



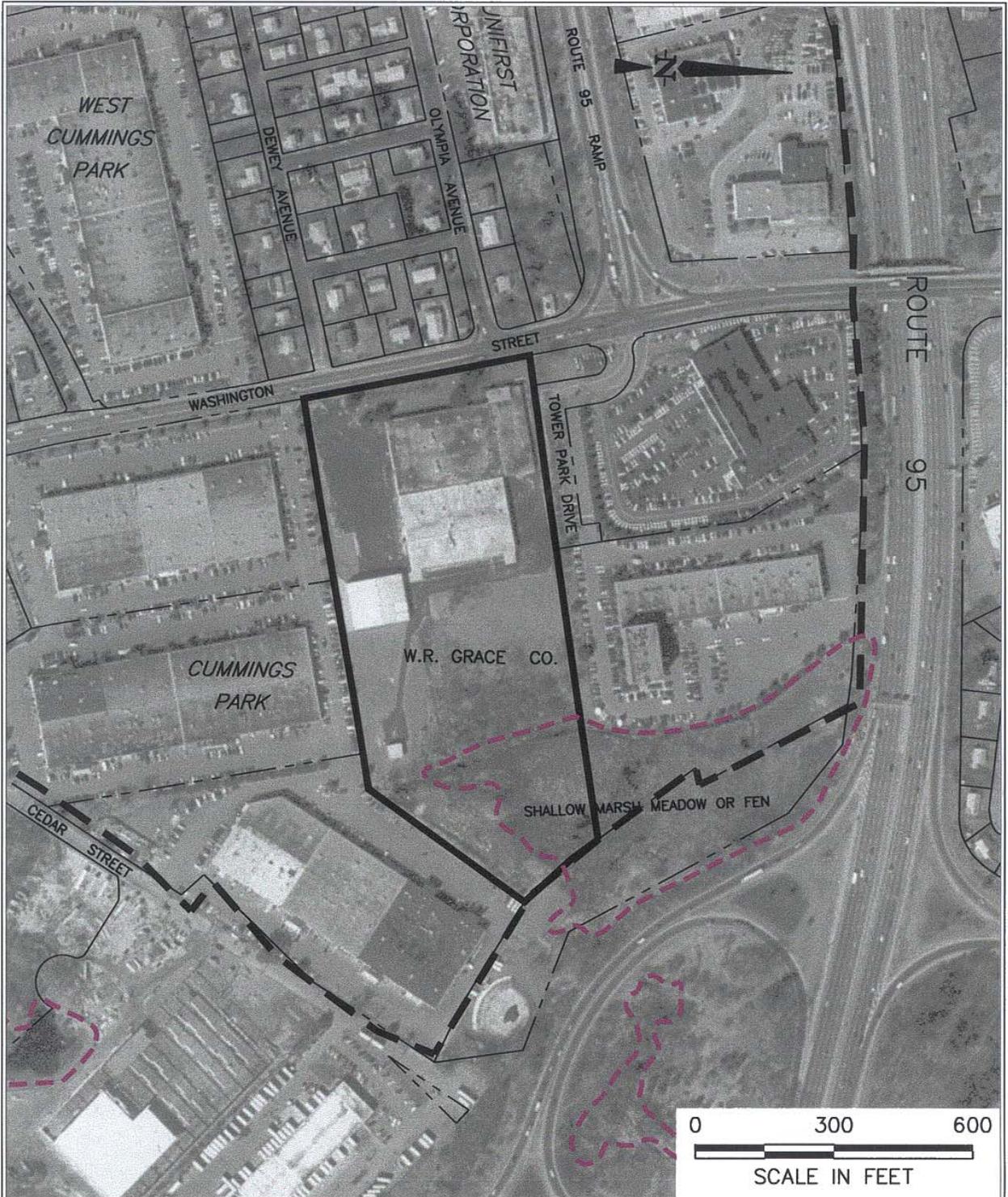
6. THE W.R. GRACE PROPERTY

Perhaps the single most significant privately-owned parcel in the superfund area is the W. R. Grace facility located at 369 Washington Street. The site contains just under 550,000 square feet of area, and is very nearly, but not quite rectangular. There is approximately 480 linear feet of street frontage. According to a current real estate listing, the current buildings contain approximately 85,568 square feet of space, far less than the maximum F.A.R. of 275,000 square feet which would be allowed under the ordinance. With its favorable location virtually adjacent to Route I-93/I-95 interchange to the rear of the parcel, a commercial building would be easily visible from what is one of the busiest intersections in New England.

The size of the parcel, over 11 acres, is substantial enough to allow for a variety of uses. Possible long term uses- in terms of the real estate market- include general office, medical office, research and development/high tech, hotel, retail/business services, light manufacturing, and even a mixed-use development of multi-family residential with retail or office. Of course, not all of those uses are feasible in the current real estate market. Moreover, the zoning review, detailed in Section 2, highlighted that residential use is currently prohibited under the existing zoning, and retail would only be allowed as an accessory use within a property which was predominantly office, manufacturing, or business services. After a review of the environmental status of this site, and the traffic conditions along the Washington Street corridor, the Advisory Committee elected not to propose changes in the City's Zoning Ordinance and other land use regulations which would have allowed those uses generally. The environmental contamination on the W.R. Grace site seemed to the Committee to preclude residential reuse, and the serious traffic impact which would result from retail use, as indicated in the review of traffic data in Section 4, subsequently removed retail (or business sales and service, the zoning "loophole") from consideration as a primary land use.

