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March 12, 2013

Sami Baghdady, Chairperson
Belmont Planning Board
Homer Municipal Building
19 Moore Street
Belmont, MA 02478

RE: Cushing Village/Fiscal Analysis

Dear Chairman Baghdady and Members of the Board:

Subsequent to the submittal of the Cushing Village Project Financial Impact Report in October of 2012 to the Planning Board, we have had the opportunity to work with Elizabeth Allison of your Board in the review and comment of the Report. On behalf of Smith Legacy Partners, I want to both thank and congratulate Ms. Allison for the completeness of her review, the diligence demonstrated in ferreting out important data to test the assumptions in the Cushing Village Report and for the open and fair minded manner in which our discussions have occurred. While the fiscal impact of Cushing Village is only a small component of the determination by the Planning Board of the issuance of the Special Permit, it is a worthwhile exercise for the community to have an understanding as to the fiscal impact of the development.

From the discussions we have had concerning Ms. Allison's review, there appears to be general consensus on both the methodology and the results of the study as it pertains to one time revenue, recurring revenue and municipal costs. While there is some level of constructive disagreement concerning the calculation of educational costs, the most significant disparity would appear to be the estimation of the number of school age children who will reside within the Cushing Village Development.

One of the criticisms pointed out by Ms. Allison concerning the calculation of school age children population from the Cushing Village Fiscal Report is the age and objective quality of some of the reports used by the developer. Some of the studies cited within the Report have been published for some period of time and others may be seen as evaluating communities which are not comparable to Belmont. These concerns resonated with the development team and we undertook a search to determine the availability of more current and comparable data. We believe such data has been located and is of value to the Town.

There is a large mixed use development currently engaged in the permitting process located in Westwood known as University Station. It is an extremely large mixed use containing proposed 650 residences. The developer of that project engaged Connery Associates to perform a fiscal impact analysis for the mixed use development. I am attaching a copy of their report which has been published on the Westwood, Massachusetts website.

The University Station Report is instructive as Connery Associates had the benefit of being provided current accurate, current data directly from various school departments in six different communities involved in eight different types of large scale residential developments and evaluated the gross number of students per two bedroom unit. The fiscal analysis properly treated one bedroom residences as essentially not generating school age children. In evaluating the average number of students per two (or three) bedroom units in each of the developments in communities such as Dedham, Andover, Needham, Hingham and Newton, Connery Associates found from current data in 2012 that the average number of students per unit was .12. This is comparable to the numbers submitted as part of the Cushing Village Fiscal Report. The data was then compared based upon the affordability requirement which, in Westwood, is 15% and the fact that a number of the developments being reviewed were developments permitted pursuant to Massachusetts General Laws Chapter 40B and, therefore, have a 25% affordable component. In conducting that study, Connery Associates concluded that the average number of students within the 325 two bedroom residences within University Station would be approximately 50 and with a 10% annual fluctuation would be between 45% and 55% or, at the high end .169/students per unit.

One might arguably conclude that the party paying for a report has an impact upon the conclusion of the report. It is, therefore, instructive to review the peer review conducted by Community Opportunities Group, Inc. of Boston of the Connery Associates Report, a copy of which I have also provided. While the Community Opportunity Group, Inc. review goes into more detail in reviewing various demographic trends, it does note in the conclusion found at Page 7 that "the developer's estimate of 55 school age children for University Station as a whole, while optimistic, is not out of line with estimates supported by our case studies and ACS (American Community Survey) statistics". Instructive as to the applicability of data to Cushing Village, Community Opportunity Group, Inc. specifically noted the following:

"Large high density multi-family developments seem to be less attractive to families with children than low rise, moderate dense or low density developments with fewer units per building. Developments with landscaped yards, open space, sidewalks and trails typically house more children…In a recent study of mixed use developments in Fairfax County, Virginia, school authorities found that in three out of five projects, the actual number of resident students exceeded the original estimate even with accurate enrollment counts, however, the average per unit was relatively small: .12 to .22 school aged children per unit".

Applying the lessons of the Connery Study to the development is its current configuration results in the following:

Proposed Units

| | 1 BR | Students/ Unit | 1BR Total | 2BR | Student/ Unit | 2BR Total | Total |
|---|---|---|---|---|---|---|---|
| Market | 42 | .002 | 1 | 56 | .12 | 7 | 8 |
| Affordable | 6 | .13 | 1 | 8 | .40 | 3 | 4 |
| Total | 48 | | | 64 | | 10 | 12 |

For a number of reasons including those noted by Community Opportunity Group, Inc. we do not see that Cushing Village will be a desirable location for those with school aged children who, particularly for those who will have other reasonable opportunities within the Town of Belmont. Cushing Village is not proximate to any public park or area, all features of many other multi-family developments in Belmont. While the quality of the Belmont schools is properly noted, it needs to be noted that there are a number of comparable communities in the same geographic area, including, without limitation those studied in the Connery Associates report for University Station, that have equal or better schools and therefore the body of housing stock available to families which is more appropriate suited for a family unit exists in any number of locations. On the other hand, the availability of newly constructed rental housing in a mixed use development that provides easy walking distance to shopping, restaurants and public transportation and therefore can be expected to attract a population of young professionals or "empty nesters" is in short supply in those comparable communities. We therefore believe that the marketing and utilization of Cushing Village will simply migrate away from family type units for all of these reasons.

I would welcome the chance to have further discussion with the Planning Board relative to this issue.

Very truly yours,

Mark L. Donahue

MLD/mmp
Enclosures

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# Fiscal Impact Analysis
# University Station
# A Mixed Use Development
# Westwood Massachusetts

January 31, 2013

Prepared by
Connery Associates
Melrose, Massachusetts

# Table of Contents

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**Fiscal Impact Analysis**
**University Station**
**Westwood, Massachusetts**

**January 31, 2012**

## 1.0 Preface

This report is designed to identify the key fiscal factors and the long term fiscal impacts and benefits associated with a proposal to construct a mixed use development along University Avenue in Westwood, Massachusetts (the Proposal) The approximately 135-acre site currently consists of vacant buildings and cleared land, all formerly a part of the University Avenue Industrial Park. The site has direct access to Rt. 128 (I-95), is within a quarter mile of the I-93/I-95 interchange, and abuts the Rt. 128 MBTA Transit Station.

The applicant, a development team comprised of New England Development, Eastern Real Estate LLC and National Development, has proposed a mixed use development at the site. For the purposes of this analysis, the report assumes that the Proposal consists of the following four general elements: (1) approximately 750,000 square feet of retail/restaurant/grocery store use; (2) 650 residential units and up to 100 assisted living/memory care units; (3) a 160 room hotel; and (4) 325,000 square feet of Class A office space. Table 1 below provides a summary of the proposed development program:

**Table 1. University Station Mixed Use Project–**

| Land Use | Detail |
|---|---|
| Class A Office Space | 325,000 SF. |
| Hotel | 160 rooms |
| 650 Residences | 325 one bedroom<br>325 two bedroom<br>15% affordable |
| 100 assisted living memory care units | One central facility<br>Of 100 units |
| Grocery Anchor | 140,000 SF |
| General Merchandise Anchor | 140,000 SF |
| Restaurants/ Banks | 35,000 SF |
| General Retail | 370,000 SF |
| Small Retail Shops | 70,000 SF |

## 2.0 Summary of Methodology

This report divides municipal service costs into two broad categories: (i) education costs and (ii) general service costs (i.e. all non-education costs). General service costs have been estimated for each component - i.e., commercial and residential. As noted in the body of this report, the large majority of the general service costs are related to public safety costs (police and fire services). Education costs have been estimated for the 650 residential units, but not the 100 assisted living/ memory care units. While a portion of the 650 residential units ultimately may be developed for condominium ownership, in order to ensure a conservative analysis in this report, the estimate of the school aged children and assessed value will assume 650 apartment units.

### 2.1 School Aged Children Estimate and Education Cost

Education costs are driven by the estimate of net additional school-aged children generated by the Proposal. The report assumes 650 rental residences comprised of 50% one bedroom and 50% two bedroom residences with a 15% affordable requirement. However, the initial phase of the residential component, expected to consist of approximately 420 residences, will be at least 60% one bedroom and the remainder two bedroom. It is possible that this ratio may be applied to the remainder of the residences as well, but this report conservatively assumes a 50% one bedroom and 50% two bedroom unit mix.

The reported student numbers for the comparable residential developments used in this report factored out private school attendance, therefore this report assumes that all children generated by the Proposal will attend public schools. Historically, the number of students attending vocational school in Westwood averages only 3 to 5 students per year. Given the approximately 5,300 dwelling units in Westwood this equates to 0.0009 students per dwelling unit. When this rate is applied to the Proposal, it amounts to less than one third of a student. Accordingly, the student projection does not include any students attending the vocational school.

No community or mixed use development can provide an exact match to the Proposal and the Westwood school district for analysis purposes. However, by identifying similar developments with shared site location factors in communities that are demographically equivalent, a reasonable level of comparability can be attained. Our analysis required us to look at communities outside of Westwood because Westwood does not have any comparable multi-family developments. Accordingly, the school-aged student estimates are based on an analysis of multifamily developments in communities that share some or all of site characteristics of the Proposal - i.e., sites that are visually or operationally linked to a major commercial or mixed use development and in some instances have walking access to mass transit.

The estimate of annual education costs associated with new enrollments are calculated as the actual net school spending per pupil (ANSS), as reported by the Massachusetts Department of Education for 2012, minus state aid since it is a revenue source. Actual Net School Spending (ANSS) includes all funds expended by the School Committee via

the budget, grants, and other funds as well as certain town expenditures including employee benefits, but excluding certain types of expenditures such as transportation, adult education, and long-term debt. As such, ANSS provides an inclusive school cost estimate. Its use also assumes that each new student will generate a specific fixed cost. This approach provides a conservatively high estimate for school costs since it assumes that each new student will also marginally add to overall administrative costs and physical plant operation maintenance. Finally, the report assumes that Chapter 70 school aid in the future will remain at approximately the same low proportion of actual net school spending that currently exists.

## 2.2 General Service Cost Estimates

For general municipal service costs, the report utilizes the current operating budget (FY2013) and includes those service categories that will most likely exhibit a measurable additional service cost due to the Proposal. There are operational budget categories that are properly not included as general service costs in this report, such as existing debt payments, municipal services paid by enterprise accounts, and water and sewer costs – all of which are paid through annual user fees. The report therefore includes the following applicable and measurable general service costs: police department costs, fire department costs, public works costs, health department costs, and the portion of ambulance costs not covered by insurance.

The traditional public works responsibilities of road maintenance and plowing of existing public roadways will not change. However, since there will be road widening (by the equivalent of approximately one lane) that may increase snow plowing time on site, an estimate of additional public works costs have been included in this analysis. Items such as trash collection, lighting, landscaping maintenance (including the University Avenue median), and snow plowing of internal roadways and parking areas will be the responsibility of the private owner and therefore are not included as a new service cost. Shorter term costs related to building department reviews and costs associated with updating assessment models will be addressed in the development agreement between the Town and the developer.

## 2.3 Revenue Projections

Municipal service and education costs represent only one part of the fiscal equation. To appropriately estimate the annual cost-to-revenue ratio at stabilization, the estimated revenue stream must also be determined (specifically, the revenue generated by annual property taxes, and other forms of taxation such as excise tax and hotel taxes as applicable). For the residential component of the Proposal, the report employs multifamily comparables in surrounding, and/or similar communities to arrive at the estimated property tax yield. For the commercial elements, the report examines the assessor filed cards of existing comparable properties along Route 128 and in nearby communities to arrive at an estimate of overall assessed value and tax yield. Note that the comparable shopping center values are expressed as an assessed value per square foot for the total shopping center, and not individual elements, since the individual elements

(anchor stores, grocery stores, department stores, and smaller retail space) vary considerably given location and scale within an individual shopping center. For the office component, the report employs the applicant's estimated rent of $27 per foot and also examines local office uses to determine the estimated assessed value of the office component.

