

Symmes Hospital Reuse and Feasibility Master Plan

Business Roundtable Meeting Summary Tuesday, January 28, 2003

Agenda

11:45 AM	Welcome/Site Tour		
12:15 PM	Introduction/Project Overview	Town	
12:30 PM	Alternative Plans		VHB
12:45 PM	Roundtable Discussion	All	

Attendees

Roger Cassin, Winn Development
Gayle Farris, Forest City Development
Ed Marchant
Tim Pattison, Partners Healthcare Systems
Willy Sclarsic, Continental Wingate Development
David Webster, MassDevelopment

Roland Chaput, Arlington Redevelopment Board
Lynne Lowenstein, Arlington Redevelopment Board
Charlie Foskett, Symmes Advisory Committee
Brian Rehrig, Symmes Advisory Committee
Alan McClennen, Town of Arlington

Robert Brustlin, VHB
Ken Schwartz, VHB
Gary Mongeon, RKG Associates, Inc.

Meeting Discussion Summary

Charlie Foskett, Symmes Advisory Committee: VHB became a consultant for the Town of Arlington in June 2000. VHB has drafted three plans for the reuse of the Symmes Hospital Property. VHB and the Town are very appreciative of the opportunity to get the developers' feedback on these plans.

Bob Brustlin, VHB: We want this to be a small, informal meeting. We're excited because this project has the potential to have an enormous public benefit (open space, public amenities). The community took a tremendous risk with a tremendous upside. Private development has to pay for this to make it possible (including making affordable housing possible). We need to know any fatal flaws in our plans.

Ken Schwartz, VHB: We're going to keep our part of the presentation very short. I'll go over our plans, goals, and objectives, then Gary will touch on the financial highpoints. Our marching orders are contained in the mandate that the Board of Selectmen established for this project (these criteria are not in order of priority):

- The project must be mixed-use;
- The project must be self-supporting, and revenue neutral – Gary will discuss what this means;
- Fifty percent of the site must be open space; and
- The project must promote healthcare services.

Before VHB became involved in the project, there was a survey of the community to poll residents on what they wanted to see on the site. Doctors' offices and emergency rooms were among the items most highly recommended for medical/wellness uses. Public uses mentioned in the survey included open space, park, swimming pool. Residential uses included elderly housing and affordable housing.

The Symmes Hospital Property is roughly a 19-acre site. Access is provided off of two roads. Traffic is an important consideration. Four zones: "The Top," "The Overlook" (where the current hospital building is located), "The Ridge" (which includes the Nurses' Building and two parking lots), and "Summer Street" which is the gateway to the parcel, and entirely forested.

Through a three-to-four-month process, we came up with three alternatives. In order to retain flexibility for the Town, I don't think that, in the end, we'll come up with a "preferred plan." For purposes of running financial, infrastructure and traffic models, these are the three alternatives we have developed:

- **Mixed-income Housing Alternative:** primarily a housing plan. Takes full advantage of the site's greatest asset: the views. Locates housing at "Top" (market rate, affordable, and below-medium) – 60 total units; "Overlook" would

feature luxury and market-rate (80 total, including 25 luxury) units, building heights from three to six stories, 134 parking spaces – majority are covered parking, because market-rate and luxury markets would call for this. This would be all new construction, with total demolition of existing hospital structure. Would include a public overlook. We are particularly interested in exploring and want to know the viability of this (mixing public and private uses). On “The Ridge,” the concept of a wellness center and medical-office facility. This grew out of the public-use and medical-use working groups priorities. We would retain the Nurses’ Building and construct a new community wellness center, with a pool. We’re grappling right now with parking, this site is very tight as far as the amount of land. We can provide approximately 200 surface parking spaces, 270 spaces are needed. We’re looking at filling this gap between available and needed parking. This alternative is responding to the strong residential market as we see it today.

- ▶ **Mixed Use Alternative:** this alternative introduces commercial, R&D and medical uses. Housing at “The Top” includes 56 units of mixed income housing. At “The Overlook:” luxury housing, and office/R&D/medical space. There is no parking garage. We looked at more office space, but that would entail even greater parking requirements. The medical/wellness in this alternative would be the same as in Alternative #1. The office market today isn’t strong, but three to six years from now, this alternative maintains the flexibility that this may come back.
- ▶ **Infrastructure Cost-Savings Alternative:** This alternative focuses on reconfiguring the proposed uses to take advantage of the existing infrastructure. Retains hospital’s existing North Building. Puts housing on “Summer Street” to take advantage of existing utilities. The wellness center is the same as is in the other alternatives. Mixed income housing at “The Top,” and 30 units of mixed housing on “Summer Street.”

