

FILE MEMORANDUM

TO: Abigail McCabe, AICP, Town Planner
Town of Westwood

FROM: RKG Associates, Inc.

DATE: January 29, 2018

SUBJECT: Peer Review Commentary
University Station condominiums

On behalf of the Planning Board of the Town of Westwood, Massachusetts, RKG Associates, Inc. (RKG) was retained to provide an independent peer review of the anticipated fiscal impacts of the proposed 100-unit condominium complex at University Station, prepared by Fougere Planning & Development, Inc. (referred to as the Fougere memo), which was included in the Application for Project Development Review and Special Permit to the Planning Board on December 1, 2017.

Project Overview

A 100-unit condominium complex is proposed for a portion of Development Area B at the University Station development. Per the Fougere memo, this will be two 50-unit buildings on approximately 2.7-acres (identified as Parcel B in the development plan) with 180 parking spaces (100 spaces below grade and 80 surface spaces). The development will be a mix of 1-bedroom and 2-bedroom units with market rate (90-units) and affordable (10-units) included. The Fougere memo estimates total revenues of \$639,360 including \$623,960 in property taxes and \$15,400 in vehicle excise taxes.

Fougere Memo Peer Review

In review of the Fougere memo, RKG notes the following:

- While the Fougere memo estimates a positive total fiscal impact for the entire University Station project, it does not offer a net analysis of the 100-unit condominium complex as a stand-alone development.
 - The 100-unit complex is presented in terms of the entire University Station project, noting that *“Phase 1 revenues realized by the Town have already exceeded original estimates by 37%”* and *“no costs are expected to result from the proposed Project that have not already been accounted for”* and *“the second phase of the University Station development will continue to provide significant positive fiscal benefits to the community”*.
- With respect to the 100-unit condominium complex, the Fougere memo states that *“the net fiscal benefit from the University Station development project continues to exceed 2013 findings”* and that the current estimate of the net fiscal benefits, for the entire project at full build-out will be \$7.36 million.



- The Fougere memo includes an estimated \$15,400 in annual vehicle excise taxes paid by residents of the condominiums. RKG concurs that this estimate is reasonable. Other potential municipal revenues, mainly from fees, fines and other sources will also bring additional revenue to Westwood, but no estimate was made in the memo. For example, in FY16, approximately \$1.8 million was generated from various penalties, fees, licenses, permits and fines, all of which are directly related to population. Dividing these revenues by Westwood’s population results in an average of approximately \$120 per capita, or about \$18,000 when applied to the proposed project.

RKG’s prior peer review of the Phase 1 University Station fiscal impact analysis from March 2017 concurred that the revised observed property values exceeded the original anticipated values (2013) and resulted in a net positive fiscal impact for the Town. In this current peer review, RKG offers a more detailed reconciliation of the proposed 100-unit condominium complex which is intended to be project specific, when contrasted to the Fougere memo.

The main points of the Fougere memo are summarized in Table 1 and the following bullets.

Table 1 – University Station – 100-Unit Condominiums – Fougere

Fougere Planning & Development, Inc. - December 1, 2017						
1 BR	# Units	\$/Unit Value	Value \$	Taxes /1	Student Factor	Students
<i>market rate</i>	41	\$ 400,000	\$ 16,400,000	\$ 238,948	0.081	3.3
<i>affordable</i>	5	\$ 180,000	\$ 900,000	\$ 13,113	0.081	0.4
2 BR						
<i>market rate</i>	49	\$ 500,000	\$ 24,500,000	\$ 356,965	0.081	4.0
<i>affordable</i>	5	\$ 205,000	\$ 1,025,000	\$ 14,934	0.081	0.4
TOTAL	100		\$ 42,825,000	\$ 623,960		8.1

Source : Fougere Planning & Development, Inc. and RKG Associates, Inc. (2017)

/1 Rate of \$14.47/\$1,000

- RKG’s conversations with the Assessor indicate a limited sample of recent comparable condominium values in the Town. However, some activity for 2-bedroom units in at the Reynolds Farm Road project in Westwood indicate a value in the range of low- to mid- \$600,000’s. As a result, RKG considers the estimated values in the Fougere memo to be reasonable, noting that deed restricted affordable units will likely be assessed at less than full market value.
 - RKG concurs that the application of a \$14.47 per \$1,000 tax rate results in an unadjusted fiscal impact (property taxes only) of \$623,960.
- However, the Fougere memo does not present an estimate of the likely marginal costs (e.g., fire, police, health and public works) that may be associated with providing Town services to these 100 units. Rather, the Fougere memo notes that the “costs” in total are less than the 2013 estimates¹ and are otherwise “covered” by the developer’s agreement in place and with the agreed upon mitigation funds.