As part of the SRI planning process, ESS Group prepared a series of conceptual schematic plans for the W.R. Grace site, in order to estimate the potential build-out capacity for each use allowed under current regulations. These schematics provided both the redevelopment examples used for projecting the traffic impacts of redevelopment evaluated in Section 4, and an indication of the general physical scale and economic implications of different land use scenarios. Approximately one quarter of the site, located along the rear border with the I-93/I-95 Interchange, is a wetland area characterized as a shallow marsh meadow or fen. This effectively restricts the developable land area to approximately 420,000 square feet. A number of the ESS Group conceptual schematics are provided in Figures 6.3 through 6.6.

It is clear that the environmental status of the site is still seen in the real estate community as a serious impediment to the redevelopment of this long



EXISTING AERIAL (1986)
W. R. GRACE COMPANY

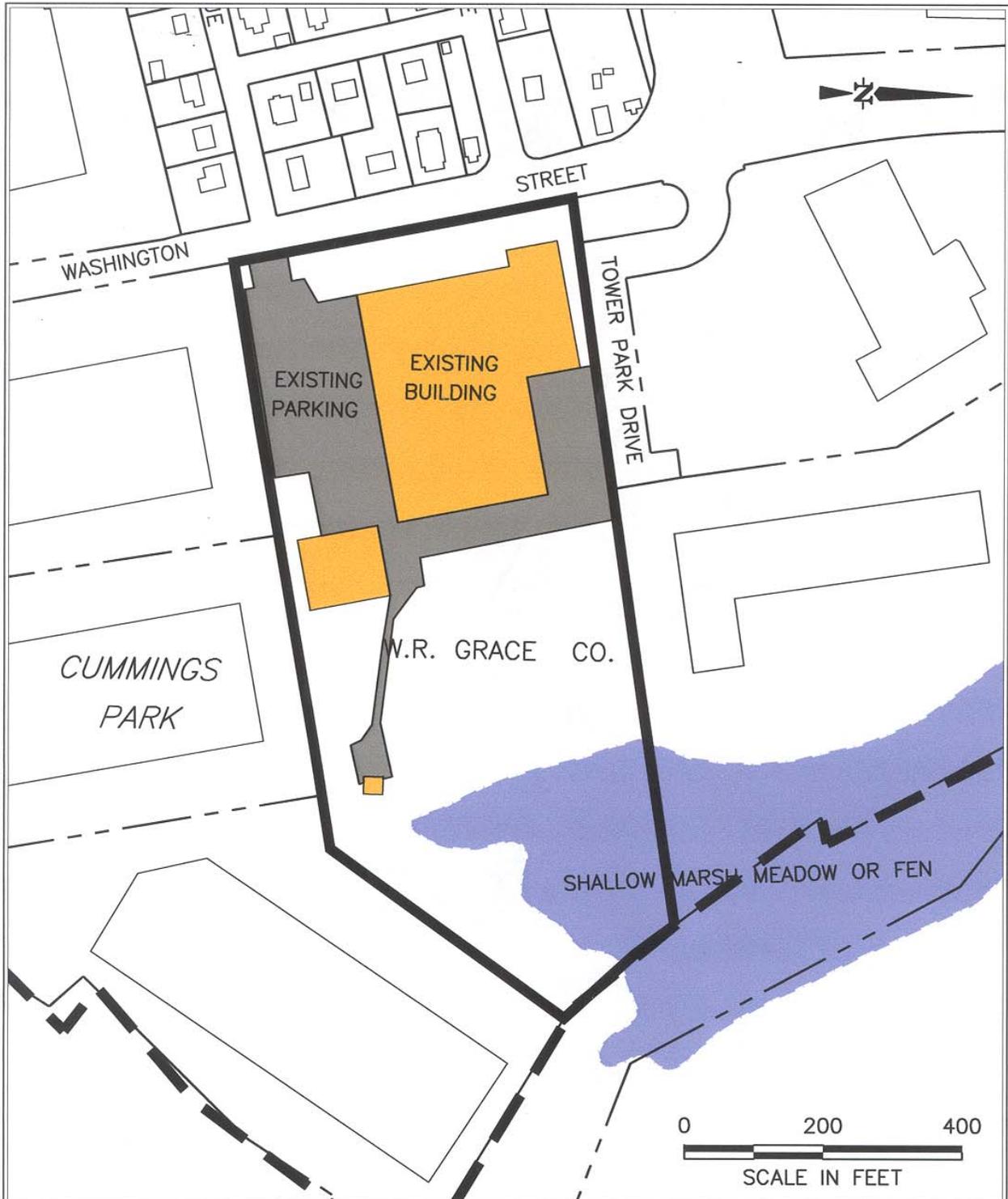
369 WASHINGTON STREET
 WOBURN, MASSACHUSETTS

THE WOBURN REDEVELOPMENT AUTHORITY

FIGURE
6.1

PROJECT NO.
 W193-000





**EXISTING BUILDING AND PARKING
W. R. GRACE COMPANY**

369 WASHINGTON STREET
WOBURN, MASSACHUSETTS

THE WOBURN REDEVELOPMENT AUTHORITY

**FIGURE
6.2**

PROJECT NO.
W193-000



vacant site. Interviews with local developers suggest several possible reasons. First, the notoriety of the parcel and the history of intense neighborhood and city-wide interest promises a potential redeveloper a much longer period for development approval. Second, there is a general belief in the real estate community that an environmental indemnification cannot be obtained from the seller. This creates a concern regarding the possible exposure for a developer to a much higher than usual level of both direct and third party environmental liability.

