

Fiscal Impact Analysis
Residential 40B
Princeton Development LLC
Westford Massachusetts

August 4, 2011

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1. 0 Preface

In 2006 Connery Associates prepared a fiscal impact analysis for what would eventually become an approved 40B development consisting of 308 units on the proposed site. The 2006 fiscal report indicated that the approved project would have a positive and sustainable net annual fiscal profile due primarily to the nature of unit mix which was comprised of 50% one bedroom units and 50% two bedroom units; a unit mix that minimized the educational cost component of proposed residential community.

The focus of this revised analysis is the Princeton Development, LLC (Princeton) proposed revision to 200 units (the Proposal). As will be indicated in the body of the text the proposed revision maintains the essential character of the original unit mix in that it is comprised solely of one and two bedroom units. Further, the overall unit mix now includes 27 furnished units for short term rentals. Said units will increase overall tax value while further reducing education costs associated with the Proposal.

Consistent with Massachusetts General Laws Chapter 40B twenty percent (20%) of the units will be provided as affordable rental housing with affordability levels at 50% of the area median income.

As was the case in 2006, the primary objective of this analysis is to provide the Town of Westford with a sound estimate of the annual average net fiscal impact of the proposed development expressed as an annual municipal service cost to revenue ratio. Fiscal Year 2012 data for operational expenditures has been employed for this study, and values are expressed in current dollars. For purposes of clarity the larger values have been rounded to the nearest \$1,000.

Table 1, below, indicates the various components of the proposed residential mix and is a summary of the Proposal.

Table 1. Proposed Unit Mix

Apartment Type	Number of Units
1 bedroom market rate	31
1 bedroom affordable @50%AMI	10
1 bedroom furnished	7
2 bedroom market rate	102
2 bedroom affordable @50%AMI	30
2 bedroom furnished	20
Total	200

1.0 Summary of Findings

- **The Proposal will generate annual gross municipal revenues (all sources) of approximately \$400,600 and with net fiscal benefit of approximately \$108,000 per year; and have an annual average cost to revenue ratio of 0.73. The proposal’s positive fiscal profile will be sustainable for the long term.**
- **The Proposal provides the Town of Westford the opportunity to provide a significant amount affordable housing while generating an annual and sustainable net fiscal benefit.**
- The Proposal will generate up to 24 additional students, of which 14 will be elementary students attending various grades K through 6. Most likely the full complement of new students will not occur until 2015.
- The Proposal will generate approximately \$250,000 in building permit and associated fees payable during the construction period.
- The Proposal will add approximately \$25,000,000 to Westford’s total assessed valuation and represent a major source of “new growth” tax benefits during the construction period and the initial year after completion.
- The Proposal will add approximately \$2,500,000 to local retail expenditures and assist in supporting the existing commercial tax base.

3.0 Summary of Methodology

The analysis divides municipal residential service cost into two broad categories; education costs and general service costs (all other non-school costs). For each general service cost category a per capita cost analysis was undertaken for all affected municipal departments. The general service costs were computed on a per capita basis since; in general, there is a direct relationship between numbers of people and general service demands. However, to determine the total cost it was necessary to examine the proposals impact on a department by department basis. Municipal service costs for items like police and fire were included and represent a significant majority of the non-school costs. While relatively minor, in dollar terms, other human service costs such as library, recreation, elections, and public health have been included in order to be as comprehensive as possible and consistent with the 2006 fiscal report. However, said costs are likely higher than what can be anticipated but have been included to maintain the overall conservative nature (high end of cost range) of the study.

Since the proposal includes private service responsibilities such as internal road maintenance, trash collection, lighting, and snow plowing, we made adjustments and reduced public works costs accordingly. Further, there are departments or budget line items that will not be fiscally impacted by the Proposal in a measurable way. Examples include such items as existing debt, existing employee salary / benefits / insurance, overlay accounts and free cash. Further, we did not add costs relative to general government (Town Boards and Town Manager) since no measurable costs were apparent except for the instance of the Town Clerk and election functions. After determining the per capita costs for the impacted departments we applied said value to the estimated population of the proposal to generate the total estimated general service cost.

For education costs, we examined the current education budget and generated an estimate of the average annual number of school aged children associated with the Proposal at project stabilization. The education cost estimate was based on actual net school spending (ANSS) costs per pupil in Westford minus state aid which is a revenue source. By combining the education and general service costs the report derives the estimated total annual service cost.

