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MEMORANDUM

TO: Merrick Turner, BETA Group
FROM: Judi Barrett
RE: University Station Fiscal Impact Analysis
DATE: November 19, 2012
CC: Jeffrey Donohoe

Per your request, we are submitting comments on the fiscal impact analysis (FIA) prepared by Connery Associates for the proponents of University Station (New England Development, Eastern Real Estate LLC, and National Development). To prepare this memorandum, we reviewed and analyzed Mr. Connery's report entitled, "Fiscal Impact Analysis: University Station, Westwood, Massachusetts" (November 8, 2012), and "Memorandum to Westwood Planning Board re Additional School Enrollment Data" (November 15, 2012). We also considered the proponent's architectural plans prepared by Elkus | Manfredi Architects (October 16, 2012) and preliminary traffic impact assessment analysis prepared by Tetra Tech and Vanasse Associates (October 2, 2012). In addition, we considered the content of the proposed University Avenue Mixed-Use District (UAMUD) zoning bylaw, which we understand is still in draft form.

GENERAL COMMENTS

- 1) As you know, we provided some initial recommendations about methodology and approach when we attended the Planning Board's October 30, 2012. In general, we did not see our recommendations addressed in the developer's FIA or the school enrollment supplement.
- 2) The FIA relies heavily upon the author's "experience in the regional marketplace," and in many cases uses key values without attributing them to a verifiable source. Limited source documentation, reliance on the author's assumptions, and use of non-standard or non-replicable methods of estimating costs and revenues are recurring issues in the FIA.
- 3) In the long run, a large-scale mixed-use development at University Station may generate a positive net fiscal impact for Westwood. At issue with any large-scale development is what the new municipal and school service costs and revenues will be as project builds out in several phases. Sometimes costs grow ahead of growth in revenues, and if new revenues begin to flow mid-year, the town may not be able to budget (and expend) the new revenues until the following year. It is crucial to understand the net impact of University Station's early phases because they are the periods in which a gap (if any) between cost and revenue growth will probably occur. Due to the prevalence of undocumented cost and revenue assumptions throughout the developer's FIA, it is difficult to determine the validity of Tables 10 and 11, i.e., the phasing tables. In addition, these tables (and earlier ones on which they are based) should consistently back out existing costs and revenues for the property in order to present a clear picture of net fiscal impact.

- 4) The FIA utilizes FY 2013 operating budgets instead of FY 2012 actual year-end revenues and expenditures (which could be adjusted to 2013 dollars). Normally, fiscal impact studies focus on actual revenues and expenditures because they most accurately convey existing conditions in a community. They also support a longer-term trends analysis, which can be used to guide assumptions about the rate at which inflation-adjusted costs will increase over time i.e., real appreciation. Perhaps the Town asked the developer's consultant to use FY 2013 budgeted revenue numbers, but in our experience, new fiscal year budgets voted in April or May of one year do not always reflect actual fiscal year expenditures by June 30 of the next year. The reliability of FY 2013 numbers could be determined by a simple comparison analysis of operating budget and expenditure trends over the past five to ten years. The data needed for this purpose are readily available and should be added to the report as supplemental documentation.
- 5) The FIA provides no baseline analysis of Westwood's municipal and school operations and facilities. Since conditions in the receiving (or host) town partially determine the actual fiscal impact of a given development, a baseline assessment and trends analysis are standard features of most fiscal impact studies. The FIA should be revised to provide pertinent background information, especially about the departments most likely to experience immediate and longer-term impacts of the University Station project.

