

## Overview: Fiscal Impact and Other Issues

The current section/tab and the following tabs are all very short, but they cover distinct topics.

This section ("Fiscal" tab) is about the sizeable fiscal impact of developing residential space versus commercial space.

- *Fiscal Impact and Business Impact*  
Peter Harrington

*¾ Commercial property yields higher taxes; its development should be encouraged. But Mr. Korff proposes mostly residential use. The city should be encouraging more commercial development.*

The next section ("Legal" tab) covers two legal issues that need to be resolved. First, whether commercial space can be double-counted, which in turn affects the density of apartments. Second, whether Mr. Korff owns two small streets that he claims within the Orr Block.

- *Density Controls — Letter to Marc Laredo*  
Peter Harrington

*¾ Mr. Harrington explains how density controls work under different zoning categories. Emphasis is on double counting of commercial land, an issue that must be resolved.*

- *Who owns Bailey Place and Washington Terrace?*  
Peter Harrington

*¾ The Orr Block parcel includes two small streets: Bailey Place and Washington Terrace. The petitioner claims to have ownership rights over both, but he does not. This must be resolved before he can claim them.*

A third section ("Historic" tab) deals with the fact that the Orr Block directly abuts the Newtonville Historic District. This district is important architecturally and has its own particular character; it also houses people who are direct abutters to the Orr block and are highly concerned about how the project would affect them.

- *Abutters and Historic District*

Meghan Smith and other material

*¾ Orr Block abutters have strong and legitimate concerns about Washington Place. A letter describes their concerns. The abutters are also part of a Historic District. A development the scale of Washington Place should not be located adjacent to this district.*

- *Letter from An Abutter*

Patrick Slattery

*¾ An abutter who owns a rental property adjacent to the site voices numerous concerns, including about problems arising from the construction process itself.*

The last section ("Toxic" tab) is an article about chemical contamination, which is known to be present both under the Sunoco Gas Station and under the parking lot within the Orr block.

- *Chemical Contamination*

James Pacheco, Engineering Consultant

*¾ There is documented chemical contamination under the Orr Block parking lot and also under the Sunoco Gas Station. The chemicals are extremely toxic. They should be monitored throughout any construction. This article describes the nature of the chemicals under the parking lot.*

## Fiscal Impact and Business Impact Peter Harrington

Re: Docket Item #179-16 & #180-16

No one has taken a serious look at the financial impact of this precedent setting project.

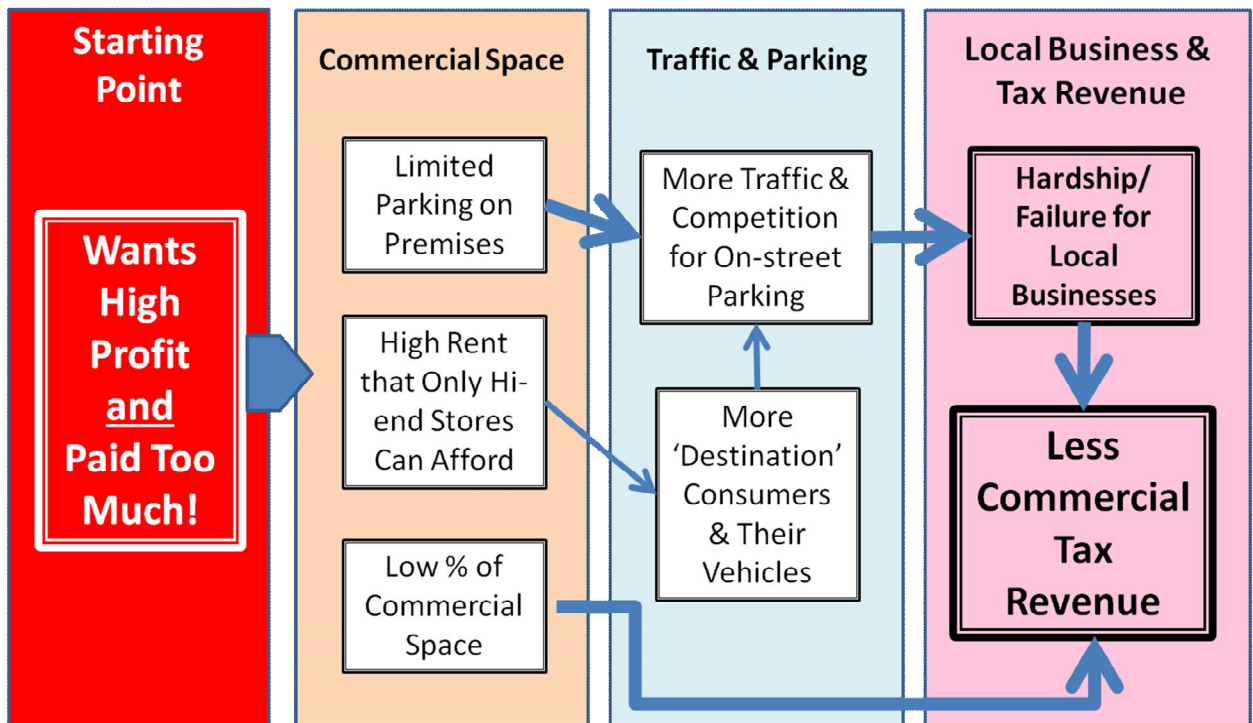
The Petitioner has presented a rose-colored view of extra tax revenue for the City, a pedestrian friendly community of seniors, low and moderate income tenants and a new retail environment that will compliment the existing Village businesses.

