



September 9, 2015

Mr. Dennis M. Davis  
Boston Redevelopment Authority  
Deputy Director-Industrial Development and Commercial Leasing  
22 Drydock Avenue, Suite 201  
Boston, MA 02210

Dear Mr. Davis,

This letter is a supplement to Real Estate Fiduciary Services, LLC (“REFS”) report to the Boston Redevelopment Authority (“BRA”) regarding the Harbor Towers Garage market research report dated June 15, 2015.

In late August, 2015, the BRA asked REFS to:

- 1) Calculate projected returns for the project using information the developer previously provided and assuming aggregate building sizes of 972,000 (representing a 25% square footage reduction in the developer’s proposal) and 900,000 square feet.
- 2) Estimate the impact on returns of a proposed “linkage” assessment in the amount of \$25 million.

REFS calculations are attached as Exhibit 1.

A 972,000 square-foot project built on the proposed site, provides a projected return of 10.9% before linkage and a projected return of 10.5%, assuming net linkage in the amount of \$25 million.

A 900,000 square-foot project built on the proposed site, provides a projected return of 10.7% before linkage and a projected return of 10.3%, assuming net linkage in the amount of \$25 million.

Please not hesitate to contact us if you have questions or need additional information.

Sincerely,

John J. Baczewski, President

Boston Redevelopment Authority															
Development Return Sensitivity-Impact of size reduction 972,000 SF															
			B+C	From Developer	D*E		F/B	B *.75	I*H		K+I	J/L			
	Original Developer Projection Building cost (\$ millions)	Land and parking allocation (\$ millions)	Total Cost (\$ millions)	Required return %	Return (\$ millions)		Return/ Building Cost	Revised Cost 75% (\$ millions)	Return on 75% Direct Cost (\$ millions)	Garage . Land allocation (\$ millions)	Total Revised Cost (w/o linkage) (\$ millions)	Revised Return (w/o linkage)	Linkage allocation (\$ millions)	Total Revised Cost w/ Linkage (\$ millions)	Revised Return w/ linkage
Condominiums	\$ 166.0	\$ 58.0	\$ 224.0	14.60%	\$ 32.70		19.7%	\$ 124.5	\$ 24.53	\$ 56.99	\$ 181.49	13.5%	\$ 5.57	\$ 187.06	13.1%
Office	\$ 375.0	\$ 160.5	\$ 535.5	10.30%	\$ 55.16		14.7%	\$ 281.3	\$ 41.37	\$ 128.73	\$ 409.98	10.1%	\$ 12.58	\$ 422.57	9.8%
Hotel	\$ 164.0	\$ 55.0	\$ 219.0	10.80%	\$ 23.65		14.4%	\$ 123.0	\$ 17.74	\$ 56.30	\$ 179.30	9.9%	\$ 5.50	\$ 184.80	9.6%
Retail	\$ 40.0	\$ 16.5	\$ 56.5	11.30%	\$ 6.38		16.0%	\$ 30.0	\$ 4.79	\$ 13.73	\$ 43.73	10.9%	\$ 1.34	\$ 45.07	10.6%
Sub-total	\$ 745.0	\$ 290.0	\$ 1,035.0		\$ 117.9		15.8%	\$ 558.8	\$ 88.42	\$ 255.75	\$ 814.50	10.9%	\$ 25.00	\$ 839.50	10.5%
Parking Garage	\$ 137.0							\$ 102.8							
Land	\$ 153.0							\$ 153.0							
Sub-total	\$ 290.0							\$ 255.8							
linkage assessment								\$ 25.0							
sub-total garage,land, linkage	\$ 290.0							\$ 280.8							
Total	\$ 1,035.0		\$ 1,035.0					\$ 839.5							
Notes:															
972000sf/1296000 sf = 75%															
land cost remains constant															
Proposed Size-SF	1,296,000														
Updates:															
To change linkage change cell I22															
need to add back any property tax rebates.															

Boston Redevelopment Authority															
Development Return Sensitivity-Impact of size reduction 900,000 SF															
			B+C	From Developer	D*E		F/B	B *.69	I*H		K+I	J/L			
	Original Developer Projection Building cost (\$ millions)	Land and parking allocation (\$ millions)	Total Cost (\$ millions)	Required return %	Return (\$ millions)		Return/Building Cost	Revised Cost 69% (\$ millions)	Return on 69% Direct Cost (\$ millions)	Garage . Land allocation (\$ millions)	Total Revised Cost (w/o linkage) (\$ millions)	Revised Return ( w/o linkage)	Linkage allocation (\$ millions)	Total Revised Cost w/ Linkage (\$ millions)	Revised Return w/ linkage
Condominiums	\$ 166.0	\$ 58.0	\$ 224.0	14.60%	\$ 32.70		19.7%	\$ 114.5	\$ 22.57	\$ 55.15	\$ 169.69	13.3%	\$ 5.57	\$ 175.26	12.9%
Office	\$ 375.0	\$ 160.5	\$ 535.5	10.30%	\$ 55.16		14.7%	\$ 258.8	\$ 38.06	\$ 124.60	\$ 383.35	9.9%	\$ 12.58	\$ 395.93	9.6%
Hotel	\$ 164.0	\$ 55.0	\$ 219.0	10.80%	\$ 23.65		14.4%	\$ 113.2	\$ 16.32	\$ 54.49	\$ 167.65	9.7%	\$ 5.50	\$ 173.15	9.4%
Retail	\$ 40.0	\$ 16.5	\$ 56.5	11.30%	\$ 6.38		16.0%	\$ 27.6	\$ 4.41	\$ 13.29	\$ 40.89	10.8%	\$ 1.34	\$ 42.23	10.4%
Sub-total	\$ 745.0	\$ 290.0	\$ 1,035.0		\$ 117.9		15.8%	\$ 514.1	\$ 81.35	\$ 247.53	\$ 761.58	10.7%	\$ 25.00	\$ 786.58	10.3%
Parking Garage	\$ 137.0							\$ 94.5							
Land	\$ 153.0							\$ 153.0							
Sub-total	\$ 290.0							\$ 247.5							
linkage assessment								\$ 25.0							
sub-total garage,land, linkage	\$ 290.0							\$ 272.5							
Total	\$ 1,035.0		\$ 1,035.0					\$ 786.6							
Notes:															
900000sf/1296000 sf = 69%															
land cost remains constant															
Initial Proposed Size-SF	1,296,000														
Updates:															
To change linkage change cell I22															
need to add back any property tax rebates.															