COMMENTS ON IMPACT OF NONRESIDENTIAL USES

- 6) The FIA appears to make incorrect use of a methodology for allocating municipal service costs to nonresidential development. Assigning 80 percent of public safety expenditures to residential uses may be accurate in Westwood. However, the author based his approach on a methodology outlined in a well-known fiscal impact guidebook that illustrates how to break down total municipal service costs for *nonresidential* land uses (a measurable number) to an estimate for each category of service (a number more difficult to measure), e.g., the percentage of the total assignable to public safety, public works, general government, and so on. The numbers shown in Appendix 1 should not be read to mean that residential development typically generates 75 percent of a community's public safety costs. Instead, they mean that public safety spending typically accounts for 75 percent of the total amount that a community spends on municipal services for nonresidential development. The numbers in the "mid-point, %" column in Appendix 1 add up to 100 percent. Thus, for the hypothetical community that represents the midpoint, public safety typically accounts for 75 percent of nonresidential expenditures; public works, 15 percent; general government, 6 percent; and health and welfare and recreation and culture, 2 percent each. (See FIA page 6 and Appendix 1) There are important differences between the intended use of the information in Appendix 1 and the manner in which the FIA uses that information. This becomes obvious in the narrative under FIA Section 4.2.

The FIA needs to document the basis for assigning 80 percent of Westwood's existing public safety spending to residential uses, using a replicable methodology. There is a straightforward model for doing so (proportional valuation) in the same fiscal impact guidebook mentioned in FIA Appendix 1. The developer may wish to use a different model, which is fine, but there needs to be a coherent, systematic, peer-tested approach that others can follow and verify. Understanding the proportional share of residential and

nonresidential demand on municipal services is very important; if the nonresidential share is smaller than 20 percent (the FIA assumption), the Town's current per capita cost of public safety services will be higher than the \$441/per person estimate used in the FIA. Conversely, if the nonresidential share is larger than 20 percent, the FIA may overstate the cost to serve University Station's new residents and understate the cost to serve its new businesses.

- 7) The FIA assumes that due to the scale and mix of nonresidential uses at University Station, the proposed project will have a greater impact on municipal services than Westwood's present commercial land uses. (See FIA, page 7.) It makes sense to expect more intensive demands on town services after University Station is built and occupied. However, the developer has not explained or documented the basis for estimating that in the future, 40 percent of Westwood's public safety demands will be generated by nonresidential development. The FIA further states that today, Westwood spends approximately 31 cents per square foot to provide public safety services to nonresidential land uses, which may be accurate. However, the FIA goes on to *double* the cost per square foot at University Station, without explaining or documenting the basis for using 62 cents per foot in the analysis.
- 8) Since the FIA identifies "comparable" commercial developments for purposes of estimating future assessed value and tax revenue, it should provide information about the associated municipal service costs for these developments based on each community's actual experience. Doing so would involve case-study research on the author's part. However, it would help to reduce the number of "apples and oranges" comparisons made throughout the report and help the Town of Westwood understand what to expect in the future.
- 9) The FIA attempts to calculate and deduct the Town's cost to serve prior industrial and office uses at the University Station site. To a point, it makes sense to do this because the FIA should report *net* impact. To account for differences between predominantly industrial uses and predominantly retail/restaurant and hospitality uses, the developer derives a ratio from differences in trip generation and uses it as a multiplier to deduct some of the proposed new space from the net impact estimate. Using traffic as a surrogate for public safety demands has merit, but the issue is more complicated than the number of trips in and out of a given site on a daily basis. For example, large retail developments often involve incidents that tie up an officer's time for several hours, e.g., shoplifting, which would not be associated with an industrial use.

For University Station, the developer should substantiate (or modify) the estimate of public safety impacts by looking at the experience of other large, relatively established retail developments in the region, e.g., Legacy Place in Dedham, Colony Place in Plymouth, or the redevelopment and expansion of South Shore Plaza in Braintree. The developer should look at Northborough Crossing, too, a site that supports both commercial and residential (Avalon Northborough) uses. The FIA claims that University Station's "opening months should not be considered a long-term indicator of needed public safety service levels," but this may need to be revised following some case-study research in other towns with large retail developments.

- 10) The FIA needs to document the estimated public works costs (\$70,000) associated with University Station. The report seems to omit impacts such as pavement life-cycle costs triggered by increases in traffic.