¹ Estimated 2013 costs of \$1.69 million for the entire project versus a 2017 estimate of \$1.24 million for the entire project, both of which included the 100 units now before the Town, the latter inclusive of a school superintendent reported \$65,800 for increased transportation costs.

- The Fougere memo notes that the local school enrollment has been trending downward since 2012-2013 school year from 3,167 students to 3,076 students enrolled during the 2017-2018 school year. This downward trend in enrollment is consistent with RKG's prior review and suggests that the Westwood schools may have excess capacity.
 - The Fougere memo presents an across the board estimate of 0.081 students per unit for the proposed complex (8 students in total), developed from a review of 691 units in various other communities, including a mix of 1-bedroom, 2-bedroom and 3-bedroom units, with some affordable components.²
 - While RKG agrees that the number of students generated by developments such as exists at University Station now and the proposed project will likely be at the lower end of the range, we estimate that there could be approximately 12 students associated with the proposed condominium development (further discussed in the next section). Further, RKG assumes that these students will be distributed evenly across all grade levels (K to 12). If so, from RKG's conversations with representatives of Westwood schools, the middle school and the high school both have capacity at this time to absorb additional students from the proposed development. Enrollment trends for the Downey school, the likely K-5 school for University Station students, has been trending upward compared to the other elementary schools, which continue to decline. As an example, 1st grade enrollment across other elementary schools in Westwood average 17 to 19 students per classroom, while Downey averages 23 to 24 per classroom. Representatives of the school system attributed some of this growth directly to the Gables apartments at University Station, noting December 2017 enrollment at Downey was 16 students (from Gables) and that January 2018 enrollment was 19 students. This all reflects a cyclical student population and enrollment. Representatives of Westwood schools have indicated that several grades at Downey do not have room to grow within School Committee class size guidelines and that new students from University Station would need to be transported to other schools (likely Deerfield). This will likely lead to additional transportation costs for new bus or van routes.

Conclusions – The Fougere memo does not include an estimated Town service cost(s) for the 100-unit condominium complex or an estimated cost for education, other than the noted increase in transportation costs. RKG considers these additional costs (Town and schools) to be relevant in presenting a more finite measure of the net fiscal benefits and as a result offers the following alternative approach.

RKG Alternative

RKG reviewed Town expenditures for Fiscal Year 2016 for selected departments where it is reasonable to assume costs may vary with the number of housing units in the community. These include police, fire, health, public works and a proportional share of health insurance

² The sample includes Village Falls Newton and South Natick Hills, both with affordable housing components. From the Fougere memo, the school age children (SAC) for these two projects averages 0.107.

expenses, and all are consistent with the department head interviews presented in the Fougere memo. These costs totaled approximately \$14.5 million. The residential assessment in the Town represents 86.5% of the Town’s total assessment (excluding personal property)³. Applying this to the variable Town costs results in an estimated residential service cost of \$14.5 million or \$2,260 per housing unit.

Table 2 – Estimated Town Service Costs - RKG

Westwood, MA - General Fund Expenditures FY2016		Total	Residential
Variable Costs			
	<i>Police</i>	\$ 4,043,893	\$ 3,496,113
	<i>Fire</i>	\$ 4,362,905	\$ 3,771,912
	<i>Health Insurance</i>	\$ 1,328,295	\$ 1,148,366
	<i>Public Works</i>	\$ 4,779,485	\$ 4,132,062
Total		\$ 14,514,578	\$ 12,548,452
	<i># of housing units</i>		5,552
Expenditure			\$ 2,260
	<i>per Household</i>		

Source : MA Division of Local Services, EOWLD, Westwood, Alteryx and RKG (2018)