Bob Brustlin, VHB: So much of the market for this is determined by where this site sits in the world. Ken, could you please discuss some of the community context of this site?

Ken Schwartz, VHB: The Town of Arlington is organized around the Massachusetts Avenue Commercial Corridor. The Minuteman Bikeway is a tremendous residential asset, and is located just two blocks from the site. Millbrook and open space in the town are also considerations in devising a reuse plan. On-site pedestrian connections are nonexistent – there are no sidewalks – when you walk on Hospital Road, you’re sharing the road with the cars – how do kids walk to school? Traffic is a concern. The heights of buildings are important. Current hospital location is context-insensitive. We’ve envisioned setback requirements, guidelines, and criteria for building on this site.

Charlie Foskett, Symmes Advisory Committee: There have been literally hundreds – even thousands – of citizens who have been involved with trying to come up with how to use this site.

Gary Mongeon, RKG: This has been an interesting process for us – kind of atypical. If you were a developer, you'd probably put a mid-rise or high-rise with limited community access to maximize land value – you could easily then put half a million square feet. The community wants to minimize density, maximize the community benefit, and minimize the financial impact on the Town. Our job is to guide these points of view to consensus, and reach a final scenario that will pay the Town back, minimize impact and provide benefits.

The Town has put in \$9 million so far, and would probably have to put \$6 million more in. The Town has \$500,000 in holding costs per year, and wants to get out from under this. The Town has \$14 million bonding authority. The community generally accepts that there will need to be about 400,000 square feet of building in order to make it financially feasible. VHB's planning work has shown that you can put 400,000 square feet here with minimum impacts on the surrounding community. Hopefully, we're on the right track, and in the ballpark.

Can we maintain the values that we're talking about, with a mix of uses? 390,000-435,000 square feet, of which about 204,000-300,000 square feet would be residential – this would accommodate 86-141 units of residential. **Alternative #3** includes retirement housing, which entails lower square-footage, and less parking. **Alternative #1** includes 20% affordable housing, plus 25 luxury units with retail value of around \$1 million per unit – those values are achievable in Arlington. If we can't do luxury, we can do market-rate units, and still make it work. The market-rate units would retail for around \$600,000 each – these would support 20-25% affordable housing. We're assuming the affordable housing would be built and sold at cost in bulk to a third party, and could be resold or rented. We're anticipating most would be sold at \$150,000-200,000 – 22-35 affordable units. The average is driven down as elderly and assisted living goes up. Nonresidential values from \$1.3 million-2.9 million – all of these values may have to be adjusted downward a little bit, but we want to minimize the impact on the community, while still covering the Town's costs.

The sale of land could generate income for the town. The community would spend \$5.1 million-6 million to prepare the site. What's left over, the community hopes to generate a larger income to compensate for the time-lag effect before the site goes on the tax rolls. We may sell the site in pieces, which would drive values up, but I'm not sure we can sell to more than one developer (because of constraints on the site). These are the things I'm worrying about. These plans also assume that the Town would invest \$1.5 million-3 million, in addition to the \$6 million mentioned above, to improve the open space on site. This property would be surrounded by open space. A lot of excavation and grading work is required here. Ultimately, are these land values realistic, and are the average unit values realistic? I'm really confident the

market-rate units are achievable, but the luxury prices are speculative. We can replace luxury units with market-rate units, and still make these plans work.

Alternative #1: market-rate units would average \$600,000 each retail. Land value is equal just under \$100,000 per lot. Luxury units would be \$750,000-1.2 million. Those values are achievable after looking at costs and profit allowances. There are some unique premiums that we don't understand, but we think you can do it for those numbers. We could build smaller units and target lower values if we need to. You could accommodate apartments on the site, but the economics wouldn't bear that out. Total square-footage, traffic, and impact on school is what the Town is concerned about.