Determination of municipal service cost represents only one part of the fiscal equation. To estimate net fiscal profile we examined the revenue stream to be produced by the proposal. In this instance we employed the values provided by Princeton as part of the project pro-forma to estimate gross annual property taxes at project stabilization. In addition the estimated annual automobile excise taxes were estimated and added to the property tax estimate to generate the annual revenue stream. Other revenues or reimbursements such as ambulance service reimbursement and water enterprise funds were not calculated as part of the revenue stream since they are essentially pay as you use services.

Relating the total annual costs of the proposal to the total annual revenue generates the fiscal profile. Said profile is expressed as a current annual dollar loss or gain and as a cost to revenue ratio i.e. all service costs compared to all revenues. It should be noted that the most important value derived by this report is the cost to revenue ratio. Essentially, this ratio represents is the anticipated fiscal profile of proposal over the long term.

We are aware that in five years from now the actual costs and revenues will be different numbers but since the community must run a balanced budget and since the annual overall municipal revenue increases has historically increased at a similar rate, the key characteristic we hope to illustrate is the cost to revenue ratio. Said ratio will most likely change minimally from year to year, either in a positive or negative fashion, but it is our intent to illustrate the long term average and the magnitude of the positive or negative aspects of the cost to revenue ratio. As will be seen and has been noted in the Summary of Findings (Section 2.0), the Proposal exhibits a strong positive fiscal profile one that will enable it to adjust to all economic conditions and remain a positive fiscal asset for the Town.

4.0 Residential Service Cost

To estimate the fiscal impact associated with the proposal, we have divided municipal expenditures into two broad categories: one, school expenditures by which is meant the cost of adding new school age children to the public school system; two, non-school costs which represents all other forms of municipal service costs i.e. public safety, cultural, recreation, and other public services.

4.1 School Enrollment Trends and Education Costs

For Westford, as in most communities, education is the single most expensive residential municipal service cost. Using historical data from 2000 to 2011 assembled by the Massachusetts Department of education we estimated the total education budget for Westford, including all vocational school and employee benefits, is currently approximately \$52,500,000 or \$10,100 per pupil for each of the approximately 5,200 students.

The \$10,100 figure noted above represents an all in estimated cost per pupil for FY12. However, Westford receives approximately 30% of its education revenues from the Commonwealth of Massachusetts and the FY 2012 estimate of state aid per pupil is \$3,000. Accordingly, the cost per pupil that impacts local tax resources is approximately \$7,100. It is this local impact value that will be employed to estimate the impact on local tax resources, although it is assumed that state aid will continue at roughly the same proportion in future years to allow Westford's school system to continue a current expenditure levels.

Table 2 below illustrates the values used to estimate the number of school aged children by unit type. The total number of school aged children (SAC) represents an "average year", however, it should be anticipated that the actual number of students may fluctuate on an annual basis by five to ten percent. As part of the 2006 report, we submitted a copy

of Housing the Commonwealth's School Aged Children prepared in 2003, Appendix 1. The report was prepared for the Citizens Housing and Planning Association (CHAPA). The report is the most detailed survey of student generation by multi-family housing types in Massachusetts. It should be noted that among its findings, building type as well as number of bedrooms were determined to play a significant role in student generation rates. Residential developments with two or less bedrooms per unit were found to generate relatively few school aged children, while three bedroom multi family units generated more school aged children but still considerably less than single family development. In addition, in the intervening five years the fiscal and school studies prepared by Connery Associates indicate that the regional ratios used below in Table 2 by unit type have remained essentially the same. My most recent studies, for example in Newton Massachusetts, show one bedroom market rate rental units generating no students and two bedroom units generating between 0.11 an 0.17 students per unit depending on the development; or an overall average of 0.14.

It is anticipated by almost all analysts that the echo effect from the great recession will be reflected in lower birth rates and that in 3 to 5 years said impact will begin to become clearly visible in student enrollment rates. For the purposes of this study the great recession effect on birth rates has not been factored into the analysis since it will likely be different for each community. Table 2 however, does include a private school factor of 5%.

Another important factor in the generation of school aged children from multi-family development is the issue of traditional neighborhood location versus an atypical or isolated location. If a site is perceived to simply be different from a "traditional" neighborhood, or if the site is a stand alone location without easy pedestrian links to surrounding neighborhoods, or there is minimal private secure play area for young children then the number of school aged children per unit type may decline by up to 75% from the regional averages, see Appendix 2. However, in this instance, while somewhat isolated we do not believe the site is a easily categorized atypical location, therefore, to be conservative and prudent with cost estimates will are using the higher regional averages to determine the estimated number of school aged children.

