

MEMORANDUM

TO: Tom Salemi, Chair
Newburyport Redevelopment Authority

FROM: Barry Abramson

SUBJECT: Additional Information Underlying August 11, 2011 Analysis of
Waterfront Property Land Utilization and Financial Implications of
Alternative Development Programs

DATE: April 15, 2013

Following is additional detailed information underlying the analysis summarized in the memorandum titled Newburyport Redevelopment Authority Waterfront Property Land Utilization and Financial Implications of Alternative Development Programs dated August 11, 2011.

The present memorandum should be read in tandem with that original memorandum. Major assumptions of that analysis are presented in the exhibit titled Assumptions on page 20 of that memorandum. More detailed assumptions and analyses supporting those presented in that memorandum follow.

Potential Land Disposition Revenues

Illustrative per unit and per square foot residual land value analyses supporting the ranged estimates of potential land disposition revenues were prepared. These residual value analyses indicate what a developer could afford to pay for the land. Residual land value for a condominium project, would equal net sales revenues from condominium sales less development costs and profit. For an income/rental project, this would equal capitalized value of net operating income less development costs; in this case, development profit is reflected in a premium in the capitalization rate to incent development.

The estimates of potential condominium pricing, operating expenses, development costs, cap rates, and required profit margin, were based on interviews with market sources such as developers, realtors, contractors, and our experience with comparable projects. Developers also provided broad ranges of typical per unit market pricing of developmental land in a stable market environment, which, while recognizing the considerable variations in project factors contributing to such pricing, provided a reference point for the residual value analyses. The analyses presented at the end of this memorandum are illustrations based on plausible estimates for each of the above-referenced factors for potential development at the subject site. As knowledgeable real estate professionals understand, changes in assumptions for individual elements of the analysis can result in significant impact on residual value (if the adjustments primarily trend in one direction or the other) or minimal or no impact (if the adjustments generally counteract each other). The point of the analysis is not to prove with exactitude a specific outcome, but, rather, to demonstrate the plausibility of the estimate. The significant variability in potential outcome is accounted for in the broad ranges that are presented in the analysis for this very reason. As noted in the prior memorandum, the ultimate test of the financial estimates would come from proposals submitted by developers in response to a well-orchestrated solicitation as subjected to review for reasonableness.

Potential Assessed Value

Estimates of potential real estate tax generation were based on estimates of potential assessed value. Assessed valuation for residential condominiums benefits from the availability of the actual sales upon which the assessor can base valuations. Accordingly, assessed value for residential condominiums was based on the estimated sales pricing. For income/rental project components, which lack such a direct comparable sale market basis for valuation, the assessor would tend more toward the norm of valuation of comparable higher end product in the City. Accordingly, in estimating assessed values for the income/rental components, we considered input from the City's assessor as to comparable and reasonable valuations which are more conservative than the market values indicated in the residual value analyses. For both residential condominiums and income/rental components, the assessed valuations are estimated to be significantly less variable than the potential disposition revenues.

Park/Public Open Space Improvement Costs

As noted in the Assumptions exhibit in the memorandum, the park/public open space improvement cost estimates were based on the cost estimate prepared by the Cecil Group with adjustment subtracting the cost of a programmed café structure and increase for inflation and bonding costs, with the resultant estimate then being prorated for the estimated size of the park/public open space in the alternative scenarios in the analysis.

Refined Analysis

As noted in the prior memorandum, the analyses did not have the benefit of input from architects, land planners, engineering analyses, or construction cost estimation. Since then, considerable work has been done, is underway, or anticipated that will provide an improved basis for analysis. Notably, the work done by Union Studios, Fort Point Associates, and John Burke (parking consultant) provides a better understanding of site capacities for development, public open space, and parking; testing and analysis of soil conditions (geotechnical and environmental) is currently in process; and we anticipate getting better cost estimation for private development and public open space improvements.

We also note that, at this point, the analysis is two years old. While the analysis was forward-looking to a recovering market, the real estate market, construction, and financing environments have undergone considerable change over that period. We look forward to integrating the results of these design, engineering, and cost estimation exercises with an updated look at the market and financing aspects to provide a more refined understanding of the potential financial implications of the project, which shall provide a basis for ongoing decision-making.

DRAFT
Preliminary Component Supportable Land Value

6/29/11

		Residential Condos		
Program				\$/Net SF
Gross SF			1,852	
Net SF	90.0%		1,667	
Avg Unit Size - Net SF			1,667	
Avg Unit Size Gr SF			1,852	
# Units	-		1.0	
Parking Spaces/Unit	2.00		2.00	
Surface	0%		-	
Below Grade	100%		2.00	
Development Cost				
Building @ \$/Gr SF	170		314,878	189
Parking				
Surface @ \$/space	3,500		-	-
Below Grade Premium* @ \$/Space	25,000		50,000	30
Subtotal Hard Costs			364,878	219
Soft & Financing Costs	20.0%		72,976	44
TDC Not Including Land			437,853	263
Revenues				
Condos				
Market Sale Price \$/net sf			400	
Gross Sales Proceed			666,800	400
less cost of sale	5%		(33,340)	(20)
Net Sale Proceeds			633,460	380
Profit before Land Payment			45%	
Required Profit @ Net Profit Margin =	17.5%		110,856	67
Supportable TDC at Req'd Profit =			522,605	314
Yields Profit on Cost =	21.2%			
Supportable Land Cost			84,751	51

Above estimates are for illustrative purposes and do not represent appraised values

* Additional cost over standard below grade construction costs carried in Building Cost

