,775	$8,528,738	$8,778,849	$9,036,319	$9,301,366
OTHER INCOME	$410,640	$422,959	$435,648	$448,717	$462,179	$476,044	$490,326	$505,035	$520,186	$535,792
LESS VACANCY	($379,093)	($390,218)	($401,670)	($413,460)	($425,597)	($438,091)	($450,953)	($464,194)	($477,825)	($491,858)
EFFECTIVE RENTAL INCOME	$7,202,771	$7,414,143	$7,631,738	$7,855,740	$8,086,339	$8,323,729	$8,568,110	$8,819,690	$9,078,680	$9,345,300
OPERATING EXPENSES										
MANAGEMENT FEE	$216,083	$222,424	$228,952	$235,672	$242,590	$249,712	$257,043	$264,591	$272,360	$280,359
PAYROLL & RELATED EXPENSES	$480,000	$494,400	$509,232	$524,509	$540,244	$556,452	$573,145	$590,339	$608,050	$626,291
GENERAL & ADMINISTRATIVE	$63,900	$65,817	$67,792	$69,825	$71,920	$74,078	$76,300	$78,589	$80,947	$83,375
LEASING/MARKETING	$119,528	$123,114	$126,807	$130,611	$134,530	$138,566	$142,723	$147,004	$151,414	$155,957
MAINTENANCE	$285,420	$293,983	$302,802	$311,886	$321,243	$330,880	$340,806	$351,031	$361,562	$372,408
UTILITIES	$202,608	$208,686	$214,947	$221,395	$228,037	$234,878	$241,925	$249,182	$256,658	$264,357
INSURANCE	$80,400	$82,812	$85,296	$87,855	$90,491	$93,206	$96,002	$98,882	$101,848	$104,904
REAL ESTATE TAXES	$562,800	$579,684	$597,075	$614,987	$633,436	$652,439	$672,013	$692,173	$712,938	$734,326
REPLACEMENT RESERVE	$87,100	$89,713	$92,404	$95,177	$98,032	$100,973	$104,002	$107,122	$110,336	$113,646
TOTAL OPERATING EXPENSES	$2,097,839	$2,160,633	$2,225,307	$2,291,918	$2,360,523	$2,431,183	$2,503,958	$2,578,913	$2,656,113	$2,735,624
NET OPERATING INCOME	$5,104,932	$5,253,510	$5,406,431	$5,563,822	$5,725,816	$5,892,546	$6,064,152	$6,240,777	$6,422,568	$6,609,677
DEBT SERVICE	$2,396,833	$2,396,833	$2,396,833	$2,396,833	$2,396,833	$2,396,833	$2,396,833	$2,396,833	$2,396,833	$2,396,833
CASH FLOW	$2,708,099	$2,856,677	$3,009,598	$3,166,990	$3,328,983	$3,495,713	$3,667,319	$3,843,944	$4,025,735	$4,212,844

NEEDHAM MEWS-108

UNIT DESCRIPTION				UNITS	% OF TOTAL	AVG NSF	TOTAL SF	TOTAL	MO RENT (NET OF UTILITY ALLOWANCE	GROSS RENT PER UNIT	RENT PER S.F.
A-1	1 BR	1 BA	Market	15	13.89%	775	11,625	$388,440	$32,370	$2,158	$2.78
A-1Loft	1 BR	1 BA	Market	6	5.56%	900	5,400	$162,576	$13,548	$2,258	$2.51
A-1 Den	1 BR	1 BA	Market	12	11.11%	1,000	12,000	$325,152	$27,096	$2,258	$2.26
A-1 D+L	1 BR	1 BA	Market	6	5.56%	1,125	6,750	$169,776	$14,148	$2,358	$2.10
B1	2 BR	2 BA	Market	18	16.67%	1,065	19,170	$615,600	$51,300	$2,850	$2.68
B-1 Loft	2 BR	2 BA	Market	6	5.56%	1,300	7,800	$210,600	$17,550	$2,925	$2.25
B-1 Den	2 BR	2 BA	Market	4	3.70%	1,065	4,260	$140,400	$11,700	$2,925	$2.75
B-1 D+L	2 BR	2 BA	Market	2	1.85%	1,300	2,600	$74,400	$6,200	$3,100	$2.38
TH	2 BR	2 BA	Market	12	11.11%	1,400	16,800	$460,800	$38,400	$3,200	$2.29
A-1	1 BR	1 BA	Affordable	7	6.48%	775	5,425	$94,920	$7,910	$1,253	$1.62
A-1 Loft	1 BR	1 BA	Affordable	1	0.93%	900	900	$13,560	$1,130	$1,253	$1.39
A1-Den	1 BR	1 BA	Affordable	4	3.70%	1,000	4,000	$54,240	$4,520	$1,253	$1.25
A-1 D+L	1 BR	1 BA	Affordable	0	0.00%	1,125	0	$0	$0	$1,253	$1.11
B1	2 BR	2 BA	Affordable	8	7.41%	1,065	8,520	$129,984	$10,832	$1,516	$1.42
B1-Loft	2 BR	2 BA	Affordable	2	1.85%	1,300	2,600	$32,496	$2,708	$1,516	$1.17
B1-Den	2 BR	2 BA	Affordable	1	0.93%	1,065	1,065	$16,248	$1,354	$1,516	$1.42
B-1 D+L	2 BR	2 BA	Affordable	0	0.00%	1,300	0	$0	$0	$1,516	$1.17
TH	2 BR	2 BA	Affordable	4	3.70%	1,400	5,600	$64,992	$5,416	$1,516	$1.08
				108		NSF=	114,515	$2,954,184	$246,182	$2,279	$2.15
PCTGE AFFORDABLE			25.00%	27	24.55%						
OTHER INCOME-Garage (2nd Space				$75	46			$41,400			
OTHER INCOME-Unit Amenities				$45	60	GSF=	140,238	$32,400			
OTHER INCOME-Cable, Phone				$30	108			$38,880			
OTHER-INCOME-Misc Fees				$35	108			$45,360			
GROSS POTENTIAL INCOME								$3,112,224			
VACANCY											
Market				5.00%				($155,611)			
Affordable				5.00%							
Other Income				5.00%							
EFFECTIVE RENTAL INCOME								$2,956,613			