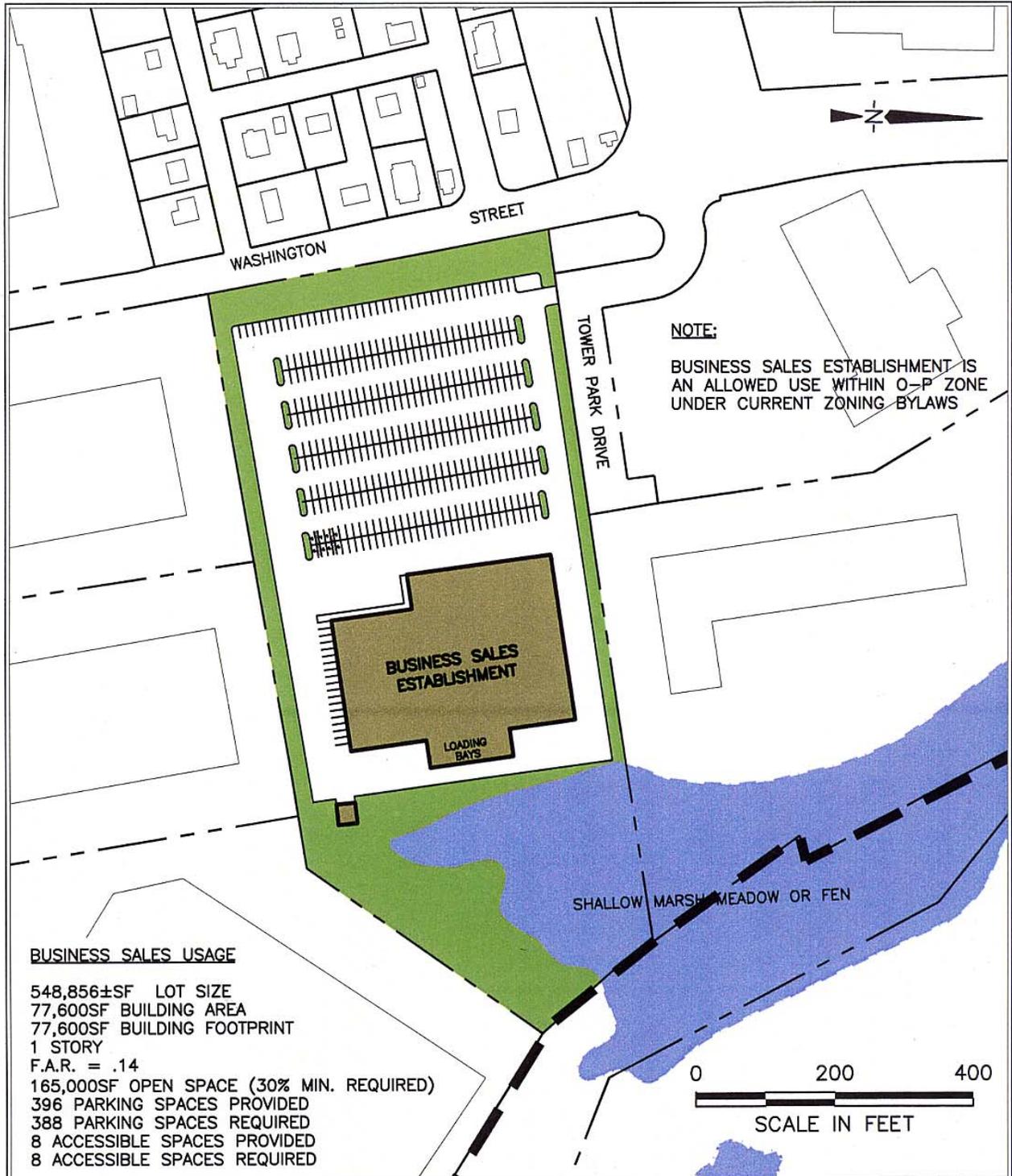
In order to evaluate the potential of the site for various land uses, the WRA prepared a market study for the Committee, which is provided in the enclosed CD as part of the information package for June 5, 2002. A summary of the deliberations for each land use is provided below.

1. Light Manufacturing: Though an industrial use, light manufacturing is an allowed use in the Office Park Zoning District (O-P), and would be allowed by special permit from the Planning Board on the W.R. Grace site. A manufacturing user would not likely tear down and rebuild, but would instead occupy, renovate, and possibly expand the existing structure. This has been the norm throughout East Woburn; teardowns of industrial buildings have been rare. While rents for an industrial use would be considerably lower than other uses, improvement costs would also be substantially lower as well. As more and more industrial space is converted to other uses, particularly in the inner ring of older suburbs, the available supply increases in demand. According to Spaulding & Slye, the vacancy rate for industrial space in the North Suburban area in the first quarter of 2002 was only 2.6 percent, compared to 13.9 percent for office.