Willy Sclarsic, Continental Wingate Development: Have you looked at how this gets financed? Affordable housing is financed by mortgage subsidy – if there's no reduced rate to make up the difference, the [price of the] market units make up the difference. Lenders get iffy about that – convincing the lenders to finance this may then be more difficult than convincing developers. The market is jittery about high-end units, particularly when you get outside of Boston. Some real thought should be given to financing, or you can't get it built.

Bob Brustlin, VHB: Let's discuss how this will be marketed to the development community. There will probably be a developer RFP – how would you view this? In the process of setting this up, we don't want to create obstacles.

Willy Sclarsic, Continental Wingate Development: Don't set it up in a way that no lender will look at it – that would be a concern. You can achieve those numbers, but the under writing's a very different process.

Gary Mongeon, RKG: The cost of producing these units would be \$90,000-100,000 – they could be sold in bulk to a third party that could secure subsidies.

Bob Brustlin, VHB: If you want the affordable component to be doable, you have to line that up.

Gayle Farris, Forest City Development: Be as clear as you can in the RFP, regarding what the givens are – the clearer you are, the better we can deal with the corollaries. That will affect how much we can pay for the land. If you say: "We'd like to consider affordable housing," we'll ask: "Is that a rule?" If we know that, then we can get a clearer answer.

Willy Sclarsic, Continental Wingate Development: You need to define it in the RFP – when you do the RFP, define affordable housing. Make sure there's the Town's definition [of affordable housing], and the lenders definition [of affordable housing].

Gayle Farris, Forest City Development: Keep it simple.

Willy Scarsic, Continental Wingate Development: The more specific you are, the better. Developers would rather have the rules defined going in. The benefit of having an intermediary nonprofit is, they can attract funds. You've got some real pluses – if you can line up commitments through HUD or CDBG, that'd be good.

Gayle Farris, Forest City Development: Remove the uncertainty – the fact that the community's behind it helps.

Bob Brustlin, VHB: How does that work, having units mixed and indistinguishable – you can't do 32 affordable-housing units in one corner?

Willy Scarsic, Continental Wingate Development: It depends if the financing is separate – if the financing is separate, the units may need to be separate.

Ed Marchant: You can't separate the affordable housing off into the corner. The larger the gap between the market-rate and affordable-housing prices, the harder it is to mix them in together and sell the market-rate units. It's also harder when the density goes up – we did it in Weston, but it was low density. This is more challenging to coordinate the affordable housing and the market-rate housing. If you do a mid-rise building, there's clearly going to be an impact.

Roger Cassin, Winn Development: The answer is yes – if you put affordable housing in there that will affect the retail prices of the luxury and market-rate housing.

Lynne Lowenstein, ARB: People outside of Boston won't want to spend \$1 million in a mixed-residential neighborhood. Russell Place is almost sold out, but the units left are the high-end ones.

Willy Scarsic, Continental Wingate Development: You might convince a developer, but you would have a tougher time convincing lenders. We finance a lot of housing – but that's the trick – you have to help the developer finance it. It's the developer's responsibility to finance it, but...resale values also affect the ceiling [highest prices you can expect per unit].

Roger Cassin, Winn Development: The higher the building, the more value you can get out of it, because of the views, but I'm not suggesting that what we do that. Set some parameters, but stop short of dictates that tie the developers' hands, either physically or economically. There's nobody building houses for the middle-market customers (80-120% of median income), and that could still be considered affordable housing. That's an under-served market. The deeply subsidized need is being met, and if that need's being met, then maybe you don't need to do it here.

Bob Brustlin, VHB: So, hypothetically, we might want to come out with an RFP that isn't too specific. We could provide incentives for providing affordable housing, but not mandating it. The problem is the community approval process will want

specificity. To an extent, the Town will want to keep it flexible, so that the market doesn't change on us and leave us with a developer and plan with no market. We need to find a spot between flexibility and predictability.

Gayle Farris, Forest City Development: Blend the good work that you've done with the knowledge of the development community to come up with a physical plan, and see what values and financing options are associated with that plan.

Tim Pattison, Partners Healthcare Systems: On the McLean Hospital and Charles Street Jail RFPs I've been involved with developing, we tried to present the facts in the RFPs, and tried not to over-prescribe how the property should be used.

Bob Brustlin, VHB: How specific were you on McLean?

