

Dedham Town Administrative Building and Police Station Sites Re-Use Feasibility Analysis

Prepared for:

The Town of Dedham, Massachusetts

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I. Introduction

The Town of Dedham, Massachusetts engaged HR&A Advisors, Inc., as part of the BETA Group team, to study the market and financial feasibility of re-using 26 Bryant Street and 600 High Street, sites that are currently occupied by the Town Administrative Building and Police Station, respectively. HR&A conducted demographic and economic analysis, a real estate market scan, and pro forma financial analysis in order to determine the value of re-use plans for the sites in the event the Town re-locates the current facilities.

The demographic and economic analysis identified underlying demand drivers impacting real estate development possibilities in the Town. The real estate market scan involved an assessment of local real estate transactions and leasing activity; trends in market absorption, vacancies, rents, and prices; and conversations with brokers and developers knowledgeable about the Dedham market. Based upon insights gathered through this process, HR&A and BETA Group developed alternative re-use scenarios for the sites and projected the land value generated by each alternative under sale and ground lease scenarios. The re-use alternatives for the Town Administrative Building and Police Station that generate the highest land values – while also supporting the Town’s goals and aspirations for future development in Dedham Square – represent the highest and best uses of the sites.

CONTEXT OF SITES

26 Bryant Street is a 1.07 acre lot on the southern portion of Dedham Square that houses the Dedham Town Administration Building. The building, a two-story 17,744 square foot structure constructed in 1963, lacks the space and amenities needed by Town Government. Should the Town vacate the building, the current structure could be renovated for re-use by another user or demolished for a new building. The site also contains a large parking area behind the building, and a grass lawn in front that features a large oak tree of historical and cultural significance. The site is displayed in **Figure 1**.

Figure 1: 26 Bryant Street – Dedham Town Administrative Building



Source: Bing Maps

600 High Street is a 0.34 acre lot in the central portion of Dedham Square that houses the Dedham Police Station. The building, a two-story 14,281 square foot structure constructed in 1962, is inadequate for the needs of the Town's Police Department. The current structure is not considered to be re-usable if the Dedham Police vacate the site, and would be demolished for a new building. The site also contains two small parking areas adjacent to the building. Street improvements associated with the Dedham Square Improvement Project are adding several parking spaces in front of the site. The site is displayed in **Figure 2**.

Figure 2: 600 High Street – Dedham Police Station



Source: Bing Maps

II. Demographic and Economic Analysis

Economic and demographic trends in Dedham provide insight into the underlying factors driving demand for real estate in Dedham Square and the Town as a whole. HR&A relies on data from the U.S. Census Data and Massachusetts Department of Labor and Workforce Development, as well as proprietary projections furnished by ESRI Business Analyst. To provide illustrative context for these trends, HR&A examines these demographic and economic indicators at four geographic levels when possible:

- A one-half mile radius around Dedham Square (centered on the intersection of Washington and High Streets)
- Town of Dedham
- Norfolk County
- Commonwealth of Massachusetts

POPULATION AND HOUSEHOLDS

As shown in **Figure 3**, The Town of Dedham grew faster than both Norfolk County and the Commonwealth of Massachusetts between 2000 and 2010, reversing a slight population decline in the previous decade. This robust growth owes in large part to the construction of significant residential projects in the Town between 2000 and 2010, including Jefferson at Dedham Station, Station 250, and Newbridge on the Charles. By contrast, the population of the Dedham Square vicinity was essentially flat between 1990 and 2010, with a modest increase in the 1990s and modest decline in the 2000s.

Figure 3: Population, 1990-2010

Location	1990	2000	2010	1990 - 2000 Growth	2000 - 2010 Growth
Dedham Square 1/2 Mile Radius	2,193	2,271	2,191	3.6%	-3.5%
Town of Dedham	23,782	23,464	24,729	-1.3%	5.4%
Norfolk County	616,087	650,308	670,850	5.6%	3.2%
Massachusetts	6,016,425	6,349,097	6,547,629	5.5%	3.1%

Source: ESRI; HR&A Advisors, Inc. Analysis

Declining household sizes contributed to Dedham's Square population drop in the 2000s and likely constrained the Town's population growth. While Norfolk County and Massachusetts experienced modest declines in average household sizes of -0.4 percent and -1.2 percent respectively, average household sizes in the Town of Dedham and Dedham Square fell by -6.1 percent and -4.1 percent respectively (**Figure 4**). These smaller household sizes reflect an aging population growing in place as well as the introduction of smaller units in new multi-family projects.

Figure 4: Household Size, 1990-2010

Location	1990	2000	2010	2000-2010 Change	2000-2010 Change
Dedham Square 1/2 Mile Radius	2.42	2.41	2.31	-0.4%	-4.1%
Town of Dedham	2.75	2.61	2.45	-5.1%	-6.1%
Norfolk County	2.63	2.54	2.53	-3.4%	-0.4%
Massachusetts	2.58	2.51	2.48	-2.7%	-1.2%

Source: ESRI; HR&A Advisors, Inc. Analysis

Despite limited growth in the past few decades, ESRI projects that Dedham Square will grow at a faster rate than the Town of Dedham, Norfolk County, and Massachusetts over the next five years (**Figure 5**). Growth in Dedham Square and Town as a whole reflect the area’s appeal to potential residents, with its proximity to Boston, historic character, significant concentration of shopping, and attractive walkable downtown. These attributes will be key drivers of demand for real estate uses at the Town Administrative Building and Police Station sites.

Figure 5: Projected Population Growth, 2012-2017

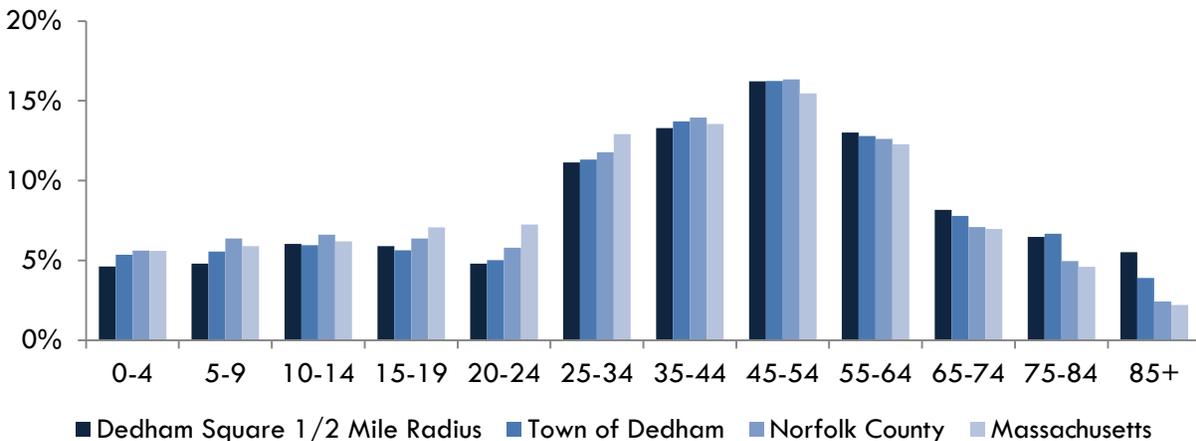
Location	2010	2012	2017	2012 - 2017 Projected Growth
Dedham Square 1/2 Mile Radius	2,191	2,260	2,386	5.6%
Town of Dedham	24,729	25,211	26,186	3.9%
Norfolk County	670,850	678,080	695,633	2.6%
Massachusetts	6,547,629	6,606,895	6,757,192	2.3%

Source: ESRI; HR&A Advisors, Inc. Analysis

AGE

The Town of Dedham and Dedham Square possess age profiles that are quite similar to Norfolk County and Massachusetts as a whole, with a few key differences. Dedham has a lower concentration of young professionals aged 20-34 than Norfolk County and Massachusetts, but a higher concentration of older residents aged 65 and above (**Figure 6**). Since young professionals are a critical market for new infill housing, and also tend to spend more than other age cohorts on retail and restaurants, attracting more young professionals to Dedham Square will be important to any new residential or retail projects.

Figure 6: Population by Age Cohort, 2010

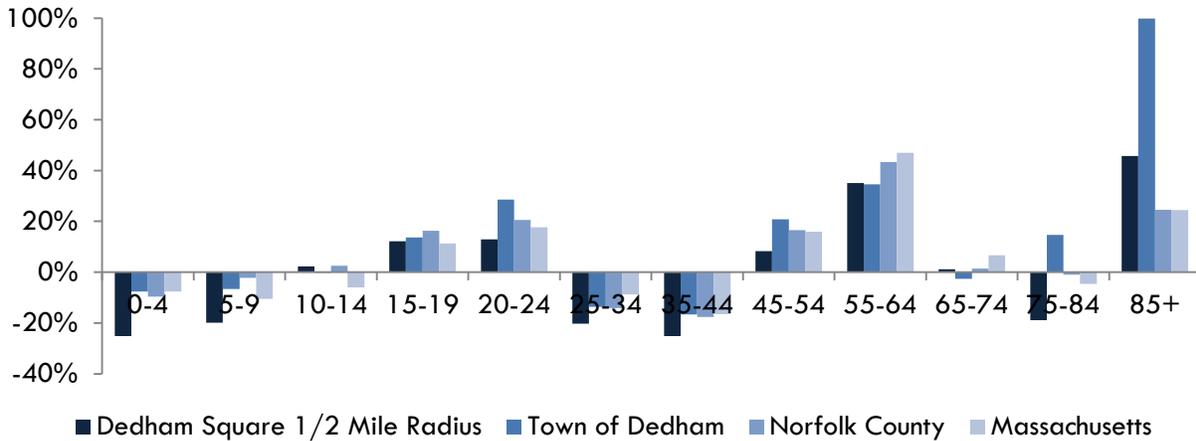


Source: ESRI; HR&A Advisors, Inc. Analysis

As shown in **Figure 7**, changes in the population of specific age cohorts in Dedham Square and the Town of Dedham largely reflect overall trends for Norfolk County and Massachusetts. In some cases, however, these trends are more pronounced in Dedham. Dedham Square in particular has experienced a decline in the number of children under 10, and also in the number of residents aged 25-44. All four areas experienced significant growth of the empty nester cohort of 55-64 year olds. As many of these residents

may consider down-sizing to a smaller home, while continuing to live in the Town of Dedham, providing infill housing opportunities in Dedham Square may represent a key market opportunity.