In general, a modern manufacturer will not occupy a multi-story structure, because of the significantly increased cost of moving inventory and materials between floors during processing. The exception: mezzanine office space will sometimes be installed within the building shell, usually not occupying more than 10 to 20 percent of the footprint. Some manufacturers will often require high ceiling clearances of 20 to 30 feet to accommodate material handling systems, special ventilation/dust control systems, etc., but this depends on the goods being manufactured, and the specific procedures employed. The W.R. Grace site would appear to be well suited to this use. Manufacturing space rented in 2002 at between \$7 to \$12 per square foot, which would generally not be considered high enough to warrant demolition and new construction, although additions to the property may be feasible. The W.R. Grace property is currently listed at \$6.25 per square foot, triple net, but as of this writing, a tenant has not been found.

For a manufacturer prepared to reuse the W.R. Grace facility essentially as-is, this would represent a relatively uncomplicated real estate undertaking. However, the modest sales prices obtained for light industrial buildings in 2002, from \$44 to \$136 per square foot, and the low floor area ratio of .13, represents over the long term a poor reuse for this well-located site.

2. Office: Office use is perhaps the most obvious reuse for the site, and was generally supported by the Advisory Committee. The ESS Group schematic design shows that a 2 story, 163,600 square foot building could be constructed on the site, with room for 484 parking spaces, just above the number required by the ordinance. A larger building would require a move to structured parking. This results in an FAR of .30, more than double the existing FAR. However, the office market at the time of the deliberations was seriously overextended, as it re-