DRAFT

6/29/11

Preliminary Component Supportable Land Value

Program	Retail			Restaurant		
			\$/Net SF			\$/Net SF
Gross SF		1,000			1,000	
Net SF	100.0%	1,000		100.0%	1,000	
Avg Unit Size - Net SF, Gr SF		1,000			1,000	
Avg Unit Size Gr SF		1,000			1,000	
# Units		1.0			1.0	
Parking Spaces/Unit	2.89	2.89		8.75	8.75	
Surface	100%	2.89		100%	8.75	
Below Grade	0%	-		0%	-	
Development Cost						
Building (Incl Fit-Out) @ \$/Gr SF	170	170,000	170	210	210,000	210
Parking						
Surface @ \$/space *	3,500	10,106	10	3,500	30,625	31
Subtotal Hard Costs		180,106	180		240,625	241
Soft & Financing Costs	20.0%	36,021	36	20.0%	48,125	48
TDC Not Including Land		216,128	216		288,750	289
Revenues						
Rental						
NNN Market Rent \$/Net SF		25.00			30.00	
Rent		25,000	25.00		30,000	30.00
Vacancy	10.0%	(2,500)	(2.50)	5.0%	(1,500)	(1.50)
EGI		22,500	22.50		28,500	28.50
Non-Pass-Thru Oper Exp \$/Unit	0.50	500	0.50	0.50	500	0.50
RE Taxes @ \$/SF	-	-	-	-	-	-
Total RE Tax and Oper Exps		500	0.50		500	0.50
NOI		22,000	22.00		28,000	28.00
Free & Clear Return on Cost =		10.18%			9.70%	
Market Value Completed @ Cap Rate ** =	8.75%	251,429	251	7.25%	386,207	386
Development Cap Rate Premium **	1.25%			1.00%		
Value for Calc of Supportable Land Cost =	10.00%	220,000	220	8.25%	339,394	339
Supportable Land Cost		3,873	4		50,644	51

Above estimates are for illustrative purposes and do not represent appraised values

* Assumes parking M-U parking requirement @ 87.5% of zoning requirement for single use

** Restaurant assumes significant pre-leasing, credit tenancy

Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs
Assumptions
6/29/11

NRA Property 4.20 Acres 182,952 SF
 Est. Total Existing Park/Riverwalk 2.25 Acres

Building Footprint = Development SF divided by 3.0 floors

Residential Program Assumptions	Condos	Apts
Net SF/Unit	1,667	1,100
efficiency	90%	90%
Gr SF/Unit	1,852	1,222
Space/GrSF	1.08	1.64

Parking Ratios as Per Zoning Code

Residential	2/unit for 1st unit, then 1.5/unit say market	2.0 /unit
Office	1/300 SFGF.	3.33 /1,000 SF
Retail		3 /1,000 SF
Restaurant	1/4 seats	
typical restaurant - seats, SF	200 5,000	25 SF/Seat
1 space/		100 SF/Seat
		10 /1,000 SF
Ret/Rest Mix		6.50 /1,000 SF
Retail	50%	
Restaurant	50%	
Outdoor Café		1 /table
Mixed-Use as per Special Permit		

Program/Parking Calculations Used in Analysis

		Based on Above Ratios	With District MU Shared Parking Discount to Retail/Restaurant @ 25%		
	% of GBA	Condos	Apts	Condos	Apts
Resid/Ret/Rest Program					
Resd	67%	1.08	1.64	1.08	1.64
Ret/Rest	33%	<u>6.50</u>	<u>6.50</u>	<u>4.88</u>	<u>1.63</u>
Avg		2.89	3.26	2.35	1.63
Office/Ret/Rest Program					
Office	67%	3.33		3.33	
Ret/Rest	33%	<u>6.50</u>		<u>4.88</u>	
Avg		4.39		3.85	
Assume Project M-U Shared Parking Discount		25%		25%	
Avg After Discount		3.29		2.88	

Note: Outdoor café parking requirement assumed to be waived

Parking Land Utilization

Spaces Under Building @ 360 SF/Space
 Surface Parking Footprint @ 360 SF/Space

Total Land for Building, Req'd Parking, Buffer assumes building footprint plus surface parking area @ 15%

Potential Financial Benefit Assumptions

		Upper Floor Residential Program		
		Low	Mid	High
		Estimate	Estimate	Estimate
Upper FI Land Dispo Revenues/Bldg SF		25	50	75
Ret/Rest Land Dispo Revenues/Bldg SF		20	25	30
Upper FI AV/SF With Surface Parking		325	375	425
Upper FI AV Premium for In-Bldg Parkg	7.5%	349	403	457
Retail/Rest AV/SF		200	250	300

Park Improvements Cost

Cecil Plan Estimate 5,300,000
 less Café Structure (1,000,000)
 Net 4,300,000
 Est Cost for Full Park With Inflation & Bonding Costs **5,000,000**
 Est. Park Cost = Est. Cost for Full Park x % of NRA Land Available for Park

Bond Assumptions

Int Rate 5.75%
 Term 30
 Amort 29
 DS Constant 7.17%

ASSUMPTIONS AND LIMITING CONDITIONS

- Information provided by others for use in this analysis is believed to be reliable, but in no sense is guaranteed. All information concerning physical, market or cost data is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and is subject to errors, omissions, changes in price, rental, or other conditions.
- The Consultant assumes no responsibility for legal matters nor for any hidden or unapparent conditions of the property, subsoils, structure or other matters which would materially affect the marketability, developability or value property.
- Financial projections assume ongoing recovery of real estate market conditions.
- Any forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- Since any projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, The Consultant does not represent them as results that will actually be achieved.
- The report and analyses contained therein should not be regarded as constituting an appraisal or estimate of market value. Any values discussed in this analysis are provided for illustrative purposes.
- The analysis was undertaken to assist the client in evaluating and strategizing the potential transaction discussed in the report. It is not based on any other use, nor should it be applied for any other purpose.
- Possession of this report or any copy or portion thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of The Consultant and, in any event, only in its entirety.
- The Consultant shall not be responsible for any unauthorized excerpting or reference to this report.
- The Consultant shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this report without agreement as to additional compensation and without sufficient notice to allow adequate preparation.

MEMORANDUM

TO: James Shanley
Chair, Newburyport Redevelopment Authority

FROM: Barry Abramson

SUBJECT: Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development
Programs

DATE: August 11, 2011

Executive Summary

Abramson & Associates, Inc. was engaged by the Newburyport Redevelopment Authority (NRA) to assist it in understanding the programmatic and strategic options for redevelopment of its 4.2 acre property on the downtown waterfront, currently used for public parking.

Land utilization and potential public revenues were estimated for development ranging from 25,000 to 100,000 square feet, under alternate parking assumptions – all surface vs. partially under building, each with parking substantially as per zoning, and if a district-wide shared parking discount of 25% were to be applied to the retail/restaurant parking.

The analysis indicates that even the largest build-out of 100,000 square feet of development would occupy only 0.8 acres with building footprints, with the remainder being parking available to the public, landscaped buffer areas, access (assuming efficient siting of building) and as much as 2.0 acres of additional park (for an expanded park/riverwalk total of approximately 4.2 acres) in the most optimistic parking scenario. Less favorable parking assumptions would reduce the amount of land available for addition to the park or require a lower development build-out to accommodate a comparable level of parkland.