Figure 7: Population Change by Age Cohort, 2000-2010



Source: ESRI; HR&A Advisors, Inc. Analysis

HOUSEHOLD INCOME

Household incomes attest to the buying power of residents in the local market and an area’s desirability. Median household income in the vicinity of Dedham Square (\$76,888) is very similar to the Town of Dedham as a whole (\$76,042). As shown in **Figure 8**, these median incomes are slightly lower than that of Norfolk County (\$80,955), but considerably higher than the Commonwealth as a whole (\$62,403). The median incomes of Dedham households have changed at relatively consistent rates to Norfolk County and Massachusetts over the past twelve years.

Figure 8: Median Household Income, 1990-2012

Location	1990	2000	2012	1990-2000 Growth	2000-2012 Growth
Dedham Square 1/2 Mile Radius	\$ 48,229	\$ 61,916	\$ 76,888	28.4%	24.2%
Town of Dedham	\$ 45,687	\$ 61,867	\$ 76,042	35.4%	22.9%
Norfolk County	\$ 46,215	\$ 63,359	\$ 80,955	37.1%	27.8%
Massachusetts	\$ 36,952	\$ 50,539	\$ 62,403	36.8%	23.5%

Source: ESRI; HR&A Advisors, Inc. Analysis

Dedham Square does possess, however, a considerably higher per capita income (\$47,538) than the other areas (**Figure 9**), reflecting its smaller household sizes. Per capita income in Dedham Square has also grown significantly faster in the past twelve years than in the other areas. These trends attest to the appeal of Dedham Square as a residential location for relatively high income households, small families, and singles, a demographic that is well-suited to apartment and condominium living.

Figure 9: Per Capita Income, 1990-2012

Location	1990	2000	2012	2000-2010 Change	2000-2012 Change
Dedham Square 1/2 Mile Radius	\$ 20,259	\$ 31,468	\$ 47,538	55.3%	51.1%
Town of Dedham	\$ 19,045	\$ 28,199	\$ 38,869	48.1%	37.8%
Norfolk County	\$ 21,091	\$ 32,484	\$ 40,822	54.0%	25.7%
Massachusetts	\$ 17,224	\$ 25,952	\$ 33,741	50.7%	30.0%

Source: ESRI; HR&A Advisors, Inc. Analysis

EMPLOYMENT

The rate of employment growth in Dedham attests to demand for new commercial space in the Town, and also opportunities to capitalize on growing worker spending potential in the Town with new retail ventures. According to the Massachusetts Department of Labor and Workforce Development, employment in Dedham has increased 7.4 percent since 2006, a very robust rate of growth considering the Great Recession (**Figure 10**). By contrast, both Norfolk County and Massachusetts lost jobs during this period. Much of this growth was concentrated in the retail and food services sectors, reflecting the opening of Legacy Place and its many stores and restaurants.

Figure 10: Employment, 2001-2011

Location	2001	2006	2011	1990-2000 Change	2000-2010 Change
Town of Dedham	14,809	14,731	15,825	-0.5%	7.4%
Norfolk County	327,067	320,276	316,418	-2.1%	-1.2%
Massachusetts	3,276,103	3,197,325	3,191,604	-2.4%	-0.2%

Source: Massachusetts Department of Labor and Workforce Development; HR&A Advisors, Inc. Analysis

Although employment in Dedham has grown over the past five years, Dedham's average wages remain considerably lower than wages in Norfolk County and Massachusetts as a whole (**Figure 11**). Average wages declined over the past five years because much of the Town's job growth has occurred in the relatively low wage retail trade (\$26,364) and accommodation and food services (\$20,384) sectors. These sectors comprise 34 percent of jobs in Dedham, versus only 21 percent of jobs in Norfolk County and 19 percent of jobs in Massachusetts. By contrast, professional services jobs account for only 4 percent of employment in Dedham but 7 percent of jobs in Norfolk County and 8 percent of jobs in Massachusetts. The introduction of new office space in the Town could help diversify Dedham's service-oriented economy and attract higher-paying jobs.

Figure 11: Average Wages, 2001-2011

Location	2001	2006	2011	1990-2000 Change	2000-2010 Change
Town of Dedham	\$40,352	\$46,176	\$45,604	14.4%	-1.2%
Norfolk County	\$44,148	\$52,624	\$56,316	19.2%	7.0%
Massachusetts	\$44,980	\$52,416	\$59,644	16.5%	13.8%

Source: Massachusetts Department of Labor and Workforce Development; HR&A Advisors, Inc. Analysis

DEMOGRAPHIC AND ECONOMIC CONCLUSIONS

The Town of Dedham and Dedham Square feature several underlying demographic and economic characteristics that bode well for potential real estate development at the Town Administrative Building and Police Station sites.

- Dedham Square in particular exhibits high per capita incomes, while both Dedham Square and the Town as a whole exhibit much higher median household incomes than Massachusetts. This reflects the desirability of the area and a strong base of potential residents to draw upon for new multi-family units. Higher incomes in the area also are attractive to potential retail and restaurant tenants.
- Dedham Square and the Town as a whole have a growing population of 45-64 year-old residents, a cohort that will be a key market for smaller units in multi-family buildings in the coming years.
- The Town of Dedham and Dedham Square are both projected to grow faster than the County and Commonwealth in the next five years, representing a new market for area retailers and a growing potential base of residents for new multi-family units in the Town.
- The Town of Dedham has proven resilient during the Great Recession, as it attracted hundreds of new retail and restaurant jobs that have grown the Town's employment base while both Norfolk County and Massachusetts lost jobs.

There are also demographic and economic challenges to new development.

- Dedham Square and the Town of Dedham have smaller proportions of 25-34 year-olds than Massachusetts as a whole, and this group is declining at a faster rate in the Town than in the State as a whole. This young professional cohort is a critical market for apartment and condominium units, as well as a significant source of business for retail and restaurant establishments. The provision of new residential units and businesses in Dedham Square provides an important opportunity to attract and retain this cohort, furthering enhancing the Town's vibrancy.
- Although Dedham has added over a thousand jobs in the past decade, much of this job growth is concentrated in non-office using sectors that pay low average wages. The Town has a much lower proportion of professional services jobs than do Norfolk County and Massachusetts. New commercial office space in Dedham Square could enhance the Town's employment base and provide an important daytime customer base for area retailers and restaurants.

III. Real Estate Market Scan

HR&A has undertaken a real estate market scan informed by quantitative data on real estate transactions and activity, as well as qualitative reconnaissance informed by conversations with local government stakeholders, real estate brokers, and real estate developers. This approach provides a nuanced perspective on the Dedham market and feasibility of development in Dedham Square.

DEDHAM SQUARE DEVELOPMENT ACTIVITY

As shown in **Figure 12**, several new projects have been constructed in the vicinity of Dedham Square since 2003. Of particular interest are the four mixed-use projects that have been constructed near the square, including two immediately in Dedham Square: (1) 420 Washington Street (immediately across the street from the Town Administrative Building), featuring first floor commercial uses and 26 apartments on the upper-floors, and (2) 439 Washington Street, featuring first floor commercial uses and 11 apartments on the upper-floors.

Figure 12: Projects in Vicinity of Dedham Square Since 2003

Address	Use	Square Feet	Lot Size (Acres)	Year Built	Building Value	Land Value	Land Value Per Acre
125 Washington St.	Mixed-Use	57,515	0.75	2012	\$43,100	\$327,000	\$436,000
21 Eastbrook Rd.	Mixed-Use	9,295	0.41	2011	\$747,400	\$241,100	\$588,049
439 Washington St.	Mixed-Use	19,719	0.29	2009	\$1,203,600	\$192,900	\$665,172
420 Washington St.	Mixed-Use	51,309	0.44	2007	\$4,149,600	\$376,200	\$855,000
525 Providence Highway	Commercial	6,139	0.49	2007	\$378,400	\$592,200	\$1,208,571
283 Washington St.	Commercial	5,065	0.43	2005	\$438,100	\$458,200	\$1,065,581
306 Providence Highway	Commercial	183,222	10.72	2004	\$5,669,300	\$7,471,400	\$696,959

Source: Town of Dedham Assessors Database; HR&A Advisors, Inc. Analysis

In addition to these completed projects, several mixed-use developments are either under construction, approved, or in planning. These include:

- 408 Whiting Ave., a 14,000 square foot building featuring 14 residential units;
- 321 Washington St., a 25,000 square foot building featuring 27 residential units; and
- 333 East St., a 20,000 square foot building featuring 14 residential units.