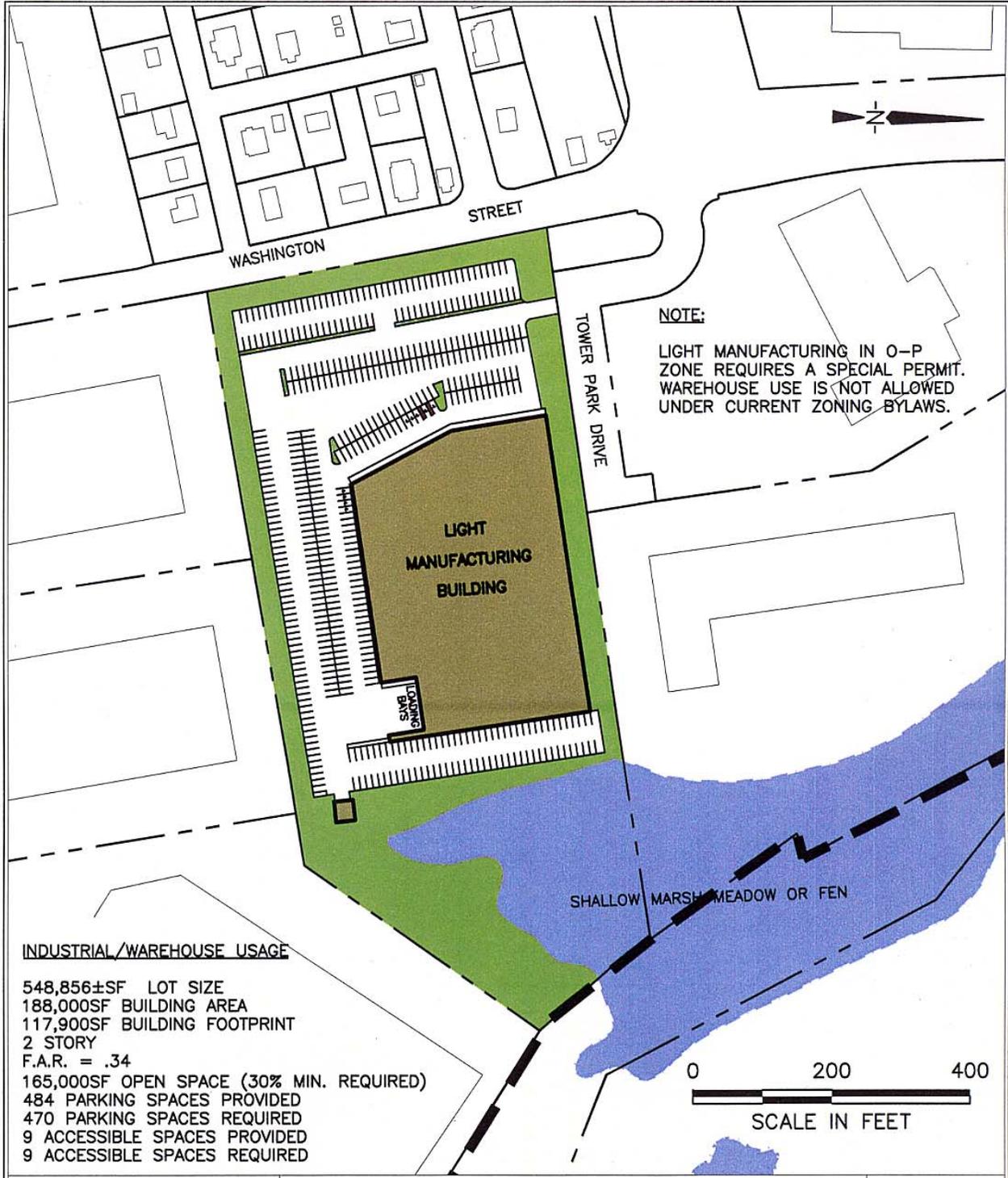
**CONCEPTUAL PLAN
 W. R. GRACE CO. SITE
 BUSINESS SALES**

**FIGURE
 6.3**

PROJECT NO.
 W193-000

THE WOBURN REDEVELOPMENT AUTHORITY





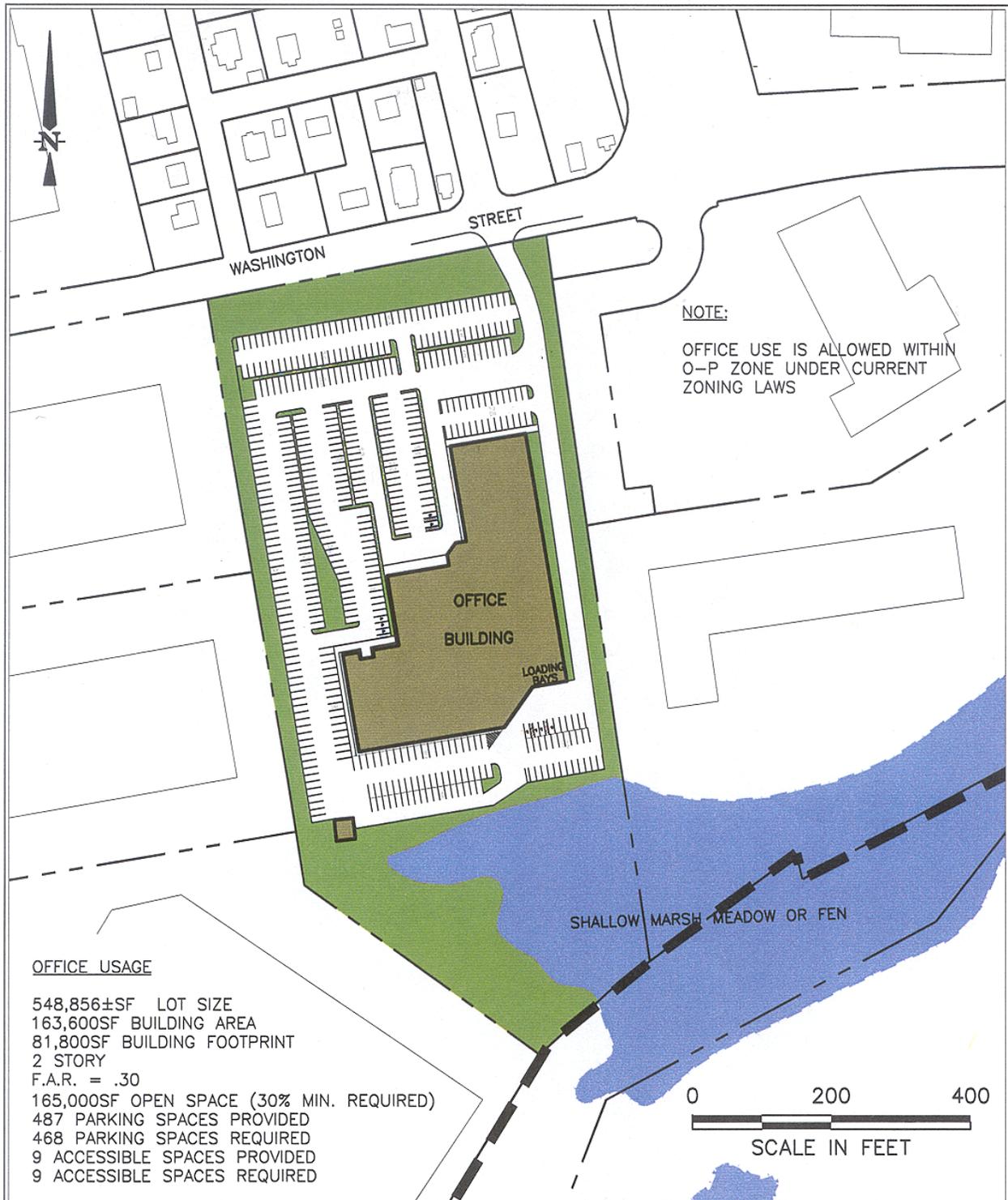
**CONCEPTUAL PLAN
 W. R. GRACE CO. SITE
 LIGHT MANUFACTURING**

**FIGURE
 6.4**

THE WOBURN REDEVELOPMENT AUTHORITY

PROJECT NO.
 W193-000





**CONCEPTUAL PLAN
W. R. GRACE CO. SITE**

OFFICE

THE WOBURN REDEVELOPMENT AUTHORITY

**FIGURE
6.5**

PROJECT NO.
W193-000

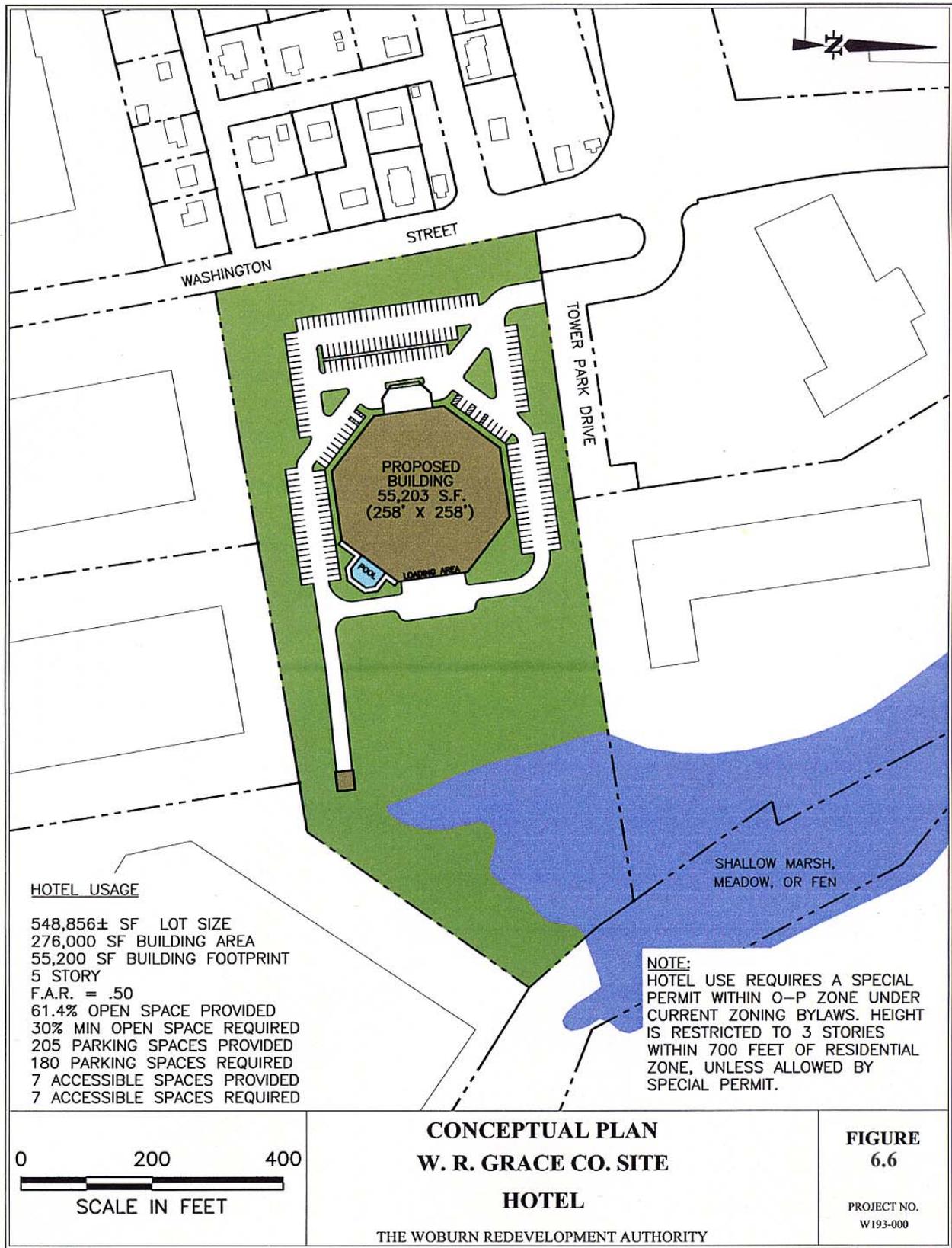


mains to this day. At that time, the region was still in the throes of a deep recession, and while the economy has generally entered a recovery, the office market in the Woburn area is still stagnant. According to the real estate firm of Spaulding and Sly, the office vacancy rate for the North Suburban area, which includes Woburn climbed from 8.5 percent in the first quarter of 2001 (already moving up from decade lows in 2000, as the nation slipped into recession), to 13.9 percent in the first quarter of 2002. This is four percentage points higher than the vacancy rate for Greater Boston as a whole. The availability rate, which includes space subject to expiring leases, and, perhaps more important, space available for sublet through tenants, has risen from 13.2 percent to 22.1 percent over the same period. First quarter 2002 rates are down somewhat from peaks reached in the last quarter of 2001, but the market is still soft. With reportedly over 1 million square feet of vacant office space in Burlington alone, it is not likely that significant new office construction will be contemplated in Woburn for some time. The rapid contraction in the internet and telecommunications sectors, represented by the failure or downsizing of firms such as Genuity, located until its demise on Presidential Way, have hit the North Suburban area particularly hard, and has resulted in the sharp increase in the availability of space for both lease and sublease. Sublease space, in particular, tends to be offered at a rate substantially less than the overall rental rate, and serves to further undercut that overall lease rate.