Table 2. School Age Children by Unit Type

Apartment Type	Number	Students / Unit	Students
1 bedroom market rate	31	0.00	0.00
1 bedroom affordable @50%AMI	10	0.00	0.00
1 bedroom furnished	7	0.00	0.00
2 bedroom market rate	102	0.13	13.26
2 bedroom affordable @50%AMI	30	0.35	12.00
2 bedroom furnished	20	0.00	0.00
5% private school			(1.25)
Total	200		24

As shown in Table 2 above, the Proposal will generate, on average, 24 school aged children at project stabilization. Approximately 15 of the new students will attend all the various grade levels from preschool to grade eight, and 9 students will attend the high school grades in any given year. Further, as an apartment community the actual grade enrollment characteristics will change from year to year.

To determine the education costs associated with 24 additional students we have applied Westford's Actual net School Spending (ANSS) per pupil minus state aid (\$7,100) to the projected 24 students. Accordingly, the estimated school costs will be \$170,400. It should be noted that the proposal will likely not reach stabilization (95% occupancy no sooner than 2014 and most likely in 2015. Therefore the Town can anticipate increased tax revenues from the project site during the next two to three years as the assessor assigns higher values to improved property but the largest portion of the anticipated municipal cost (education and public safety) will not likely materialize until late in 2014 or early in 2015.

5.0 General Service Costs (Non-Education Costs)

In calculating general service costs, we examined the operating budget of each municipal department and if the nature of the proposal was determined to have a direct impact in a measurable manner said budget were included as part of general service costs analysis. However, like all forms of new development, not all departments are impacted. In this instance, we can determine no fiscal impact to such items as the Town Council, Board of Selectman, Assessors, and various other town administrative boards. The residential development proposal will also pay building permit and various other construction fees; therefore, there is no incremental cost impact to the building department. Finally, the proposed uses will pay water and ambulance enterprise fund fees on a usage basis as do all residential structures in Westford, and therefore have not been included as an additional incremental cost to the annual operating budget.

General Service cost is primarily driven by population demand; accordingly general service cost is traditionally expressed as a per capita analysis. In this instance, the 200 proposed units we estimate a population of approximately 1.75 per household, a ratio lower than the existing town average of 3.05 people per household which is primarily supported by larger single family houses. Accordingly, Westford can anticipate a total development population of 350 residents or 20% less than the 2006 projections.

As indicated in Table 4 below where no direct departmental cost impact is anticipated we have indicated said decision by showing a zero in the fiscal impact column. Column one lists the individual operating budgets; column two indicates the FY12 budget, column three the current per capita cost; and column four indicates that where incremental cost is anticipated. The values in said column are a function of 350 new residents multiplied by the existing departmental costs per capita. Table 4 is consistent with the format used in 2006 for the approved development.

Table 4 General Service Impact by Department

Budget	FY12 Budget	Per Capita (2)	Cost (3)
Gen. Government (1)	\$3,741,287	\$170	\$0
Town Clerk	\$233,189	\$10.59	\$3,707
Human Resources	\$295,061	\$13.41	\$4,694
Public Safety	\$7,632,612	\$346.93	\$121,427
Public Works	\$4,225,514	\$192.06	\$0 (4)
Health / Human Ser.	\$844,953	\$38.40	\$13,442
Culture / Recreation	\$1,733,036	\$78.77	\$27,571
Total			\$170,841

1. Excludes Town Clerk and Human Resources, carried separately
2. Assumes a 2010 population of 22,000
3. Assumes 350 new residents
4. Private assumption of roads, plowing, lighting and refuse collection.

Given the Proposal's estimated population of 350, the annual total general service cost, as indicated by the Table 4 above, is \$170,841. However, departmental operating budgets service non-residential uses (commercial, public, industrial land uses, and overall traffic management). It is important to note that a significant proportion public safety costs are generated by non-residential, see Appendix 3.

As noted in Appendix 3 non-residential uses can absorb 40% to 90% of public safety budgets depending on the nature of the community. Applying the values shown in Appendix 3 annual general service costs would likely be reduced by approximately \$48,500 per year using *the lowest range* of the deduction scale i.e. 40%. The deductions for the other budget items illustrated are de minimus and essentially are assigned 100% to residential service cost to be conservative.

Accordingly, the total value of the per capita cost estimate in Table 4 above is reduced to a total \$122,300 to provide a more realistic estimate of general service costs given the service demands of the other various land uses and activities in the community.

6.0 Revenue Sources and Cost to Revenue

To be consistent with all documentation submitted by Princeton, I have employed Princeton tax estimates as the estimated annual property tax at stabilization to be i.e. \$365,790. It should be noted that this figure is essentially the same, on a per unit basis, as was estimated in 2006. The estimated assessed value per unit is approximately \$125,000 with a total assessed value of approximately 25 million dollars.