Members of the development community attribute development interest in the Town and Dedham Square in particular to several factors:

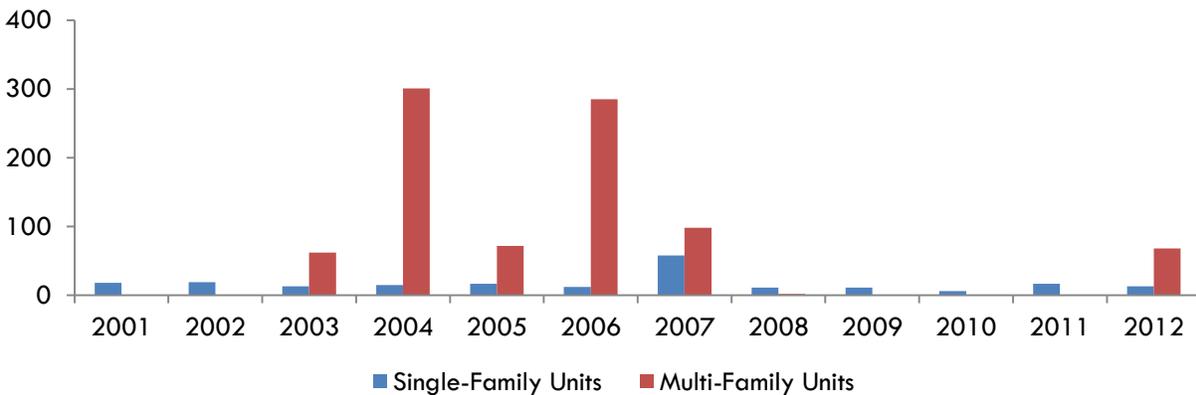
- A charming, walkable Town Center offering a mix of shops, restaurants, historic buildings, and green space;
- Easy access to Boston via Route 1, I-95, and the nearby commuter rail stations;
- A comfortable, community-oriented atmosphere that retains socio-economic diversity;
- A significant and diverse concentration of retail, include the upscale Legacy Place located one mile from Dedham Square;
- Strong Town management, as evidenced by the Town's recent upgrade to a AAA credit rating from Standard & Poor's, that makes banks comfortable lending in the Town; and
- The strength of the Boston area's real estate market and economy generally.

RESIDENTIAL MARKET

Building Activity

Dedham's residential market is perceived by development stakeholders as especially strong. **Figure 13** tabulates building permits issued in the Town since 2001. In the mid-2000s, several large multi-family products drove permitting activity, including Jefferson at Dedham Station, Station 250, and Newbridge on the Charles. Since then, there has been a dearth of multi-family building activity. With recovery from the Great Recession ongoing and limited new residential available in the Town, multi-family residential units may represent an especially appropriate use in Dedham Square.

Figure 13: Town of Dedham Building Permits Issued, 2001-2012



Source: HUD; HR&A Advisors, Inc. Analysis

Recent Leasing Activity and Transactions

The apartment market in Dedham has proven especially strong in recent years, as it has in the Boston area generally. An analysis of recent rental listings and closings finds that one-bedroom apartments in the vicinity of Dedham Square are renting at \$1,000-\$1,400 per month, depending on square footage, features, and condition. Many one-bedrooms in the area are relatively small, in the 700-900 square foot range. There are relatively few two-bedroom apartments in Dedham due to zoning restrictions on new two-bedroom units in mixed-use buildings. Those two-bedroom units that do exist near Dedham Square are renting at \$1,500-\$1,900 per month.

On a square foot basis, new multi-family rental units are on average commanding approximately \$1.60-\$1.80 per month in rent, with some units commanding up to \$2.00. It is likely that new apartment units in Dedham Square could achieve rents on the high end of this scale, given the amenity value of the location. This is a reasonable and perhaps conservative assumption, as new luxury apartment complexes like Jefferson at Dedham Station and Station 250 are achieving rents of \$2.25 per square foot.

Brokers and developers report rapid absorption of new product. For instance, 125 Washington Street, featuring 42 new apartment units, was leased up in three months in 2012. While members of the development community universally agree that one-bedroom apartments will continue to be in high demand in Dedham, some believe that two-bedroom apartments could be an even more attractive option given their relative scarcity and their attractiveness to down-sizing empty-nesters and upgrading young

professionals, two of the most important demographics in the area's rental market. In order to command a premium in the market, units should feature amenities such as in-unit laundry and larger square footages (e.g. 1,000 square foot one-bedroom units and 1,250 two-bedroom units).

Members of the development community perceive that Dedham's condominium market has strengthened in the past year, buoyed by low interest rates and the lack of new supply. Figure 15, shown below, presents condo transactions in the vicinity of Dedham Square in the past 24 months. Prices have tended to range between \$150 and \$250 per square foot, with upscale units in the former Dedham Jail (47 Village Ave.) and at Mother Brook Condominiums (Stone Mill Dr.) often on the higher end of this range. Assuming units would be provided with high-end finishes and larger formats, it is likely new condominium units in Dedham Square could achieve prices in the range of \$225 per square foot.

Figure 15: Recent Condo Transactions in Dedham

Address	Use	Sale Date	Year	Square Feet	Purchase Price	Price (PSF)
46 Clough Rd. 46	Condo	Jun-12	1964	940	\$280,000	\$298
47 Village Ave. 212	Condo	Aug-12	2003	1,895	\$550,000	\$290
7 S Stone Mill Dr. Apt 402	Condo	Nov-11	1987	808	\$200,000	\$248
23 Clough Rd. 23	Condo	Jul-12	1964	948	\$220,900	\$233
110 Maple Place Apt 5	Condo	Jan-12	1940	708	\$163,555	\$231
11 S Stone Mill Dr. Apt 711	Condo	Dec-11	1987	1,746	\$380,000	\$218
3 S Stone Mill Dr. 225	Condo	Mar-12	1987	818	\$174,000	\$213
47 Village Ave. PH401	Condo	Feb-13	2003	3,286	\$685,000	\$208
10 N Stone Mill Dr. Apt 1011	Condo	May-13	1988	1,339	\$261,000	\$195
32 N Stone Mill Dr. Apt 1222	Condo	Jun-12	1988	1,392	\$270,000	\$194
90 High St. Apt 105	Condo	Apr-13	1972	926	\$175,000	\$189
40 High St. Apt 308	Condo	Jul-11	1972	630	\$115,000	\$183
26 N Stone Mill Dr. Apt 1123	Condo	Oct-12	1988	1,388	\$245,604	\$177
80 High St. Apt 301	Condo	Apr-12	1972	923	\$160,000	\$173
80 High St. Apt 101	Condo	Jul-12	1972	923	\$153,000	\$166
40 High St. Apt 305	Condo	Dec-12	1972	935	\$144,961	\$155
90 High St. Apt 108	Condo	Apr-12	1972	1,042	\$123,000	\$118

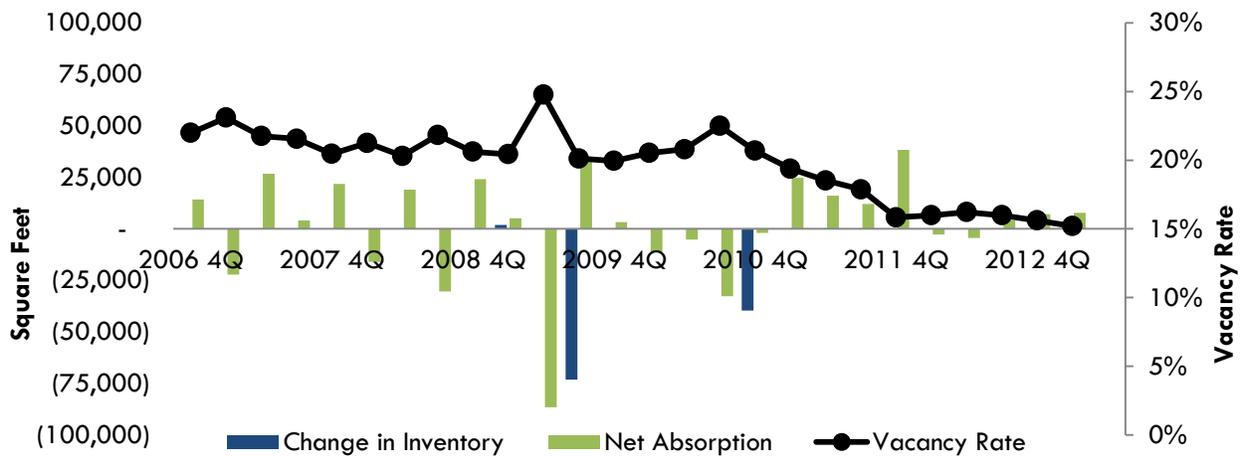
Source: Zillow; HR&A Advisors, Inc. Analysis

COMMERCIAL OFFICE MARKET

Absorption and Vacancy Trends

The commercial office market in Dedham has improved in recent years. As shown in **Figure 16**, since the depths of the Great Recession, the Town has experienced several quarters of positive net absorption, which have reduced the vacancy rate from nearly 25 percent at the end of 2010 to 15 percent in the first quarter of 2013. Moreover, over the past several years, the Town has experienced annual gross absorption of at least 80,000 square feet of office. With its concentration of supporting businesses and the cluster of legal activity around the Norfolk County Courthouse, Dedham Square is a particularly attractive location within the Town for office space for professional services firms.