However, regionally vacancy rates are still below the rates reached at the height of the recession in the early 90s, and while it may take a number of years, the office market is expected to eventually rebound, as it did then. Office development tends to return a higher rent, and to allow for a more intensive build-out, than other types of uses. In 2002, prime office rents in the Woburn area were still in the range of \$20 to \$25 per square foot, about three times that of light manufacturing. While this scenario thus looks attractive on paper, it is doubtful that there will be serious interest in the site for office development over some years, until the current inventory of available space is absorbed.

3. Research and Development: Compared to the office market, the R&D market has not weakened appreciably, because of an endemic shortage of space which already existed prior to the recession, particularly for biotech research. Companies weary of searching in vain in the Boston/Cambridge market are now looking actively for space in the suburbs. According to the real estate firm of Merideth and Grew, at the end of 2001 the Cambridge office market had an overall vacancy rate of 20.8 percent, about half of which represented space for sublease. In contrast, less than 1 percent of existing and build-to-suit biotech space was vacant. The low vacancy rate would appear to represent a major opportunity for developers, but the industry's specialized needs increase development costs above those of general office, while rents tend to be marginally lower. As a result, a considerable amount of the biotech space in Cambridge and Boston was only developed after direct or indirect public subsidies were provided. Nevertheless, a biotech user in the existing building could prove feasible, particularly under the auspices of public intervention. Biotech firms tend to prefer a single floor plan, and the existing ceiling heights may be adequate for the specialized ventilation and other environmental control systems which are required.