Applying this average cost results in an estimated Town cost of \$226,000 when applied across the proposed 100-unit condominium complex, which should be netted against the property taxes, also noting the following:

- Fire Department** – RKG reached out to Fire Chief John Deckers for his input regarding the department’s experiences with University Station to date and specifically for the proposed 100-unit condominium complex. The Chief noted that overall his department’s call activity has increased by around 12% since 2015, amounting to perhaps an additional 360 calls, generally attributable to the overall University Station development. The proposed 100-unit condominium complex is likely to impact the Fire Department in the short-term with increased services demands for plan review, inspections and equipment testing during the construction and initial occupancy phase, but the Chief does not consider these will place a strain on the Fire Department. He noted that activity tied to the 100-unit condominium complex should begin to wane and stabilize over time. In general, the Fire Chief noted that with increased development comes increased service demand, however, the issue of concern at University Stations relates more to poor radio and telecommunications on that side of town, particularly as development increases.
- Police Department** – RKG reached out to Police Chief Jeff Silva for his input regarding the department’s experiences with University Station to date and specifically for the proposed 100-unit condominium complex. The Police Chief

³ This approach presumes that the municipal services that are provided by the community are more or less proportionate to the residential and commercial development mix as indicated by assessed values.



echoed the Fire Chief's comments in that a "bubble" of increased activity during the build-out and construction phase is to be expected and that in general, more development means more demand for services. The Police Chief also noted that residential demand could always place a "lasting need" for services as officers may need to respond to domestic disturbances and other household needs for police services. Moreover, the Police Chief also noted that responses to calls at University Station often "pull" an officer from elsewhere in the community. The Police Chief did not specifically indicate that the 100-unit condominium complex would place any burdens on the department, but that continued growth may and that perhaps two additional positions⁴ would be required just to provide the same level as services as today. Like the Fire Chief, the Police Chief noted poor radio communication capacities around University Station.

RKG also reviewed the variable education costs (those that could change with a change in enrollment) from the general fund and with out-of-district expenses. These costs were indexed on a per student basis with an estimated cost per pupil of \$9,132 (Table 3). RKG considers the range of students in the Fougere memo, totaling 8 to 10 students, to be potentially somewhat understated given that the development will be condominiums, the relative price points, and the number of 2-bedroom and affordable units⁵.

Table 3 – Estimated Per Pupil Costs – RKG

Westwood, MA - General Fund Expenditures		Variable
FY2016 - Education		
Variable Costs		
	<i>Instructional Leadership</i>	\$ 3,299,261
	<i>Teachers</i>	\$ 20,374,692
	<i>Professional development</i>	\$ 512,215
	<i>Instructional Materials</i>	\$ 1,157,282
	<i>Out-of-District</i>	\$ 1,350,194
	<i>Pupil Services</i>	\$ 2,162,015
TOTAL		\$ 28,855,658
Students		
	<i>in District</i>	3,134
	<i>out of District</i>	26
Estimated \$/total students		\$ 9,132

Source : MA Dept. of Elementary and Secondary Education and RKG (2017)

Based on published data and work in other Massachusetts communities where RKG has developed fiscal impact analyses and collected school enrollment data, RKG believes that

⁴ According to Chief Silva, each "position" requires 1.7 people to cover required shifts, therefore 2 positions equal 3.4 staff.

⁵ Anecdotal information suggests that home ownership units generate slightly higher school age children factors than multi-family apartments. This may be due to the fact that, on average, purchasing households are somewhat older than renters and have higher income levels. In addition, at the price levels suggested in the Analysis for the condominiums (\$500,000 for two bedroom units), these units may be attractive to first-time home buyers which may result in slightly more school age children for the reasons cited above.

the Fougere estimates are generally reasonable, but could be somewhat low. RKG's data ranges from a low of 0.01 students per two-bedroom unit to 0.38 for developments with a mix of 1, 2 and 3 bedroom units, market rate and affordable units, and both rental and condominiums. Location, the perceived quality of the school system and the amenities offered at housing developments all impact the number of school age children.

