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## MEMORANDUM

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**To:** Patrice Garvin, Town Administrator  
**From:** Christopher J. Ryan, Director of Planning and Building  
**RE:** Rationale and Scope of Market and Fiscal Impact Analysis Project – Update 2  
**Date:** February 20, 2024

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### Introduction

The Town of Belmont is currently in a structural budget deficit cycle, partly contributed to by the lack of a significant non-residential tax base. As of FY 2024, Belmont's levy was 95.34% residential with the remainder split between commercial, industrial, and personal. This has been fairly static over the past decade or more but the cumulative budget effects of the lack of a substantive non-residential tax base has been becoming more acute.

One important way that communities can try to address the lack of a commercial tax base is to engage in economic development activities intended to grow such a base. A necessary precursor to developing an economic development plan is to determine what the local market can support—now and into the future—through a community-wide market analysis. For Belmont, it is recommended that such a market analysis be performed for all desirable uses that could contribute to building up a non-residential economic base. The results of this analysis would be the basis for future policies such as rezoning, marketing, infrastructure improvements, and the like, intended to build up that base. It would provide benchmarks of the types of uses and the amount of such uses (e.g., square feet, units, rooms) that the market should be able to attract and support. Such a study, conducted by an experienced real estate market analyst, would consist of the tasks summarized in the scope below. A valuable follow up to a market analysis would be a fiscal impact analysis, which is briefly described below the section on market analysis. In short, these products are intended to have the following short-term (1 year), medium-term (2-5 years), and long-term (5 years +) benefits:

### Summary of Expected Benefits Timeline

***A1: Market Analysis Short-Term*** – The results of the market analysis will provide profiles for the following market sectors: all retailing sectors, all service sectors, hospitality, research and development, all office sectors, and all housing sectors except single-family large lot. Each profile will provide anticipated development potential based on the measure most appropriate for

the sector (e.g., hospitality providing number of hotel rooms or restaurant seats). The scope of the project will seek analyses based on 3-4 scenarios including best-case scenario, most modest-case scenario, a mid-point scenario, and an MBTA Communities add-on). For example, the best-case scenario would assume the ability to execute zoning changes to facilitate optimal projections, a strong market projection of sector growth, and a strong projection of regional economic growth. The most modest scenario would assume less strong economies and sectors and no change to local development regulations. This data would provide Belmont with sufficient information to begin consideration of policies that can be pursued that can target a specific scenario of growth. Such policies include zoning amendments, development process and procedure improvements, consideration of economic development programs such Tax Increment Financing, Business Improvement Districts, local façade improvement programs, micro loans for small businesses, and the like. The data would also be important feedstock for a new master or comprehensive plan.

***A2: Fiscal Impact Analysis Short-Term*** – The fiscal impact analyses would be applied to each scenario to show an anticipated potential for revenue based on the assumptions of each scenario and also the anticipated costs to provide services for the new development resulting in a net revenue number for each scenario. This should be sufficient to be able to select a preferred scenario that optimizes net revenue potential and pursue the appropriate policies noted above.

***B1: Market Analysis Medium-Term*** – It is anticipated that the full range of policy actions needed to position Belmont to take advantage of the growth anticipated in a specific scenario will take up to five years to complete. Most of the zoning bylaw amendments will likely require a 2/3 majority to pass and thus may require multiple town meetings to achieve. Other changes to, for example, development review processes and procedures, may require a mix of zoning bylaw, general bylaw, and administrative actions. Emphasizing the importance of getting ahead of the curve to take advantage of time-sensitive recommendations should be employed.

***B2: Fiscal Impact Analysis Medium-Term*** – There will be little direct benefit fiscally from this program in the short- or medium-term specifically because this type of program requires time to fully implement and realize the anticipated market results. But provided that the patience and commitment is there to follow through, the Town should begin to see preliminary benefits through a change to the perception that Belmont is a difficult place to do business. Lower hanging fruit such as development process and procedure changes and permitting efficiencies will likely have an initial positive feedback loop giving potential land owners, investors, and business owners the confidence to begin making more substantial commitments to Belmont's existing business spaces. This may result in an initial uptick in commercial-related revenues without any measurable need to provide any additional municipal services.

***C1: Market Analysis Long-Term*** – As specific policy actions are implemented, the Town should begin to see concrete evidence of the market taking advantage of the changes through direct investment. Levels of investment, aside from fluctuations of the economy and changes to specific sectors, will be based on the degree of aggressiveness Belmont puts toward pursuit of a specific market sector. For example, if Belmont is interested in growing the hospitality sector based on a scenario, there will be a specific set of recommendations that need to be pursued in order to effectively realize the projections. If by year 5 each of these recommendations have been followed through with, the potential to realize the scenarios projections is strong. This might include zoning for the appropriate type of hospitality deemed desirable, providing sufficient suitably zoned locations for the use, and other measures as may be applicable.

**C2: Fiscal Impact Analysis Long-Term** – As noted above, once the full range of measures has been successfully implemented, Belmont should begin to see more significant revenues being generated based on the sectors included in the scenario. As with any fiscal impact analysis, the data should clearly indicate if any investment is necessary to coincide with the projected growth and this should be analysis developed as part of Capital and General Fund budget projections. Unless a major disruption in the economy presents itself, the expectation is that the chosen scenario will generally result in the fiscal benefits anticipated.