Additionally, the Proposal likely will house about 330 vehicles. Based on local receipt revenue data, it is estimated that each vehicle will pay approximately \$105 in annual excise taxes to the Town of Westford for an additional \$34,600 per year in revenues. Accordingly, the annual revenue stream will be approximately \$400,400 per year.

Table 5 below, illustrates the revenue sources that are associated with the Proposal and compares them to the estimated annual costs and generates a cost to revenue ratio and an expression of the annual fiscal position in terms of net gain or loss in dollars.

Table 5. Cost to Revenue Ratio

Proposal	Property Taxes	Excise Taxes	Average Annual Revenue	Annual Service Cost	Cost to Revenue Ratio	Net Gain or (loss) per year)
200 Residences	\$366,000	\$34,600	\$400,600	\$292,700	0.73	\$107,900

The Princeton proposal will generate a fiscal benefit of approximately \$108,000 per year or based on an annual average service cost to revenue ratio of 0.73.

Essentially it will cost the Town 73 cents of every revenue dollar to provide all annual municipal services and likely less given the conservative cost assumptions of this report. The Proposal provides the Town of Andover the opportunity to provide a significant amount affordable housing while generating an annual and sustainable net fiscal benefit. This beneficial convergence is primarily due to the unit mix proposed by Princeton.

Given the nature of the Proposal and the estimated cost to revenue ratio the fiscal benefit will be sustainable over the long term.

7.0 New Growth Tax Benefits

Consistent with State regulations the taxes generated by new growth may be collected and used as a revenue source for one year before becoming part of total assessed valuation and subject to mandated levy limitations. This feature of municipal finance was designed to provide municipalities with budgetary flexibility and to encourage new growth. As the project is constructed the appropriate tax year value will be calculated as new growth revenues. At completion, the proposal will have added approximately 25 million dollars to the total assessed valuation of the community.

8.0 Construction Permit Revenue and Utility Connection Fees

In addition to property taxes and excise taxes the proposed residences will generate building permit, electrical, and plumbing fees. We estimate that the proposal will generate approximately \$250,000 dollars in additional fees for the general fund during

the project build-out period. Said fees will cover the local cost of project construction review and while a one-time fee, it will likely constitute a short term fiscal benefit.

9.0 Economic Impact and Related Fiscal Benefits.

Based on the anticipated rental values we estimate that the average new household income will be at least \$90,000. The total disposable income (including food and clothing purchases) will be at least 25% of the gross income of the new residents. Therefore, each household will have approximately \$22,500 of annual disposable income in the broad sense of the term. Given the variety and amount of retail and service establishments in the immediate environs it is conceivable that sales in the primary market area will capture at least 25% of available disposable income. At said rate, each residential unit will expend up to \$5,600 within Westford for a total of \$1,120,000 dollars annually. Using the traditional retail multiplier of 2.2, total retail sales will be approximately \$2.5 million dollars per year within Westford. This additional expenditure will support to the existing commercial tax base of the community.

Appendices

Appendix 1: Housing the Commonwealth's School Aged Children Citizens Housing and Planning Association (CHAPA)

Due to the size and format of the above noted study, a copy had been submitted previously as an attachment with this report.

Appendix 2. Atypical Locations and Student Generation.

An important factor in estimating the generation of school aged children from multi-family development concerns the issue of traditional neighborhood location versus an atypical or isolated location. If a site is perceived to simply be different from a "traditional" neighborhood, or if the site is a stand-alone location without easy pedestrian links to surrounding neighborhoods, or lacks significant secure private play space, or is located in a mixed use or commercial setting, then the number of school aged children per unit type is likely to decline by 60% to 80% from the multi-family developments in more traditional locations. It has been my experience that atypical locations have at least three of the characteristics described below. In this instance, we believe Proposal does have at least three of the described characteristics. See Appendix 1 for examples of atypical developments locations and resulting student generation rates. The following are a list of factors that identify atypical residential locations.

- Multi -family locations that are not physically or easily connected by pedestrian access to surrounding established residential neighborhoods; or are set off from traditional neighborhoods.
- Multi-family residences that provide minimal safe private recreation areas for children.
- Multi-family residential development located above commercial uses.
- ~~Multi-family residences accessed primarily by elevators such as high rise development.~~
- Multi-family locations located in the midst of commercial strips or mixed use areas.
- Multi-family developments that are within high intensity mixed use developments, such as shopping centers.
- Multi-family developments located on local high traffic ways or where primary access is via a highway interchange.