The smallest build-out - 25,000 square foot development, is estimated to contribute anywhere from half to three quarters of the approximately \$4,000,000 estimated cost of the park

improvements. 50,000 or more square feet of development is estimated to likely fully cover the cost of the park improvements and provide net additional public revenues, increasing with the amount of development.

The ability of the project to generate additional revenues beyond that needed for the park could be important, or even essential, to the extent other sources are not found to fund the cost of developing a parking deck accommodating relocation of the public parking currently occupying the NRA property.

Development programs of 75,000 and 100,000 square feet of development are estimated to offer strong prospects for making major revenue contributions to the cost of such a deck (in addition to paying for the park improvements), likely phasing in over a few years time.

Based on the above, it appears that some significant level of development could be a major factor in making feasible the redevelopment of the NRA waterfront from gravel parking lots to an attractive and vibrant area including expansion of public open space.

Key steps in implementation should entail a two-stage request for proposals process, preceded by the NRA engaging the City and community to determine and, hopefully, evidence support and elicit constructive ideas that could inform parameters for development, such as what is and is not considered acceptable and desirable in terms of scale of development and required public open space, in terms of size or nature.

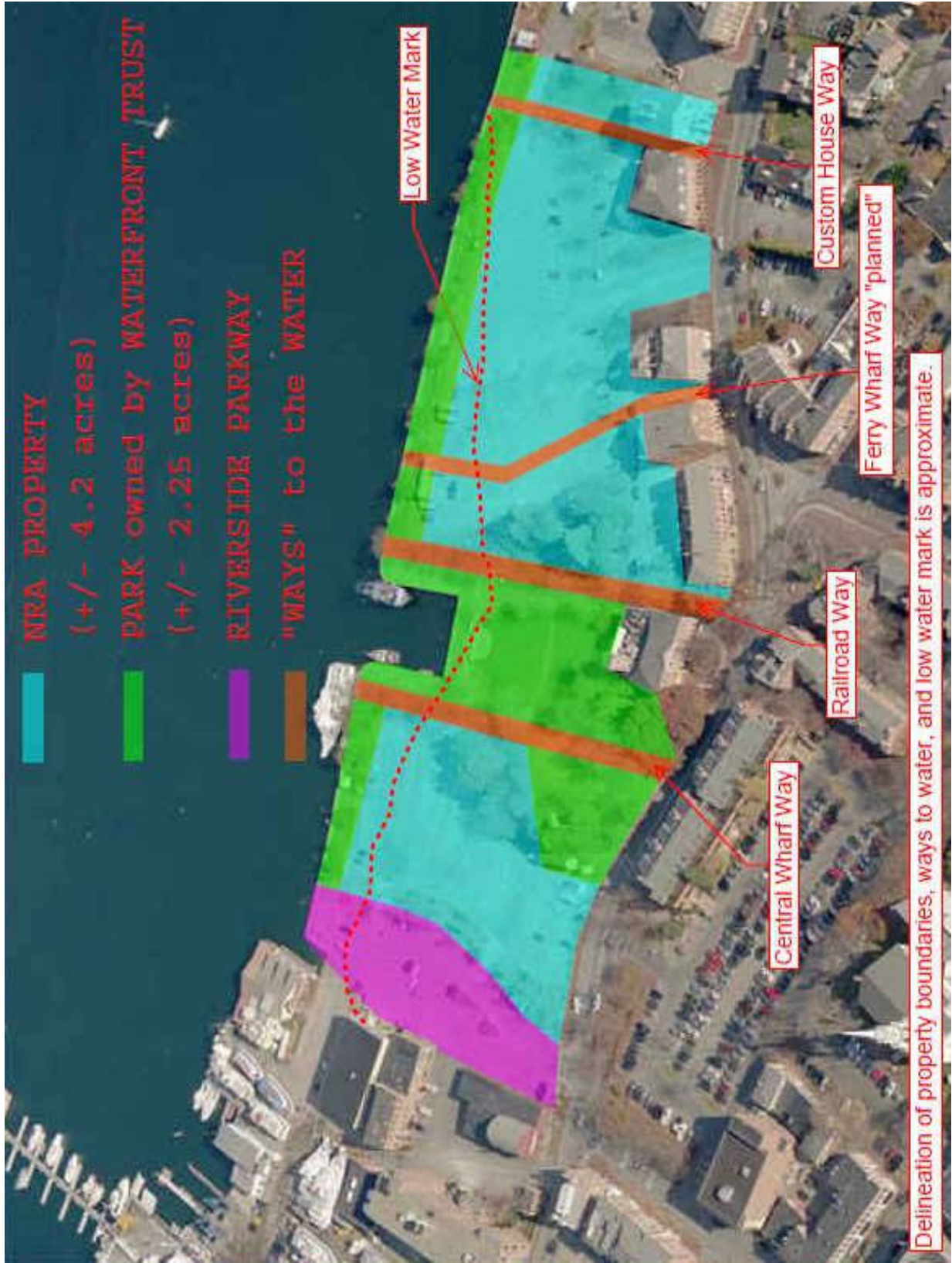
The NRA and City should also explore and monitor potential funding sources for park improvements and engage owners of nearby properties in exploration of possible integration of development efforts, land utilization and/or collaborative approaches to parking which could enhance the overall efficiency and outcome of development on the larger waterfront district.

Project Framework

Abramson & Associates, Inc. was engaged by the Newburyport Redevelopment Authority (NRA) to assist it in understanding the programmatic and strategic options for redevelopment of its property on the downtown waterfront.

According to the NRA, the NRA waterfront property totals approximately 4.2 acres. As illustrated on the aerial prepared by the NRA, presented on the following page, the NRA property comprises two parcels on the landward (southern) side of the Waterfront Trust's linear riverfront boardwalk – one parcel on the east and the other on the west of the Trust's central waterfront park. The combined land area of the park and waterfront walk owned by the Waterfront Trust is estimated at approximately 2.25 acres. The Waterfront Trust also owns the property immediately to the west of the NRA's western parcel, labeled Waterside Parkway, but currently used primarily as a public parking lot accommodating approximately 50 spaces. A landscaped walk to the river straddles the boundary of the NRA and Waterfront Trust parking area. The NRA property also includes treed green space on either side of the central waterfront park totaling approximately half an acre. Existing and planned ways to the water cross the eastern parcel of the NRA property. Various restrictions and agreements are reported to constrain the use of relatively small portions of the property and the property would be under the jurisdiction of the Commonwealth's Chapter 91 regulations, as discussed in a following section.