- 11) The FIA assumes that by the time University Station is built and occupied, the Town will need to have an additional 10 to 11 new public safety employees and one new Health Department employee. It is not clear how the 10 or 11 new public safety employees will be divided between the Police and Fire Departments or what types of non-salary costs will be incurred in order to support these additional employees. Further, the FIA seems to omit one-time costs associated with recruiting, training, or equipping new employees. This is particularly important for the hiring of additional police and firefighters.
- 12) The FIA seems to account for new wage and salary costs *only* and omits other costs such as employee benefits. Municipal cost impacts should be presented clearly and consistently, e.g., estimated number of full-time equivalent (FTE) employees, associated salaries, other associated employment costs such as benefits, costs associated with training, and costs associated additional equipment, vehicles, apparatus, and so forth.
- 13) The FIA is silent on whether University Station will affect the Town's financial operations, notably the Assessor. Westwood's finance departments may have ample capacity to absorb the kind of growth associated with University Station, but this should be addressed and documented in the developer's report.
- 14) The FIA should explain whether Westwood's existing municipal facilities have enough space to accommodate additional employees and associated equipment and vehicles, and whether the Town has appropriately located facilities to serve the University Station development.
- 15) Assisted living/memory care facilities are quite different from private housing. In general, the FIA should separate the costs and revenues of the assisted living facility from the proposed residential uses. For example, the FIA assumes that Westwood's present experience with emergency medical service – 82 ambulance runs per 1,000 population per year¹ – will be the same for assisted living clients as for the privately housed household population. This assumption should be verified and documented. The report further assumes that insurance reimbursements cover a percentage of the Town's ambulance transport costs. It implies that all ambulance runs generate revenue, but it is not clear whether the report's revenue assumption includes both emergency and non-emergency transport. This should be clarified.

COMMENTS ON RESIDENTIAL USES

- 16) The FIA assumes that public safety is the only municipal service that will be affected by University Station's residential population. This assumption needs to be explained and documented. The Town of Westwood also provides library, recreation, youth and family services, and senior services to its existing residents. University Station's residents may use some or all of these services, though perhaps not to the same degree. It is not clear in the FIA whether the proponents consulted with the department heads of cultural, recreation, and human services programs.
- 17) The FIA assumes that of the proposed 650 residential units, 450 will be apartments and 200, condominiums. The projected number of school students and projected revenues from the

¹ See Connery Associates, FIA, Table 2, note (4).

residential component reflect, in part, this division of rental and homeownership housing. Unless the development agreement memorializes the same assumption, the developer should provide a “worst-case” assessment in which all 650 units are rental apartments.

- 18) The FIA’s estimate of future school-age children at University Station is based on a variety of “comparable” multi-family developments in the Greater Boston area. The FIA should state the number of one-, two- and three-bedroom units in each development as well as the vacancy rate that existed when the student enrollment counts were taken. In addition, we question the comparability of some of the multi-family developments listed in the report. The FIA should identify the criteria used to establish comparability. It would help to know what the Westwood school department follows as “benchmark” schools and determine whether similar housing exists in any of the benchmark communities.
- 19) The FIA’s assumption of an average residential population of 1.6 persons per unit needs discussion. (See FIA Table 2.) Westwood’s Town’s average household size is currently 2.78 persons.² According to Table 2, the FIA average of 1.6 people per unit is 57 percent of the Town’s average household size, which in turn reflects the prevalent housing type in Westwood, i.e., larger single-family homes. We agree that in affluent suburbs, households occupying one- or two-bedroom multi-family units tend to be smaller than the town-wide average household size. Housing is a product. Design, density, location, and other factors play a major role in determining the market for a given type of housing. However, whether 57 percent or some other share of the current average is the most appropriate number to use should be explained and documented. We note that with data from the Census Bureau’s American Community Survey (ACS), it is possible to calculate the average household size in various housing types in Westwood, Westwood’s immediate region, Greater Boston, and other geographies that should be considered as University Station’s potential market area.
- 20) The transition from Table 3 to Table 4 is very unclear. The FIA needs to explain the methodology for the student-per-unit equivalency calculations.
- 21) The FIA assumes the “regional average of 0.40 students per two bedroom affordable residence,” but does not cite the source of this information. Although the report attributes the data in Table 3 to school district business managers, Table 4 is undocumented. What is the source for the average of .40 students per two-bedroom affordable unit in each of the communities listed in Table 4?
- 22) The FIA does not provide analysis or commentary about whether the Westwood Public Schools has sufficient space to support 55 additional students. “Space” refers not only to regular and special education classrooms, but also core facilities. Grade-level distribution makes a significant difference in the actual impact of new residential development. The FIA assumes that 60 percent of the new students will be K-6 and the remaining 40 percent, grades 7-12, based on the author’s experience. Unfortunately, none of the FIA tables citing multifamily developments in other communities provide a breakdown of the number of children in elementary, middle, and high school grades – that is, grade configuration assumptions that mirror Westwood’s present school buildings.