### **Summary of Tasks – Scope of Services for Market Analysis and Fiscal Impact Analysis**

Should the Town of Belmont wish to engage a consultant in a study that answers key questions about future development potential of the Town in a range of market sectors via a thorough market analysis, as well as the potential fiscal impact of new development on the Town, the following key questions should be asked:

- How much new development can the town support given current and future market conditions?
- What is the level of demand for housing, retail, office, lodging uses (and potentially light industrial uses but not heavy industrial users)?
- How much net fiscal revenue will the town gain from certain types of development (after both potential revenues and costs are considered)?
- Are there future townwide development scenarios that are feasible and that might create a (more) balanced budget situation for the community?

### **Market Analysis Project Tasks**

A town-wide market analysis should include the following tasks as part of an overall scope of services. These tasks are a minimum and additional data can be sought as needed and desired:

TASK 1: KICKOFF MEETING AND TOUR

TASK 2: REVIEW OF EXISTING MATERIALS

TASK 3: MARKET INSIGHT INTERVIEWS

TASK 4: MARKET AREA DELINEATION

TASK 5: ECONOMIC AND DEMOGRAPHIC TRENDS

TASK 6: HOUSING MARKET ANALYSIS (Senior, Missing Middle, Affordable, Other Underrepresented Segments)

TASK 7: RETAIL, SERVICE, AND ENTERTAINMENT MARKET ANALYSIS

TASK 8: COMMERCIAL OFFICE & LIGHT INDUSTRIAL MARKET ANALYSIS

TASK 9: TOURISM AND HOSPITALITY MARKET ANALYSIS

TASK 10: SUMMARY: TOWN OF BELMONT MARKET POTENTIAL INCL. FINDINGS, CASE STUDIES, RECOMMENDATIONS

Note that the housing markets included as part of the study are typically considered commercial uses since most are multi-family developments that can often contribute similarly to commercial development, to the tax base. Recent studies have shown that most multifamily developments are net tax positive. Tasks 7-9 include those sectors most commonly understood to be most relevant in a market analysis and for Belmont, the only uses that are recommended to be excluded are



those in which it is clear that the uses are undesirable (e.g., heavy industrial, trucking, etc.).

### **Fiscal Impact Analysis Introduction**

Once a market analysis has been completed, Belmont can determine with a reasonable degree of accuracy, how much net revenue can be generated within a range determined by a series of scenarios. The market analysis will provide estimates of development opportunity in each sector represented by metrics such as the number of square feet of retail (further classified by retail subsectors). This number can translate into estimates of property and personal tax revenues that such a buildout of the retail (and other sectors for those results) could generate. While Belmont may not want to pursue full buildout of all sectors, we can arrange in the scope for several specific scenarios to arrive at a desirable revenue generation and development option to be decided upon once the analysis has been completed. A fiscal impact scope could include the following tasks:

TASK 1: AVERAGE NET FISCAL IMPACT BY USE TYPE

TASK 2: SERVICE CAPACITY THRESHOLD ANALYSIS

TASK 3: DEVELOPMENT SCENARIO MODEL

TASK 4: FINDINGS & CONCLUSION/RECOMMENDATIONS

### **Pricing and Conclusion**

This office has received three quotes for combined market analysis and fiscal impact analysis services from the following firms. The summary of their quotes is as follows:

<b>Firm</b>	<b>Market Analysis</b>	<b>Fiscal Analysis</b>	<b>Total</b>
RKG Associates	\$49,165	\$25,465	\$74,630
Camoin Associates	\$43,310	\$30,000	\$73,310
Landwise	\$55,000	\$15,000	\$70,000
Weitzman Associates			\$88,000

RKG is currently on the state's preferred vendors list and I understand that Weitzman is seeking this as well. I have submitted each of these proposals to the Town Administrators office in case readers wish to review them in detail. My suggestion at this point, if there is commitment to move forward, is to request that these firms participate in a brief Zoom introductory interview so that the Town can get a feel for their project team and ask any clarifying questions. I also would recommend seeking references and conducting a reference check.

We can also make recommendations for scope additions and changes at this point and get revised quotes. I am comfortable with each of these firms, and a fourth, Landwise, was contacted for a quote chiefly because they offer an additional service in case the Town wishes to contract with a form-based code consultant at some point. Upon further review, Landwise has emerged as a good contender due to being very highly regarded in the region by peers (they were a Sasaki spin off).

I am confident that the proposed project will benefit Belmont should the Town make the modest investment in the data necessary to determine a positive fiscal path based on fulfilling its

development potential. Granted, the acquisition of this data is only the start of a challenging economic development program that will take a few years to implement. On the other hand, I can only assume that proceeding with trends extended and not using data as the foundation for economic development policy would elicit the same results that have been realized up to this point.

I can assure you that the prices quoted are reasonable and many Massachusetts communities have pursued townwide market analyses. Fewer have done both market and fiscal impact analyses for their entire towns, but Belmont's need for specific data sets that answer both sets of questions is clear.

Please let me know if you have any questions.