The NRA property has been used for gravel public parking lots (currently reported to accommodate 370 spaces) since it was taken and the buildings upon it razed decades ago under the Urban Renewal program. The NRA and the City recognize that parking is not the optimal use of this prime waterfront property and the NRA wishes to fulfill its long-standing mission to shepherd redevelopment of the property to a more appropriate use that will be an asset to the downtown, the City as a whole, and its residents.



To date, implementation has been stymied, due, in part, to a lack of consensus as to the appropriate nature of reuse, and, in part, the challenge of funding construction of both public park improvements and a parking deck that would accommodate public parking relocated from the site to a more appropriate proximate non-waterfront location.

There appears to be a general consensus that reuse of the property should entail at least some portion of it being dedicated to an addition to the waterfront park, while there is also some support for some of the property being allocated to compatible development. Ultimately, the determination of how much park land is desirable or acceptable and what form it should take is a matter for the NRA, City, and community to consider.

This analysis is intended to facilitate informed decision-making as to the potentials and implications of alternate programs of development of the NRA property in terms of potential public revenues generated by development, parking demand, and land utilization (both to serve the development and land available for public open space) and how that relates to potential for implementation.

We note that this analysis has not been based on the work of architects, land planners or engineers. Estimates of land utilization are based on ratios and formulas which are considered reasonable but are subject to confirmation or refinement based on physical land planning. Estimates of public revenues generated by development are based on research of the local and comparable markets and analysis of the factors potential developers would assess in determining supportable land disposition revenues and which would determine assessed valuation. Numerous individuals knowledgeable about the local and comparable real estate markets and development, as well as municipal sources, provided valuable insight and information which helped inform our analysis. We note that no construction cost estimation, engineering, or appraisal has been conducted as part of this analysis and the ultimate test of the land utilization and financial estimates would come from a well orchestrated solicitation of proposals from developers.

Appropriate Uses, Market, and Form of Development

According to the City's planning department, under Chapter 91 most of the NRA property can be developed for the uses allowed under zoning (including residential and office) as long as the ground floor is occupied by active public-oriented use (e.g. retail, restaurant, or cultural/community uses) with non-public-oriented uses e.g. residential, office) limited to upper floors. Zoning would limit buildings to three stories and sensitivity to the setting would appear to point to buildings that would not be monolithic. Development would be precluded on historic ways to the water.

Retail and particularly restaurant are considered very appropriate from a market as well as planning perspective. Such uses, properly situated, could contribute to the activation of the park. Not Your Average Joe's restaurant, with its outdoor seating opening onto the park provides a general model for ground floor use of new development fronting the park. If this were multiplied at appropriate locations along a back edge of the park, it could greatly increase pedestrian appeal and continuity, drawing people into the park and providing an activity link between the mixed-use development planned to the east and west of the park. A larger and activated waterfront park and district could expand the appeal of the downtown drawing more visitors and business.

Cultural and community use of ground floor space might also contribute to these planning objectives. However, whether they could contribute economically is problematic and they might well require subsidy. Accordingly, our analysis does not consider such uses, though the practicality and financial implications of such use could be further explored as planning proceeds.

Appropriate use of upper floors most likely would be residential or office. There may be demand for a hotel but we have not considered this because: (1) feasibility of a hotel is problematic and supportable land value could not be estimated with confidence to be at the level estimated for residential or office; (2) a hotel of a scale that would generally be considered practical (80-100 rooms) would entail a relatively large structure which may not be

considered as appropriate for the NRA property as residential or office which could be developed in multiple smaller structures; and (3) development of a hotel on privately owned neighboring property, if it proceeds, would satisfy demand for such development.

Between residential and office, residential would appear to present the stronger market opportunity. The downtown office market is considered relatively limited in terms of its ability to attract tenants from outside a relatively small market area. There are only so many small businesses with compelling reason to locate in Newburyport. Certainly, there may be instances in which a CEO who lives in or has ties to the local area decides to move his or her company to a great downtown waterfront location, but this would be a caprice of the market as opposed to something that can be anticipated with any confidence. While there would likely be a market for some additional high quality office space, especially at such a desirable location, unless such development was based on bringing new tenants/owner-users to the market, beyond a relatively small infusion of space, such development could come at the expense of the existing office space market. Also, on a regional basis, the office market seems likely to need a few years to fully regain equilibrium, making near term development of this use problematic – again, barring isolated situations. Finally, office development would be unlikely to represent as great an upside as residential in terms of its ability to support high land value. Accordingly, while we would not rule this out as part of a mix, we have not considered it in our estimates.

The residential market is considered to have far greater strength, reliability, and elasticity – in terms of an attractive downtown waterfront product’s ability to attract residents (most likely affluent empty nesters) either from within or outside the local market area.

For a well designed, high end residential product with the advantages of a downtown Newburyport waterfront location, there is an element of “build it and they will come”. The demand in this market is indicated by the extremely quick absorption of three very large luxury condos at the Prince Lofts (Bracket Heel Building) at very high prices as well as the

acceptance and some ongoing development of comparable product in Portsmouth, a market with some comparability to Newburyport.

The financing market for residential apartments has come back in advance of the traditional condo financing market. Nonetheless, some relatively small condo projects are proceeding with relatively high developer equity or non-traditional financing. This situation is anticipated to improve, especially for highly desirable projects, in the near- to mid-term future. High end condominiums offer the prospect of the highest supportable land pricing and assessed values. Such condominiums can also be sized larger, reducing the required parking for a given amount of building area.

Based on the above factors, we believe that there may well be opportunity for such development to be feasible and potentially to generate significant public revenues starting as early as within the next year or so, especially for a project developed in reasonably sized phases to test market absorption and facilitate flexible financing.

Parking

Zoning requirements for residential use are 2 per unit for the first unit and 1.5 per unit for additional units. Generally, in the high end residential market, most unit buyers will want 2 spaces and we have assumed that ratio.

The zoning requirement for retail is 1 space per 300 square feet (3.33 spaces per 1,000 square feet). For restaurant it is 1 space per 4 seats, estimated to equal 10 spaces per 1,000 square feet, which is a demanding standard. Additionally, zoning calls for 1 space per outdoor café table. Our sense is that, for the most part, depending on the weather, either the indoor tables are full or the outside tables are full, but rarely both. Our estimates assume a waiver of this requirement, an assumption that ultimately would be subject to City determination.