Figure 16: Town of Dedham Office Market Absorption and Vacancy, 2008-2013

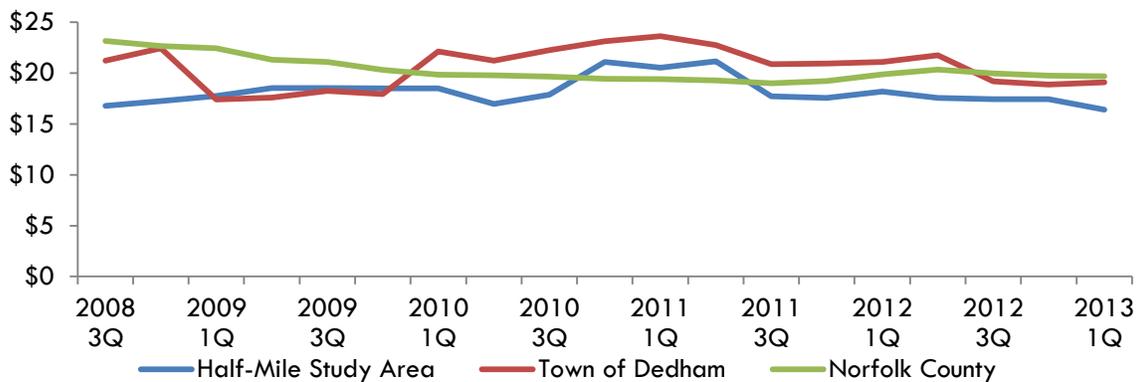


Source: CoStar; HR&A Advisors, Inc. Analysis

Market Rents and Recent Leasing Activity

Office rents in Dedham Square have been relatively flat in recent years, and have tended to fall slightly below those in Dedham as a whole and Norfolk County (Figure 17). In the first quarter of 2013, market rents in Dedham Square were approximately \$16 NNN per square foot. It is likely that Dedham Square’s lagging performance reflects the greater availability of higher quality office space in suburban areas rather than any deficiency of Dedham Square as a location. Brokers and developers corroborate these market statistics, reporting that office space in the Dedham Square tends to rent for \$15-\$18 NNN per square foot.

Figure 17: Office Market Rents, 2008-2013



Source: CoStar; HR&A Advisors, Inc. Analysis

A sampling of recent leasing transactions in Dedham is displayed below in Figure 18. Office rents are clustered in the range of \$15.00 to \$20.00 per square foot. The two spaces listed below that are located within Dedham Square, 394 and 450 Washington Street, are both in Class B buildings over fifty years old, suggesting that new Class A space in a similar location could perform better. It is also notable that none of these transactions are for more than 4,000 square feet. Members of the development community report that smaller build outs (1,000-3,000 square feet) are much more likely to be absorbed in the market than

larger formats (over 10,000 square feet). New commercial space should be dividable to these smaller build outs, or otherwise have an end user identified for a build-to-suit opportunity. One such end-user which could fill a larger space is the Norfolk County District Attorney's Office, which was previously located in Dedham Square and would benefit from proximity to the Courthouse. The District Attorney would require 25,000 square feet of space, and could take advantage of existing parking at the Courthouse.

Figure 18: Recent Office Leasing Transactions in Dedham

Address	Square Feet	Rental Rate (PSF)	Lease Type
3 Allied Dr.	3,917	\$26.50	Full-Service
394 Washington St.	1,200	\$22.00	Full-Service
62 Eastern Ave.	700	\$20.00	NNN
270 Bridge St.	2,772	\$18.00	+ Electric
95 Eastern Ave.	1,175	\$15.00	NNN
95 Eastern Ave.	1,461	\$15.00	NNN
95 Eastern Ave.	500	\$15.00	NNN
450 Washington St.	3,300	\$9.00	+ Utilities

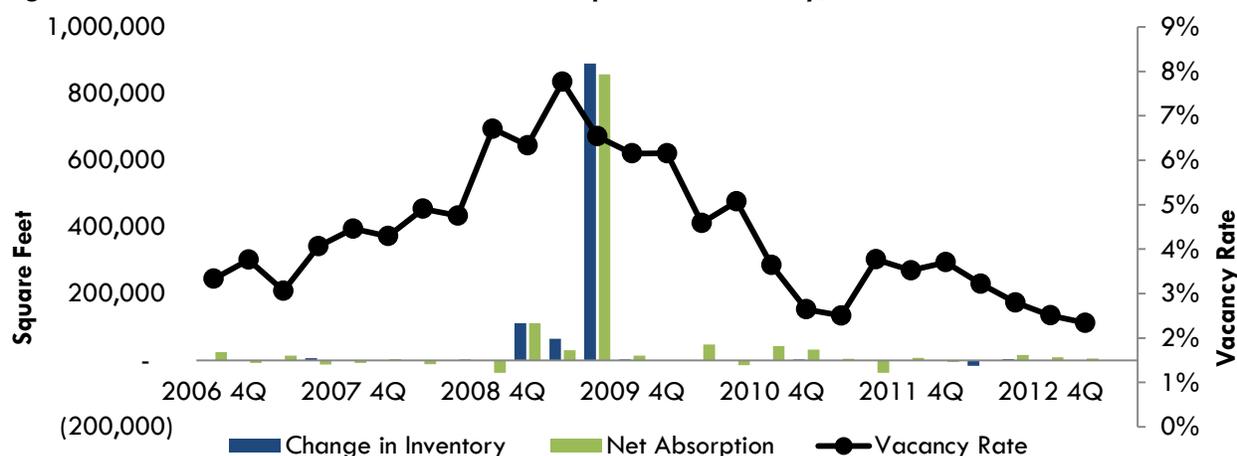
Source: CoStar; HR&A Advisors, Inc. Analysis

RETAIL MARKET

Absorption and Vacancy Trends

The Town of Dedham has a significant retail presence, owing to its prime location at the confluence of Route 1 and Interstate 95. As shown in **Figure 19**, the 2009 opening of Legacy Place, a 675,000 super regional lifestyle center, was a seminal moment for retail in Dedham. Since 2009, retail vacancies in Dedham have steadily declined to just over 2 percent in early 2013. According to ESRI Business Analyst, Dedham has 258 retail and restaurant establishments that generate \$935 million in annual sales; this is far more than the sales volume that could be generated by Town residents alone (estimated to be approximately \$345 million), evidencing that Dedham has become an established retail destination in the Greater Boston area.

Figure 19: Town of Dedham Retail Market Absorption and Vacancy, 2008-2013



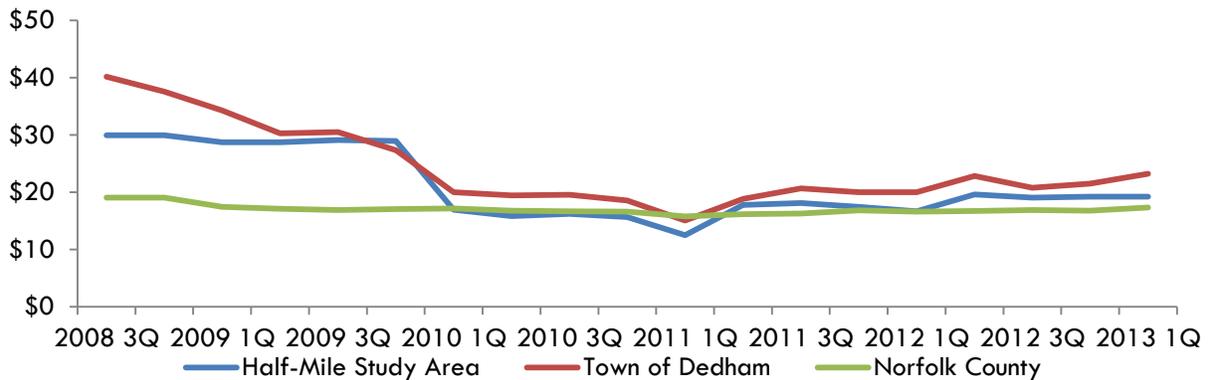
Source: CoStar; HR&A Advisors, Inc. Analysis

Dedham Square stakeholders and members of the broker community report that Dedham Square has not been harmed by the substantial new retail development in the southern part of the Town. Dedham Square maintains an eclectic collection of businesses and restaurants that primarily serve a local market. Several stakeholders believe the Square has actually benefited from Legacy Place and development along Route 1 because it has increased retail traffic and awareness of the Town generally. Stakeholders believe that new sit-down dining options represent an especially promising use for new retail.

Market Rents and Recent Leasing Activity

Retail rents in Dedham fell sharply during the Great Recession, but have begun to rebound since 2011 (**Figure 20**). Generally, space along Route 1 and especially in the vicinity of Legacy Place commands the highest rents in Dedham. As shown below, rents in the vicinity of Dedham Square have tracked rents in the Town as a whole, but are slightly lower. In the first quarter of 2013, Dedham Square retail rents were about \$19 per square foot NNN, compared to average rents of about \$23 per square foot in the Town as a whole and up to \$40-\$50 per square foot along Route 1.

