

Memo

To: Symmes Advisory Committee

From: Charlie Foskett

CC: Arlington Redevelopment Board, John Maher, and Kevin O'Brien

Date: 8/10/2004

Re: Joint Meeting of the Symmes Advisory Committee and the Arlington Redevelopment Board August 16, 2004 at 7:00 PM at the Arlington Senior Center, 27 Maple Street

Dear Fellow Symmes Advisory Committee Members:

I am writing you about our upcoming meeting on August 16th (7:00 PM at the Arlington Senior Center, 27 Maple Street) and the events of the last several months that have led up to the soon-to-be executed Land Disposition Agreement (LDA) between Symmes Redevelopment Associates (SRA) and the Arlington Redevelopment Board (ARB). As you may recall Symmes Redevelopment Associates is the company formed by E. A. Fish to redevelop the Symmes Hospital site. The LDA is a required step that governs the transaction and that has been shaped by complex but not unusual circumstances that have arisen over the past several months.

When ARB tentatively designated SRA they required that they reconfigure the affordable housing component of their original proposal to fully comply with the Town's bylaw. In reconfiguring the programming layout, SRA was no longer eligible for anticipated funding applied to both the affordable housing component and their proposed Medical Office Building (MOB).

The original SRA proposal calls for the development of an MOB that would be leased to a major tenant such as the Lahey Corporation and several associated specialty services. It was assumed on the part of both SRA and the ARB that Lahey Corporation or another major local hospital would directly participate in the MOB. During their efforts to identify other major tenants for the MOB, SRA and a local group of doctors, Menotomy Medical Associates (MMA), ran into significant market obstacles, namely the unwillingness of other major medical providers to enter into a market area of another local hospital. In this case Lahey Corporation.

The high cost of the MOB dramatically increased the financial risk. The lack of available tenants seemed to make the project not feasible and the efforts to build an MOB came to a stand still. SRA changed its approach to a "medical condominium" approach which received more positive results. Though encouraging, the marketing of the medical office building was still very difficult. In order to preserve the Town's strong interest in enhancing medical

services at the Symmes site, the ARB chose to reduce the cost of the land component for the MOB.

The negotiation also provided for the Town to retain the land of the MOB site and to exact a penalty from SRA if the MOB were not built. Most importantly, the negotiation provided that the Town would share in the overall profits of the site development creating a favorable upside in exchange for the Town assuming some of the risk of the MOB development portion.

During this period, per usual practice, the Town was required to give Lahey Corporation notice of termination of their lease and take the appropriate steps to ensure that they were off the property in time to close the deal with SRA. The Town has filed the appropriate legal filings to ensure this. Lahey Corporation is free to make a separate accommodation with SRA, should they choose to be a tenant or owner in the MOB.

When the SAC meets with the ARB on August 16th, the ARB will be explaining the details of their transaction. The initial bid proposed by SRA was for \$11 million for the entire parcel. In detailed negotiations leading to the LDA, SRA and the ARB agreed that the residential development land cost-basis was \$8.1 million and the MOB land cost-basis was \$2.9 million.

In its efforts to ensure that a successful MOB development took place, the ARB reduced the MOB land cost component by \$1 million. In one scenario of the negotiated transaction, if SRA fails to build a successful MOB, the Town can take the MOB site back and will still own it for future development, will be paid \$8.1 million for the residential site, and will be paid a \$500,000 penalty by SRA. In another scenario, the Town may obtain an MOB and a profit-sharing component of as much as \$5 million, bringing a total of \$13 million to the Town. There are several intermediate steps allowing for different size MOB's with different degrees of profit sharing for the Town. All of the scenarios are targeted to enable the Town to obtain its \$11 million objective plus carrying costs and, very importantly, achieve enhanced medical services for the Town.

My intention with this letter is not to explain every detail of this complex agreement. Rather it is to inform you that a number of members of the SAC including, at least, Brian Rehrig, Cindy Friedman, Elizabeth Carr-Jones, and myself, among others, have attended many of the recent ARB meetings. My conclusion from the meetings that I attended is that the ARB has gone through an extensive arm's-length negotiation with SRA and has achieved a result that is fundamentally in the best interest of the Town of Arlington. In my opinion the transaction is constructed to maximize the probability that the Town will obtain a new medical office building facility, enhanced medical services, an overall excellent site development, and a return of \$11 million.

E.A. Fish and SRA are a quality development organization and will be responsive to the direction of the ARB and sensitive to the needs of the neighborhood surrounding the Symmes parcel. This is good for the Town of Arlington, in general, and Symmes' neighbors, in particular. Very importantly both the ARB and SRA have used the SAC report at the April 2003 Town Meeting as a set of principles that have guided the original proposals and the complex negotiations of the last several months.

I hope you can come to the joint meeting of the Symmes Advisory Committee and the Arlington Redevelopment Board on August 16th and listen to the presentation by the ARB. I am confident that you will come to the same conclusion that I have: This transaction is good

for Arlington and meets the requirements and goals set forth by the Symmes Advisory Committee.

Best regards,

Charlie