Zoning allows a shared use parking discount within a project under special permit. Viewed strictly, this would not be indicated for a project with residential condos as its parking would be reserved.

An argument can be made for a district-wide shared use discount applicable to parking required for new retail/restaurant space under the premise that some portion of patrons of new space might already have been visiting other destinations in the downtown. This would be something that a parking specialist would be able to provide better insight on.

Engineering, design, and cost estimation would need to be done to understand if subsurface in-building parking – either fully below grade or partially below grade (as at One Merrimack Street) could be physically and financially feasible. In certain areas of the site, at grade in-building parking at the rear of a building might also be acceptable from a design perspective. While in-building parking would add to a project's cost, it could also make it more marketable and able to achieve higher prices to offset such cost, as well as reducing a project's land utilization.

Program Scenarios

Our analysis looks at four incremental sizes of development – 25,000, 50,000, 75,000, and 100,000 square feet. At 3 floors, 25,000 square feet of development would have a footprint of only a little over 8,000 square feet (almost 0.2 acres). Land would be required for surface parking and additional buffer areas - landscaped open space and paths around building and parking.

We have estimated land utilization for the above four build-out scenarios under four alternate parking assumptions – (1) All Surface; and (2) Partially Under Building – each with parking as per zoning (except for residential being higher than required and no spaces applied for outdoor tables); the third and fourth scenarios consider the All Surface and Partially Under

Building scenarios if a district-wide shared parking discount of 25% of the zoning requirement for retail/restaurant space were to be applied.

Note that surface parking required for the retail/restaurant component would be generally available to the public. This represents most of the surface parking in the all surface parking scenarios and all of the surface parking in the scenarios in which some parking is assumed to be under buildings.

The exhibit on the following page presents a summary of land utilization for the most conservative (all surface with no district-wide discount) and the most optimistic (parking partially under buildings with district-wide discount) of these scenarios. Individual exhibits with more comprehensive information for each of the four parking scenarios are presented at the rear of the memo.

The analysis assumes allocation of land for building footprints, surface parking, landscaped buffer areas and access (assuming efficient siting of building(s)/parking, e.g. proximate to streets or other existing vehicular access points).

Land available for addition to the park with 25,000 square feet of development is estimated to equal 3.3 acres (for an expanded park/riverwalk total of 5.5 acres) in the most conservative parking scenario and 3.6 acres (for an expanded park/riverwalk total of 5.9 acres) in the most optimistic parking scenario.

Land available for addition to the park with 100,000 square feet of development is estimated to equal 0.6 acres (for an expanded park/riverwalk total of 2.8 acres) in the most conservative parking scenario and 2.0 acres (for an expanded park/riverwalk total of 4.2 acres) in the most optimistic parking scenario.

**Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs
Summary Under Conservative and Optimistic Parking Scenar
6/29/11**

Parking for New Development: All Surface		25,000 SF Development	50,000 SF Development	75,000 SF Development	100,000 SF Development
PROGRAM / LAND UTILIZATION					
Building Footprint (approx Retail/Rest SF) Residential Units Net Surface Spaces Available to Public Total Land for Building, Req'd Parking, Buffer NRA Land Available for Park Tot Park/Riverwalk Acres Incl Addtl NRA Land % Increase to Park/Riverwalk frm Addtl NRA Land		SF 8,333	SF 16,667	SF 25,000	SF 33,333
		Acres 0.2	Acres 0.4	Acres 0.6	Acres 0.8
		9	18	27	36
		72	144	217	289
		54	108	163	217
POTENTIAL FINANCIAL BENEFITS					
Total Dispo Revs & Bond Supported by Taxes Est. Park Cost Net Available After Contribution to Park		Low 1,900,000	Low 3,600,000	Low 5,400,000	Low 7,000,000
		Mid 2,400,000	Mid 4,900,000	Mid 7,300,000	Mid 9,800,000
		High 3,200,000	High 6,200,000	High 9,400,000	High 12,400,000
Parking for New Development: Partially Under Building With District MU Shared Parking Discount to Retail/Restaurant @ 25%					
PROGRAM / LAND UTILIZATION					
Building Footprint (approx Retail/Rest SF) Residential Units Net Surface Spaces Available to Public Total Land for Building, Req'd Parking, Buffer NRA Land Available for Park Tot Park/Riverwalk Acres Incl Addtl NRA Land % Increase to Park/Riverwalk frm Addtl NRA Land		SF 8,333	SF 16,667	SF 25,000	SF 33,333
		Acres 0.2	Acres 0.4	Acres 0.6	Acres 0.8
		9	18	27	36
		35	71	106	142
		35	71	106	142
POTENTIAL FINANCIAL BENEFITS					
Total Dispo Revs & Bond Supported by Taxes Est. Park Cost Net Available After Contribution to Park		Low 1,900,000	Low 3,700,000	Low 5,600,000	Low 7,300,000
		Mid 2,500,000	Mid 5,000,000	Mid 7,600,000	Mid 10,100,000
		High 3,200,000	High 6,300,000	High 9,700,000	High 12,800,000

Estimates may not add exactly due to rounding

The exhibits also present the financial implications of the alternate scenarios. Given that the pace of improvement in the real estate and, especially, development financing market, does not lend itself to reliable prediction, the unknowns in terms of site conditions and costs, and the lack of a contemporary market of developmental land sales, we have estimated fairly broad ranges of potential disposition revenues from sale of property to a developer. Estimated ranges of assessed value are tighter.

We believe that in the near term – say a project negotiated in approximately one year (which would be a reasonable target for a deliberate RFP process), there is a good chance of development supporting the low- to mid- range financial estimates, and possibly even the high end. As the market recovery solidifies, and possibly as subsequent phases of development are undertaken, the probability of supportable land disposition revenues and assessed values ascending the estimated range increases.

Feasibility and where in the estimated financial benefit range development would fall will only be reliably ascertained through a well orchestrated development solicitation process. At this point, the broad range estimates provide a reasonable understanding of possible outcome and relative implications of alternative development programs and parking approaches.

Disposition revenues and bonding of real estate taxes are presented as applicable to a given amount of development at a given time, rather than discounted for phased development. Disposition revenues could be structured to increase with staged sales matching development phasing and park improvements could also be staged to try to correspond with phasing.