4. Hotel: The East Woburn area in general has proven to be an attractive location for hotel developers. Just outside of the Superfund boundary is the Crown Plaza Hotel on Forbes Road,



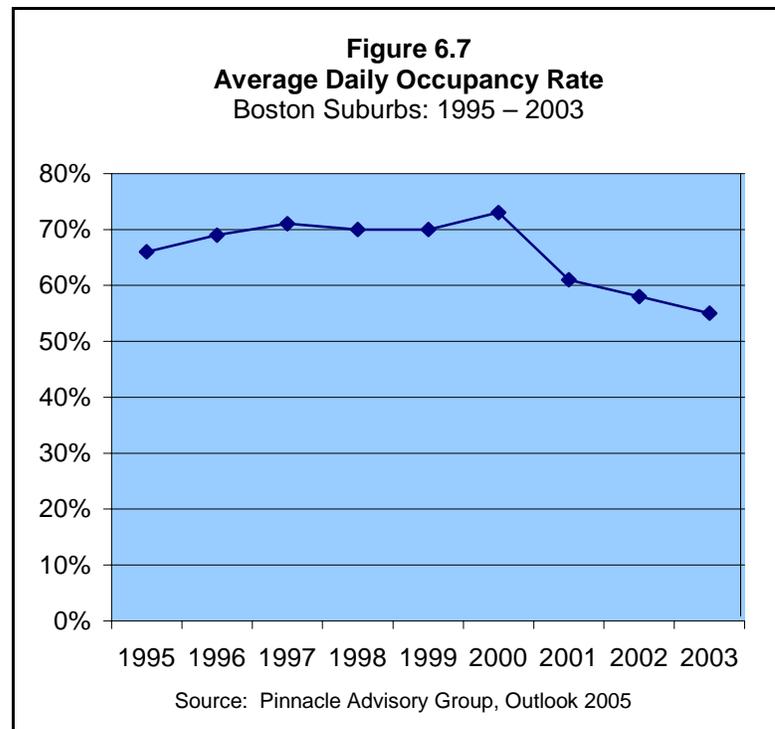
completed about four years ago. Also nearby is the new Sierra Suites along Presidential Way, the new Marriott at 700 Unicorn Park Drive, and the Comfort Inn at 14 Hill Street.

A hotel use on the W.R. Grace site, it has been noted, has a substantial advantage as a reuse in the congested Washington Street corridor, as traffic generation tends to be staggered, and not concentrated at peak hours, the case with other types of commercial users. New interest by hotel developers in other parcels in the East Woburn area has been reported. East Woburn's location adjacent to the I-93/I-95 Inter-

change, the busiest in Greater Boston, makes the area ideal for the "hospitality" industry. However, the hotel industry is currently suffering from the double impact of the overall recession, and the disaster of September 11, 2001. According to a recent report by the Pinnacle Advisory Group, a hotel consulting firm, the hotel occupancy rate in the Boston suburban market fell to 55 percent in 2003, down from 72 percent in 2000. Over the same period, the average daily room rate fell from a high of \$107.73, to \$90.71. The Pinnacle Advisory Group expects modest but not significant improvement by the end of 2005, based upon an improved regional economy, increased convention activity, a more stable geopolitical environment, a slowdown in the amount of space coming on-line, and other factors..

A few issues are worth noting. First, hotel developers have a model for almost any scale, from the 65 room Comfort Inn to the 343 room Crown Plaza on Forbes Road. The ESS Group schematic indicates that a 55,200 square foot hotel could be developed; if one assumes a total of 400 square feet per room, including common areas, etc., this would represent approximately 138 rooms. Thus, the W.R. Grace site has more than enough space to accommodate a hotel use. Some hotels, such as the Sierra Suites, are beginning to cater to the specialized "extended stay" market of business customers, and to that market the location near the Route 128, I-93 Interchange is even more important. Visibility is very important to the hospitality market, and in order to accomplish that, and be visible from both of the nearby highways, height becomes very important, even if not needed to meet the allowed F.A.R. The Comfort Inn is five stories in height, the new Marriott is six, and the new Sierra Suites is seven.

With the completion of the new Boston Convention Center, it is anticipated that the already vibrant hotel sector in the Boston metropolitan area will see an even greater demand for rooms. Despite the current downturn, there are reports that hotel developers are still actively looking for sites in the Woburn area.



5. Conclusion: In the current economic climate, the greatest current demand, and normally the most feasible project, would be the reuse of the existing building for light manufacturing or research and development. However, these uses do not return a purchase price which takes full advantage of the W.R. Grace property's Washington Street location. Given the environmental costs associated with the property, however those are ultimately carried, the reuse of the site for manufacturing or R&D is unlikely without some public incentive. However, that level of incentive need not be extremely high, and may be accomplished through a Tax Increment Finance Agreement, or a favorable financing package through MassDevelopment. Further financial incentives could be pursued, if needed.