To comprehensively capture the revenue stream associated with the Proposal, the report needs to account for the estimated annual excise taxes associated with the residential component and an estimated hotel tax based on a 6% room tax. No attempt was made at this point to estimate the potential personal property taxes, except to note that, depending on final tenant mix, personal property taxes may add approximately 1% to the total annual property tax yield. Further, initial reviews of the fiscal report with that Town indicated that the Town has discussed additional meals taxes to further enhance revenue. However, for the present, the property taxes, hotel tax and excise taxes are combined to generate an estimated aggregate annual revenue stream, and no increase in meals taxes is factored in. This estimated aggregate annual revenue is then compared to the estimated annual total service and education costs to arrive at an overall cost-to-revenue ratio for the Proposal at project stabilization.

## 2.4 Fiscal Profile

As noted above, this report compares the estimated municipal service costs (both general service costs and education-related costs) with anticipated total annual revenue sources to arrive at an estimated annual cost-to-revenue ratio, or net fiscal profile. The findings are also expressed in terms of current dollars gained or lost annually commencing at stabilization. The objective is to provide the Town of Westwood with a fiscally prudent understanding of the long-term fiscal implications of the Proposal. Accordingly, the most important finding presented in this report is the estimated cost-to-revenue ratio at project stabilization. It captures the Proposal's long term fiscal profile. While the ratio will likely vary slightly from year to year due to regional or national economic factors, it is the Town's best measure of the long term fiscal performance of the University Station Proposal.

## 3.0 Summary of Findings

- Overall Anticipated Project Revenue and Costs: University Station will generate approximately $7,082,000 in annual revenues at stabilization, and will require total municipal costs (general services and education) of approximately $1,694,000.

- Net Fiscal Benefit to the Town: By subtracting costs associated with the Proposal ($1,694,000) from total anticipated revenues ($7,082,000), we find that University Station will generate an annual fiscal benefit of approximately $5,388,000 at stabilization (current dollars). Deducting the approximately $2,000,000 in current property tax income generates a net fiscal benefit of $3,388,000.

- Cost-to-Revenue Ratio: Based upon the projected revenues and costs noted above, the average annual cost-to-revenue ratio is estimated at 0.24. This means that, for every dollar of revenue received, approximately 24 cents will be dedicated to paying service costs, and 76 cents will be retained as an annual fiscal benefit.

- A Positive Cost-to-Revenue Ratio Throughout the Construction Period: The annual cost-to-revenue ratio during the estimated seven year construction period through to stabilization in 2020 remains strongly positive at all times. This means that, even during build-out of the project, the revenues produced by the development will always exceed the costs of the project to the Town.

- Significant New Growth Revenues for the Town: University Station will generate significant new growth revenues (i.e., appreciation of property values beyond current assessed values), estimated at approximately $216,000,000 over the period of construction. Assuming commencement of construction in 2013, the peak years of new growth revenues are estimated to be 2014 through 2016.

- Revenues Available for Public Safety Costs: Non-educational municipal costs are primarily related to public safety requirements. Some level of funding to address public safety costs will likely need to be in place by the opening of the retail component, and project revenues will provide the Town with flexibility to address public safety demands as and when they are needed.

- Anticipated Range of New Students: The 650 one and two bedroom residences designed as part of University Station can reasonably be expected to generate a projected range of between forty five (45) and fifty five (55) students. A small portion of the new enrollments may appear by the 2015/16 school year. However, most of the new enrollment will likely occur starting in 2016/17 and stabilizing by the 2018/19 school year.

- **Significant Increase in the Commercial Tax Base: University Station will increase the tax yield from the commercial tax base, and reverse the long trend of increasing reliance on residential rate payers. The Proposal is estimated to generate $149,000,000 of "net" new commercial property value, and 78% of the tax revenues associated with the project (nearly $5,300,000) will originate from commercial property taxes.**

- **Substantial Construction-Related Revenue: University Station will generate $2,500,000 to $3,000,000 in one-time construction related fees during the construction of the Proposal.**

## 4.0 General Service Costs

To assess the general service costs associated with the Proposal, the report, as is standard practice, uses the Town's FY2013 operating budget estimates since they represent the most current and likely higher departmental costs as compared to the FY2012 budget or actual FY2012 expenditures. The starting point for the general service cost analysis was interviews with municipal department heads most likely to be impacted by the Proposal. At the request of the Town, additional interviews with department heads from other communities who have experienced similar development (Burlington, Wrentham, Hingham and Dedham) were undertaken. In accordance with the approach developed with the Town's peer reviewer, the departmental interviews in the selected communities form the basis of the general service cost estimates.

It should be noted that the Proposal is essentially a redevelopment of a long standing office/industrial area that has seen considerable decline in terms of total assessed value due to large scale demolition. While the redevelopment will generate a more intense and varied use of the site, the previous commercial property required public safety services. No attempt has been made to net out these prior services to arrive at a net new service cost. Instead, the assumption for purposes of simplicity and clarity is that the Proposal's impacts will be treated as net new impacts.

As noted in Section 2, Department of Public Works (DPW) costs have been assigned relative to snow plowing associated with the widening of University Avenue, and maintenance of the new storm water system. As noted, landscaping maintenance will be the responsibility of the owners. Daily water and sewer usage cost will be addressed by enterprise funds which are essentially "pay as you use" funding mechanisms. Therefore, the Proposal will pay for these essential services as part of the Town's standard fee arrangements. In terms of libraries, recreational facilities, and similar services and facilities provided by the Town, these services have fixed facility and staffing costs that will not be impacted by the relatively small number of additional users that may be generated by the Proposal, and therefore no additional costs for those services are reflected in this report.

## 4.1 General Service Cost

To estimate the public safety costs and other potentially relevant general service costs, the Town has requested that data be assembled from communities with similar large commercial/ mixed use projects, given that there are no comparables in the Town. This information, along with interviews with the local department heads, serves as the basis for the general service cost estimates.

Interviews were conducted in Dedham (Legacy Place), Hingham (Derby Street Shoppes), Burlington (Wayside Commons), and Wrentham (Wrentham Outlet Mall) with town managers, department heads representing public works, health, building department, conservation, and police and fire. (See interview notes submitted to the Town of Westwood Planning Department in January 2013 for detail). These communities are different from Westwood in that they have experience in serving commercial and multi-family development; however, Burlington and Dedham have mixed use districts that are very similar to the University Station Proposal. The interview process with the selected Towns was designed to determine the level of additional municipal service demand generated by the large commercial/ mixed use developments that occurred in these towns both during and after construction, and to translate the information gathered into municipal service demands related to University Station.

The overall finding of the interview process was that commercial/mixed use projects do generate a need for additional public services at some level, depending on the amount of pre-existing commercial use in the community. Further, based upon information that was provided to us, any additional staff hired by the communities interviewed tended to be phased-in over time. It is important to note, however, that all of the communities recognized that for a community like Westwood where the Proposal introduces large scale retail/ restaurant and food stores where none currently exist, the need for public safety and other services is likely to be more pronounced than for a community with a history of said uses. Further, Westwood would likely need some level the additional public services to be in place at the time of opening of the major retail component or soon thereafter.

An objective of this report is to generate cost values that can be contrasted with revenues to produce a reliable long term fiscal profile. To that end, the report takes a conservative approach and assumes the high end of potential service costs. It is possible that, during the seven year build out process, management and operational opportunities or enhancements may occur to lessen the need for additional staff, which would reduce the estimated service costs below projected levels. Indeed, the interviews suggested that, in many instances, local response to public safety and other staffing needs was to prepare for the opening but wait to see what transpired in the mid-term before making additional staff commitments. This may be a suitable approach for Westwood (and it is ultimately the Town's decision), but for analysis purposes the report is designed around a conservatively high cost approach designed to generate a prudent estimate.

Moreover, this report has not attempted to identify any excess capacity that might currently exist in the Westwood public safety departments. Any existing capacity would partially offset any required additional staffing. We assume the Town will take this into account when utilizing this report.

Based on the departmental interviews in Westwood and the selected communities and the conclusions noted above, the following general service cost estimates have been determined:

**Police Department:** the majority of the required additional policing effort will be generated by the retail / restaurant activities and the population that accompanies said uses on a daily basis. The office and residential uses, while generating additional service demand, will likely represent the minority of new police service calls.

The new commercial uses and increased day and night population associated with the Proposal will generate various public safety demands associated with places of public assembly. The types of calls that will be generated deal with car accidents, car theft, and property damage. There will also be some, but limited, shoplifting activity, although much of this activity is dealt with directly by the retailers' own security. To properly respond to this anticipated level of police activity will require more departmental on-site time and more time preparing cases for prosecution or resolution. More importantly, as noted from the interviews, large scale commercial uses will generate a need for additional traffic management services. It was by far the largest and most identified demand for additional police services.

Based upon our interviews, multi-family development at approximately the scale and rent value proposed in Westwood, while somewhat adding to overall service demand, did not place a significant demand on police services. In communities like Burlington, Hingham, and Dedham, the commercial and multi-family uses were all part of the same patrol district. No new patrol districts were created for residential or office uses in the above noted communities.

Based on the information collected during the interviews and in discussions with the Westwood Police Chief, it was stressed that public safety staffing is generally organized around four (4) person shifts. All police officials interviewed also noted that, to provide continuing police response capacity (at least one officer) at a high intensity use site or new major service area requires four officers given that each officer has a 42 hour work week. Based upon these interviews, this report estimates that one additional shift of four police officers will be required to address the anticipated University Station generated police service at project stabilization in 2020. The increased police services will also require the addition of one police cruiser, and said vehicle is likely to be replaced every two to three years based upon standard practice.

Discussions with the Westwood Police Chief indicated the cost of a new person in the police force is approximately $82,500 (a base salary of $65,000 plus 27% associated costs). A new shift therefore carries a cost of $330,000. To accommodate the anticipated

increase in patrol services, a new police cruiser is likely to be required – a cost which the developer has agreed to fund under the development agreement (and therefore not included here). After discussions with local police personnel, the annual operation and maintenance is estimated at $25,000 per year. Additionally, there will be an annual average equipment cost for any new personnel, and we have included an additional $15,000 to account for those costs based upon an estimated equipment cost of $3750 per officer. Accordingly, the aggregate additional service cost for police services is $370,000 per year (current dollars).

**Fire Department:** shopping center development generated additional fire department demand in all four of the communities interviewed, most particularly in increased inspections, fire emergency calls and ambulance service. The impact most referenced was for ambulance service. While ambulance calls per facility can change from year to year, the town interviews indicated that approximately one call per unit per year would be generated by the proposed assisted living/ memory care facility, or an estimated100 calls for service. It was indicated that the multi-family residential component will generate ambulance calls at a rate considerably less than assisted living. Further, the commercial (retail) component is likely to be another source of ambulance service calls. For example, Wayside Commons in Burlington generated 24 calls from January to November 2012.

Based upon current Westwood residential averages (See Appendix 3), the proposed multi-family component will likely generate 100 ambulance calls per year. Based upon the experiences in these other communities, the assisted living component is likely to generate an additional 100 ambulance calls per year, and the commercial and office center may generate from 50 to100 additional calls. Accordingly, the total number of additional ambulance calls per year for the Proposal is estimated to be approximately 250 to 300. Last year, according to the Fire Chief, Westwood had 1,150 ambulance calls. Therefore, the Proposal will likely increase ambulance calls by approximately 25%.

Interviews revealed that communities like Dedham and Burlington did not add additional fire inspection staff. However, it should be noted that Westwood has only one person assigned to inspections, and all participants indicated that, given the nature of the Proposal, one person could not be expected to meet the additional inspection demand generated by University Station and that at least one additional person would be required.

Given the significant increase in anticipated ambulance service, fire inspection service, and total building area to be protected, this report assumes that one additional shift of four additional fire department staff will likely be required by 2020. Based on discussions with the Westwood Fire Chief and the experience of Fire Chiefs from other communities, it is possible that ambulance demand could be higher than anticipated if the stabilized project is extremely successful. Therefore, to be consistent with the conservative nature of this report and to address the potential issues noted during the interviews, this report has based its fire department cost projection on adding six, rather than four, additional staff by 2020. Applying the same cost per new employee as the

police department ($82,500), the six new staff generate at stabilization generate a cost of $495,000 (current dollars).