OPERATING EXPENSES		ANNUAL TOTAL	MONTLY TOTAL	PER UNIT ANNUAL	PER GSF ANNUAL
MANAGEMENT FEE	3.00%	$88,698	$7,392	$821	$0.63
PAYROLL & RELATED EXPENSES		$254,016	$21,168	$2,352	$1.81
GENERAL & ADMINISTRATIVE		$42,198	$3,517	$391	$0.30
LEASING/MARKETING		$54,000	$4,500	$500	$0.39
MAINTENANCE		$139,752	$11,646	$1,294	$1.00
UTILITIES		$81,000	$6,750	$750	$0.58
INSURANCE		$32,400	$2,700	$300	$0.23
REAL ESTATE TAXES		$226,800	$18,900	$2,100	$1.62
REPLACEMENT RESERVE		$35,100	$2,925	$325	$0.25
TOTAL OPERATING EXPENSES		$953,964	$79,497	$8,833	$6.80
EXPENSES AS A PERCENTAGE OF INCOME		32.27%			
NET OPERATING INCOME		$2,002,648			

OTHER ASSUMPTIONS				
MARKET RATE INFLATION	3.00%	UTILITY	0 BR	$0.00
AFFORDABLE INFLATION	2.50%	ALLOW.	1 BR	$123.00
OPERATING EXPENSE INFLATION	3.00%		2 BR	$162.00
			3 BR	$0.00

NEEDHAM MEWS-108

DEVELOPMENT BUDGET				
USES		**TOTAL COST**	**COST PER UNIT**	**COST PER G.S.F.**
ACQUISITION COSTS		**$1,600,000**	**$14,815**	**$11.41**
CONSTRUCTION COSTS		**$29,357,255**	**$271,826**	**$209.34**
RESIDENTIAL		$13,917,689	$128,867	$99.24
SITE IMPROVEMENTS		$4,548,439	$42,115	$32.43
GARAGE		$3,459,798	$32,035	$24.67
AMENITIES		$1,913,625	$17,719	$13.65
LANDSCAPING		$683,683	$6,330	$4.88
OTHER		$0	$0	$0.00
OTHER		$0	$0	$0.00
OTHER		$0	$0	$0.00
GEN COND/OVERHEAD/CONST MGMT FEE		$3,436,056	$31,815	$24.50
CONTINGENCY		$1,397,965	$12,944	$9.97
SOFT COSTS		**$9,721,823**	**$90,017**	**$69.32**
SURVEYS AND PERMITS		$2,760,000	$25,556	$19.68
ARCHITECTURE & ENGINEERING		$2,250,000	$20,833	$16.04
LEGAL		$1,625,000	$15,046	$11.59
CLOSING COSTS		$54,000	$500	$0.39
BUILDERS RISK		$73,393	$680	$0.52
PROPERTY TAXES		$250,000	$2,315	$1.78
ACCOUNTING/COST CERTIFICATION		$50,000	$463	$0.36
MARKETING		$390,000	$3,611	$2.78
FURNITURE, FIXTURES & EQUIPMENT		$560,000	$5,185	$3.99
CONSTRUCTION INSP FEE (MHFA)		$0	$0	$0.00
PERMANENT FINANCING FEES		$115,975	$1,074	$0.83
MORTGAGE INSURANCE PREMIUM		$0	$0	$0.00
CONSTRUCTION LOAN FEES		$281,950	$2,611	$2.01
CONSTRUCTION LOAN INTEREST		$762,649	$7,062	$5.44
LEASE-UP OPERATING DEFICIT		$70,912	$657	$0.51
APPRAISAL		$15,000	$139	$0.11
OTHER-		$0	$0	$0.00
OTHER-		$0	$0	$0.00
SOFT COST CONTINGENCY		$462,944	$4,287	$3.30
DEVELOPER FEE/OVERHEA	**10.28%**	**$4,183,544**	**$38,737**	**$29.83**
OPERATING RESERVES	#DIV/0!	**$0**	**$0**	**$0.00**
TOTAL DEVELOPMENT COSTS		**$44,862,622**	**$415,395**	**$319.90**
SOURCES		**$44,862,622**	**$415,395**	
MORTGAGE LOAN		$23,195,000	$214,769	
DEVELOPER FEE CONTRIBUTED		$2,801,806	$25,943	
TAX CREDIT EQUITY		$0	$0	
SUBSIDY/SUBORD DEBT		$0	$0	
CASH EQUITY		**$18,865,816**	$174,683	