The estimates indicate a 25,000 square foot development contributing anywhere from half to three quarters of the approximately \$4,000,000 estimated cost of the park improvements, and 50,000 or more square feet of development fully covering the cost of the park improvements and providing net additional public revenues.

The ability of the project to generate additional revenues beyond that needed for the park could be important, or even essential, to the extent other sources are not found to fund the cost of developing a parking deck accommodating relocation of the public parking currently occupying the NRA property. A 2010 study by TetraTech Rizzo estimated the cost of a parking deck accommodating much of this relocation at between \$18,000,000 and \$19,000,000 (not including any financing costs). Potentially, if considered necessary to meet demand and acceptable in terms of design, adding another level of 105 spaces of parking could offer a cost-effective increase in supply (perhaps as low as an additional approximately \$1,500,000 - \$2,000,000 if marginal cost per space is \$15,000 - \$20,000).

Development programs of 75,000 and 100,000 square feet of development are estimated to offer strong prospect for making major revenue contributions to the cost of such a deck (in addition to paying for the park improvements) , likely phasing in over a few years time.

If the City is unable to raise or allocate sufficient funds to pay for the deck,, without looking to the revenues generated by the development, and does not want to incur costs in advance of being assured substantial revenues from the development, it is possible that some initial phased development could happen before development of the deck without significant compromise to the downtown parking supply. This would need to be determined with the input of parking specialists in consultation with the City.

Based on the above, it appears that some significant level of development could be a major factor in making feasible the redevelopment of the NRA waterfront from gravel parking lots to an attractive and vibrant area including expansion of public open space.

In addition to the revenues estimated in the analysis, we note two other significant indirect financial benefits from a redevelopment of the property. By creating a central downtown waterfront that expands public open space and adds vibrancy to it, Newburyport's appeal could be enhanced, drawing additional visitors and business to the community. Additionally,

the residents of high end housing would likely inject significant spending into the downtown and city-wide business sector, without burdening the school system.

Implementation

Implementation should be accomplished by means of a request for proposals (RFP) process. The ownership of the property by the redevelopment authority enables valuable flexibility in such a process that would not be allowed the City under Chapter 30B procurement restrictions.

The RFP process would best be structured as a two stage process – the first phase would invite developers to submit qualifications and concept. A short list would be requested to submit detailed plans and proposals. This approach lowers the cost of entry, deferring major investment of cost and effort until developers have gotten confirmation that they are on the right general track and their prospects are a reasonable one in three or four. This enhances marketability and the prospects of attracting truly capable developers.

Prospective developers will want to see some general level of support (or lack of broad-based opposition) on the part of the community and support by the City government, as well as a sense of what is and is not considered acceptable and desirable in terms of scale of development, required public open space, and other parameters. We advise that the NRA engage the City and community in discussion of the project to determine and, hopefully, evidence such support and elicit constructive ideas that could inform parameters for development.

Concurrent with the RFP process, the NRA and City should explore and monitor potential funding sources for park improvements and replacement parking deck. State funding for downtown parking facilities has fallen victim to budget cuts but Newburyport should be positioned to capitalize when this situation reverses. State funding for park improvements is

limited but is reported to be providing grants of up to \$500,000 for urban parks. The City would need to resubmit its parks plan to be eligible.

Finally, while this report focused on the NRA property, it is possible that integration of development efforts or land utilization with other nearby properties and/or collaborative approaches to parking among these properties could enhance the overall efficiency and outcome of development on the larger waterfront district. The NRA should engage these property owners in an exploration of how best to meet shared objectives.

**Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs
6/29/11
Parking for New Development: All Surface**

PROGRAM / LAND UTILIZATION	25,000 SF Development			50,000 SF Development			75,000 SF Development			100,000 SF Development		
	SF	Acres		SF	Acres		SF	Acres		SF	Acres	
Building Footprint (approx Retail/Rest SF)	8,333	0.2		16,667	0.4		25,000	0.6		33,333	0.8	
Residential Units			9			18			27			36
Private Parking Spaces Req'd for Upper Flr Use			18			36			54			72
Addtl Parking Spaces Req'd for Retail/Restaurant			54			108			163			217
Total Parking Spaces Required			72			144			217			289
Spaces Under Building			-			-			-			-
Net Surface Spaces			72			144			217			289
Surface Spaces Available to Public			54			108			163			217
Total Land for Building, Req'd Parking, Buffer	39,460	0.9		78,921	1.8		118,381	2.7		157,841	3.6	
NRA Land Available for Park	143,492	3.3		104,031	2.4		64,571	1.5		25,111	0.6	
% of NRA Property Available for Park			78%			57%			35%			14%
Tot Park/Riverwalk Acres Incl Addtl NRA Land	241,502	5.5		202,041	4.6		162,581	3.7		123,121	2.8	
% Increase to Park/Riverwalk frm Addtl NRA Land			146%			106%			66%			26%
POTENTIAL FINANCIAL BENEFITS												
Potential Land Disposition Revenues	600,000	1,000,000	1,500,000	1,200,000	2,100,000	3,000,000	1,800,000	3,100,000	4,500,000	2,300,000	4,200,000	6,000,000
Potential Assessed Value	7,100,000	8,300,000	9,600,000	14,200,000	16,700,000	19,200,000	21,300,000	25,000,000	28,800,000	28,300,000	33,300,000	38,300,000
RE Taxes @ Millage = \$12.07	90,000	100,000	120,000	170,000	200,000	230,000	260,000	300,000	350,000	340,000	400,000	460,000
Bond Supported by RE Taxes	1,300,000	1,400,000	1,700,000	2,400,000	2,800,000	3,200,000	3,600,000	4,200,000	4,900,000	4,700,000	5,600,000	6,400,000
Total Dispo Revs & Bond Supported by Taxes	1,900,000	2,400,000	3,200,000	3,600,000	4,900,000	6,200,000	5,400,000	7,300,000	9,400,000	7,000,000	9,800,000	12,400,000
Est. Park Cost	3,900,000	3,900,000	3,900,000	2,800,000	2,800,000	2,800,000	1,800,000	1,800,000	1,800,000	700,000	700,000	700,000
Net Available After Contribution to Park	(2,000,000)	(1,500,000)	(700,000)	800,000	2,100,000	3,400,000	3,600,000	5,500,000	7,600,000	6,300,000	9,100,000	11,700,000