Figure 20: Retail Market Rents, 2008-2013



Source: CoStar; HR&A Advisors, Inc. Analysis

A sampling of recent retail leasing transactions in Dedham is displayed below in **Figure 21**. There is considerable heterogeneity in retail rents in the Town primarily due to location. Although none of the listed properties are in Dedham Square proper, brokers and developers expect that new, well-positioned retail space in Dedham Square can generate higher than average rents for the Square, in the range of \$23-\$28 per square foot NNN. Retail at the current Police Station site, which is prominently located at the intersection of High and Washington Streets, would likely attain rents at the higher end of this spectrum, while retail at the Town Administrative Building site on Bryant Street would likely attain rents at the lower end of this spectrum because the site is not in a highly visible area.

Figure 21: Recent Retail Leasing Transactions in Dedham

Address	Square Feet	Rental Rate (PSF)	Lease Type
780 Providence Highway	900	\$50.00	NNN
81 Legacy Place	2,000	\$40.00	NNN
928 Providence Highway	1,800	\$28.00	NNN
928 Providence Highway	7,000	\$25.00	NNN
234 Bussey St.	1,500	\$16.00	+ Utilities
600 Providence Highway	2,600	\$15.00	+ Utilities

Source: CoStar; HR&A Advisors, Inc. Analysis

REAL ESTATE MARKET SCAN CONCLUSIONS

The foregoing analysis of real estate conditions in Dedham indicates that the market would be receptive to new development or re-use of the Town Administrative Building and Police Station. Several new mixed-use projects have been constructed or are in planning in the vicinity of Dedham Square in recent years, and have absorbed quickly. The projects have achieved market rents that justify the costs of development. Such mixed-use development fits the character of Dedham Square and would enhance its vibrancy by increasing the daytime population of the area. Specific considerations include the following:

- **Residential Apartment:** Rental apartments are strongly positioned to succeed in Dedham Square. Rental properties in Dedham Square have generally achieved rents in the range of \$1.60-\$1.80 per square foot, with top-line units commanding up to \$2.00 per square foot. The current unit mix in the area is skewed towards one-bedroom units due to prevailing zoning regulations. Should this zoning be altered, providing a unit-mix consisting of a majority of two-bedroom units would likely tap into a new segment of the market that is seeking a higher-end product. We project new units could achieve rents of \$1.85 per square foot.
- **Residential Condominium:** As the market for condominiums in Greater Boston continues to improve, condominiums may be a viable upper-floor use for Dedham Square. There are fewer for-sale condominium properties in the immediate vicinity of Dedham Square, but those that are available have sold for approximately \$150-\$250 per square foot. We anticipate that new condos could achieve prices of \$225 per square foot, assuming larger unit sizes with demanded amenities are offered.
- **Office:** Commercial office is also a viable upper-floor use for mixed-use development, and would help mitigate the loss of Town employees on local businesses. Office space provided should be available in increments of 1,000-3,000 square feet to meet the needs of professional services businesses that are likely to demand the space. Alternatively, a larger end-user like the Norfolk County District Attorney could occupy the entire space. We estimate that commercial office space in the Square could achieve rents of \$18 NNN per square foot.
- **Retail:** Retail uses on the ground-floor of new mixed-use development sustain the Square's traditional character and have the ability to enhance its vibrancy. Retail in Dedham Square has not faltered in the face of new competition from Legacy Place, and may even be benefitting from increased traffic to the Town generally. We estimate that retail space at the Police Station site could achieve rents of \$28 NNN per square foot and retail space at the Town Administrative Building site could achieve rents of \$23 NNN per square foot.

IV. Re-Use Alternatives Feasibility Analysis

HR&A and BETA Group have developed alternative re-use scenarios for the Town Administrative Building site and Police Station site in order to determine the highest and best uses for these sites. These alternatives were generated with input from Town officials and members of the real estate community in Dedham. While these alternatives do not encompass the full spectrum of design solutions for the re-use of each site, they are intended to maximize development potential given market conditions and current zoning regulations (2.4 FAR), as well as the desire of the community that new development fit the character of Dedham Square.

DEDHAM TOWN ADMINISTRATIVE BUILDING SITE RE-USE SCENARIOS

Three scenarios have been developed for the Town Administrative Building site at 26 Bryant Street. The characteristics of these scenarios are summarized in **Figure 22**. As described further below, Alternative 1 envisions a re-use of the current building, while Alternatives 2 and 3 both envision the demolition of the current building and replacement with a mixed-use development project.

Figure 22: Town Administrative Building Re-Use Scenarios

	Alternative 1	Alternative 2	Alternative 3
Total Retail Square Feet	0	9,250	6,000
Total Commercial Office Square Feet	18,000	0	0
Total Residential Square Feet	0	34,750	39,000
1-Bedroom Square Feet	0	1,000	1,000
2-Bedroom Square Feet	0	1,250	1,250
1-Bedroom Units	0	6	4
2-Bedroom Units	0	23	28
Parking	Current parking lot	60 space option OR 95 space option	70 spaces

Source: HR&A Advisors; BETA Group

Dedham Town Administrative Building Site Alternative 1

In **Alternative 1**, the current Town Administrative Building is rehabilitated to accommodate a new tenant. This is a low cost option that takes advantage of the existing structure, but misses an opportunity to introduce a new mixed-use property in the Town. The existing building could be leased or sold with moderate renovations (fit outs and utility upgrades), or with extensive renovations (also including façade improvements). Although it may be difficult to attract a private-sector tenant to this relatively large space, the space could be attractive as office space for government functions.

Dedham Town Administrative Building Site Alternative 2

In **Alternative 2**, the current Town Administrative Building is demolished and replaced by a new mixed-use project featuring retail space and residential space. This option is intended to meet the demand for residential units in Dedham while also incorporating ground-floor commercial uses that serve to activate Dedham Square throughout the day. Retail space would front Bryant Street on the ground-floor, with apartment units located on the back portion of the first floor, and on the second and third floors. A mix of 6 one bedroom units and 23 two bedroom units is recommended in order to meet pent-up demand for

two-bedroom units, which are discouraged by current zoning in the Town. While this plan would require a zoning revision to allow development of two-bedroom units, a similar plan would be feasible with a greater portion of one-bedroom units and a lower parking ratio per unit.

Two different parking alternatives are possible under this plan: a 60-space option which would meet the needs of on-site tenants, and a 95-space option which would offer 35 additional spaces to accommodate general parking demand in Dedham Square. In the 60-space option all parking is accommodated on a surface lot and under the south façade of the building, while in the 95-space option parking is accommodated beneath the majority of the building. The Town of Dedham would effectively pay for the construction of the extra parking (either directly or indirectly by accepting a lower price for the land). While paying for this parking lowers the direct financial return to the Town, the policy goal of improving the ease and availability of parking in Dedham Square may warrant consideration of this tradeoff.

Dedham Town Administrative Building Site Alternative 3

As in the previous alternative, the current Town Administrative Building is demolished in **Alternative 3** and replaced by a new mixed-use project with retail and residential space. This alternative has a different configuration, with somewhat more residential space and less retail space. Alternative 3 offers a residential unit mix of 4 one-bedroom units and 28 two-bedroom units. As in the previous alternative, a zoning revision to allow a greater proportion of two-bedroom units would be necessary.

Under this scenario, 70 total parking spaces would be available on a surface lot behind the building and below grade beneath the building. 22 of these spaces would accommodate commercial uses and potential overflow from elsewhere in the Town. These spaces would be located beneath grade, with two travel lanes accommodating entry and egress under the new building.

DEDHAM POLICE STATION SITE RE-USE SCENARIOS

Two scenarios have been developed for the Dedham Police Station site at 600 High Street. The characteristics of these scenarios are summarized in **Figure 23**. These scenarios attempt to maximize density on the site with new mixed-use projects, while minimizing the amount of the site dedicated to parking.

Figure 23: Dedham Police Station Site Re-Use Scenario

	Alternative 1	Alternative 2
Total Retail Square Feet	10,000	11,500
Total Commercial Office Square Feet	24,000	0
Total Residential Square Feet:	0	10,500
1-Bedroom Square Feet	0	1,000
2-Bedroom Square Feet	0	1,250
1-Bedroom Units	0	3
2-Bedroom Units	0	6
Parking:	16 spaces / 9 street spaces	36 spaces / 9 street spaces

Source: HR&A Advisors; BETA Group

Dedham Police Station Site Alternative 1

In **Alternative 1**, the current Police Station Building is demolished and replaced by a new three story mixed-use project featuring retail space and commercial office space. This alternative is designed to create a building with prominent retail frontage on the corner of High and Washington Streets, and two upper-floors of office that enhance the daytime population of the Square and mitigate the potential loss of Town employee spending. With 24,000 square feet of office space, the new building could accommodate the Norfolk County District Attorney's Office, which has expressed interest in returning to Dedham Square. The proximity of the site to the Courthouse would enable the District Attorney's Office to utilize existing surface parking, mitigating the need for significant new parking on the site. Another key feature of this concept is the 2,000 square foot plaza at the intersection of High and Washington Streets, which provides ample space for outdoor dining.

Given the small size and constrained configuration of the lot, this scenario accommodates on-site parking in a 16-space lot one level beneath grade. It is assumed this parking would accommodate customers and employees of the retail space, as would the 9 additional spaces accommodated on the street level.

Dedham Police Station Site Alternative 2

In **Alternative 2**, the current Police Station Building is demolished and replaced by a two story mixed-use project featuring retail space and residential above. This alternative also creates a strategically located retail space on the corner of High and Washington Streets, but includes residential rather than commercial office above to capitalize on the strength of the residential market in Dedham. In this alternative, an 800 square foot plaza at the intersection of High and Washington Streets provides an attractive outdoor dining location.