**Public Safety Planning**
It takes approximately one year to select and train public safety officers. The Town will need to have some level of additional police and fire personnel in place by the date of the opening of the regional retail component in the fall of 2014, followed on a yearly basis by additional personnel, so that as each component of the University Station becomes operational, the required public safety personnel will have been increased accordingly. Based on the information assembled from the four interview communities, the initial public safety needs will include additional traffic management responsibilities, increased ambulance demand, increased fire inspections and, increased police patrols and possibly increased dispatch capability due to the larger day and evening population on site. Depending on the timing of the retail openings, the interviews suggest that approximately half of the projected additional personnel should be in place by the opening of the retail center and the remainder in place, if necessary, by stabilization in 2020. Essentially, all of the police and fire personnel deemed necessary by local management should likely be programmed by the third or fourth year of the build out program, with full staffing to be in place by 2020.

However, the opening months of University Station should not be considered as a long-term indicator of needed public safety service levels. The regional experience with new retail centers has repeatedly shown (and supported by all four communities interviewed) that the opening demand is most appropriately addressed with public safety special details. However, this will not negate the need for some level of public safety personnel to be in place by the opening of the retail facility. The method of addressing the initial public safety requirements and the need to have the funds available for permanent additions to public safety staff in a timely fashion by the retail center opening is appropriately determined by local officials and the developer as part of the development agreement. As will be addressed in the later sections of this report, once the initial phases of the Proposal come on line all public safety service costs will easily be covered by the enhanced revenue stream. For the purposes of this fiscal report, all public safety costs will be considered as additional costs regardless of how or when they come on line.

**Assessor's Office.**
There also will be a need to address the ability of the Assessor's Office to update its assessment methodologies in order to effectively assign assessed and stabilized values for the Proposal. This capacity needs to be in place prior to the opening of the retail center so that annual adjustments can be made to assessments until the retail component is stabilized. This cost will be addressed in the development agreement.

**Building Department**
The costs associated with managing a new development such as University Station require substantial services from building departments. While the fees associated with building and associated permits are a considerable sum, estimated to be 2.5 to 3.0 million dollars (see section 8), the timely management of construction was an issue raised by all

interviewed building departments. This is recognized by the developer, and the developer has committed that as part of the development agreement they will fund the costs of a code review consultant and an on-site inspector to address needs of the Proposal. Accordingly, for the fiscal analysis, any building department costs are not included.

**Health Department**

Like all municipal health departments, the Westwood Health Department assesses fees for services provided. These fees generate a majority of revenues that support the department's activities. However, in the case of Westwood, the Proposal will place additional demands on Health Department staff due to the nature of the proposed uses and the fact that similar uses do now not exist in Westwood– i.e., a large regional grocery store, a 160 room hotel, and approximately 25,000 square feet of restaurant space. Based upon discussions with Director of the Health Department, (and health department directors in the interviewed communities), the Westwood Health Department would not be capable of adequately meeting the service demands of the new uses.

Consistent with the comments and estimates of need made by the Director of the Westwood Health Department, the new land uses associated with the Proposal will require at least one additional full time equivalent health department employee. It is anticipated that the annual fees collected from the proposed uses will cover a majority of the estimated $50,000 to $55,000 of additional costs associated with hiring an additional inspector. However, an additional Health Department cost of $30,000 was also discussed with local health department staff to cover potential unforeseen short to mid-term Health Department costs. Funds to cover the potential contingency are included in the development agreement. Accordingly, there are no specific health department costs included in this fiscal analysis.

**Department of Public Works**

University Avenue will remain a local road with the Town responsible for plowing and maintenance. The roadway affected is approximately one mile in length and Proposal will essentially add approximately an equivalent of one lane to the current configuration. There are approximately 97 miles of paved roadways in Westwood, and therefore the additional lane will add one lane for approximately one mile or a 50% increase in surface area. To be conservative, it is assumed that one additional mile of the full roadway will need to be plowed and maintained for an additional cost of $7,300, based on annual average plowing costs in Westwood. Additionally, the increased traffic volumes may require additional sanding beyond what is provided today. It is difficult to accurately define a potential annual increase in sanding cost for one mile of road widening given fluctuations in weather and given variations in sanding practices. However, to address the potential cost a conservatively high estimate of $10,000 is being assigned, a sum that is intentionally higher than the estimated additional annual plowing costs. While the Town will incur some level of additional road safety maintenance cost, as noted above, the report assumes that the developers will assume responsibility for maintaining roadway related landscaping and vegetation maintenance within the project area (which is currently the Town's responsibility).

It is expected that the new storm water system for the Proposal will be designed and maintained such that the large majority of any new storm water maintenance will be a developer responsibility. However, there are potential additional DPW costs related to the cleaning and maintenance of catch basins and drains within the existing (and future improved) public ways. To address this potential cost this report is adding $10,000 to the annual estimated DPW cost. Therefore, the report estimates that the additional annual DPW cost will be approximately $27,000 rounded to $30,000 per year. Please see Appendix 3 for additional detail regarding the DPW cost analysis.

**Total General Service Cost**

Table 2 summarizes the estimated general service costs at stabilization in 2020.

## Table 2 Summary of General Service Cost

| Source | Cost |
|---|---|
| Police | $370,000 |
| Fire | $495,000 |
| DPW | $ 30,000 |
| **Total** | **$ 895,000** |

As noted, Table 3 summarizes the assembled student generation data for comparable developments and multifamily developments in economically similar communities or adjacent communities without any attempt to balance differences in unit mix or affordable percentage. However, Table 4, below takes into account the variations in affordable percentages and the number of one bedroom and three bedroom residences in each comparable development. As such, it is an estimate of student generation equivalency - i.e., the application of comparable student generation ratios to the unit mix of the Proposal (See Appendix 1 for the methodology used to generate Table 4). Further, at the request of the Town, the Comparables in Table 4 have been limited to the more demographically similar communities as determined by the Town and its peer review consultant. Applying the data for the comparable developments to the Proposal's 325 two bedroom residences (276 market rate and 49 affordable) generates an equivalency to the Proposal's unit mix, as reflected in the last column of Table 4 below.

## Table 4. Generation Rates in Demographically Similar Towns

| Comparable | 2 Bedroom Market rate(students per unit) | 2 bedroom Affordable (students per unit) | University Station Student Equivalency |
|---|---|---|---|
| Powder Mill Sq. 40B Andover | 0.068 | 0.40 | 39 |
| Charles River Landing 40B Needham | 0.081 | 0.40 | 42 |
| Avalon Ship Yard 40B Hingham | 0.150 | 0.40 | 61 |
| Avalon Newton Highlands 40B Newton | 0.140 | 0.40 | 60 |
| **Average** | **0.110** | **0.40** | **50** |
| **10% range** | | | **45-55** |

As shown above, the average of the student generation rates of communities with more similar demographic characteristics generates an estimate of fifty (50) students and a projected annual range of forty five (45) to fifty-five (55) students, assuming a 10% annual fluctuation range. Fifty five (55) students is the number of students used in this report for analysis purposes.

### 5.2 Education Cost and Student Enrollment at Stabilization

The estimated annual school cost at project stabilization in 2020 is based on the Actual Net School Spending per Pupil as currently tabulated by the Massachusetts Department

of Education (See section 2 for a more detailed discussion of ANSS). Westwood's current ANSS is approximately $13,800. Subtracting state aid of approximately $1,300 per student (a revenue source) Westwood's annual locally borne school cost is $12,500 per student (including all benefits).

Accordingly, an increase in the number of students by 55 will generate a service cost at stabilization in 2020 of approximately $687,500 (current dollars). In addition, the location of the proposed residential component may require the addition of one additional school bus route or alteration of a current route. School bus route characteristics and costs vary considerably from community to community, and in this instance there is no defined route or augmented route to analyze. Similarly, average costs per school bus routes can vary from $50,000 to $80,000 per year per route. For the purposes of this report, a transportation cost for an additional or augmented bus route is estimated at $75,000 per year. It is also important to note that, under the development agreement for the Proposal, the developer will commit to making a contribution to the Town to cover certain capital costs resulting from additional students generated by the Proposal; therefore, these costs are not included in this report.

Further, examination of the school district budget request for 2013 indicates that, for the current year, special education non-salary costs have declined by approximately $700,000 (i.e., from $2.3 million to $1.6 million). To account for some potential increase in educational costs, this report assumes that a two year average of non-salary costs is approximately 2 million dollars. Therefore, Westwood's total student enrollment of 3,100 students generates a non-salary cost of approximately $650 per student for non-salary special education costs. Applying that cost to the estimated 55 new students generates a non-salary special education cost for University Station of $36,000.

There is no known analysis of the number of special needs children that live in high end small rental units (the Proposal averages 1.5 bedrooms per unit) or whether rental housing could result in a higher number of special needs children when compared to single family homes or other home-ownership forms of residence. However, if a special needs student is enrolled, the specific needs of the student will determine if the current staffing can handle the additional demand. Where considerable annual service costs or out of district costs are required, due to additional staffing or otherwise, the majority of those costs will be borne by the state, and not Westwood, through the "circuit breaker" program – an established special education financial assistance program that, in effect, caps the costs required to be spent by a municipality for each special needs student.

## Table 5 Summary of Education Cost Estimates

| Source | Cost |
|---|---|
| Additional Student Cost | $687,500 |
| Transportation Cost | $ 75,000 |
| Special Ed. Non-Salary Costs | $ 36,000 |
| **Total** | **$798,500** |

**Year of Enrollment and Grade Level Distribution**

For the purposes of this analysis, the report assumes that construction of about half of the residential component will commence within six months of the start of the retail center in 2013. Assuming a twelve to fifteen month construction period, it is possible, but not likely, that these residences would be complete by late 2014. However, the time needed to fully rent the initial residential phase will preclude any significant number of students from entering the school system until 2015/16 school year. It is assumed that the second residential development phase will be approximately 6 months to one year behind the initial phase. Therefore, enrollment of the majority of the estimated additional 55 students is not likely to occur until the 2016/17 school year, and full enrollment levels will not likely stabilize until the 2018/19 school year.

Based on multi-family student enrollment patterns in the region, approximately 65% of the students (36) generated by the Proposal will enroll in various grades K-6. Approximately nineteen (19) students will enroll in various middle and high school grades. Given the nature of multi-family development, it would be rare to have a student stay enrolled in the school system from kindergarten through to grade 12. It is more likely that enrollment per grade emanating from University Station will vary from year to year. While it will take approximately four to five years from the present date for full enrollments to occur, the partial year-to-year enrollments during the construction period will most likely mirror the mix of elementary and more senior grade levels noted above.

## 6.0 Municipal Revenue

The Proposal will have three sources of revenue: property tax, automotive excise taxes and a hotel tax. To address the issue of property taxes for the residential component and the various commercial elements, the report examines nearby and comparable mixed use residential sites, some with public transit links like the Proposal.

### 6.1 Residential Assessed Value

Table 6 lists the assessed values (rounded) of the selected comparable residential developments that are most similar to the Proposal – i.e., operationally and visually part of a mixed use development.

**Table 6. Multi-Family Comparables**

| Community | Site | Assessed Value | Assessed Value per Residence |
|---|---|---|---|
| Dedham | 250 Station | $38,151,200 | $133,700 |
| Dedham | 1000 Presidents Way | $40,318,700 | $134,400 |
| Hingham | Avalon Ship Yard | $28,099,300 | $117,100 |
| Melrose | Oak Grove Village | $61,622,600 | $160,100 |
| Needham | Charles River Landing | $62,966,300 | $179,900 |
| Avalon Newton Highlands | Avalon Newton Highlands | $51,732,400 | $175,400 |
| **Average** | | | **$150,100** |

For the purposes of this study, the average assessed value of the comparables noted in Table 6 will be employed, i.e., $150,000 and applied to all 650 residential units, regardless of the fact that at a future date some of the 650 units may be developed as condominiums and most likely generate higher property taxes. However, it should be noted that four of the five comparables have 25% of the residences designated as affordable housing, while Melrose has only 5%. Accordingly, the assessed values shown above include the lower assessed values of the affordable residences. If the comparable units had a lower (15%) overall affordable percentage similar to the Proposal, the average assessed value could be somewhat higher. Applying the $150,000 average assessed value to the 650 rental residences generates an assessed value at stabilization of $97,500,000. ***Applying the Town's current residential tax rate of $14.89 per $1,000 of valuation to the $97,500,000 estimated assessed value yields an estimated annual property tax of $1,451,775 current dollars at stabilization.***

### 6.2 Retail Assessed Value

The 750,000 square foot retail component is divided into four general elements: anchor stores, general retail stores, restaurants and banks, and small retail stores. While this report has reviewed assessed value information for other commercial centers along or

near the Route 128 corridor, it is important to note that not all shopping centers are alike in terms of the mix of store types that comprise the overall development. In many instances, this is a result of a market strategy to fill a certain perceived retail niche. The assessed values for comparables shown in Table 7 represent a variety of established shopping centers that will compete, at some level, with the Proposal. The Burlington Mall and the South Shore Plaza are more traditional regional centers with large department store anchors and numerous smaller retail outlets. One of the defining characteristics of these regional centers is that the anchor stores have relatively low assessed values due to their low rent rates, while the smaller stores tend to carry a significant portion of the assessed value and tax load. Other centers like Wayside Commons, Legacy Place and the Derby Street Shoppes are more typical of "lifestyle centers," with a layout and store mix designed to a smaller scale but still having various rent rates for different components.