Estimates may not add exactly due to rounding

**Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs
6/29/11
Parking for New Development: Partially Under Building**

PROGRAM / LAND UTILIZATION	25,000 SF Development			50,000 SF Development			75,000 SF Development			100,000 SF Development		
	SF	Acres		SF	Acres		SF	Acres		SF	Acres	
Building Footprint (approx Retail/Rest SF)	8,333	0.2		16,667	0.4		25,000	0.6		33,333	0.8	
Residential Units			9			18			27			36
Private Parking Spaces Req'd for Upper Flr Use			18			36			54			72
Addtl Parking Spaces Req'd for Retail/Restaurant			54			108			163			217
Total Parking Spaces Required			72			144			217			289
Spaces Under Building			23			46			69			93
Net Surface Spaces			49			98			147			196
Surface Spaces Available to Public			49			98			147			196
Total Land for Building, Req'd Parking, Buffer	29,877	0.7		59,754	1.4		89,631	2.1		119,508	2.7	
NRA Land Available for Park	153,075	3.5		123,198	2.8		93,321	2.1		63,444	1.5	
% of NRA Property Available for Park			84%			67%			51%			35%
Tot Park/Riverwalk Acres Incl Addtl NRA Land	251,085	5.8		221,208	5.1		191,331	4.4		161,454	3.7	
% Increase to Park/Riverwalk frm Addtl NRA Land			156%			126%			95%			65%
POTENTIAL FINANCIAL BENEFITS												
Potential Land Disposition Revenues	600,000	1,000,000	1,500,000	1,200,000	2,100,000	3,000,000	1,800,000	3,100,000	4,500,000	2,300,000	4,200,000	6,000,000
Potential Assessed Value	7,500,000	8,800,000	10,100,000	15,000,000	17,600,000	20,200,000	22,500,000	26,400,000	30,300,000	30,000,000	35,200,000	40,500,000
RE Taxes @ Millage = \$12.07	90,000	110,000	120,000	180,000	210,000	240,000	270,000	320,000	370,000	360,000	420,000	490,000
Bond Supported by RE Taxes	1,300,000	1,500,000	1,700,000	2,500,000	2,900,000	3,300,000	3,800,000	4,500,000	5,200,000	5,000,000	5,900,000	6,800,000
Total Dispo Revs & Bond Supported by Taxes	1,900,000	2,500,000	3,200,000	3,700,000	5,000,000	6,300,000	5,600,000	7,600,000	9,700,000	7,300,000	10,100,000	12,800,000
Est. Park Cost	4,200,000	4,200,000	4,200,000	3,400,000	3,400,000	3,400,000	2,600,000	2,600,000	2,600,000	1,700,000	1,700,000	1,700,000
Net Available After Contribution to Park	(2,300,000)	(1,700,000)	(1,000,000)	300,000	1,600,000	2,900,000	3,000,000	5,000,000	7,100,000	5,600,000	8,400,000	11,100,000

Estimates may not add exactly due to rounding

**Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs**

6/29/11

Parking for New Development: All Surface

With District MU Shared Parking Discount to Retail/Restaurant @ 25%

PROGRAM / LAND UTILIZATION	25,000 SF Development			50,000 SF Development			75,000 SF Development			100,000 SF Development		
	SF	Acres		SF	Acres		SF	Acres		SF	Acres	
Building Footprint (approx Retail/Rest SF)	8,333	0.2		16,667	0.4		25,000	0.6		33,333	0.8	
Residential Units			9			18			27			36
Private Parking Spaces Req'd for Upper Flr Use			18			36			54			72
Addtl Parking Spaces Req'd for Retail/Restaurant			41			81			122			163
Total Parking Spaces Required			59			117			176			235
Spaces Under Building			-			-			-			-
Net Surface Spaces			59			117			176			235
Surface Spaces Available to Public			41			81			122			163
Total Land for Building, Req'd Parking, Buffer	33,854	0.8		67,708	1.6		101,562	2.3		135,416	3.1	
NRA Land Available for Park	149,098	3.4		115,244	2.6		81,390	1.9		47,536	1.1	
% of NRA Property Available for Park			81%			63%			44%			26%
Tot Park/Riverwalk Acres Incl Addtl NRA Land	247,108	5.7		213,254	4.9		179,400	4.1		145,546	3.3	
% Increase to Park/Riverwalk frm Addtl NRA Land			152%			118%			83%			49%
POTENTIAL FINANCIAL BENEFITS												
Potential Land Disposition Revenues	600,000	1,000,000	1,500,000	1,200,000	2,100,000	3,000,000	1,800,000	3,100,000	4,500,000	2,300,000	4,200,000	6,000,000
Potential Assessed Value	7,100,000	8,300,000	9,600,000	14,200,000	16,700,000	19,200,000	21,300,000	25,000,000	28,800,000	28,300,000	33,300,000	38,300,000
RE Taxes @ Millage = \$12.07	90,000	100,000	120,000	170,000	200,000	230,000	260,000	300,000	350,000	340,000	400,000	460,000
Bond Supported by RE Taxes	1,300,000	1,400,000	1,700,000	2,400,000	2,800,000	3,200,000	3,600,000	4,200,000	4,900,000	4,700,000	5,600,000	6,400,000
Total Dispo Revs & Bond Supported by Taxes	1,900,000	2,400,000	3,200,000	3,600,000	4,900,000	6,200,000	5,400,000	7,300,000	9,400,000	7,000,000	9,800,000	12,400,000
Est. Park Cost	4,100,000	4,100,000	4,100,000	3,100,000	3,100,000	3,100,000	2,200,000	2,200,000	2,200,000	1,300,000	1,300,000	1,300,000
Net Available After Contribution to Park	(2,200,000)	(1,700,000)	(900,000)	500,000	1,800,000	3,100,000	3,200,000	5,100,000	7,200,000	5,700,000	8,500,000	11,100,000

Estimates may not add exactly due to rounding

**Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs**

6/29/11

Parking for New Development: Partially Under Building With District MU Shared Parking Discount to Retail/Restaurant @ 25%

