

MINUTES OF THE PUBLIC HEARING CONTINUATION
SUDBURY BOARD OF APPEALS
NOVEMBER 5, 2007

The Board consisted of:

Jonathan G. Gossels, Acting Chairman
Elizabeth A. Taylor, Clerk
Jeffrey P. Klofft
Nancy G. Rubenstein
Stephen A. Garanin
Jonas D.L. McCray, Alternate

Also: Jody Kablack, Planning Director
Beth Rust, Community Housing Specialist
Daniel Calano, Michael Cunningham, Prospectus, Inc. consultants

For the Applicant:

Robert Engler, Geoff Engler, Development Consultants
Kevin Duffy, Steven Duffy, Duffy Properties
Paul Finger, Engineer

The hearing was reconvened by the Acting Chairman, Mr. Gossels. The Board was in receipt of the following:

- Letter dated October 10, 2007 from Town Engineer to Conservation Coordinator re Notice of Intent

Ms. Kablack introduced Daniel Calano and Michael Cunningham from Prospectus who have been hired to provide an independent appraisal of the property. Mr. Calano explained that he had been out of the country and therefore was only prepared to present a verbal report at this time. He said a full report will be provided shortly.

Daniel Calano said his firm was asked to value the property as of March 2006. It was valued by the income approach and by comparable sales. It is incomplete because they arrived at two different values. The draft range at this point is \$2.65M-\$2.8M.

To summarize, he said they found both good and bad points about the property. The good points are that they are attractive buildings in a nice historic setting – the value was predicated in large part on the fact that it could not have been built today. It is the volume of the property that has some value, but it couldn't be built today. The rents won't justify the cost of the property.

Another good point is that it is far below replacement costs. He said in order to build that property now, bricks & mortar, would be about \$125-150/s.f. He would estimate the land costs at this point to be between \$25-50/s.f.

Mr. Calano added that it's built and it failed, but the date of the valuation was during an improving market.

The bad points are its location. It's not located on the best road – not centrally located. He would think it would not be as difficult for office than for retail, but wouldn't rule out retail that was destination, such as a restaurant or a bank.

Another bad point is that it's stigmatized through its failure and staleness and it has not been aggressively marketed. It's somewhat tired and needs improvement and definitely has not had a lot of maintenance put into it.

Mr. Gossels said he was struggling with the value being predicated on a successful commercial building when it's been a failed commercial building for a long, long time.

Mr. Calano said all the evidence suggests that it would be successful if it were marketed properly.

Mr. Gossels said the applicants are professionals who have owned this property a long time and know what they're doing.

Mr. Calano said he hadn't spoken with them and didn't know the reason for the status of the property. He said there is about a 90% occupancy rate in the area which is true overall in many towns. He said the market has improved and rents have gone up but didn't know why these buildings can't be rented. He said other people who market aggressively have been successful. It's an odd situation and essentially the only empty building around.

Mr. Klofft asked if Prospectus had looked at the Stanmar property. He said although it's being redeveloped, it has also been empty for quite a while.

Mr. Calano said he did not know where Stanmar was located. Mr. Gossels provided a brief history as a comparable to the Hudson Road property. Mr. Calano said he would look into the Stanmar property, adding his feeling that the market is too good for something like this to happen - that something has to be very wrong.

Mr. Klofft asked Mr. Calano if it was his contention that commercial office space has been successful for 5 years.

Mr. Calano felt it is on the way up. He said sale prices have accelerated faster than the rents in anticipation of going higher.

Michael Cunningham said they drove through the town and a lot of the office space has gone to condos. There are not that many general offices as compared to office condos. He felt there was no reason why the rear building on this property could not be turned into condos.

Discussion followed on the fact that this property once housed a large tenant, Hitchcock Sales, which eventually moved to Route 20. Ms. Kablack felt a similar comparison to look at might be the Cummings Property located off Route 117. She said that property is not in a prime location and had a large tenant that moved away.

Mr. Calano said it is difficult to understand why the Hudson Road property is not able to be occupied and what the owners have tried to do to over the past years. He said other properties have sold for dramatically high prices.

Mr. Gossels had problems with a projected cash flow when reality is that the building hasn't had cash flow for many years.

Mr. Calano said he was appraising the market value based upon what's going on in the area. Again, he said he couldn't tell why it hasn't happened here, but it should have. He said he was comfortable with the projections.

In response to a comment from Mr. Gossels that the developer wouldn't be before the Board if it was a successful commercial development, Mr. Calano said he could not understand why they wouldn't continue with the office project. He said in today's market he would rather be doing that than residential. The market says do office - don't do residential.

Mr. Cunningham said the location is not prime, but rents could be discounted.

Mr. Klofft asked whether models were used to factor in the discount.

Mr. Cunningham replied that it was based on their perception.

Mr. Klofft asked if there was a model in another community where there are properties where one is in a more prime spot to use as a basis.

Mr. Calano said they could look into that.

Robert Engler felt there are two points to keep in mind - one is the date, which is March 2006. The other is that the mindset of the applicant is not to do retail. He said the applicant wants to do housing. Further, he said based on the two appraisals it will still be an uneconomic project. He felt that if there is a compromise between the two appraised values there is still more or less something that can hopefully be successful. He said he knows the Board wants more mitigation, but there isn't any way in this budget to get it.

Mr. Klofft said the intent of 40B is not necessarily to take any property and convert it to affordable housing.

Mr. Engler felt there was enough with this property. He said the Board likes it and the developer likes it - architecturally it's a very nice residential property, although he would like to get 24 units instead of 20.

Mr. Calano anticipated the formal report being complete within the week.

Mr. Gossels preferred to schedule a work session before the next continuance. That session would be to discuss where we are with the appraisal in hand, what the numbers look like based upon that appraisal, and what type of mitigation might work given the numbers. Mr. Klofft will attend if possible. Ms. Kablack will coordinate the date.

The hearing was continued to December 3, 2007, 7:30PM in the Lower Town Hall. (It was subsequently changed to Dec. 5th because of Special Town Meeting).

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