NEEDHAM MEWS-108

	1	2	3	4	5	6	7	8	9	10
AFFORDABLE RENTAL INCOME	$406,440	$416,601	$427,016	$437,691	$448,634	$459,850	$471,346	$483,129	$495,208	$507,588
MARKET RENTAL INCOME	$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
GROSS POTENTIAL INCOME	$2,954,184	$3,040,777	$3,129,918	$3,221,680	$3,316,142	$3,413,383	$3,513,485	$3,616,533	$3,722,614	$3,831,816
OTHER INCOME	$158,040	$162,781	$167,665	$172,695	$177,875	$183,212	$188,708	$194,369	$200,200	$206,206
LESS VACANCY	($155,611)	($160,178)	($164,879)	($169,719)	($174,701)	($179,830)	($185,110)	($190,545)	($196,141)	($201,901)
EFFECTIVE RENTAL 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										
MANAGEMENT FEE	$88,698	$91,301	$93,981	$96,740	$99,579	$102,503	$105,513	$108,611	$111,800	$115,084
PAYROLL & RELATED EXPENSES	$254,016	$261,636	$269,486	$277,570	$285,897	$294,474	$303,308	$312,408	$321,780	$331,433
GENERAL & ADMINISTRATIVE	$42,198	$43,464	$44,768	$46,111	$47,494	$48,919	$50,387	$51,898	$53,455	$55,059
LEASING/MARKETING	$54,000	$55,620	$57,289	$59,007	$60,777	$62,601	$64,479	$66,413	$68,406	$70,458
MAINTENANCE	$139,752	$143,945	$148,263	$152,711	$157,292	$162,011	$166,871	$171,877	$177,034	$182,345
UTILITIES	$81,000	$83,430	$85,933	$88,511	$91,166	$93,901	$96,718	$99,620	$102,608	$105,687
INSURANCE	$32,400	$33,372	$34,373	$35,404	$36,466	$37,560	$38,687	$39,848	$41,043	$42,275
REAL ESTATE TAXES	$226,800	$233,604	$240,612	$247,830	$255,265	$262,923	$270,811	$278,935	$287,303	$295,923
REPLACEMENT RESERVE	$35,100	$36,153	$37,238	$38,355	$39,505	$40,691	$41,911	$43,169	$44,464	$45,798
TOTAL OPERATING EXPENSES	$953,964	$982,525	$1,011,942	$1,042,239	$1,073,444	$1,105,583	$1,138,685	$1,172,779	$1,207,893	$1,244,060
NET OPERATING INCOME	$2,002,648	$2,060,855	$2,120,761	$2,182,417	$2,245,873	$2,311,182	$2,378,398	$2,447,579	$2,518,780	$2,592,062
DEBT SERVICE	$1,199,166	$1,199,166	$1,199,166	$1,199,166	$1,199,166	$1,199,166	$1,199,166	$1,199,166	$1,199,166	$1,199,166
CASH FLOW	$803,482	$861,689	$921,595	$983,251	$1,046,707	$1,112,016	$1,179,232	$1,248,413	$1,319,614	$1,392,896

NOV 15 2013
BOARD OF APPEALS