Tim Pattison, Partners Healthcare Systems: We indicated that we wanted a senior community, and we wanted R&D and luxury housing on a different part of the site. We were specific as to where the different types of uses should be, but the developers had different notions regarding the specific uses. When you issue the RFP, you can't anticipate everything, you have to say: "Stop, let's just get the RFP out, and get feedback."

Alan McClennen, Town of Arlington: We've looked at it and said, only the North Wing of the hospital is viable, if that. Do you think that we should keep the building as an option, in order to retain flexibility?

Willy Sclarsic, Continental Wingate Development: Yes – if you put too many absolute constraints, you may end up rejecting the best proposal on a technicality. Keep your "constraints" as "goals," not constraints that would cause you to automatically reject a good plan.

Ed Marchant: Applicants that meet goals might be ranked higher, but you need to decide what's important to the town. Building only 400,000 square feet on 18-19 acres seems really low. Arlington's a very dense community. The Town's already into it for \$15 million – when you look at debt servicing. What you're talking about is adding another one percent to the total housing stock in Arlington. That's an additional one percent on 18 acres -- given that, and if you don't want to build more, why not go the other way, and just give Arlington a park at the top of the hill?

Bob Brustlin, VHB: We've gone past this point. The action of Town Meeting puts some constraints on us. This must be revenue-neutral, so that the sale of this property would cover its basic costs.

Alan McClennen, Town of Arlington: Town Meeting didn't indicate we absolutely had to limit total development. We were told to limit impacts (school kids, cars, etc.) – so where you're going is not impossible. In earlier schemes, we talked about 600,000 square feet – now, the neighbors don't understand 600,000 square feet, so we

started to back off. Your comment regarding “one percent of the Town’s total housing stock on 18 acres” is fascinating.

Ed Marchant: Here’s a great opportunity to catch up on 40b – but I don’t see that here. What’s really important to the Town? Either do a lot or don’t do very much. What we’re talking about sounds a bit like “a little of everything, but not enough of anything.”

Gayle Farris, Forest City Development: When Ken was talking about linking this to nearby assets ... Arlington is very dense and there’s a lot going on (bakery, restaurants, movie theaters). Here you have the castle on top of the hill, that no one’s ever been to, unless they were sick. If you don’t make it part of a trail system or some public reason to come up here, no one will come up for just a public lookout. Given that, in a city that’s already very dense, I say lean in favor of more units. I looked at the houses around here, and these are not luxury houses on large parcels of land. If you’re trying to reach for the \$1 million market, you could be in trouble.

Lynne Lowenstein, ARB: The average home price in the immediate vicinity is in the high \$300,000-low \$400,000 range.

Gayle Farris, Forest City Development: I know it’s taken a long time to get to this, but it would be interesting to see what you could do if you explored building a maximum number of market-level housing, as opposed to other proposed uses. It’s a stretch to get from \$400,000 [the current average price in Arlington] to \$1 million or even \$750,000. Try for higher density – you’ve got to support a very expensive unit if you’re going to make \$100k for land work. You could get more dollars total, and not be as dependent on the high-end market. On another point: the current RFP is very attractive, because the Town is providing basic infrastructure, although it significantly increases your cost. If you had more units, you could spread and lower and maybe even phase infrastructure costs. Developers will look at two things: potential subsidy and infrastructure costs.

Ken Schwartz, VHB: The community-wellness center has been a real challenge to all of us. The concept of a community wellness center is relatively new. Tim, it would benefit the team to hear what you’re seeing out there in the medical market, and the viability of medical uses at the Symmes site. Are we reflecting a realistic level of demand out there? Secondly, does the wellness center on a site with residential and office uses seem to make sense?

Tim Pattison, Partners Healthcare Systems: The healthcare world does regular market analysis: What’s the demand? What’s the competition? And what are the costs? I’m not sure what Partners did to look at this site before Lahey came in. Right now, in the healthcare world, there’s a tendency to look at some specialty centers in the suburbs to bring the MGH specialties to places people can get to. “Come to Mass. General in the suburbs!” People like brand names. The question for any major healthcare provider is: “Will this one work?” For MGH, this site may be too close to

their main campus, but some other hospital might like it. This site wouldn't meet the accessibility/visibility requirements as we apply them now. We looked at McLean, but we couldn't make it work. You have to get the physicians to go there – they work at the main campus, but will they drive to the clinic?