In this instance, while the site exhibits some atypical factors it has not been assumed it will function as an atypical site relative to school age students. However, since it is a possibility, I have included the above information to provide the Town with some guidance and explanation if indeed the total number of students generated is significantly lower than what is projected in the report.

The table below illustrates student rates in atypical location projects (2006-9); not all of which are applicable to the Princeton Development LLC site

Name/ Location	Number of Residences	Number of Students	Students per Residence
Canton Center	300	6	0.020
Village at Vinnen Square Swampscott	518	8	0.015
Imperial Towers 6 -7 stories) Newton.	152	0	0.000
Cronin's Landing Waltham	281	1	0.014
Long View Place Waltham	348	2	0.006
Park View Winchester	350	10	0.035
Wellington Place Medford	137	10	0.073
Coolidge St. Condominiums Watertown	342	6	0.017
Jefferson at Salem Station, Salem (40B)	265	30	0.113
Oak Grove Village	267	4	0.015
Melrose (Phase 1)			
Parkway Mystic, Arlington	48	1	0.200
Total	2,948	75	0.0254

Appendix 2A

Regionally Typical Multi-family SAC Generation Rates (2005-08)

Name/ Location	Number of Multi-Family Residences	Number of Students	Students per Residence
Town of Acton All multi-family Incl. 40B	2,271	267	0.117
Boxborough Condominiums	572	74	0.129
Reading Condominiums Incl. 40B	527	49	0.092
Scituate Condominiums	112	10	0.089
Marshfield Condominiums Incl. 40B	445	83	0.186
North Andover All multi-family and six 40B's but excluding one, 100% affordable development	2,442	411	0.168
Total	6,369	894	0.14

Appendix 3. Percentage of Non-Residential Costs by General Municipal Category

The following data was derived from Exhibit 6-4 Typical Impact of Commercial Uses on Various Public Service Categories: Fiscal Impact Handbook Burchell and Listokin, Chapter 6 Proportional Valuation Fiscal Impact Method.

Service Category	Percent Range	Mid-Point, %
General Government	4 to 6	6
Public Safety	40 to 90	75
Public Works	10 to 20	15
Health and Welfare	1 to 3	2
Recreation and Culture	1 to 3	2

In the report, the public safety category was composed of two categories: police services and fire services. It is important to note that in the above referenced handbook, commercial development is divided into two major categories with retail uses generating as much as three times the cost per square foot as office / research use, hence the broad percent range. The residential cost is the residual of the potential commercial cost. As shown above the mid -point of is 75% but to be conservative the low point of 40% was used in this report.

About the Author

John W. Connery
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Education: Master of City Planning
Ohio State University 1971

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Boston University 1969

Experience:

Mr. Connery has 40 years of community planning experience. He has worked in the Mid West and for the past 38 years in New England. As founding principal of Connery Associates in 1980, he has had over 275 municipal and private clients. Mr. Connery has developed an expertise in municipal zoning, fiscal impact analysis, and project permitting. His professional assignments have included downtown redevelopment projects, community master plans, zoning studies, and fiscal impact analyses.

Working with Goody Clancy and Associates in 2001 he completed and had adopted the Zoning Plan for Eastern Cambridge with the associated fiscal impact analysis. Mr. Connery's more recent private sector projects include various residential and commercial fiscal impact studies in Massachusetts including Lexington Technology Park, Cubist Laboratories in Lexington, Hancock Village in Brookline, Stonegate Residential in Melrose, Legacy Place in Dedham, and other life style shopping centers Lynnfield, Burlington, and Westwood Massachusetts. Further, Mr. Connery has also prepared fiscal analyses for senior living facilities in Lynnfield, Braintree, Sharon and Dedham Massachusetts. He has also prepared fiscal impact studies for various market rate residential developments, 40B developments, and three 40R developments throughout the Commonwealth; he recently completed (adopted) comprehensive incentive zoning overlay amendments Woburn and Melrose Massachusetts. Currently is a consultant to the city of Everett regarding the re-use of the former Everett High School and is preparing fiscal studies for larger scale residential developments in Bridgewater, Reading and Watertown Massachusetts; and a mixed use development in Wareham Massachusetts.

Mr. Connery has also taught one-semester courses in urban planning at the University of Massachusetts at Boston and at Boston University, and has been a guest lecturer at Harvard, MIT, and Tufts University Graduate Schools on a number of occasions. He has been employed as an expert land use and zoning witness before the Land Court, Housing Appeals Committee and Superior Court for both public and private clients. He is a past

president of the Massachusetts Consulting Planners Association and an active non-professional member of the American Institute of Archaeologists.

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