The Petitioner has skipped over the ripple effect of the projects costs to the taxpayer.

Our argument in summary

1. The Orr Block as currently zoned could have predominantly commercial use, which would produce a positive tax flow. The petitioner wants mainly residential use, which would create a tax burden.
2. The project will require high-end retail stores that cannot be supported by village residents alone. So the stores will require customers from elsewhere. These 'outside' customers will arrive by motor vehicle, not public transit. And that will mean more traffic.
3. The reduced number and size of parking spaces will create more demand for on-street parking.
4. Parking in Newtonville is already very tight. The new vehicles looking for parking will make the situation worse, driving away business from our local merchants. Some of these local businesses will close. And in turn we will lose even more commercial tax base.

Here is a visual depiction of these points.



Specifics: Impact on Newton's fiscal situation

For over 50 years, Newton government officials have bemoaned, complained and decried the fact that we do not have a large enough commercial tax base to offset the growing costs of our residential community. At the same time they run for election and re-election citing their participation in helping Newton win award after award for being a most livable city, with an excellent infrastructure and quaint business centers that cater to the village residents.

To meet the fiscal shortfall the City has adopted a number of strategies:

- i) Newton decided to charge the owners of business property nearly twice the tax on residential property, based on the theory that the Landlord can pass the cost on to the Tenant who can pass it on to the Customer.
- ii) It sold schools in the face of declining enrollment, expecting responsible Newtonites to limit their offspring to one or two.
- iii) The Board of Aldermen rezoned manufacturing and commercial land to residential use zones, then granted special permits to allow the building of more residential homes.

- iv) The City has discharged hundreds of low wage municipal employees with the claim that privatizing municipal services will reduce cost. The results seem to say that sometimes this works and sometimes it does not work. The flaw is that the money saved was spent on new programs and higher wages.

Recently, the City Council created a mixed use zone to encourage the construction of projects containing residential and commercial uses. The actual emphasis in this zone, whether explicit or implicit, has been on the residential side. It appears that little consideration was given to our municipal concerns about the lack of a sufficient commercial tax base.

#### Fiscal implications for the Orr Block decision

We now have a proposal to use one of the new Mixed Use Zones in Newtonville. The developer proposes to take needed potential commercial space and use it for a small mall and large residential complex.

The developers have estimated a projected net increase in tax revenues of \$200,000.

However, that is assuming that traffic and safety issues plus costs to the school system do not increase net municipal costs. Based upon past experience of the inability of developers to accurately project municipal net revenues from a project or the influence of a project on municipal services, roads and schools, it is very likely that the proposed project will result in a net revenue loss to the City of Newton.

Even if the developer turned out to be right about the \$200,000 benefit, that is .0006 of our current municipal budget. At that rate, developers would have to build 17 "Washington Places" — with 2700 living units — to give the city a mere 1% boost in revenue.

#### Specifics: Impact on local business

50 years ago the typical Newton village had one or two hardware stores, two or three pharmacies, restaurants, a bakery, a candy shop, a grocery store or market, commercial offices, a barber shop, a hair saloon, a jewelry store, a gift shop, a book store and other local service businesses.

With the introduction of Big Box businesses, plus regional and national chains, many small local merchants were unable to survive as their businesses were incorporated into the regional and national chains.

A review of the proposed floor plans, submitted with the developer's petition, shows 8 commercial locations ranging in size from 1,250 sq ft to 13,075 sq ft.

If rents for new commercial construction average \$35.00 to \$40.00 per square foot and CAM (Common Area Maintenance) charges average \$5.00 to \$10.00 per square foot, the monthly operating expenses for a tenant will be \$40.00 to \$50.00 per square foot. The Developer's marketing consultants said they estimate \$40.00/sq ft.

