

December 4, 2018

Mr Jared Eigerman
Newburyport City Council
Newburyport, MA 01950-2808

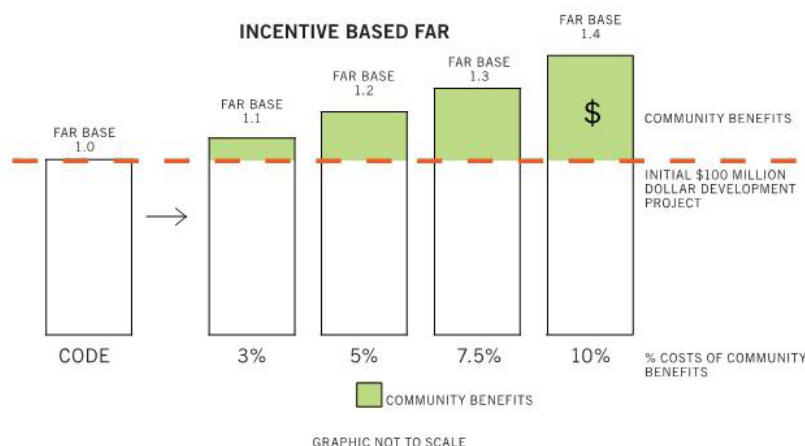
Re: Waterfront West Ad Hoc Committee

Dear Jared,

Thank you for your leadership in trying to shepherd a remarkably difficult conversation for our city and its citizenship. The development of Waterfront West calls into question our approach to ongoing riverfront development with the recent added complexity of how to mitigate the impacts of Sea Level Rise (SLR) and the storms of ever growing ferocity. I am not writing to provide more detail regarding how to mitigate these eventualities since I believe this conversation has been reviewed in detail by the committee. Instead I am writing to provide a possible mechanism that may help incentivize the developers to provide significant benefits to our coastline community.

There are many different mechanisms that drive effective zoning. One of these is FAR. For the benefit of others I am going to define the term. FAR stands for Floor Area Ratio. This ratio sets the amount of buildable space relative to the overall site area. For instance let's say hypothetically that we set an FAR of 1.0 for the site. In this case the site is approximately 4 acres of totaling 174,240 GSF. Therefore this site with a FAR of 1.0 would allow the developer to construct 174,240 GSF not including any exceptions we decide to write into the zoning such as allowances for parking and mechanical spaces. It should be noted that we have touched on FAR before. While I agree with the assertion that FAR does not replace good design, I would re-position it more as a tool that can help drive the design and solutions by providing relevant context that allows us to evaluate solutions.

An approach to FAR that can help identify community benefits is bonus or incentivized FAR. Here we would utilize a strategy that sets a minimum criteria for the overall development. We would then create a sliding scale that allows for an increased FAR as different community benefits are provided. The greater the benefit for the community the more allowable square footage the developer is allowed to build. Conceptually the graph could look like the one below (please note that the graphic is not to scale):



An approach is to set the starting FAR defining the minimum allowable square footage ratio with other clarifying requirements such as open space and maximum building height. For instance the allowable build out could be driven by an FAR of 1.0 that conforms to the building heights shown within Mr.Taintor's diagram in combination with a clear definition of open space and it's minimum percentage. From here we would allow additional square footage in line with promised community benefits. Here it is my recommendation not to stipulate where the additional build out can occur. This will allow the design team the flexibility to find the best solution. You have already set the attitude for the development by defining the minimum. Their approach should be responsive to the conditions and criteria set forth within the additional zoning and forces them to make the argument for what they believe the right design decisions are. It also leaves room for community review and input of the proposed solutions to help ensure we arrive at the best solution.

A critical determination to make this process work is to set the value added community benefits percentage relative to one of the three costs usually used to measure projects: (i) Construction Cost; (ii) Project Cost; and (iii) Projected Market Cost. A few definitions for those reading this letter:

- (i) Construction Cost is the hard cost to build the project; the actual materials and labor.
- (ii) Project Cost is the Construction Costs with the additional soft costs for items such as design fees, enabling work, geotechnical surveys, and owner side expenses. We typically account for these costs through a multiplier ranging anywhere from 1.2 – 1.3 for developer work. This is the total cost to build the project.
- (iii) Projected Market Cost is the actual cost of the projected sales. These are the projected costs included within the developer's proforma and typically the hardest to assess.

Typically I have seen us tie the community benefits number to the Construction Costs. This of course creates a lesser benefit, but encourages the developer to build more. Tying the benefits number to the Market Cost could make the project too cost prohibitive. Playing this scenario out let's say the developer wants to build the bonus FAR of 1.30. Here are the steps of what that may look like:

- (i) Total Buildable Square Footage (Not including exemptions) based on 1.3 Bonus FAR
 $174,240 * 1.3 = 226,512 \text{ GSF}$
- (ii) Hard Costs:
 $226,512 \text{ GSF} * \$250/\text{SF} = \$56,628,000$
- (iii) Project Costs
 $\$56,628,000 * 1.25 \text{ (multiplier for project soft costs)} = \$70,785,000$
- (iv) Market Sales
 $226,512 \text{ GSF} * 80\% \text{ (efficiency)} * \$500/\text{SF} = \$90,604,800$

Total Profit = \$19,819,800 or a 28% profit (relative to project cost)

In this case let's say our Bonus FAR of 1.3 required a community benefit of 10% of the hard costs. The net benefit return to the city would be \$5.7 million. With a slight tweaking of the Market Sales costs, the developer would be able to regain the money keeping their profit margins at expectations and therefore making the project feasible. Again, playing through that scenario would look like:

(i) Total Buildable Square Footage (Not including exemptions) based on 1.3 Bonus FAR
 $174,240 * 1.3 = 226,512 \text{ GSF}$

(ii) Hard Costs
 $226,512 \text{ GSF} * \$250/\text{SF} = \$56,628,000$

(iii) Project Costs
 $\$56,628,000 * 1.25 \text{ (multiplier for project soft costs)} = \$70,785,000$

(iv) Community Benefits Costs
 $\$70,785,000 + \$5,662,800 = \$76,447,800$

(v) Market Sales
 $226,512 \text{ GSF} * 80\% \text{ (efficiency)} * \$535/\text{SF} = \$96,947,136$

Total Profit = \$20,499,336 or a 27% profit

Obviously this is a very rudimentary analysis. The hope is that it shows how incremental changes can help compensate for the costs associated with the community benefits.

As mentioned, the purpose of this letter is to provide a mechanism. The City Council can set the sliding scale however they see fit. They can incentivize development. They can set the scale in a way that discourages certain levels of development without substantial benefits to the city. Note that similar approaches have already been utilized by the city. This includes for the new Colby Farm Development. Our city planner, Andy Port, can surely provide other examples.

The mechanism provides the council time to decide the best way to apply the funds. My vote would be for a combination of mitigation measures to stop wave action along with improvements to the central waterfront park including a program element such as a splash pad. Of course this is up for debate and contingent on the benefit received from the developer.

Hopefully this is helpful. Please forward any questions you may have.

Sincerely,

Rishi Nandi AIA, LEED AP, RELI AP
Member Planning Board, City of Newburyport