

# Symmes Hospital

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## Preliminary “Break-Even” Analysis

Presentation to the Arlington Redevelopment Authority  
and the Symmes Hospital Advisory Committee

October 28, 2002

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## Purpose of Break-Even Analysis

- To estimate the quantity of development needed to meet the Selectmen's mandate for "revenue neutrality" under various representative land use scenarios
- Analyze the site's physical capacity to accommodate the break-even scenarios
- Visually illustrate the site "as developed" in order to gain a sense of scale and possible neighborhood impacts
- Establish a context for understanding the site's physical and economic constraints as a basis for future decision making
  - **Quantify land use and public use vs. private use trade-offs**
  - **Focus is on the differences among scenarios tested using similar assumptions**



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“Break-Even” Scenarios are NOT to be confused with recommended development programs

**Changing any single variable changes the amount of square footage required to achieve revenue neutrality**

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## Definition of Break-Even Used

- Revenues from real estate sales plus annual net fiscal impacts from local taxation and other revenues, generate sufficient returns to pay back the cumulative public investment in site acquisition, preparation and holding costs, by the end of ten years.
- Other definitions of break-even could be used
  - **Payback from real estate proceeds only**
  - **Shorter or longer term payback periods (i.e. 5, 15 or 20 years)**



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## Methodology

- Tested Four Representative Scenarios
  - **Scenario I: “Anticipating the Market: The Employment Center”**
  - **Scenario II: “Responding to the Current Market: The Village”**
  - **Scenarios III & III-B: Two alternative residential scenarios with a retirement community and medical/wellness component**
- All scenarios provide affordable housing and accommodate some public uses
  - **A Community Center in varying size configurations**
  - **Public Overlook and Park**
  - **The Columbarium**

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## Financing Assumptions

- Initial Long-term Debt Financing: \$9.0 million @ 4.5%
- All sale proceeds are used to pay down debt principal
- Annual negative cash flows in future years are assumed to be paid back out of annual operating budgets
  - **No additional borrowing is anticipated in the model**

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## Assumptions - Public Uses

- All scenarios include a \$2.5 million construction costs, plus annual maintenance for a public overlook and park, beginning in year 4
- Scenarios assumptions for the proposed community center
  - **Pays a proportionate share of land costs (roughly 7% of construction)**
  - **Construction financing is assumed to be revenue neutral and not included in the model at this time**
  - **No annual operating subsidies required**
- Columbarium is located within area designated as open space, or within the proposed park (no land costs assigned)

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## Assumptions - Affordable Housing

- Supportable land values for affordable units are based on 15% of forecasted construction cost
  - **Developer builds affordable units “at cost”**
  - **Corresponding land value is written down accordingly**
    - Developer or outside funding entity pays a reduced land value of \$900,000 +/- (total) depending on the scenario tested
- Model assumes that all affordable units will be sold
  - **Buyers may be non-profit entities that choose to rent rather than sell units**
  - **Any subsidies required to write down unit sale prices below the developer’s actual costs are NOT included at this time**



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## Analysis Results





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## Potential Model Refinements That May Reduce Required Break-Even Build Out

- Investigate whether it is feasible to increase land value as a percentage of overall construction costs
  - **Site-specific case studies of recent developments in Arlington and comparable market settings**
  - **Refine infrastructure cost estimates & consider public investment in site preparation, in order to reduce developer risk and increase resulting land values**
  - **Explore “creative” financing alternatives for proposed public uses**
- Explore potential to increase overall housing values per unit and commercial values per SF
  - **Maximize location and views**

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## Potential Model Refinements (Continued)

- More detailed fiscal impact projections
  - **Consider potential for unit appreciation and future tax rate changes**
  - **“Revisit” demographic and school enrollment multipliers**
- Consider alternative pay back periods purposes of determining Revenue Neutrality