Table 7, below, summarizes the average assessed values based on current assessor property cards (September 2012) of the comparable shopping centers. The values represent the assessed values of the *core* or the clearly identifiable uses that comprise the shopping center in question. In many cases, there are separate commercial areas immediately adjacent to the core shopping center but these areas are not included.

## Table 7. Assessed Values Per Sq. Ft. – Comparable Shopping Centers

| Community | Site | Assessed value | Value per SF |
|---|---|---|---|
| Burlington | Burlington Mall | $269,700,000 | $241 |
| Burlington | Wayside Commons | $ 56,022,000 | $265 |
| Dedham | Legacy Place | $ 82,447,000 | $203 |
| Hingham | Derby Street Shops | $ 90,545,000 | $203 |
| Braintree | South Shore Plaza | $273,000,000 | $215 |
| **Average** | | | **$224** |

As shown above, the average assessed value per square foot of the five comparable commercial centers is $224. Based on the design of the Proposal's retail component and a estimate of likely lease rates by New England Development, this report has assigned the following assessed values per square foot to the retail elements of the Proposal:

- Anchor Retail – General Merchandise: $125 per foot
- Anchor Retail - Grocery Store: $125 per foot
- General Retail Stores: $180 per foot
- Restaurant and Bank: $275 per foot
- Small Retail Stores: $225 per foot

Table 8 below summarizes the estimated assessed value and the resulting estimated annual property taxes derived from each of the retail components.

## Table 8 Summary of Retail Assessment

| Use | Total Area Sq. Ft. | Estimated Assessed Value per Foot | Estimated Assessed Value | Tax Rate | Tax Value |
|---|---|---|---|---|---|
| Anchor Retail | 280,000 | 125 | $ 35,000,000 | $27.28 | $ 954,800 |
| General Retail | 370,000 | 180 | $ 66,600,000 | $27.28 | $1,816,848 |
| Restaurant and Banks | 35,000 | 275 | $ 9,625,000 | $27.28 | $ 262,570 |
| Small Retail | 70,000 | 225 | $ 15,750,000 | $27.28 | $ 429,660 |
| **Total** | **755,000** | | **$126,975,000** | | **$3,463,878** |

The estimated overall assessed value per square foot based on the estimated aggregate assessed value per square foot is approximately $170. This value will most likely rise as the retail center matures, but for the purposes of this report, this conservative estimate of assessed value per square foot is employed. As indicated above the estimated tax yield approximately $3,464,000 at stabilization of the retail component in 2016. Due to the total size of the Proposal, the overall, aggregate assessed value of $126,975,000 will be higher relative to all other retail centers along Rt. 128 except the two significantly larger traditional regional malls – South Shore Plaza and the Burlington Mall.

### 6.3 Hotel Assessed Value.

The value of hotels can vary widely depending on the character and condition of the facility. Assuming a hotel with some amount of meeting or function space, but no restaurant, a review of regional values (See Appendix 3 ) indicates a per room assessed value of at least $80,000. Accordingly, a 160 room hotel would have an assessed value of approximately $12,800,000. This would generate a property tax of approximately $355,000 per year using the commercial tax rate of $27.78.

In addition, the hotel will generate a local room tax. This report assumes a 6% local room tax. Based on an average nightly room fee of $115, an estimated 65% annual occupancy rate, and a 6% local tax, the hotel would generate an additional $262,000 in annual revenues for Westwood. Accordingly the total annual revenue stream generated by the hotel would be approximately $617,000 per year.

### 6.4 Office Assessed Value

The estimate of assessed value for the 325,000 square feet of proposed first class office space is calculated based on an estimated rent of 27 dollars per foot as provided by the development team. Applying stabilized income method (different from what is now used in Westwood but likely similar to what will be employed for office uses as a part of a major regional commercial center) - i.e., a 10% vacancy deduction, a 33% operation and maintenance deduction, a 5% contingency and a current capitalization rate of 12% generates an assessed value $41,900,000, or $129 per square foot. To provide another

method of estimating the value of the office component, this report uses the office development at 105 Rosemont Rd. This office development currently has an assessed value of $107 per foot. New development due to the value of new construction is normally assessed at approximately 20% higher than existing construction and sometimes higher depending on actual circumstances. Applying the 20% factor to the comparable value of 107 per foot generates a value of $128.40 per foot. Therefore, based on the two estimating approaches, a value of $129 per foot has been assigned. Accordingly, the 325,000 square foot office component has an estimated assessed value of $41,925,000 which will generate approximately $1,144,000 in annual property taxes at stabilization applying the current $27.28 commercial tax rate.

### 6.5 Assessed Value of the Assisted Living Memory Care Facility

The Proposal includes a state of the art memory care facility that does not exist in Westwood (although senior living with assisted care housing does exist). Further, the exact design of the facility has not been completed at this time. Accordingly, the report reviewed similar senior/assisted memory facilities in Burlington, Lynnfield, Braintree and (See appendix 3). Based on said review, this report assumes an assessed value of $110,000 per unit. Accordingly the 100 unit facility would have an assessed value of $11,000,000 and generate an annual tax based on a $27.28 rate of $305,500

### 6.6 Total Estimated Assessed Value for University Station

Table 9 combines all of the estimated assessed values and tax yields at stabilization for the various components of the Proposal. Note that the estimated annual tax yield in current dollars includes revenues associated with automobile excise taxes and hotel taxes.

**Table 9. Estimated Stabilized Assessed Values and Revenue**

| Component | Estimated Assessed Value | Estimated Annual Revenue |
|---|---|---|
| Residences | $ 97,500,000 | $1,451,775 |
| Memory Care | $ 11,000,000 | $ 305,500 |
| Retail | $ 126,975,000 | $3,463,900 |
| Hotel | $ 12,800,000 | $ 355,000 |
| Office | $ 41,900,000 | $1,144,000 |
| **Total** | **$ 290,175,000** | **$6,720,175** |
| Excise Taxes (1) | | $ 100,000 |
| Hotel Tax (2) | | $ 262,000 |
| **Total** | | **$7,082,175** |

(1) Approximately 1000 registered vehicles on site with an excise tax of $100 per vehicle. (See Appendix 3)

(2) Assumes a 6% room tax.

As indicated above, the estimated total annual revenue stream at stabilization will be approximately $7,082,175 (current dollars). The large majority (78%) of the revenue stream will be from commercial property taxes ($5,268,400) as compared to the residential tax yield of $1,451,000. Hotel and excise taxes will add another $262,000

annually and, while able to accurately calculate personal property taxes at this point, they are likely to represent a 1% increase in annual overall property tax receipts.

## 7.0 Fiscal Profile

The following table summarizes and compares the estimated general service costs, education costs and the estimated revenue stream at stabilization, and generates a cost-to-revenue ratio to illustrate the anticipated fiscal benefit at stabilization.

### Table 10. Fiscal Profile at Stabilization

| Use | General Service Costs | Education Costs | Annual Revenue Stream | Fiscal gain | Cost to Revenue Ratio |
|---|---|---|---|---|---|
| University Station | $895,000 | $798,500 | $7,082,000 | $5,388,000 | 0.24 |

As shown above, the Proposal, at stabilization, will have a positive cost-to-revenue ratio of approximately 0.24. This means that, given a total anticipated annual revenue stream of $7,082,000, for every revenue dollar collected, twenty four cents will be needed to cover the anticipated combined general service and education costs associated with the Proposal ($1,694,000), and the remaining seventy six cents will be unrestricted revenue available to the Town ($5,388,000 in the aggregate).

**Net Fiscal Benefit**

Currently, the 135-acre site generates approximately $2,000,000 per year in taxes. Assuming that current municipal service costs provided to the cleared site are minimal, the current tax yield can be assumed to be a net annual benefit of $2,000,000. When this current tax value is subtracted from the Proposal's estimated annual fiscal benefit of $5,388,000 it yield a *net* fiscal benefit of $3,388,000 (current dollars).

While this concept of net fiscal benefit is accurate from a mathematical perspective, it should be noted that, from stabilization onward, the income-generating capacity of University Station, and therefore the taxable value of buildings on a successfully redeveloped site, will over time considerably outpace vacant land value. According the net fiscal benefit will likely expand as the development matures.

### 7.1 Commercial / Residential Levy Ratio

The fiscal profile of the Proposal can also be viewed from the perspective of impact on the Town's tax base. Using the estimates in this report, the Proposal will add a net of approximately $216,000,000 to the Town's overall assessed value, or an increase of

approximately 6% - i.e., $290,175,000 aggregate estimated assessed value minus $74,000,000 current value divided by total assessed value of approximately $3.6 billion.

Table 11 summarizes the current commercial / residential ratio of the property tax levy and compares it to the projected impact of University Station i.e. what would the levy ratio be if University Station existed today, expressed in current dollars. Please see Appendix 2 for details.

**Table 11: Estimated Changes to Revenue Sources**

| | Current Levy Source | Potential Levy Source | % Change (decline) |
|---|---|---|---|
| % Residential | 78% | 73% | (5)% |
| % Commercial | 22% | 27% | 5% |
| $ Residential | $43,680,000 | $44,685,000 | 2% |
| $ Commercial | $12,320,000 | $16,386,000 | 33% |

As shown in Table 11 above, the Proposal provides an opportunity to reverse the decade long drift in tax burden towards reliance on taxes derived from residential uses; in Westwood's case that would be the single family homeowner. Both the residential and commercial components of the Proposal will expand the current tax base; however, due to the preponderance of additional commercial development the Proposal will increase the portion of taxes derived from the commercial uses by 5%.

**7.2 Estimated Fiscal Profiles 2013 to 2020**

Chart 1, below is based on an assumption that the construction will commence in the second quarter of 2013 and proceed without interruption until 2019 and with project stabilization occurring in late 2020. Chart 1 is based on the report's estimate that total new assessed value will be approximately$290,000,000 at stabilization and of that value approximately $216,000,000 will be net new assessed value (new growth). The Chart does not attempt to deduct the current land value by year, since at the present time it is impossible to assign specific land values to specific discreet proposed uses in the construction sequence. Rather, the Chart assumes that the rate of accumulation of the new growth will generally follow the timing and rate of increase in total assessed value. Accordingly, the Chart illustrates the estimated accumulation of new growth (residential and commercial) on a yearly basis from commencement to stabilization based on the construction program noted below (numbers rounded).