David Webster, MassDevelopment: On the other hand, you've got a 30,000 square-foot clinic already here, and the plan calls for 50,000 square feet.

Willy Sclarsic, Continental Wingate Development: I'm wearing a lot of hats here. A hospital would bring in a small clinic. I don't know that we've heard a lot about your definition of the wellness-center use. The Town of Bedford has offered the YMCA property for a community center, if the YMCA builds it (pool, gym, etc). at no cost to the Town. I'm a little fuzzy as to what it is you're talking about here, though.

Brian Rehrig, Symmes Advisory Committee: The Public Use Working Group concluded that an excellent goal for this site would be to use part of it as a community center (gathering spaces, classrooms, meeting spaces, pool, etc.). We did a proforma, and came up with the 50,000 square-foot figure. In this economic environment, that's a challenge. Along comes the notion of a wellness center, which we've come to understand as a facility that includes healthcare (with preventative emphasis) and fitness and rehab, and that there are people out there who are developing just this sort of facility from the ground up as their business. That came forward because of our mandate regarding the use of this site. That brings us to a 75,000-90,000 s.f. facility that fits those needs. Can we accomplish this in this market with the YMCA plus the forces that can help us with the medical facility?

Willy Sclarsic, Continental Wingate Development: Who would be the customers this wellness center would serve? How are people going to pay for it? Are we talking about doctors screening people? Preventive stuff?

Brian Rehrig, Symmes Advisory Committee: A good example is HealthPoint in Waltham.

Willy Sclarsic, Continental Wingate Development: A typical YMCA has some health components (the Fit Links system reports data from your workout machine to your doctor). Do you want a pool? Do you want therapy? Define it so that the right people in the market can respond. Nobody can handle this whole site from the wellness perspective – it'll have to be a partnership.

Roger Cassin, Winn Development: That brings us back to the big political issue: Can you deliver? Can you get the community and the Town to stand behind what comes out of this process? There's the component of risk we think about – it's a bigger risk than interest rates.

Charlie Foskett, Symmes Advisory Committee: We think we can. Community input has been a large part of the process up to this point. Nobody can promise a quantitative number, but certainly these are issues that have been very important.

Roger Cassin, Winn Development: If I were to do a proposal, I'd do this wellness center somewhere else in town along Massachusetts Avenue, where it belongs.

Tim Pattison, Partners Healthcare Systems: Why can't someone put the wellness center somewhere else in the community, as linkage, and make this all housing here.

Bob Brustlin, VHB: We are moving to a Town Meeting, at which the Town will approve something for this site. It's possible there will be a lot of flexibility with some absolutes – the community will stand behind what gets approved at the Town Meeting. But we have to do that delicate balance – that's where your advice comes in. We need specificity for the neighbors, and flexibility for the developers.

Alan McClennen, Town of Arlington: There have been four parts to this process, so far: 1) The voters approved debt for the Town to purchase the property; 2) The Town purchased the property from Lahey; 3) The Town Meeting approved the purchase (by a vote of 145-7); and 4) This triggered the Symmes Advisory Planning process. At Town Meeting, we'll approve an urban-renewal plan, which will say: "These are the types of things that can happen on this property." Then, we will go to market. Town Meeting has its last bite in May.

Ed Marchant: That's the big deal.

Willy Sclarsic, Continental Wingate Development: If you can take out the risk of "Will the Town stop me from developing this," that's a tremendous selling point for this property.

Brian Rehrig, Symmes Advisory Committee: Bob Brustlin is asking: "How do we define the parameters for this without hamstringing developers?" The reason we're here is because the Town Meeting approved use only in a way that prevents over-development, continues healthcare use, and returns the town's investment on the property. We would not be meeting our charge if we dramatically increased density.

Charlie Foskett, Symmes Advisory Committee: There's not total agreement on that. I'd do 600,000 s.f. in a second.

David Webster, MassDevelopment: It seems like you've got a tweener – what is negotiable? Take out the very low income housing, and go up to housing for people at 100-120% of median income. Maybe rethink the wellness center – can you put assisted living in it? Can you do some of those things on the **low-cost infrastructure plan** so that you're accomplishing most of what your goals are?