The size of the new building is limited to two stories so that all residential and retail parking may be fully accommodated on-site in a two-level, 36-space underground facility. Accommodating the extra parking necessary for an additional floor would require another level of below-grade parking, which would be prohibitively expensive for a project of this modest scale. By having only two stories, slightly more retail can be accommodated on the first floor without exceeding FAR regulations. As in the previous alternative, 9 additional spaces can be also accommodated at the street level.

FINANCIAL ANALYSIS

HR&A constructed a pro forma in order to determine the residual land value generated to the Town of Dedham by each development scenario. The pro forma analysis considers the value of the land under two possible disposition scenarios: fee simple sale of the properties or ground leasing of the properties. These disposition scenarios offer distinct advantages and disadvantages. Fee simple disposition enables the Town to receive the maximum upfront payment for the properties, and may broaden the market of potential bidders to the extent local developers are more comfortable buying property outright. A ground lease transaction allows the Town to receive an annuity that could serve to offset other ongoing obligations, such as rent for the relocated Town Administrative Building and Police Station. Moreover, a ground lease structure allows the Town to derive value from future land value appreciation, meaning that the net present value of the future stream of payments may be higher than the sale price of the property.

The analysis is underpinned by several assumptions, drawn from HR&A's market research, professional judgment, and third party data sources. Given the sensitivity of the financial analysis to changes in these assumptions, the results generated are most usefully interpreted in comparing the value generated by the alternatives on an order-of-magnitude basis. A range of project hard construction costs is considered for each use, to reflect potential differences in labor costs faced by different developers and end users (e.g. public sector users must comply with Massachusetts Prevailing Wage Laws). In instances where an existing structure must be demolished, it is assumed the developer would incur these costs as part of the project. These assumptions are presented in **Figure 24**.

Figure 24: Re-Use Alternative Assumptions

Assumption	Value	Source
Residential		
Apartment Monthly Rent PSF	\$1.85	HR&A Market Research
Apartment Operating Costs as Percent of Revenue	30%	HR&A Market Research
Residential Stabilized Vacancy	4%	HR&A Market Research
Residential Capitalization Rate	5.25%	CBRE Cap Rate Survey Feb. 2013
Residential Cost of Construction PSF	\$180-\$190	BETA Group
Residential Targeted Yield	6.50%	Assumption
Retail		
Bryant Street Retail Annual Rent PSF	\$23.00	HR&A Market Research
High Street Retail Annual Rent PSF	\$28.00	HR&A Market Research
Retail Stabilized Vacancy	5%	HR&A Market Research
Retail Capitalization Rate	6.25%	CBRE Cap Rate Survey Feb. 2013
Retail TI PSF as Percent of Annual Rent	10%	HR&A Market Research
Retail Cost of Construction PSF	\$145-\$155	BETA Group
Retail Targeted Yield	7.50%	Assumption
Office		
New Office Annual Rent PSF	\$18.00	HR&A Market Research
Renovated (Major) Office Annual Rent PSF	\$15.00	HR&A Market Research
Renovated (Minor) Office Annual Rent PSF	\$12.00	HR&A Market Research
New Office Stabilized Vacancy	5%	HR&A Market Research
Renovated Office Stabilized Vacancy	10%	HR&A Market Research
New Office Capitalization Rate	6.25%	CBRE Cap Rate Survey Feb. 2013
Renovated Office Capitalization Rate	7.00%	CBRE Cap Rate Survey Feb. 2013
Office TI PSF as Percent of Annual Rent	10%	HR&A Market Research
Office Cost of Construction PSF	\$190-\$195	BETA Group
Office Major Renovation Cost of Construction PSF	\$125-\$130	BETA Group
Office Minor Renovation Cost of Construction PSF	\$90-\$95	BETA Group
New Office Targeted Yield	7.50%	Assumption
Renovated Office Targeted Yield	8.25%	Assumption
Universal Assumptions		
Soft Costs as Percent of Construction Costs	15%	BETA Group
Developer Profit on Construction Costs	15%	Assumption
Initial Principal Loan-to-Value	75%	Assumption
Construction Interest Rate	5.5%	HR&A Market Research
Average Construction Loan Balance Outstanding	50%	Assumption
Construction Period (Years)	1	Assumption
Loan Closing Costs (% Loan Principal)	2%	Assumption
Ground Lease Assumptions		
Ground Rent Percentage	6%	HR&A Market Research
Lease Term (Years)	50	Assumption
Annual Land Value Appreciation	2%	HR&A Market Research
Rent Escalations	Every 5 Years	HR&A Market Research

Property Sale

HR&A considers the performance of each alternative in a hypothetical stabilized year, and calculates the amount a developer would be expected to pay for fee simple ownership of the land, given the costs of development and the stream of revenue generated. HR&A determines residual land value by comparing the market value of each alternative (calculated as the net operating income generated by the project in a stabilized year divided by a capitalization rate) against the costs of project construction and financing. The results of HR&A's stabilized year analysis for the Town Administrative Building are summarized in **Figure 25**, and for the Police Station are summarized in **Figure 26**.¹ A more detailed readout of the financial analysis is presented in the Appendix under "Detailed Stabilized Year Financial Analysis."

Figure 25: Dedham Town Administrative Building Site Sale Disposition Financial Analysis Summary

	Town Hall Alt. 1 Minor Renovation	Town Hall Alt. 1 Major Renovation	Town Hall Alt. 2 Less Parking	Town Hall Alt. 2 More Parking	Town Hall Alt. 3
Market Value	\$2,475,000	\$3,075,000	\$12,600,000	\$12,600,000	\$12,750,000
Project Cost	\$2,225,000 - \$2,325,000	\$3,075,000 - \$3,200,000	\$10,825,000 - \$11,450,000	\$11,725,000 - \$12,350,000	\$11,775,000 - \$12,400,000
Supportable Land Value	\$150,000 - \$250,000	-\$125,000 - \$0	\$1,150,000 - \$1,775,000	\$250,000 - \$875,000	\$350,000 - \$975,000
Supportable Land Value Per Acre	\$140,000 - \$230,000	-\$120,000 - \$0	\$1,070,000 - \$1,660,000	\$230,000 - \$820,000	\$330,000 - \$910,000

Source: HR&A Advisors, Inc. Analysis

Figure 26: Dedham Police Station Site Sale Disposition Financial Analysis Summary

	Police Station Alt. 1	Police Station Alt. 2
Market Value	\$9,975,000	\$7,425,000
Project Cost	\$8,775,000 - \$9,050,000	\$6,250,000 - \$6,525,000
Supportable Land Value	\$925,000 - \$1,200,000	\$900,000 - \$1,175,000
Supportable Land Value Per Acre	\$2,720,000 - \$3,530,000	\$2,650,000 - \$3,460,000

Source: HR&A Advisors, Inc. Analysis

Ground Lease

Given the range of current residual land values for each alternative, HR&A projects the value of rent payments for the land under a 50-year ground lease. For this analysis, we assume that the Town of Dedham will annually receive six percent of the land value as ground rent, reflecting a small discount to targeted yields in the private sector (6.6 to 7.5 percent depending on the use). We also assume the land appreciates two percent annually for the duration of the lease², and that the Town of Dedham captures some of this increased value through rent escalations every five years. The net present value calculation uses a discount rate of seven percent.

The results of HR&A's ground lease analysis for the Town Administrative Building are summarized in **Figure 27**, and for the Police Station are summarized in **Figure 28**. Note that because the major renovation of the Town Administrative Building does not generate positive land value, this alternative is not shown. For each of the alternatives with positive land value, the net present value of the stream of rent payments received under a ground lease transaction is higher than the current sale price.

¹ Note that because the projected market value of condo units (\$225 per square foot) does not exceed the total costs of constructing these units (estimated to be \$240-\$250 per square foot), condo uses are not projected to be financially feasible at this time and all results are based on rental apartment uses of residential space. As market conditions for for-sale residential products continue to improve, these economies may shift.

² HR&A's land appreciation assumption is informed by the U.S. Bureau of Labor Statistics Consumer Price Index for housing, which increased by 2.14% annually between 2002 and 2012. We conservatively assume a slightly lower rate of increase.