A survey of multi-family complexes in Natick found that 914 two-bedroom units, which included apartments and condominiums, generated 0.12 school age children, while another survey of 4 Framingham projects with a total of 1,191 units (including 1,2 and 3 bedrooms) yielded 0.11 school age children per unit. In 2006, a study by Rutgers University found that statewide in Massachusetts, 2-bedroom condominiums averaged 0.08 school age children per unit, while those deemed "affordable" (prices at less than \$234,500 at the time) averaged 0.21. RKG therefore believes that 0.12 may be a more appropriate multiplier for the proposed University Station condominiums, resulting in 12 students.

Applying these per student estimates to the proposed 100-unit condominium complex results in an estimated 12 students and education costs of approximately \$110,000, which includes transportation and other variable costs, which will also be netted against the estimated property tax receipts. This is less than the original \$149,000 estimated in the 2013 report and greater than the reported \$65,800 increase in transportation services only in the Fougere report.⁶

RKG acknowledges that these estimates are likely to be on the high side due to the unique locational aspects of University Station, but are in line with the experience of the existing apartment complex (The Gables) where the Westwood school department reported that there were 21 school children (0.09 students per unit at 67% occupancy) as of January 2017 and 38 students in January 2018, or 0.115 students per unit and 94% occupancy.

RKG recognizes that this average cost approach assumes that most educational costs change proportionately with the number of pupils. If there is excess classroom capacity in Westwood (and in the schools that students from the proposed development would attend), then costs may not increase as much since additional resources (teachers) may not be required.

⁶ Westwood School Department staff indicated to Planning staff that it is the expressed intention of the School Department to direct new elementary students to schools other than Downey, and that the anticipated cost for bussing students from University Station to other schools will be \$67,140 for FY19 and \$18,000 per van (8 children per van) if required. If the project were completed today, this would increase the additional transportation costs cited in the Fougere report from \$65,800 to approximately \$85,000 (assuming half of the new students are elementary grade and would need to be transported to other schools).



Table 4 – Estimated Net Fiscal Impact – RKG

Fougere Planning & Development, Inc. - December 1, 2017						RKG factors /5		
1 BR	# Units	\$/Unit Value	Value \$	Taxes /1	Student Factor	Students	Student Factor	Students
<i>market rate</i>	41	\$ 400,000	\$ 16,400,000	\$ 238,948	0.081	3.3		0.0
<i>affordable</i>	5	\$ 180,000	\$ 900,000	\$ 13,113	0.081	0.4		0.0
2 BR								
<i>market rate</i>	49	\$ 500,000	\$ 24,500,000	\$ 356,965	0.081	4.0		0.0
<i>affordable</i>	5	\$ 205,000	\$ 1,025,000	\$ 14,934	0.081	0.4		0.0
TOTAL	100		\$ 42,825,000	\$ 623,960		8.1	0.12	12.0
RKG adjustments								
<i>plus other revenues /2</i>				\$ 33,400				
<i>less service costs /3</i>				\$ (226,017)				
<i>less variable costs per pupil /4</i>				\$ (109,582)				
<i>Total other revenues/expenses</i>				\$ (302,199)				
NET				\$ 321,762				

Source : Fougere Planning & Development, Inc. and RKG Associates, Inc. (2017)

- /1 Rate of \$14.47/\$1,000
- /2 Vehicle excise taxes (\$15,400) & other misc. revenues (\$18,000)
- /3 Estimated at \$2,260/unit based on review of FY2016 Town expenditures
- /4 Review of variable general funds costs for FY2016 - MA Dept. of Education
- /5 Reflects RKG analyses in other MA communities

Summary

When factoring in the RKG estimated additional revenues and costs for Town services and education, the net positive fiscal impact from the proposed 100-unit condominium complex is estimated to be approximately \$322,000 (Table 4). While this figure is less than what was indicated in the Fougere memo (which did not net out municipal service costs), the project when analyzed by itself, remains fiscally positive nonetheless.

As an additional factor to consider, the condominium project is likely to have additional spin-off benefits to the Town and local businesses through increased sales captured locally and additional local option sales tax receipts. Further, any spending of these households at the many other venues at University Station, or elsewhere in town, could result in increased sales and eventual increases in lease rates among the tenants, which could be further reflected in enhanced future commercial values when utilizing an income approach to estimate assessed values and tax revenues.