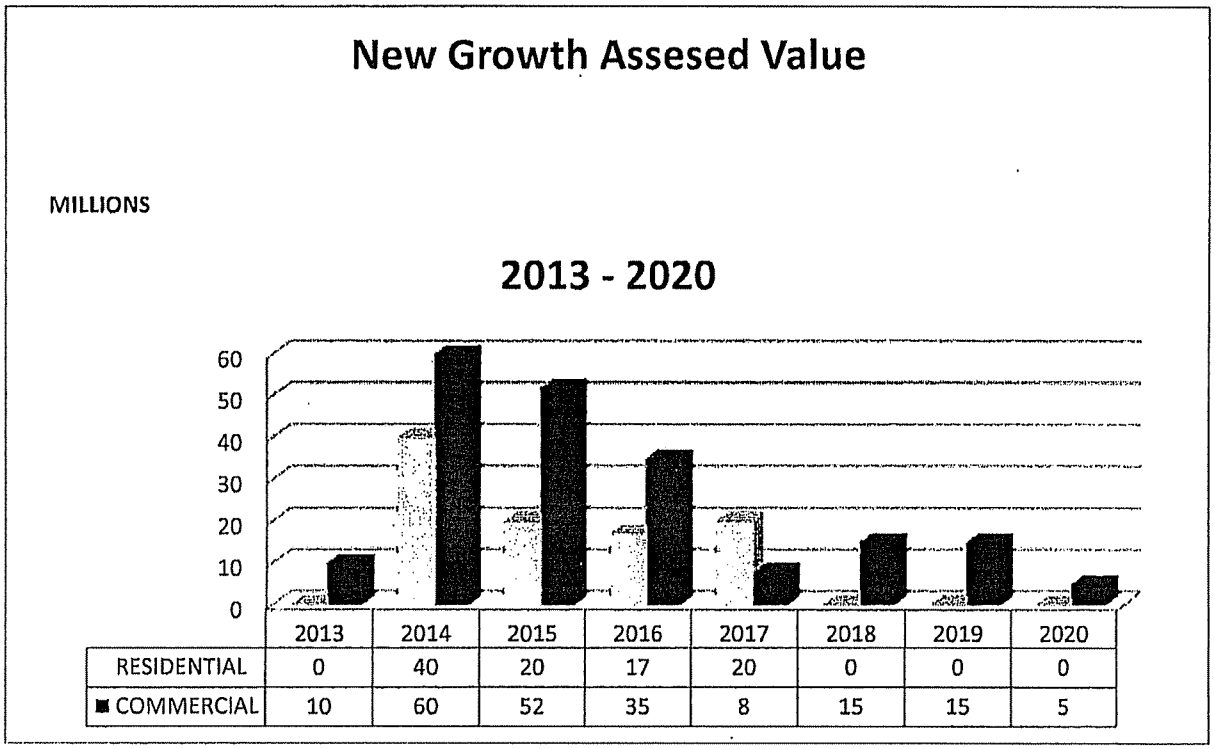
Chart 1 indicates that by 2016 the large majority of the overall additional assessed value will be achieved about half way through the projected construction period. This "frontloading effect" is due to the fact that the retail center, the largest and most fiscally important component of the Proposal, is the initial element to become operational. As noted, regardless of the eventual timeline of the construction program the front loading of commercial development generates the considerable majority of new assessed value within the first three years of operation i.e. 2014 through 2016. In broad terms a

construction program would commence in 2013 with site work and infrastructure improvements and continue to 2019, with stabilization occurring in 2020.

- by the end of 2014, a significant portion of the regional retail center will be in place and functioning and construction will have commenced on the initial residential component.
- by the end of 2015, the regional retail center will be completed and operational; the initial residential component will be completed and will be 50% to 60% occupied; the hotel will be completed and operational.
- by the end of 2016, the second residential component will be partially constructed; the village retail center will commence and be partially operational; the asst. living/ memory care facility construction will commence construction.
- by the end of 2017, the second phase of the residential component will be operational; village retail will completed and operational; the assisted living/memory care facility will be operational
- by the end of 2018, the office construction will commence.
- by the end of 2019, the office component will be complete
- by the end of 2020, the University station will be stabilized.

Obviously, any material changes in the assumed construction program due to zoning, permitting, or on site construction issues will change the data reflected on Chart 1. As seen in the Chart 1 below, and applicable to any eventual construction timeline, is that fact that the Proposal commences with the major retail component and ends with the office development (values rounded). Regardless of the eventual construction schedule, given the proposed sequencing the Proposal essentially frontloads commercial development such the Town will most likely see the large majority of new growth within the first half of any construction program or timeline.

Chart 1




**Annual Cost to Revenue Ratios**

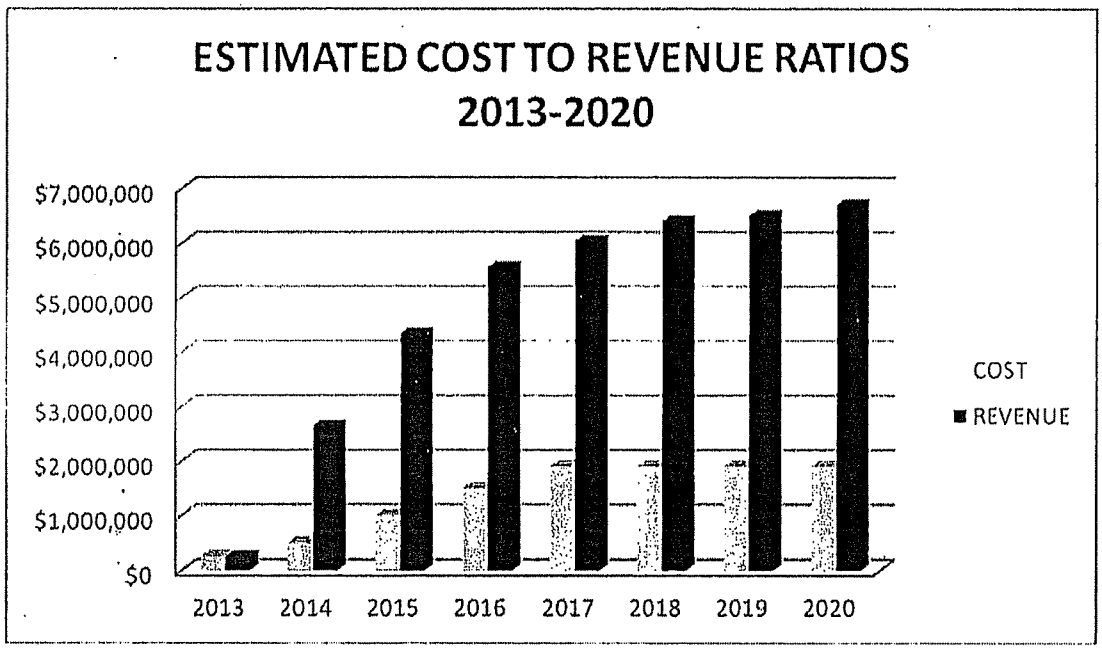
The exact timing of revenue to be received and costs incurred is difficult to determine since the timing of the annual assessment of any of the Proposal's components may not necessarily coincide with completion or occupancy. However, using the same construction program applied to the Chart 1 above, Chart 2 provides a general relationship of the estimated costs to revenue ratios over construction period based on the estimated revenues and costs noted in this report.

As illustrated by Chart 2 below, the initial year of construction will see some increase in assessed value due to site improvements. For the purposes of illustration, Chart 2 also indicates that in 2013 there may be a need to address $250,000 in new expenditures for public safety. Assuming project is approved in 2013, the Town will need to address the level of initial public safety and possibly other costs that need to be in place by the opening of the initial portions of the retail center in late 2014. To reiterate the discussion found in Section 4, the proper place to discuss the method or methods to address how the Town will cover short term costs, if any, should be discussed as part of the development agreement.

While serving only as a general illustration, as shown in Chart 2, in all years the revenue expectations considerably outpace public service costs and, by stabilization and 2020 and beyond, the Proposal will generate a significant fiscal benefit for the community. At no

time will the Proposal be fiscally negative or even close to fiscally neutral. Again, this result is due to the frontloading effect of the retail center being the initial development component.

Chart 2




## 8.0 One Time Fees and New Growth Benefits

The building and associated construction costs are divided into two elements – the initial building construction and the fit out of individual businesses. The exact nature of the commercial fit-out is not known at this point. However, construction costs for all the various components of the Proposal could range from $80 to 150 per foot or more depending on the use. For purposes of this report, an average of $125 per foot is applied to the estimated 2 million square feet of new development for an initial estimated construction value of $250,000,000. Given the $10 per thousand dollar fee for residential construction and the $12 fee for commercial construction, this report estimates the Proposal will generate between $2,500,000 and $3,000,000 in building permit fees over the course of construction. Further, it is the intention of the development team that issues relative to construction monitoring costs will be addressed in the development agreement. Therefore, the gross amount of fees noted above will become a more significant short term benefit.

## 9.0 Sensitivity Test

At the initial meeting with Town department heads in July of 2012 to discuss the fiscal report, it was requested that this report contain a sensitivity measure. As important background to this sensitivity test, it should be noted that it is possible that service costs may actually be lower than projected, and revenues may increase more than anticipated after stabilization. In that case, the estimated net fiscal benefit presented in this report would increase.

However, for the purposes of this sensitivity analysis, if we assume that total service costs were to increase by 20% over those estimated in this report and total annual revenues were to decline by 20% (a representation of a major economic recession), what would be the resulting fiscal profile of the proposal?

In this instance the estimated annual revenue stream would decline from $7,082,000 to $5,666,000 and costs would increase from the estimated $1,694,000 to $2,032,000. The annual fiscal benefit at stabilization would decline from $5,388,000 to $3,364,000 or by approximately 33%. Further, the net fiscal benefit would decline from the estimated $3,388,000 to $1,388,000 (deducting the 2 million dollars of the current tax yield). In short, the Proposal would still generate a net fiscal benefit of approximately $1,388,000

Accordingly, this report finds that the strong positive fiscal nature of the Proposal could weather almost any economic or fiscal downturn and retain a positive fiscal profile except possibly a severe and prolonged nationwide or international long term depression.

The primary reasons for the fiscal strength of the Proposal are due to the high value residential and commercial components being proposed and the fact that the now vacant site is generating a historically low fiscal value for Westwood.

**Appendix 1. Methodology applied to determine equivalent student generation rate.**

As noted in the report, based on regional data collected over the past two decades, one bedroom residences do not generate school aged students. They may accommodate younger children for a limited period of time, but not school-aged children. While there are very limited number instances where one bedroom residences have generated school-aged children, the percentage is essentially de minimis and proves to be a short lived phenomenon.

Accordingly, to accurately compare the student generation rate of existing multifamily developments with a proposed development, the one bedroom residences need to be removed from the analysis.

In this instance, the methodology detailed below was applied to all comparables but, for the sake of clarity and simplicity, only Charles River Landing is addressed. Similar to the Proposal, Charles River Landing is in a mixed use location. It is visually and operationally with a large mixed use commercial center having excellent access to the regional highway. It is comprised of one and two bedroom units like the Proposal

- Charles Rive Landing generates 16 students from 350 total residences, for a gross students-per-unit ratio of 0.045. This value includes the 25% of residences that are affordable.

- Charles River Landing has 252 one bedroom residences that do not generate any students. Therefore the 16 students are generated from 98 units or a gross two bedroom rate of 0.163 students per residence (including the affordable residences).

- Twenty five percent or 24 of the 98 two bedroom residences are affordable units. Applying a regional average of 0.40 students per affordable two bedroom residences generates an estimated 10 students from the 24 affordable two bedroom residences. This leaves 6 students to be assigned to the 74 market rate two bedroom residences; (i.e. a rate of 0.081).

- As a comparison, the Proposal has 325 two bedroom residences of which 49 are affordable and 276 are market rate. Appling the Charles River Landing existing student generation rates of 0.40 per affordable residence and 0.081 per market rate residences to the Proposal's unit mix (85% market rate and 15% affordable) generates an equivalency estimate 42 students for the Proposal's unit mix.

- In the instance of three bedroom residences being present in the list of comparables (Avalon Highlands, Newton), the regional student generation averages (0.60 per market three bedroom and 1.1 per affordable three bedroom) were assigned to the number of three bedroom residences in the existing development and deducted from the total enrollment number reported. Then the

process for the removal of one bedroom residences as noted above was performed using the reduced number (i.e., with three bedroom residences removed).

- The methodology above is applied to all equivalency calculations used in the report.