PROGRAM / LAND UTILIZATION	25,000 SF Development			50,000 SF Development			75,000 SF Development			100,000 SF Development		
	SF	Acres		SF	Acres		SF	Acres		SF	Acres	
Building Footprint (approx Retail/Rest SF)	8,333	0.2		16,667	0.4		25,000	0.6		33,333	0.8	
Residential Units			9			18			27			36
Private Parking Spaces Req'd for Upper Flr Use			18			36			54			72
Addtl Parking Spaces Req'd for Retail/Restaurant			41			81			122			163
Total Parking Spaces Required			59			117			176			235
Spaces Under Building			23			46			69			93
Net Surface Spaces			35			71			106			142
Surface Spaces Available to Public			35			71			106			142
Total Land for Building, Req'd Parking, Buffer	24,271	0.6		48,542	1.1		72,812	1.7		97,083	2.2	
NRA Land Available for Park	158,681	3.6		134,411	3.1		110,140	2.5		85,869	2.0	
% of NRA Property Available for Park			87%			73%			60%			47%
Tot Park/Riverwalk Acres Incl Addtl NRA Land	256,691	5.9		232,421	5.3		208,150	4.8		183,879	4.2	
% Increase to Park/Riverwalk frm Addtl NRA Land			162%			137%			112%			88%
POTENTIAL FINANCIAL BENEFITS												
Potential Land Disposition Revenues	600,000	1,000,000	1,500,000	1,200,000	2,100,000	3,000,000	1,800,000	3,100,000	4,500,000	2,300,000	4,200,000	6,000,000
Potential Assessed Value	7,500,000	8,800,000	10,100,000	15,000,000	17,600,000	20,200,000	22,500,000	26,400,000	30,300,000	30,000,000	35,200,000	40,500,000
RE Taxes @ Millage = \$12.07	90,000	110,000	120,000	180,000	210,000	240,000	270,000	320,000	370,000	360,000	420,000	490,000
Bond Supported by RE Taxes	1,300,000	1,500,000	1,700,000	2,500,000	2,900,000	3,300,000	3,800,000	4,500,000	5,200,000	5,000,000	5,900,000	6,800,000
Total Dispo Revs & Bond Supported by Taxes	1,900,000	2,500,000	3,200,000	3,700,000	5,000,000	6,300,000	5,600,000	7,600,000	9,700,000	7,300,000	10,100,000	12,800,000
Est. Park Cost	4,300,000	4,300,000	4,300,000	3,700,000	3,700,000	3,700,000	3,000,000	3,000,000	3,000,000	2,300,000	2,300,000	2,300,000
Net Available After Contribution to Park	(2,400,000)	(1,800,000)	(1,100,000)	-	1,300,000	2,600,000	2,600,000	4,600,000	6,700,000	5,000,000	7,800,000	10,500,000

Estimates may not add exactly due to rounding

Newburyport Redevelopment Authority Waterfront Property
Land Utilization and Financial Implications of Alternative Development Programs
Assumptions
6/29/11

NRA Property 4.20 Acres 182,952 SF
 Est. Total Existing Park/Riverwalk 2.25 Acres

Building Footprint = Development SF divided by 3.0 floors

Residential Program Assumptions	Condos	Apts
Net SF/Unit	1,667	1,100
efficiency	90%	90%
Gr SF/Unit	1,852	1,222
Space/GrSF	1.08	1.64

Parking Ratios as Per Zoning Code

Residential	2/unit for 1st unit, then 1.5/unit say market	2.0 /unit
Office	1/300 SFGF.	3.33 /1,000 SF
Retail		3 /1,000 SF
Restaurant	1/4 seats	
typical restaurant - seats, SF	200 5,000	25 SF/Seat
1 space/		100 SF/Seat
		10 /1,000 SF
Ret/Rest Mix		6.50 /1,000 SF
Retail	50%	
Restaurant	50%	
Outdoor Café		1 /table
Mixed-Use as per Special Permit		

Program/Parking Calculations Used in Analysis

		Based on Above Ratios	With District MU Shared Parking Discount to Retail/Restaurant @ 25%		
	% of GBA	Condos	Apts	Condos	Apts
Resid/Ret/Rest Program					
Resd	67%	1.08	1.64	1.08	1.64
Ret/Rest	33%	<u>6.50</u>	<u>6.50</u>	<u>4.88</u>	<u>1.63</u>
Avg		2.89	3.26	2.35	1.63
Office/Ret/Rest Program					
Office	67%	3.33		3.33	
Ret/Rest	33%	<u>6.50</u>		<u>4.88</u>	
Avg		4.39		3.85	
Assume Project M-U Shared Parking Discount		25%		25%	
Avg After Discount		3.29		2.88	

Note: Outdoor café parking requirement assumed to be waived

Parking Land Utilization

Spaces Under Building @ 360 SF/Space
 Surface Parking Footprint @ 360 SF/Space

Total Land for Building, Req'd Parking, Buffer assumes building footprint plus surface parking area @ 15%

Potential Financial Benefit Assumptions

		Upper Floor Residential Program		
		Low	Mid	High
		Estimate	Estimate	Estimate
Upper FI Land Dispo Revenues/Bldg SF		25	50	75
Ret/Rest Land Dispo Revenues/Bldg SF		20	25	30
Upper FI AV/SF With Surface Parking		325	375	425
Upper FI AV Premium for In-Bldg Parkg	7.5%	349	403	457
Retail/Rest AV/SF		200	250	300

Park Improvements Cost

Cecil Plan Estimate 5,300,000
 less Café Structure (1,000,000)
 Net 4,300,000
 Est Cost for Full Park With Inflation & Bonding Costs **5,000,000**
 Est. Park Cost = Est. Cost for Full Park x % of NRA Land Available for Park

Bond Assumptions

Int Rate 5.75%
 Term 30
 Amort 29
 DS Constant 7.17%

ASSUMPTIONS AND LIMITING CONDITIONS

- Information provided by others for use in this analysis is believed to be reliable, but in no sense is guaranteed. All information concerning physical, market or cost data is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and is subject to errors, omissions, changes in price, rental, or other conditions.
- The Consultant assumes no responsibility for legal matters nor for any hidden or unapparent conditions of the property, subsoils, structure or other matters which would materially affect the marketability, developability or value property.
- Financial projections assume ongoing recovery of real estate market conditions.
- Any forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- Since any projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, The Consultant does not represent them as results that will actually be achieved.
- The report and analyses contained therein should not be regarded as constituting an appraisal or estimate of market value. Any values discussed in this analysis are provided for illustrative purposes.
- The analysis was undertaken to assist the client in evaluating and strategizing the potential transaction discussed in the report. It is not based on any other use, nor should it be applied for any other purpose.
- Possession of this report or any copy or portion thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of The Consultant and, in any event, only in its entirety.
- The Consultant shall not be responsible for any unauthorized excerpting or reference to this report.
- The Consultant shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this report without agreement as to additional compensation and without sufficient notice to allow adequate preparation.