Figure 27: Dedham Town Administrative Building Site Ground Lease Financial Analysis Summary

	Town Hall Alt. 1 Minor Renovation	Town Hall Alt. 2 Less Parking	Town Hall Alt. 2 More Parking	Town Hall Alt. 3
Net Present Value	\$150,000 - \$275,000	\$1,250,000 - \$1,925,000	\$275,000 - \$925,000	\$400,000 - \$1,075,000
<i>Annual Rent, Years 1-5</i>	\$8,000 - \$16,000	\$69,000 - \$105,000	\$15,000 - \$51,000	\$22,000 - \$59,000
<i>Annual Rent, Years 6-10</i>	\$9,000 - \$17,000	\$77,000 - \$116,000	\$17,000 - \$56,000	\$25,000 - \$65,000
<i>Annual Rent, Years 11-15</i>	\$10,000 - \$19,000	\$85,000 - \$129,000	\$18,000 - \$62,000	\$27,000 - \$72,000
<i>Annual Rent, Years 16-20</i>	\$11,000 - \$21,000	\$93,000 - \$142,000	\$20,000 - \$69,000	\$30,000 - \$80,000
<i>Annual Rent, Years 21-25</i>	\$12,000 - \$23,000	\$103,000 - \$157,000	\$22,000 - \$76,000	\$33,000 - \$88,000
<i>Annual Rent, Years 26-30</i>	\$13,000 - \$26,000	\$114,000 - \$173,000	\$25,000 - \$84,000	\$36,000 - \$97,000
<i>Annual Rent, Years 31-35</i>	\$14,000 - \$28,000	\$126,000 - \$191,000	\$27,000 - \$93,000	\$40,000 - \$107,000
<i>Annual Rent, Years 36-40</i>	\$16,000 - \$31,000	\$139,000 - \$211,000	\$30,000 - \$102,000	\$44,000 - \$118,000
<i>Annual Rent, Years 41-45</i>	\$17,000 - \$34,000	\$153,000 - \$233,000	\$33,000 - \$113,000	\$49,000 - \$131,000
<i>Annual Rent, Years 46-50</i>	\$19,000 - \$38,000	\$169,000 - \$257,000	\$36,000 - \$125,000	\$54,000 - \$144,000

Source: HR&A Advisors, Inc. Analysis

Figure 28: Dedham Police Station Site Ground Lease Financial Analysis Summary

	Police Station Alt. 1	Police Station Alt. 2
Net Present Value	\$975,000 - \$1,325,000	\$975,000 - \$1,300,000
<i>Annual Rent, Years 1-5</i>	\$54,000 - \$72,000	\$53,000 - \$71,000
<i>Annual Rent, Years 6-10</i>	\$60,000 - \$80,000	\$59,000 - \$79,000
<i>Annual Rent, Years 11-15</i>	\$66,000 - \$88,000	\$65,000 - \$87,000
<i>Annual Rent, Years 16-20</i>	\$73,000 - \$97,000	\$72,000 - \$96,000
<i>Annual Rent, Years 21-25</i>	\$81,000 - \$108,000	\$79,000 - \$106,000
<i>Annual Rent, Years 26-30</i>	\$89,000 - \$119,000	\$88,000 - \$117,000
<i>Annual Rent, Years 31-35</i>	\$98,000 - \$131,000	\$97,000 - \$129,000
<i>Annual Rent, Years 36-40</i>	\$109,000 - \$145,000	\$107,000 - \$143,000
<i>Annual Rent, Years 41-45</i>	\$120,000 - \$160,000	\$118,000 - \$158,000
<i>Annual Rent, Years 46-50</i>	\$132,000 - \$176,000	\$130,000 - \$174,000

Source: HR&A Advisors, Inc. Analysis

Chapter 40R Program Participation

HR&A also assessed the financial viability of participating in Massachusetts’s Chapter 40R Program, whereby the Town of Dedham could receive a payment from the Commonwealth for establishing a special zoning district that promotes new housing production. As a town center area, Dedham Square would be eligible to become such a district through application to the Department of Housing and Community Development. In order to qualify, at least 20 percent of housing in an area must be affordable to those earning 80 percent or less of the area median income. We project that in order to qualify as affordable, one-bedroom units in the project would need to rent for \$1,500 monthly, as opposed to a market rent of \$1,900. To this end, we expect that a developer would pay less for land if 20 percent of the units were deed-restricted as affordable, thereby offsetting any zoning incentive and bonus payments to the Town for participating in the Chapter 40R Program. Although there may be a compelling public policy rationale to adopt such a zoning district, it is not expected to be a revenue-generator for the Town in consideration of these sites.

Dedham Town Administrative Building Site Highest and Best Use Conclusions

HR&A finds that Alternative 2, a mixed-use retail and residential project featuring 60 parking spaces, generates the most land value to the Town of Dedham. Under this concept, we estimate the sale value of the site to be approximately \$1.15 to \$1.775 million. The net present value of the stream of annual ground lease payments for the site is higher, at approximately \$1.25 to \$1.925 million. The decision to sell or ground lease the property depends largely on the Town’s comfort in entering into either transaction type, as the ultimate financial value to the Town is fairly similar. A comparison of the net present value of the property under a fee simple sale and ground lease is shown below in **Figure 29**.

Figure 29: Dedham Town Administrative Building Site Comparison of Sale and Ground Lease

	Town Hall Alt. 1 Minor Renovation	Town Hall Alt. 1 Major Renovation	Town Hall Alt. 2 Less Parking	Town Hall Alt. 2 More Parking	Town Hall Alt. 3
Sale Net Present Value	\$150,000 - \$250,000	-\$125,000 - \$0	\$1,150,000 - \$1,775,000	\$250,000 - \$875,000	\$350,000 - \$975,000
Ground Lease Net Present Value	\$150,000 - \$275,000	-\$130,000 - \$0	\$1,250,000 - \$1,925,000	\$275,000 - \$925,000	\$400,000 - \$1,075,000

Source: HR&A Advisors, Inc. Analysis

Although renovating the existing building would be significantly less costly, the much higher rents that a new residential/retail project would command could overcome the high development costs and represent the highest use for the site. Moreover, by providing 29 new units in the heart of Dedham Square and additional retail and restaurant space, such a concept would enhance the Square’s vibrancy during the day and evening hours.

The second iteration of Alternative 2, featuring 95 parking spaces, could accommodate overflow parking demand from elsewhere in the Square. The financial analysis assumes that a developer would pay for this parking. Given the cost of developing 35 additional spaces, the amount a developer would be willing to pay for the site in a sale transaction is projected to decrease by about \$900,000, equivalent to the cost of constructing and financing the additional parking. Although this extra parking lowers the financial return to the Town, the opportunity to increase the inventory of public parking in Dedham Square may make such an arrangement attractive.

Dedham Police Station Site Highest and Best Use Conclusions

HR&A finds that Alternative 1, which features two floors of commercial office uses above retail, generates approximately the same land value for the Town of Dedham as Alternative 2, the mixed-use project with an upper-floor residential use. Although Alternative 2 is a smaller project, the higher value of residential apartment uses per square foot, compared with slightly lower costs of construction, compensates for this smaller square footage. We estimate the sale value of the site to be approximately \$925,000 to \$1.2 million under Alternative 1, versus approximately \$900,000 to \$1.175 million under Alternative 2. In a ground lease scenario, Alternative 1 is projected to generate a net present value to the Town of \$975,000 to \$1.325 million, versus \$975,000 to \$1.3 million for Alternative 2. As with the Town Administrative Building site, regardless of which alternative is chosen, the decision to sell or ground lease the Police Station site will depend on several factors in addition to financial return. A comparison of the net present value of the property under a fee simple sale and ground lease is shown below in **Figure 30**.

Figure 30: Dedham Police Station Site Comparison of Sale and Ground Lease

	Police Station Alt. 1	Police Station Alt. 2
Sale Net Present Value	\$925,000 - \$1,200,000	\$900,000 - \$1,175,000
Ground Lease Net Present Value	\$975,000 - \$1,325,000	\$975,000 - \$1,300,000

Source: HR&A Advisors, Inc. Analysis

Given the nearly equal land values generated by these scenarios, other considerations beyond pure financial return will weigh heavily in determining the best use for the Police Station site. For instance, a desire to attract additional daytime workers to Dedham Square in order to mitigate the loss of Town employee spending at local businesses would favor Alternative 1. Alternatively, a desire to increase the residential population of the Square to enhance its nighttime vibrancy would favor Alternative 2. Both alternatives would effectively introduce prime new retail and restaurant space to Dedham Square at its most important intersection.

V. Appendix

Dedham Town Administrative Building Site Alternative 1

BETA Group, Inc.

Dedham Town Hall

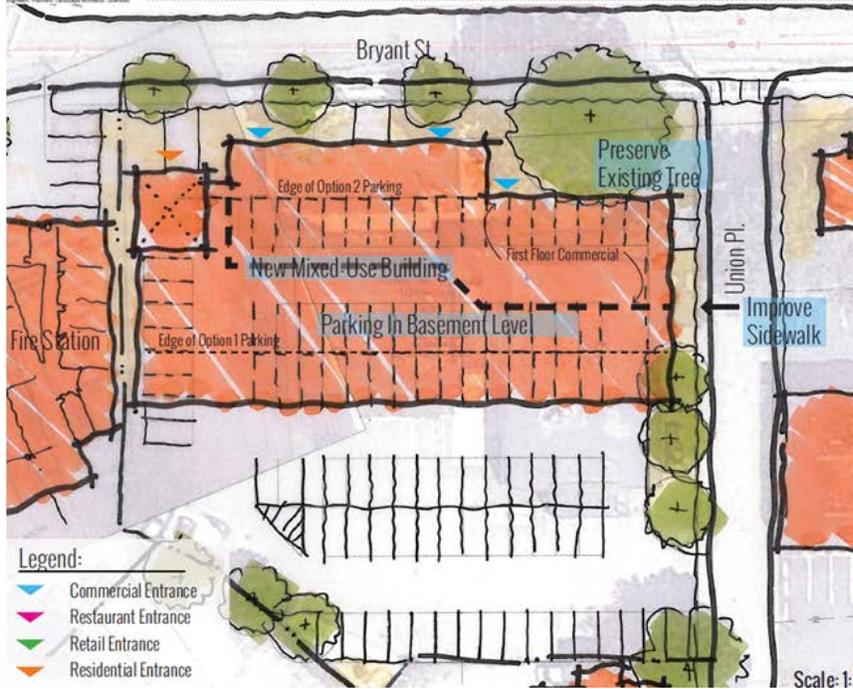


Existing Building Info:
 Gross SF Per Floor
 9,800 SF
 Total Gross Square Footage- 19,600 SF
 Parking Spaces
 60 to 65

Dedham Town Administrative Building Site Alternative 2

BETA Group, Inc.