**Additional Unit Mix Data**

**250 Station Dedham - 25% affordable**

285 units 27 students
111 one bedroom
166 two bedroom
8 three bedroom

**1000 Presidents Way Dedham – 25% affordable**

300 units 26 students
120 one bedroom
180 two bedroom

**Powder Mill Sq. Andover 25% affordable**

59 units 9 students
57 two bedroom, town house

**Avalon Shipyard Hingham 25% affordable**

177 units 31 students
30 one bedroom
147 two bedroom (57 of which are town houses)

**Avalon Newton Highlands 25% affordable**

295 units 85 students
30 one bedroom
195 two bedroom
60 three bedroom

**Oak Grove Village Melrose 4% affordable**

385 units 26 students
115 one bedroom
270 two bedroom

**Appendix 2. Calculations for Change in Levy Percentages.**

Commercial Factors:

- *The aggregate assessed value of all commercial and industrial properties in the community is approximately $468,000,000 (including personal property taxes).*

- *The Proposal's commercial components have an estimated assessed value of approximately $193,000,000. The report subtracts 60% of the $74,000,000 current assessed property value or 44 million dollars to arrive at a total net new commercial assessed value of $149,000,000. This net new commercial value will generate, at stabilization, approximately $4,065,000 (current dollars).*

Residential Factors

- *The current total residential assessed value in Westwood is approximately $3,100,000,000.*

- *The Proposal will add a net of $67,500,000 in new assessed value (deducting 30 million in current value for a portion of the site from the projected $97,500,000 of new residential value).*

- *The net new residential value will generate taxes, at stabilization, of $1,005,075 (current dollars).*

2020 Implications

- *The current tax levy generates approximately $56,000,000 of which approximately 78% comes from the residential tax base and 22% from the commercial tax base.*

- *At project stabilization, the additional assessed valuation will generate $4,065,000 in additional commercial levy capacity and $1,005,075 in residential capacity. This 404% differential has significant implications regarding the percentage of the levy that can be raised from residential or commercial sources.*

- *Today the levy generates approximately$43,680,000 from the residential component and $12,320,000 from the commercial component or a ratio of approximately 78% residential and 22 % commercial.*

- *If the proposal existed today, the residential component could generate $44,685,000 and the commercial component could generate $16,385,000. Accordingly, the residential to commercial ratio would shift to approximately 73% and the commercial to 27% or a shift of approximately 5% towards the commercial tax base.*

## Appendix 3. Various Calculations Used in the Report

### Ambulance Service Estimates

Current total ambulance calls based on fire department data are approximately 1,150 per year; or 82 per 1,000 people. At this rate, the estimated 1,200 new residents at stabilization in 2020 will generate approximately 100 additional calls. Based on the interviews with fire departments in the interviewed communities, the report also assumes an additional 50 to 100 calls will originate from the proposed retail center. This estimate is based on the relative few retail center calls that were reported in our interviews (50 per year). Similarly, based on the experiences of the fire chiefs in the interviewed communities with assisted living facilities, the assisted living/ memory care facility will likely generate one call per unit per year, or in this case an additional 100 calls.

### DPW Costs.

University Avenue will continue to be maintained by the Town. The cost of all surface and subsurface improvements to the University Avenue roadway in question will be the responsibility of the applicant. However, given that will be widened by one lane, the time on site for plowing could be increased by 50%. The Town plows approximately 97 miles of roadway and affected portion of University Avenue is about one mile in length. Therefore the applicable portion of University Avenue currently represents approximately 1% of the Town's plowing responsibilities, not including public buildings.

Snow plowing costs are subject to weather conditions and vary from year to year given weather conditions. Review of recent municipal budgets indicates that on average it costs approximately $400,000 per year. Therefore, assuming that 1% of the plowing costs are currently attributable to the section of University Avenue in question it costs the Town on average, $4,000 per year to plow said section of road. Accordingly a 100% expansion (one lane) could result in a $4,000 annual average cost increase.

The report's examination of most recent DPW field maintenance and street maintenance budgets of $330,000 per year. Again, that 1% of the annual budgets noted above applies to the roadway in question, and a current annual average cost for the items noted above can be estimated of $3,300 can be derived. Adding a 1% increase to annual right of way maintenance cost due to road widening generates approximately $3,300 in additional costs increase. (Note it is assumed that the developer will maintain the roadway landscaping in the future).

Further, as discussed in the text, the new drainage system will primarily be serviced by the developer. Only the catch basins and drains now serviced by the Town will be a Town responsibility annual maintenance. An estimated contingency cost of $10,000 is carried in this report to service existing drains and catch basins now serviced by the Town.

Additionally, it is important to note that given the introduction of uses that currently do not exist there may be costs that are now not apparent such as additional roadway sanding

given larger traffic volumes. Therefore, for the purposes of this report an increase of $10,000 per year is being assumed regarding the DPW's ongoing responsibilities for the section of roadway in question.

With this additional potential cost the total DPW cost estimate is $27,300, for report purposes rounded to $30,000.

**Excise Tax Estimate.**
Westwood's last audited income statement for 2011 listed $2,408,000 for excise tax receipts. As reported by the Massachusetts Department of Revenue, there are approximately 1.1 cars per person in Westwood (state average is 0.97) or 16,170 registered vehicles. Accordingly, the average tax per vehicle is approximately $149.

However, as estimated by the Massachusetts Department of Revenue the average household income of Westwood is currently $120,000. To afford the projected rents at not more than 30% of income the estimated average income of new residents including the 15% affordable units will be approximately $85,000 per year or approximately one third less than the Town as a whole. Assuming a link between value of vehicles and income and generate a conservative excise tax revenue estimate, the report has reduced the average excise tax per household by one third to $100 per vehicle. Given the estimate of 1000 vehicles for the 650 residential (units averaging not more than 1.5 bedrooms generating 1.6 cars per unit) the excise tax yield at residential stabilization is estimated at $100,000.

**Hotel Assessed Value.**
The Hotel is only conceptually designed at this point and this report assumes a limited service facility. If it were to be upgraded to a full service facility the assessed value would increase beyond the estimate of this report. Review of hotel assessed values in neighboring Dedham indicates a range of $65,000 to $80,000 per room. Further, discussions with Atlantic Development and their consultant CBRE/ New England indicated that limited service hotel sites in greater Boston with an average room rate between $100 and $125 indicated an assessed value of approximately $80,000 to $90,000 per room depending on location. An estimated value of $80,000 was used in this report.

The room tax is based on a 6% tax with an annual occupancy rate of 65%. It is possible that the annual occupancy rate could reach 70%, if so the estimated room tax would increase slightly above what is shown in this report.

**Assisted Living Facility Value**
The estimated assessed value per room for the 100 room assisted living facility was based on the average of three Sunrise Inc. assisted living memory care facilities located in Braintree, Lynnfield and Burlington. These facilities all have 79 assisted living/ memory care housing units, a number close to the 100 proposed at University Station. The larger 400 plus unit facility in Dedham (Hebrew Senior Life) was deemed not a good

comparable due to scale and service package. The current averaged assessed value per residence of the three sunrise facilities is $110,000 per unit and said value was used for estimating purposes in this report. Please note, as with the hotel, this component is only conceptual and based on final design and services the assessed value may be higher.

## 5.0 Education Costs

### 5.1 Student Projections

As noted in Section 2.1, the projections of educational cost demands associated with the Proposal are based on comparable developments in nearby communities with similar demographic characteristics, with a particular focus on developments that are near public transit and/or a part of a major commercial/residential mixed use development. In some instances, the comparables used in this report have all of the above noted characteristics. The 100 assisted living/memory care residences are not included in the determination of student generation rates. Accordingly, the analysis is based on 650 rental residences with the conservative assumption that 50% will be one bedroom and 50% will be two bedroom residences. It is an established principle of fiscal analysis that one bedroom residences generate school aged children at a rate that is essentially zero. Accordingly, given the 15% affordable requirement, this report will address student generation estimates for 276 market rate two bedroom units and 49 affordable rate two bedroom units. The following table summarizes the data assembled for the initial residential comparables as presented at the July 2012 department heads meeting. In each instance, based on an introduction from the Westwood School Department the business managers for the school districts in question provided the student enrollment data. Table 3 represents the *gross* student per unit rate for the comparables listed and the total number of enrolled students per development.

**Table 3. Enrollment Data for Comparable Sites**

| Comparable | Town | # units | # students | Average/unit |
|---|---|---|---|---|
| Presidents Way 40B | Dedham | 300 | 26 | 0.087 |
| 250 Station 40B | Dedham | 285(1) | 27 | 0.095 |
| Powder Mill Sq. 40B | Andover | 59 | 9 | 0.152 |
| Charles River Landing 40B | Needham | 350 | 16 | 0.046 |
| Avalon Ship Yard 40B | Hingham | 240 | 31 | 0.129 |
| Avalon Newton 40B | Newton | 295(2) | 85 | 0.228 |
| Woodland Station 40B | Newton | 250 | 41 | 0.164 |
| Oak Grove Village | Melrose | 385 | 26 | 0.068 |
| **Total** | | **2,164** | **261** | **0.12** |

(1) Includes 8 three bedroom residences
(2) Includes 60 three bedroom residences
Note: Market rents range from $1,800 to $2,300 for one bedroom residences and $2,400 to $3,000 for two bedrooms residences.

Community Opportunities Group, Inc.
129 Kingston Street, Third Floor
Boston, Massachusetts 02111
(617) 542-3300

February 6, 2013

Dr. John Antonucci
Superintendent of Schools
Westwood Public Schools
220 Nahatan Street
Westwood MA 02090

Reference: Review of Proposed University Station Development

Dear Dr. Antonucci,

Thank you for the opportunity to assist you with reviewing the proposed University Station development and its potential impact on the Westwood Public Schools. Enclosed please find our report, including estimates of University Station's school-age population.

Should you have any questions, please don't hesitate to contact me at (617) 455-8641 or by email at jbarrett@cogincorp.com.

Sincerely,

**COMMUNITY OPPORTUNITIES GROUP, INC.**

Judith A. Barrett

Judi Barrett
Planning Director

Enc.

cc: Merrick Turner, BETA Group, Inc.
Jeffrey Donohoe
Nora Loughnane, Westwood Town Planner

## Background

University Station is a proposed mixed-use development for a 135-acre site southwest of the University Avenue train station. The property is part of the former University Avenue Industrial Park. According to information we received from the Town, the project will be constructed in two or more phases. Table 1 summarizes the mix of uses and phasing plan that we were asked to review.

**Table 1. Proposed University Station Development**

| | | Phase 1 | Phase 2+ |
|---|---|---|---|
| Nonresidential Use | Total Sq. Ft. | | |
| Office | 350,000 | | 350,000 |
| Retail/Restaurant | 750,000 | 680,000 | 70,000 |
| Hotel (160 rooms) | 115,000 | | 115,000 |
| Residential Use | Total Units | | |
| Apartments & Condominiums | 650 | 350 | 300 |
| Assisted Living/Memory Care* | 100 | | 100 |

Sources: Connery Associates (October 2012), Nora Loughnane, Westwood Town Planner (February 5, 2013). *While the Town may classify and tax an assisted living facility as a nonresidential use, we classify it as a residential use because the residents will count as part of Westwood's total population. The Census Bureau also includes assisted living in the definition of "housing unit" for purposes of the decennial census.

The developer, an entity composed of National Development, New England Development, and Eastern Real Estate LLC, recently announced that Hanover Development had joined the project team to develop 350 apartments during Phase 1. One of the challenges associated with this study is that Westwood has more specific information about Hanover Development's 350-unit project than the other housing included in Table 1. As a result, forecasting the size and composition of University Station's future households requires assumptions about unit sizes (both in total floor area and number of bedrooms), pricing, amenities, and so on.[1] For the study to provide useful information, the assumptions have to be plausible.

## Approach and Methodology

We have been asked to estimate University Station's school-age population, which we defined as children 5 to 18 years (inclusive).[2] Toward that end, we focused on analyzing two sources of data: a sample of rental housing developments in Massachusetts towns that are somewhat like Westwood,[3] and actual responses to the American Community Survey (ACS), a new population survey conducted annually by the U.S. Bureau of the Census. An anonymous sample of these

[1] Note: We do not know if the Town and the developers have already addressed some of these issues during development agreement negotiations.

[2] We realize that school districts also offer pre-K programs, but the pre-K statistics we received are too inconsistent to be used in this study.

[3] Based on the list of school districts we discussed when I met with you and Heath Petracca in December 2012.

responses can be obtained from a series known as Public User Microdata Samples (PUMS). The PUMS files are not available for individual cities or towns. Instead, they typically cover contiguous towns with a combined population of about 100,000. (Each group of communities is called a Public User Microdata Area, or PUMA.) There are many advantages to using PUMS data for a study like this. Notably, PUMS files shed light on population and household characteristics in the geographic areas that will supply many of the tenants for a new housing development. Furthermore, the PUMS data can be cross-tabulated, which makes it possible to answer questions such as, "how many children live in very high-end two-bedroom apartments?" or "how many children are in over-55 households living in owner-occupied housing units?"