An office or hotel development would appear to return a higher value for the property, and in the long run, be able to carry the cost of ongoing environmental remediation more successfully, as the annual cost would represent a much smaller portion of annual cash flow. However, market conditions for either type of use may need to improve significantly before a serious proposal reveals itself.

In addition to market conditions, the inadequacy of the existing Washington Street capacity is also a factor limiting the redevelopment of the W.R. Grace property, as was demonstrated in Section 4 of this plan. The proposal to widen Washington Street, put forward the Advisory Committee during its deliberations, has been further pursued by the Woburn Engineering Department, which worked with VAI to evaluate various alternative scenarios. The Engineering Department has prepared a preliminary plan based upon that effort, which has been incorporated into the transportation element of the City's Community Development Plan, which is essentially a master plan for the City's overall development. A segment of that plan is shown on the following page. An Adobe PDF file of the entire plan is provided on the accompanying CD.

A second improvement which was evaluated by VAI was the construction of a frontage road connector within the properties on the east of the Washington Street, which would provide a direct connection between Tower Park Drive and Cedar Street, and thus funnel access from those properties to Washington Street from those connecting streets, where access is signalized. This would allow for the reduction in direct access curb cuts along Washington Street, which would substantially improve traffic flow and safety. This connecting road would be constructed on private property, however, and would require the cooperation of multiple property owners.

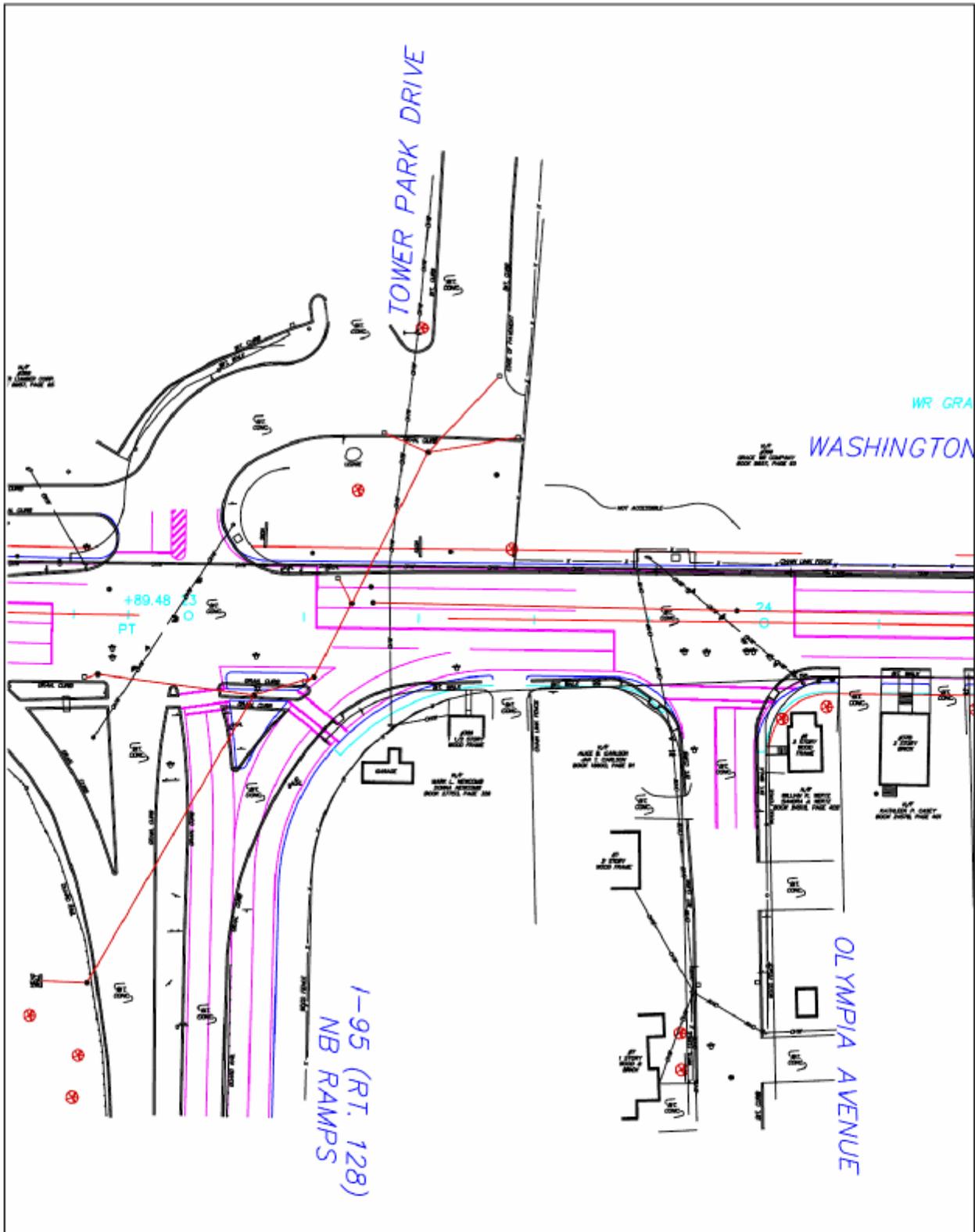


Figure 6.8
Section from Washington Street Widening
 City of Woburn Engineering Department, June 14, 2004