Gayle Farris, Forest City Development: It's going too far to say developers won't be interested. It could be better, but you might get people out there to respond very happily.

Charlie Foskett, Symmes Advisory Committee: More development would mean a cheaper infrastructure. We have to take the risk out of this property, we have to try to make these marginal decisions that improve the risk profile.

Gayle Farris, Forest City Development: Can we go back to the wellness center? What is, or is not, the linkage connecting the housing parcels to the wellness center? Does the housing developer have to find a way to make the wellness center work? Whatever the answer to that is, it has to be clear in the RFP. Why would someone who's in the development business want to be involved in a project like the wellness center, unless you separate the wellness center from the housing? If they're linked, that will limit the people who respond to the RFP.

David Webster, MassDevelopment: Could the YMCA come in separately on the wellness center?

Ed Marchant: Couldn't the wellness center be out on Main St., where it has some visibility? If the wellness center is truly important to the Town, put it somewhere where it can succeed. It's a retail operation. Frankly, if I'm doing high-end condos, I'm not sure I want the wellness center right there in the middle of the property. Maybe you should say: "We're going to do luxury housing here, earmark some of those proceeds for affordable housing, and try to simplify it."

Gayle Farris, Forest City Development: When I saw the nurses' building, I thought: "What a nice residential location." That's where you have a sense of a street. You could probably get historical tax credits for remodeling it, as well. You may get more value than you think out of these existing buildings – leave them up, and let the developers decide if they want to keep them.

Willy Sclarsic, Continental Wingate Development: The average YMCA has 8,000 members.

Lynne Lowenstein, ARB: I'm sure Lahey would rather be down on the street.

Willy Sclarsic, Continental Wingate Development: The YMCA could come in to take care of the fitness component, and the partner could take care of the healthcare component, and the housing could be up on the hill.

Roger Cassin, Winn Development: You want to state your goals, and the criteria for judging the proposals, as clearly as possible. You want to invite creative alternative proposals.

Bob Brustlin, VHB: We were involved in the Reading Landfill re-use, and we've watched them torture themselves for 10 years, as we've seen the market change. One plan allows for office development on the "Overlook." In this kit of alternatives, would it be helpful for the developer to know there's flexibility on that parcel?

Roger Cassin, Winn Development: It would be helpful, but the bottom line is, commercial on this site is a non-starter.

Ed Marchant: You need to take advantage of scale – if you want commercial, do more commercial. You can't have one of everything. Also, flexibility is good, as long as you don't trigger a return to Town Meeting. It's silly to think you're going to do \$1 million housing next door to affordable housing – you can separate luxury and affordable on two parts of site.

Willy Sclarsic, Continental Wingate Development: Can you do the housing without the wellness center, or vice-versa? Whatever the answer is, it's got to be very clear – it will make a difference. There will be a lot of people who can't make the numbers work if they have to carry a \$10 million wellness center.

Ken Schwartz: New residential units will be looking out over a wellness center with 200 parking spaces. Is that a concern?

Willy Sclarsic, Continental Wingate Development: That's not a problem – we're in an urban environment anyway.

Gayle Farris, Forest City Development: Given the development we're talking about, that's not a large development. You are better off if you can think of someone who can in fact handle the whole thing. Otherwise, you will have issues of who is responsible for what, and who pays for the infrastructure – that would be a complicating factor.

Willy Sclarsic, Continental Wingate Development: I'd rather put in the infrastructure myself, if I'd have to buy it from the Town anyway after it's put in.

Roger Cassin, Winn Development: The benefit to the Town of installing the infrastructure itself is that you remove the risk of the developer creating the infrastructure [which might not be up to Town specs, and then years down the road, when the developer's gone, the Town's left to maintain substandard infrastructure].

Willy Sclarsic, Continental Wingate Development: Developers expect and understand having to put in infrastructure improvements on-site. Be careful not to just automatically remove this building – it's got some inherent value – it ought to be up to the developer.

Gayle Farris, Forest City Development: Whatever you decide is the maximum development, put it on the table, and leave rental/for-sale decisions as an option for the developer.

Tim Pattison, Partners Healthcare Systems: Get the RFP out quickly – until you get the RFP out, you won't know how developers will respond.