In addition to surveying existing housing in other towns and analyzing PUMS data, we conducted a literature search and we reviewed school-age population data from other fiscal impact studies we prepared in the past few years. A brief "look back" made sense, first because the post-2006 housing market has affected renter household demographics, and second, comparing current and recent-past data for the same housing development should remind all of us that the number of children *does* change from year to year.

## Demographic Trends in Multifamily Housing

Although renter households remain small compared with homeowner households, the number of school-age children in apartment developments has increased just about everywhere. Renter households that "moved up" to ownership units in the past have found it harder to qualify for mortgages, especially since 2009-2010, when the Federal Housing Administration (FHA) significantly tightened mortgage lending standards. Though mortgage interest rates have dropped to an all-time low, first-time homebuyers often lack the credit required to obtain a loan at the low rates we hear about in the news. Accordingly, first-time homebuyers represent a smaller share of housing sales today than under the pre-housing crisis conditions that prevailed before 2007. Among the consequences of this trend: families that once transitioned from renters to homeowners before their toddlers reached school age are staying in place longer (or moving to better rental housing instead of a for-sale unit). This partially explains the growth we have seen in apartment-driven school enrollments.

Newton officials have observed similar conditions in two well-known rental developments. In a report published by the Newton Public Schools two years ago, Superintendent David Fleischman had this to say about AvalonBay's apartments:

> *Both Avalon residential communities have increased in student population this year. Avalon at Newton Highlands, a 294-unit apartment complex opened in 2003, is fully rented with a population of 74 students enrolled in the Newton Public Schools this year versus 64 students last school year... Avalon at Chestnut Hill, a 204-unit apartment complex opened in 2006, is 100% leased with 66 students from the development enrolled in the Newton Public Schools versus 49 students one year ago.*[4]

[4] David Fleishman and Sandra Guryan, "Enrollment Analysis Report: 2010-2011 to 2015-2016, Newton Public Schools" (November 2010), ii.

The numbers are up in Northborough and Needham, too. The 382-unit Avalon at Northborough complex has eighty-eight students this year – thirteen more than a year ago. At Charles River Landing in Needham, the current PK-12 enrollment count, twenty-two, exceeds last year's count by six students.[5] Federal census data also indicate growth in renter household sizes and presence of dependent children. In 2000, the average number of school-age children in a two-bedroom multifamily rental unit in the Boston metro area was 0.311; as of 2010, the number had increased to 0.344.[6] Though a relatively small change, it adds up in a large apartment complex dominated by two-bedroom units.

What used to be "typical" for multifamily housing – up to a 10 percent increase or decrease in school-age children from year to year – has changed. Since the earlier Westwood Station studies reflect pre-2007 conditions, they are not as helpful as one would like as a source for reliable school population forecasts today. Now, we often see increases of 15 percent or more, and smaller decreases when they occur. Of course, this trend will eventually reverse with continued recovery in the housing market; in some cases, the numbers have already dropped. For example, Newton's transit-oriented development, the 180-unit Arborpoint at Woodland Station, housed 40 students during the 2010-2011 school year compared with 43 the previous year. Still, it is unclear whether conditions had actually changed when measured by average number of students per unit. When the 2010-2011 enrollment count occurred on October 1, 2010, Arborpoint was 97 percent occupied, whereas the two AvalonBay developments had no vacant units.[7]

## "DRIVERS" OF MULTIFAMILY IMPACT ON SCHOOLS

In our experience, several features determine the likelihood that multifamily developments will attract families with school-age children. We summarize them below and, where applicable, we comment on their relevance to Westwood.

- **Units large enough for family households.** In most cases, projects with three-bedroom units generate more school-age children per unit than developments with only one- and two-bedroom units. Exceptions occur in affluent, urban communities like Brookline and Newton, where families with school-age children can be found in remarkably small apartments. It is rare in the suburbs, however. As tables presented later in this report will demonstrate, studio and one-bedroom apartments have a *de minimis* impact on school enrollments.

- **Reputation of the community's public schools.** In most cases, multifamily developments in affluent suburbs with prestigious schools have more school-age children than similar developments in towns with average or less competitive schools. The single-family homes in affluent suburbs tend to attract larger families, too. There are inextricable ties between population wealth, great schools, and the characteristics of family households, as can be seen

[5] Kathryn Joubert, Town Planner, Town of Northborough, to Judi Barrett, Community Opportunities Group, Inc. (November 26, 2012), and Anne Gulati, Director of Financial Operations, Needham Public Schools, to Heath Petracca, Director of Business and Finance, Westwood Public Schools (February 1, 2013).

[6] U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 3, and 2010 ACS Five-Year Estimates.

[7] Fleishman, "Enrollment Analysis Report," iii.

in Westwood, where the average number of school-age children per household (0.65) is much higher than that of the state as a whole (0.38).

- **Scale, density and location.** Large, high-density multi-family developments seem to be less attractive to families with children than low-rise, moderately dense or low-density developments with fewer units per building. Developments with landscaped yards, open space, sidewalks, and trails typically house more children. In addition, developments near schools or established residential areas – developments that connect logically to adjoining neighborhoods and the larger community – usually have more children than developments in isolated settings or locations near offensive land uses. In a recent study of mixed-use developments in Fairfax County, VA, school authorities found that in three out of five projects, the actual number of resident students exceeded the original estimate. Even with accurate enrollment counts, however, the average per unit was relatively small: 0.12 to 0.22 school-age children per unit.[8]

- **Rental v. ownership.** Owner-occupied multifamily units tend to generate fewer school students than renter-occupied units. According to our research, large apartment buildings like those proposed at University Station generate 0.326 children per two-bedroom unit, on average, but only 0.144 school-age children per two-bedroom owner-occupied unit. Note, however, that "owner-occupied multifamily" is a broad category that includes multifamily "garden-style" condominiums and townhouses. They are not the same. Excluding units with floor plans designed to attract seniors – so-called "age-targeted housing" – owner-occupied townhouses tend to house more children than owner-occupied garden-style units.

- **Housing choices.** In communities with large inventories of two-, three- or four-unit homes in traditional neighborhoods, new multi-family developments tend to attract fewer families with school-age children. If given meaningful choices, families will seek housing in lower-density areas. This applies not only in the cities, where traditional neighborhoods with mixed residential uses lie next to city centers, but also in towns with intact worker housing from the industrial era – including towns that are otherwise quite different, such as Plymouth and Andover. Though ten years old, a study published in 2002 by the National Multi Housing Council (NMHC) reports that in new "garden-style" units (four or fewer stories), the average number of children per unit was 0.30 and in high-rise, dense developments, the average fell to 0.19 children per unit.[9] Today's numbers are somewhat different, but the distinctions between low-rise, mid-rise, and high-rise housing remain true.

- **Units for low- and moderate-income households.** Multifamily housing developed primarily as affordable housing generates more children than a development with only 20 or 25 percent low- and moderate-income units (the minimum required for a comprehensive permit).

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[8] R. Goff, Economic Development Director, to W. Shields, City Manager, "Background Regarding Fiscal Impact Analysis of Five Mixed Use Development Projects in the City of Falls Church" and "Mixed Use Fiscal Impact Comparisons (November 10, 2009).

[9] NMHC, *Research Notes* (July 2002), 2.

## Sources of Data

### CASE STUDIES

We received K-12 enrollments for the current academic year for rental developments in Needham, Bedford, Hingham, Acton, Westborough, Bedford, and Northborough. After conducting a brief field visit at each site, we eliminated Acton and Westborough from further consideration. Table 2 summarizes the school population data we received from school departments in the communities we retained in our study. The rationale for removing Acton and Westborough from our analysis appears later in this report.

**Table 2. Multifamily School Enrollment Data: 2012-2013**

| Grades | CRL/Needham | Avalon Hingham | Avalon Bedford | Avalon Northborough |
|---|---|---|---|---|
| K | 1 | 1 | 4 | 5 |
| 1 | 3 | 6 | 2 | 9 |
| 2 | 1 | 4 | 4 | 7 |
| 3 | 2 | 4 | 0 | 7 |
| 4 | 2 | 2 | 2 | 8 |
| 5 | 0 | 1 | 5 | 13 |
| 6 | 4 | 5 | 1 | 5 |
| 7 | 0 | 4 | 1 | 9 |
| 8 | 4 | 3 | 1 | 4 |
| 9 | 2 | 2 | 3 | 8 |
| 10 | 0 | 2 | 1 | 5 |
| 11 | 1 | 5 | 1 | 4 |
| 12 | 0 | 3 | 2 | 4 |
| Total | 20 | 42 | 27 | 88 |
| Units | 350 | 235 | 139 | 382 |
| Vacancy (1%) | 347 | 233 | 138 | 378 |
| Ratio | 0.06 | 0.18 | 0.20 | 0.23 |

Sources: Needham, Hingham, and Bedford Public Schools, and Northborough-Southborough Public Schools.

These developments have some noteworthy characteristics:

- All of the projects were built within the past fifteen years.
- Affordable units comprise 25 percent of the apartments in each development.
- Three of the four projects have only one- and two-bedroom units.
- The development in Hingham has on-site access to public transportation (MBTA ferry service at Hingham Shipyard).
- The development in Northborough is co-located with Northborough Crossing, the large retail development that boasts Wegman's first supermarket in Massachusetts.

- Architecturally, most of the projects differ from University Station. The buildings are smaller and separated by landscaping and parking, but Hanover Development's proposal in Westwood calls for two large buildings connected by a parking structure. The proposal in Westwood is similar to Charles River Landing in Needham.

In Bedford and Northborough, elementary school children (K-5) account for 58-60 percent of the total; middle school students, 18-20 percent; and high school students, 20-24 percent. In Hingham, however, middle school and high school students make up 58 percent of the total (29 percent each), and in Needham, the same grade groupings account for 40 percent and 15 percent, respectively. The difference may stem, at least in part, from the locations of these projects: the Hingham Shipyard, and a redeveloping office/industrial center in Needham.

Since the communities in our sample have prestigious schools, any of the rental developments we examined should be useful for predicting the number of children at University Station. This is not really the case, though. For example:

- We eliminated the apartment developments in Acton and Westborough after reconsidering their locations. Though set near an office park in northwest Acton, AvalonBay's development is substantially separate from nearby nonresidential uses. It is located near an early planned unit development, the Village at Nagog Park, so there is quite a bit of housing in the same general area. The development in Westborough is on a main road and not well connected to anything around it.

- Even though Northborough has great schools and Northborough Crossing has a retail mix close to that proposed for University Station, it would be wrong to base estimates for Westwood solely on Avalon Northborough's school-age population. This is because Avalon Northborough has a modest number of three-bedroom units (about 5 percent of the total).

- The project in Needham – though seemingly a model for the project in Westwood – is not as useful a comparison as one might imagine despite the fact that the developer is the same entity (Hanover). AvalonBay, Trammel Crow, Fairfield, and others have built strikingly similar projects in different places and attracted different types of households. Westwood is evaluating plans for a transit-adjacent mixed-use development with retail, restaurants, office space, and housing. By contrast, Needham's plan for the vicinity of Charles River Landing calls for office space and research facilities, not a retail activity center. In fact, after "upzoning" the New England Business Center area a year ago, Needham recently received and approved proposals for two large office developments and granted Tax Increment Financing (TIF) agreements to facilitate the projects. Charles River Landing is neither transit-adjacent nor transit-oriented, and the zoning district does not call for intensive retail development. Though Needham has outstanding schools, the town itself is quite different from Westwood. In 2006, we peer reviewed Charles River Landing for the Needham Board of Appeals and estimated the project's school-age population at 22 to 24 children. Today, the project has 20.

We excluded other well-known apartment developments from our survey as well. Despite similar household wealth and school district rankings in communities like Lexington and Newton, their new multi-family rental developments tend to have large percentages of three-bedroom units.