² Bureau of the Census, Census 2010, Summary File 1, DP-1, S183.

- 23) The FIA omits assumptions about students who would attend Blue Hills Technical School or the Norfolk County Agricultural High School instead of the Westwood Public Schools. The report should make some effort to account for enrollment growth in Westwood's allied school districts. We note that per-student tuition in agricultural and vocational-technical schools tends to be higher than in regular K-12 day programs.
- 24) The FIA utilizes Actual Net School Spending (Actual NSS) as the basis for projecting University Station's future education costs. The report should provide, for the benefit of readers, some explanation of Actual NSS – what it includes and excludes – and how the Department of Elementary and Secondary Education (DESE) computes it each year. Furthermore, the report should identify, account for, and explain differences (if material) between Actual NSS and DESE's annual per-pupil expenditures data. In addition, the FIA makes no assumptions about additional costs associated with special education and language programs. The absence of any factor for such costs should be documented, e.g., through inquiries with the same (and possibly other) school districts listed as “comparable” in the FIA.

COMMENTS ON REVENUE FORECAST

- 25) The FIA assumes that Westwood will add a significant increment of tax revenue without any associated municipal service costs during the early stages of the project. This needs to be explained and documented.
- 26) The FIA utilizes multiple approaches to estimate the value of the proposed improvements. Property tax revenue should be estimated by forecasting the value of real and personal property using standard appraisal methods for each class of use, e.g., comparable sales for ownership units, and replacement cost or capitalized value for investor-owned residential and commercial property. This is especially important for shopping centers because the actual mix of retail (by type and size) and restaurant uses plays a decisive role in determining total assessed value. It is very difficult to connect the average values per square foot shown in Table 7 (for other shopping centers in the region) with the values actually used in the FIA to estimate University Station's retail assessed value. The connection should be explained and justified.
- 27) The FIA provides no justification or backup for the estimated assessed value of the proposed hotel. The author refers to regional values, converted to an average value per room, but the FIA does not identify the regional hotel facilities that were considered in arriving at an average value of \$80,000 per room. While the report states an occupancy rate assumption (65 percent) for purposes of estimating room occupancy taxes, the assumption is not documented. As a result, there is no way to determine whether the “regional values” used in the study reflect hotels with a comparable occupancy rate.
- 28) The FIA assumes an assessed value of \$160,000 per unit for the assisted living facility, with no backup documentation.

- 29) The FIA should state whether Westwood will need to offer tax increment financing (TIF) agreements or other financial incentives in order to lure any of the anticipated nonresidential tenants.
- 30) Charles River Landing in Needham, cited in Table 6, is not a mixed-use development and it is not integrated with surrounding nonresidential uses. It is a Chapter 40B apartment development in an office/industrial park, not connected or developed in conjunction with any of the surrounding land uses.
- 31) The FIA assumes 1,130 registered motor vehicles and an average motor vehicle excise tax of \$90 per vehicle, with no justification or backup.
- 32) The FIA estimates one-time fees between \$2.5 million and \$3.0 million, with no justification or backup.
- 33) It is unclear whether the FIA claims a net fiscal impact of \$3.9 million (page 19) or \$5.9 million (page 23). If \$3.9 million is the net benefit – that is, after deducting revenue currently generated by the site – the same number should be used consistently to describe the sensitivity tests in Section 9 of the report.