So we can anticipate minimum monthly rents for the new retail units identified on the plans, when construction is completed, without including CAM charges, as follows:

Unit	Size	Monthly charge at \$40.00 per sq ft	Monthly charge at \$45.00 per sq ft
8.	7,835 sq. ft.	\$26,117.00	\$29,381.00
7.	2,415 sq. ft.	\$ 8,050.00	\$ 9,056.00
6.	1,280 sq. ft.	\$ 4,267.00	\$ 4,800.00
5.	5,095 sq. ft.	\$16,983.00	\$19,106.00
4.	3,890 sq. ft.	\$12,967.00	\$14,588.00
3.	4,905 sq. ft.	\$16,350.00	\$18,394.00
2.	1,250 sq. ft.	\$ 4,167.00	\$ 4,688.00
1.	13,075 sq. ft.	\$43,583.00	\$49,031.00

These are high rents. To support these rents the tenants will have to attract a steady flow of business throughout the day and evening. Newtonville customers will not be sufficient.

The tenants will have to draw customers from Brighton, Watertown, Waltham, Wellesley and other surrounding communities. They will need to create a destination shopping experience that will compete with nearby village centers, including, Newton Corner, Newtonville, West Newton and Newton Center.

To provide for the customers and employees the developer has 107 parking spaces or one parking space for each 371.5 square feet of rental space. This does not compare favorably with the Newton Ordinance Requirement of 1 space per each 300 square feet for a retail store plus 1 space for each 3 employees on the largest shift.

#### What happens on the streets

The result will be traffic and parking congestion. If the new upscale commercial establishments flourish, it will mean that there is heavier vehicle volume on the streets and much more competition for on-street parking.

But local businesses already suffer because their customers have a hard time finding on-street parking. This new development would make the situation far worse. The more successful the

Washington Place commercial tenants are, the more local businesses will have trouble; it's quite likely that we will see many of our local businesses fail as a result. If the proposed 'Washington Place' is supposed to make Newtonville more vibrant, as many have said, this dynamic would have the opposite effect. There is an impact on village character aside from the financial aspects.

Finally, as if all this weren't bad enough, note that when a business fails, we lose the fiscal benefit of its commercial taxes.

## Conclusion

The Korff proposal creates a one-two punch to the city's revenues. First, it misses the opportunity to generate more commercial tax from the Orr Block property itself, due to limited commercial space. At the same time, it would destroy some of our existing commercial tax revenue.

All of this is undesirable and it is unnecessary.

Are Office Rental Properties in Newton Profitable?  
Helen Nayar

Mr. Korff's organization, Mark Newtonville LLC, tells us that it would be unprofitable to develop office space at the Orr Block. They claim that a major reason for this is that there is little demand for such space.

That claim may not be true. We call your attention to the web page, *Taurus Investment Holdings Sells 313 Washington St. for \$15 million*.

<https://cre.nerej.com/taurus-investment-holdings-sells-313-washington-st-15-million/>.

The text may be difficult to read on the site. Here is a transcription.

Newton MA. NGKF Capital Markets has completed the sale of 313 Washington St. to Grander Capital Partners, LLC for \$15 million. The NGKF Capital Markets Boston team, led by U.S. Head of Capital Markets Robert Griffen, vice chairman Edward Maher and executive managing director Matthew Pullen, in conjunction with Newmark Grubb Knight Frank senior managing director Dan Krysiak, leasing agent for the property, oversaw the transaction of the office and retail asset with a below-grade parking garage on behalf of Taurus Investment Holdings, LLC.

Totaling 81,052 s/f, 313 Washington St. is presently 90% leased to 24 tenants and anchored by a diverse mix of analytics, technology, law and software firms. It's street-level retail component is highlighted by a popular sports bar (Buff's Pub), an ATM (Bank of America), a dentist's office (Newton Corner Dental), and a custom embroiderer (EmbroidMe).

313 Washington Street features a highly desirable location in the heart of Newton Corner, a premier price alternative to downtown Boston's soaring rental rates," said Pullen. Consequently, the property boasts exceptional historic occupancy, consistently more than 90% leased."

Located adjacent to an MBTA Bus Stop and off I-90 (Mass. Turnpike), 313 Washington St. is situated 10 miles from downtown Boston.

The building has 2 stories in the front facing Washington Street and 3 stories on the back end. It is approximately one mile East of the Orr block.

The Orr Block, a little farther down Washington Street, would very likely be equally successful as office space despite the developer's contention otherwise. This approach would allow the city to maintain some more appropriate level of commercial revenue.



Location: 313 Washington Street is located at the Newton Corner 'circle of death' interchange. It is across the street from the Crowne Plaza Hotel.