### PUBLIC USER MICRODATA SAMPLES

We took our analysis to another level and drew statistics from the American Community Survey PUMS files for 2006-2010. For this task, we sought assistance from Ezra Glenn, AICP, at MIT. The PUMS data support more refined assumptions, e.g., whether the number of children per unit varies by number of bedrooms, tenure, monthly rent, and size of building. The average number of students from ACS data for four PUMAs (one including Westwood) are on a separate page at the end of this letter. The PUMAs differ somewhat because they include a few towns that are not like Westwood. However, the school-age population statistics for variables such as unit size (bedrooms), rent, and so forth, are fairly consistent.

## Conclusions

The developer's estimate of 55 school-age children for University Station as a whole, while optimistic, is not out of line with estimates supported by our case studies and ACS statistics.

### PHASE ONE APARTMENTS

Using the data points from four Massachusetts case studies (all rental projects), the estimated number of students in Hanover's proposed 350-unit development varies considerably. After conducting site visits to all of the developments, consulting with school officials, and reviewing the master plans and zoning for each of these communities, we find that Avalon at Hingham Shipyard offers the best comparable overall.

**Table 3. Phase 1 350 Apartments/Est. School-Age Children Based on Comparable Developments**

| Development | Relevance to Westwood | Average Students Per Unit | Result (x 350 Units) |
|---|---|---|---|
| Needham | Limited | 0.06 | 21 |
| Hingham | High | 0.18 | 63 |
| Bedford | Moderate | 0.20 | 70 |
| Northborough | Moderate | 0.24 | 81 |

Source: Needham, Hingham, Bedford, and Northborough Schools, and Community Opportunities Group, Inc.

According to the PUMS data for Westwood's area, Hanover Development's project would house about forty-nine school-age children. For Phase 1, we recommend that Westwood plan on forty-nine to a maximum of sixty-three students. When the housing market improves and more renters transition to homeownership, the number of students in Hanover's project will probably decline.

**Table 4. Phase 1 350 Apartments/Est. School-Age Children Based on PUMS Data**

| Unit Size | Number of Units | PUMS Multiplier | Result |
|---|---|---|---|
| 1 BR | 210 | 0.018 | 4 |
| 2 BR | 140 | 0.326 | 46 |
| Total | 350 | | 49 |

Source: 2010 ACS Five-Year Estimates, Ezra Glenn, AICP, and Community Opportunities Group, Inc.

### PHASE TWO APARTMENTS AND CONDOMINIUMS

We have few details about the housing units that could be permitted during the second (and possibly later) phases of the project. As far as we know, they have been presented to the Town in very broad terms: as many as 200 condominiums and another 100 apartments. Assuming the condominiums include 100 one-bedroom units and 100 two-bedroom units, designed as multi-family flats in three- or four-story buildings – *not* townhouses – the number of school-age children should be approximately twenty, as shown in Table 5. Absent more specifics about the apartments, we have assumed a division of one- and two-bedroom units comparable to Hanover's plans for Phase 1 (60 percent/40 percent respectively). Together, the condominiums and Phase 2 apartments would house approximately thirty-four school-age children.

**Table 5. Phase 2 300 Units/Est. School-Age Children Based on PUMS Data**

| Unit Size | Number of Units | PUMS Multiplier | Result |
|---|---|---|---|
| Condominiums | | | |
| 1 BR | 100 | 0.055 | 6 |
| 2 BR | 100 | 0.144 | 14 |
| | | Subtotal | 20 |
| Apartments | | | |
| 1 BR | 60 | 0.018 | 1 |
| 2 BR | 40 | 0.326 | 13 |
| | | Subtotal | 14 |
| Total | | | 34 |

Source: 2010 ACS Five-Year Estimates, Ezra Glenn, AICP, and Community Opportunities Group, Inc.

> *Using the PUMS analysis, which allows one to match school-age children multipliers with number of bedrooms per unit, we estimate that about eighty-three school-age children will live at University Station at buildout. This should be treated as a high-side estimate because the apartments will always have some vacancies.*

### SPECIAL EDUCATION AND LANGUAGE SUPPORT SERVICES

School authorities provided enrollment data for the suburban apartment developments identified in our report. As part of our inquiry, we requested information about demands placed on special education or English Language Learner services by students in multi-family housing. For confidentiality reasons, most school officials declined to comment. Westwood administrators will need to contact their colleagues in other towns in order to obtain this information.

## Next Steps

Whether town and school officials accept our estimates or those provided by the developer, the number of students must be translated into a service cost estimate. In order to prepare a fiscal impact analysis of University Station, the project's total estimated revenues and total estimated service costs have to be quantified. We see three options for doing so:

- **Actual NSS/Average Cost Multiplier.** The simplest method involves using Actual Net School Spending (Actual NSS) as an average cost multiplier. The developer's consultant used this approach. Average cost multipliers often appear in fiscal impact studies because they are easy to work with and the data are readily available. This is especially true for projects with as many unknowns as those associated with University Station. One problem with average cost multipliers is that they distort near-term growth in service costs. A second problem is that they lack "place sensitivity," i.e., they ignore unique cost conditions that might occur with a given location. A third problem is that in Massachusetts, the NSS formula does not recognize all special education costs, pre-kindergarten service costs, and various academic support services such as English Language Learner (ELL) instruction. The formula also ignores school transportation costs and school construction debt service. Still, some of the professional literature argues that average cost multipliers do provide a reliable picture of *long-term* service costs.

- **Grade-Adjusted Average Cost Multipliers.** Another option involves dividing the total estimate of students into grade groupings (e.g., elementary, middle, and high school), and applying average cost multipliers that reflect the cost differential between elementary and secondary education. Adjustment factors for special education and language services could be added to either of these approaches.

- **Marginal Cost Analysis.** A more complicated (but we think more useful) method involves estimating a range of costs based on credible "what-if" scenarios, e.g., if well over half the children are middle school and high school students (as in Hingham), how would Westwood accommodate them? How many classroom teachers, desks, books, school buses, and so forth would the school department have to add? Is there enough classroom space? Enough room in core facilities for the anticipated increase in enrollments?

As we understand it, the school administration wants to prepare its own cost estimate, taking an approach like the marginal cost analysis described above. Our firm would be pleased to assist with that effort on an as-needed basis.

## SUMMARY STATISTICS FROM PUMS DATA
### AMERICAN COMMUNITY SURVEY 2006-2010 FIVE-YEAR DATA

**School-Age Children Per Unit by Units in Structure by Number of Bedrooms; Renter-Occupied Housing**

| Bedrooms | | 1 unit | 2-4 units | 5-9 units | 10+ units | Combined |
|---|---|---|---|---|---|---|
| 0 | BR | 0.000 | 0.000 | 0.146 | 0.018 | 0.038 |
| 1 | BR | 0.077 | 0.084 | 0.012 | 0.018 | 0.035 |
| 2 | BR | 0.351 | 0.176 | 0.344 | 0.326 | 0.285 |
| 3 | BR | 0.650 | 0.758 | 0.449 | 0.886 | 0.709 |
| 4 | BR | 0.989 | 0.667 | N/A | 3.000 | 1.032 |
| 5+ | BR | 1.219 | 0.708 | 0.000 | 0.167 | 0.841 |
| Combined | | 0.547 | 0.308 | 0.168 | 0.189 | 0.281 |

**School-Age Children Per Unit by Units in Structure by Number of Bedrooms; Owner-Occupied Housing**

| Bedrooms | | 1 unit | 2-4 units | 5-9 units | 10+ units | Combined |
|---|---|---|---|---|---|---|
| 0 | BR | 0.000 | 0.000 | N/A | 0.395 | 0.326 |
| 1 | BR | 0.043 | 0.088 | 0.000 | 0.055 | 0.052 |
| 2 | BR | 0.137 | 0.119 | 0.121 | 0.144 | 0.135 |
| 3 | BR | 0.496 | 0.508 | 0.279 | 0.000 | 0.494 |
| 4 | BR | 0.810 | 0.404 | N/A | N/A | 0.806 |
| 5+ | BR | 1.213 | 0.686 | 0.000 | 0.000 | 1.181 |
| Combined | | 0.638 | 0.303 | 0.121 | 0.107 | 0.599 |

**School-Age Children Per Rental Unit by Monthly Rent**

| | Cash Rent | | | | | | |
|---|---|---|---|---|---|---|---|
| PUMA* | $500 | $500-$999 | $1000-$1499 | $1500-$1999 | $2000-$2499 | $2500+ | Combined |
| 2400 | 0.052 | 0.162 | 0.327 | 0.540 | 0.200 | 0.000 | 0.216 |
| 2500 | 0.282 | 0.184 | 0.275 | 0.347 | 0.191 | 0.322 | 0.254 |
| 2600 | 0.189 | 0.257 | 0.230 | 0.614 | 0.801 | 0.766 | 0.387 |
| 3500* | 0.477 | 0.037 | 0.309 | 0.407 | 0.646 | 0.980 | 0.303 |
| Combined | 0.254 | 0.157 | 0.286 | 0.467 | 0.584 | 0.683 | 0.281 |

*PUMA 3500 includes Medfield, Norfolk, Sharon, Walpole, and WESTWOOD

PUMA 2400 includes Ashland, Holliston, Hopkinton, Medway, Millis, Milford, Southborough, Upton

PUMA 2500 includes Framingham, Natick, and Sherborn

PUMA 2600 includes Dedham, Dover, Lincoln, Needham, Wellesley, and Weston

## SUMMARY STATISTICS FROM LITERATURE REVIEW

**Mixed-Use Developments Case Study in Falls Church, VA**

| | Unit Type | | | School-Age Population | | | |
|---|---|---|---|---|---|---|---|
| Project Name | Own | Rent | Sq. Ft. Commercial Floor Space | Original Estimate (Per Unit) | Actual Enrollment (2009) Per Unit | Original FIA | Actual Net Revenue |
| Byron | 90 | | 22,527 | 0.15 | 0.12 | $306,436 | $509,904 |
| Pearson Square | | 230 | 102,000 | 0.15 | 0.22 | $684,196 | $589,781 |
| Spectrum | 189 | | 64,000 | 0.15 | 0.22 | $721,307 | $901,173 |

R. Goff, Falls Church Economic Development Director, "Background Regarding Fiscal Impact Analysis of Five Mixed Use Development Projects in the City of Falls Church" (November 10, 2009).

**Study of Mixed Residential Uses in Urbana and Normal, Illinois**

| | Mean No. K-12 Students Per Unit | | | | Adults | Total | |
|---|---|---|---|---|---|---|---|
| | Pre-K | K-5 | 6-8 | 9-12 | Per Unit | K-12 | Total |
| Single-Family Detached | | | | | | | |
| 2 Bedroom | 0.113 | 0.136 | 0.048 | 0.020 | 1.700 | 0.204 | 2.017 |
| 3 Bedroom | 0.292 | 0.369 | 0.173 | 0.184 | 1.881 | 0.726 | 2.899 |
| 4 Bedroom | 0.418 | 0.530 | 0.298 | 0.360 | 2.158 | 1.188 | 3.764 |
| 5 Bedroom | 0.283 | 0.345 | 0.248 | 0.300 | 2.594 | 0.893 | 3.770 |
| Single-Family Attached | | | | | | | |
| 1 Bedroom | 0.000 | 0.000 | 0.000 | 0.000 | 1.068 | 0.000 | 1.068 |
| 2 Bedroom | 0.064 | 0.088 | 0.048 | 0.038 | 1.776 | 0.174 | 2.014 |
| 3 Bedroom | 0.212 | 0.234 | 0.058 | 0.059 | 1.805 | 0.351 | 2.368 |
| 4 Bedroom | 0.323 | 0.322 | 0.154 | 0.173 | 2.243 | 0.649 | 3.215 |
| Multi-Family Units | | | | | | | |
| 0 (Studio) | 0.000 | 0.000 | 0.000 | 0.000 | 1.360 | 0.000 | 1.360 |
| 1 Bedroom | 0.000 | 0.002 | 0.001 | 0.001 | 1.749 | 0.004 | 1.753 |
| 2 Bedroom | 0.047 | 0.086 | 0.042 | 0.046 | 1.614 | 0.174 | 1.835 |
| 3 Bedroom | 0.052 | 0.234 | 0.123 | 0.118 | 2.499 | 0.475 | 3.026 |

Fassero and Knapp, "Fiscal Impacts of Development: Does Residential Development Pay for Itself? Case Studies of Urbana and Normal, Illinois" (August 2002).