Dedham Town Hall



Proposed Building Info:

Lower Level Parking

- Option 1 - 60 Total spaces, one row (20' deep) under south facade.
- Option 2 - 95 Total spaces, three rows and travel lane under majority of building.

1st Floor (at grade with Bryant Street)

- 3 commercial spaces w/street front loading:
- Commercial Spaces: A 5000sf B. 3000sf C. 1250sf
- Note- commercial spaces B&C have direct access to 2000sf of 'green terrace' surrounding large oak tree. Commercial Space A has access to 20' wide sidewalk space (approx. 2000sf)
- Residential Units
- 5 - 2 Bedrooms (1250sf ea.)
- 1 - 1 Bedroom (1000sf)
- Main Entry & Management Office / Elevator and Staircase

2nd Floor Residential Units & Gym

- 9 - 2 Bedrooms (1250sf ea.)
- 2 - 1 Bedroom (1000sf ea.)
- 1 Gym (4000sf)

3rd Floor Residential Units

- 9 - 2 Bedrooms (1250sf ea.)
- 3 - 1 Bedroom (1000sf)

Total Units

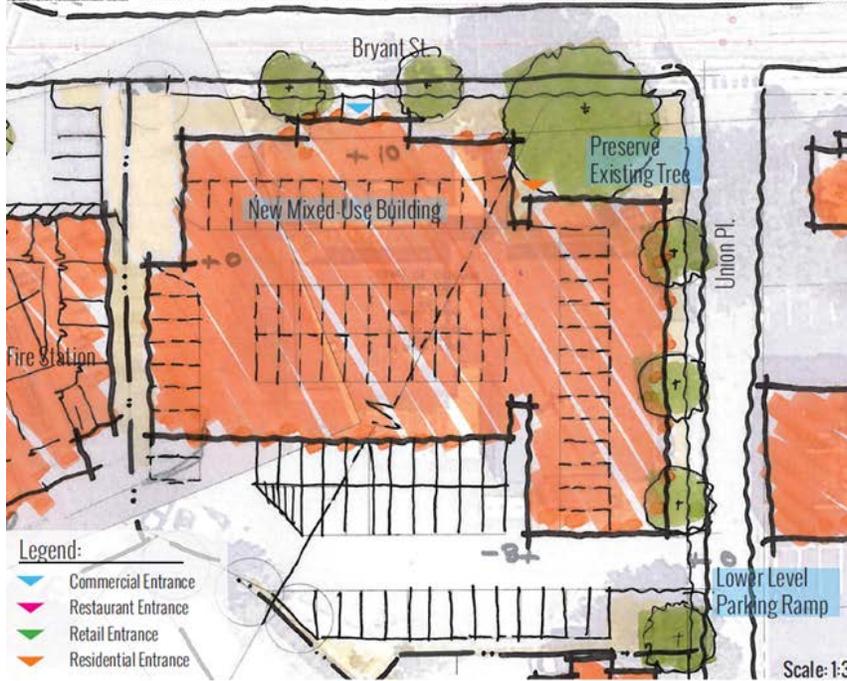
- 6 - 1 Bedrooms
- 23 - 2 Bedrooms
- 29 Total Units x 1.5 cars/unit = 44 cars
- 6 Visitor Spaces
- 50 Residential Parking

Option 1 Parking 10 Commercial Spaces
 Option 2 Parking 45 Commercial Spaces

Dedham Town Administrative Building Site Alternative 3

BETA Group, Inc.

Dedham Town Hall



Proposed Building Info:

Lower Level Parking:

- Storage area for residential owners. 3200sf
- Gym (with daylight exposure). 1200sf

- Option - 70 Total spaces
- 2 Travel lanes w/ three lanes

1st Floor (at grade with Bryant Street)

- 1 commercial space 6000sf w/ access to 20' wide sidewalk, front load deliveries from street.
- Residential Units (one story up on south)
- 8 - 2 Bedrooms (1250sf ea.)
- Main Entry & Management Office

2nd Floor

- Residential Units (1250sf ea.)
- 10 - 2 Bedrooms (1250sf ea.)
- 2 - 1 Bedroom w/ balconies (1000sf ea.)

3rd Floor

- Residential Units
- 10 - 2 Bedrooms (1250sf ea.)
- 2 - 1 Bedroom w/ balconies (1000sf)

Total Units

- 4 - 1 Bedroom w/ balconies
- 28 - 2 Bedrooms
- 32 - Total Units x 1.5 cars/unit = 48 cars

- Option Parking 22 Commercial Spaces

Scale: 1:30

Dedham Police Station Site Alternative 1

BETA Group, Inc.

Dedham Police Station



Proposed Building Info:

Lower Level Basement:

- 16 Spaces 5000sf
- Restaurant Support & Storage 3000sf
- Storage & Utility 1000sf
- Street Parking 9 spaces
- 12000sf Total

1st Floor (at grade with Bryant Street)

- Restaurant 5000sf
- Outdoor Cafe 2000sf
- Retail Space 5000sf

2nd Floor

- Office Space 12000sf

3rd Floor

- Office Space 10500sf

Dedham Police Station Site Alternative 2

BETA Group, Inc.

Dedham Police Station



Proposed Building Info:

Lower Level Basement:

- 16 Spaces 5000sf
- Restaurant Support & Storage 3000sf
- Storage & Utility 1000sf
- Street Parking 3 spaces
- 12000sf Total**

1st Floor (at grade with Bryant Street)

- Restaurant 5000sf
- Outdoor Café 800sf
- Retail Space 6500sf

2nd Floor

- Residential Units 10500sf

Detailed Stabilized Year Financial Analysis

	Town Hall Alt. 1 Minor Renovation	Town Hall Alt. 1 Major Renovation	Town Hall Alt. 2 Less Parking	Town Hall Alt. 2 More Parking	Town Hall Alt. 3	Police Station Alt. 1	Police Station Alt. 2
Net Operating Income	\$175,000	\$225,000	\$675,000	\$675,000	\$700,000	\$625,000	\$425,000
<i>Residential Market Value</i>	\$0	\$0	\$500,000	\$500,000	\$575,000	\$0	\$150,000
<i>Retail Market Value</i>	\$0	\$0	\$175,000	\$175,000	\$125,000	\$250,000	\$275,000
<i>Office Market Value</i>	\$175,000	\$225,000	\$0	\$0	\$0	\$375,000	\$0
Market Value	\$2,475,000	\$3,075,000	\$12,600,000	\$12,600,000	\$12,750,000	\$9,975,000	\$7,425,000
<i>Residential Market Value</i>	\$0	\$0	\$9,700,000	\$9,700,000	\$10,875,000	\$0	\$2,925,000
<i>Retail Market Value</i>	\$0	\$0	\$2,900,000	\$2,900,000	\$1,875,000	\$4,100,000	\$4,500,000
<i>Office Market Value</i>	\$2,475,000	\$3,075,000	\$0	\$0	\$0	\$5,875,000	\$0
Total Costs	\$2,225,000 - \$2,325,000	\$3,075,000 - \$3,200,000	\$10,825,000 - \$11,450,000	\$11,725,000 - \$12,350,000	\$11,775,000 - \$12,400,000	\$8,775,000 - \$9,050,000	\$6,250,000 - \$6,525,000
<i>Construction Costs</i>	<i>\$2,150,000 - \$2,250,000</i>	<i>\$2,975,000 - \$3,100,000</i>	<i>\$10,450,000 - \$11,050,000</i>	<i>\$11,325,000 - \$11,925,000</i>	<i>\$11,375,000 - \$11,975,000</i>	<i>\$8,475,000 - \$8,750,000</i>	<i>\$6,025,000 - \$6,300,000</i>
<i>Financing Costs</i>	<i>\$75,000 - \$75,000</i>	<i>\$100,000 - \$100,000</i>	<i>\$375,000 - \$400,000</i>	<i>\$400,000 - \$425,000</i>	<i>\$400,000 - \$425,000</i>	<i>\$300,000 - \$300,000</i>	<i>\$225,000 - \$225,000</i>
Value and Costs Comparison							
<i>Market Value</i>	\$2,475,000	\$3,075,000	\$12,600,000	\$12,600,000	\$12,750,000	\$9,975,000	\$7,425,000
<i>Project Cost</i>	<i>\$2,225,000 - \$2,325,000</i>	<i>\$3,075,000 - \$3,200,000</i>	<i>\$10,825,000 - \$11,450,000</i>	<i>\$11,725,000 - \$12,350,000</i>	<i>\$11,775,000 - \$12,400,000</i>	<i>\$8,775,000 - \$9,050,000</i>	<i>\$6,250,000 - \$6,525,000</i>
Supportable Land Value	\$150,000 - \$250,000	-\$125,000 - \$0	\$1,150,000 - \$1,775,000	\$250,000 - \$875,000	\$350,000 - \$975,000	\$925,000 - \$1,200,000	\$900,000 - \$1,175,000
Supportable Land Value Per Acre	\$140,000 - \$230,000	-\$120,000 - \$0	\$1,070,000 - \$1,660,000	\$230,000 - \$820,000	\$330,000 - \$910,000	\$2,720,000 - \$3,530,000	\$2,650,000 - \$3,460,000

Source: HR&A Advisors, Inc. Analysis