

**COMMUNITY OPPORTUNITIES GROUP, INC.**

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April 20, 2006

Rebecca Regan, Planning Board  
Wayland Town Hall  
41 Cochituate Road  
Wayland, MA 01778

Reference: Review of Proposed Town Center Developments

Dear Ms. Regan:

You have requested a fiscal and economic impact review of two proposed development options for the Wayland Business Center property. The proposals include a mixed-use development with commercial space and up to 100 housing units, and a 200-unit comprehensive permit development. The former project is similar to a mixed-use development proposed last year, although the amount of commercial space has been reduced to a maximum of 165,000 square feet. This letter is in response to your request.

Our report is organized as follows:

- 1.0 Fiscal Impact Summary
- 2.0 Mixed-Use Overlay District (MUOD) Review
- 3.0 Comprehensive Permit Review
- 4.0 Chapter 40R Option

We would like to thank the Planning Board, Finance Committee, Town Administrator, municipal and school department heads, and the development team for providing information for this review.

**COMMUNITY OPPORTUNITIES GROUP, INC.**

Judith A. Barrett  
Project Manager

## 1.0 SUMMARY OF FISCAL IMPACTS

We have been asked to review two development proposals for the former Wayland Business Center property at 400-440 Boston Post Road (Route 20). One is a Mixed-Use Overlay District (MUOD) for a development with retail, office and residential uses, and the second is a mixed-income housing development known as The Residences at Wayland Center. In our opinion, each proposal offers fiscal advantages and other public benefits to the Town.

Since the proposals are fairly conceptual, they can be expected to change somewhat as they advance through the development process. For the MUOD, the Town and developer have negotiated a fairly specific Development Agreement that sets forth the responsibilities of the parties and imposes a number of requirements on the project. Although some of the requirements are useful for making assumptions about the mix of commercial tenants, it is premature to speculate about the identity of the tenants or how much they will pay to lease space in the MUOD. This makes it difficult to forecast the amount of income the development will generate; consequently, any estimate of the development's assessed value must be treated as tentative, for a fiscal impact analysis conducted during the predevelopment phase of a project must rely on many assumptions. The Residences at Wayland Center is currently being reviewed by MassHousing for a Project Eligibility determination. For basic information about each proposal, our analysis draws heavily on the Development Agreement and the developer's Project Eligibility Application to MassHousing.

Table 1 presents a comparison of the estimated revenue and community service costs associated with the proposed reuses of the Wayland Business Center site. We want to emphasize that Table 1 reports an estimate of direct revenue and service costs, i.e., revenue generated by the proposed uses and the cost of services used by residents and businesses in the development. It does not include the following:

- ♦ One-time, non-recurring expenditures such as development review, permitting and inspection costs, which should be covered by the Town's fee regulations or addressed in the Development Agreement.
- ♦ Special revenue fund and enterprise fund revenue and expenditures, recurring or non-recurring.
- ♦ The impacts of "echo-effect" or housing resales activity that may occur due to in-town moves to the new housing units. The probability of echo-effect impacts is discussed under the comments on each project (Section 2.0 and Section 3.0).

Table 1: Estimated Fiscal Impact of Proposed Reuse Projects

Fiscal Impact Component	Mixed-Use Overlay District (MUOD)	Comprehensive Permit
I. General Fund Revenue		
Commercial		
Property Taxes	\$486,000	\$0
Residential		
Property Taxes	\$669,000	\$1,080,000
Motor Vehicle Excise Taxes	\$35,100	\$76,200
Additional Chapter 70 Aid	\$0	\$36,400
Total General Fund Revenue	\$1,190,100	\$1,192,600
II. General Fund Expenditures		
General Government	\$0	\$0
Public Safety	\$211,900	\$230,000
Education	\$168,000	\$472,000
Public Works	\$41,200	\$55,800
Health & Human Services	\$14,630	\$19,300
Culture & Recreation	\$44,260	\$125,000
Debt Service	\$0	\$82,900
Total General Fund Service Costs	\$479,990	\$985,000
Surplus/(Deficit) Revenue	\$710,110	\$207,600
Cost-Revenue Ratio	0.40	0.83
<i>Note: Numbers may not add up to the total due to rounding.</i>		

Due to the preliminary state of both proposals, the estimates in Table 1 should be interpreted as midpoints of a revenue figure that may vary by 4-6% and cost figures that may vary by 5-7%.

We note that under existing conditions, the property generates about \$260,000 in real estate taxes. It is beyond the scope of our review to determine the Town's costs to provide municipal services to uses currently occupying the site. Table 1 does not include revenue or service cost adjustments for the existing uses.

## 2.0 MIXED-USE OVERLAY DISTRICT

We understand that the proposed mixed-use development will consist of up to 332,500 square feet of space, subject to the following caps:

- ♦ A maximum of 167,500 square feet of residential space for not more than 100 housing units and 200 bedrooms. Of the total number of units, 25% must be affordable housing.<sup>1</sup>
- ♦ A maximum of 165,000 square feet of commercial space, including not more than 156,750 square feet of retail and not more than 10,000 square feet of office space. In addition, the project is subject to a number of caps on the amount of space that may be devoted to various classes of retail.

The project also includes a set-aside of up to 40,000 square feet for municipal uses, to be constructed by the Town in the future.

### 2.1 Revenue

Property taxes will be the primary source of general fund revenue from this project. The residential units will also generate excise tax revenue. Although Wayland will most likely experience a modest increase in other local receipts as well, we have not factored them into our calculations. We do not believe the town will see any increase in local aid as a direct result of the proposed development. (See Section 4.0, Chapter 40R.)

### 2.2 Commercial Component

We requested that the Town retain an independent appraiser to estimate the assessed value of the commercial component of this project. Unfortunately, the Town was not able to obtain an appraiser's estimate by the deadline for submission of our report. In an effort to assist the Planning Board with its review of the MUOD, we have estimated the project's revenue by consulting several sources: our own commercial property database, which includes assessed value and tax revenue data obtained from demographically similar suburbs, other fiscal impact professionals who have recently evaluated developments proposed in other Eastern Massachusetts communities, assessors in other communities, and the developer's assumptions as we understand them.

We need to underscore that our firm does not provide appraisal services. As a result, we cannot say that the values presented below are equal to what a certified appraiser would estimate as the project's market value once it is fully built and occupied. However, our conversations with other fiscal impact consultants and assessors in other communities persuade us that the assessed value shown in Table 2 is a reasonable estimate of the value that would be

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<sup>1</sup> For purposes of this review, we assume that "affordable units" refers to housing eligible for the Chapter 40B Subsidized Housing Inventory under the guidelines of the Local Initiative Program (LIP).

used for tax assessment purposes, assuming the mix of stores by size category listed in the Development Agreement and the developer's description of the project.

Table 2: Revenue Estimate for MUOD Commercial Component (Rounded)

Commercial/Retail Tenant Class	Rent Assumptions (Triple Net)	
	Fiscal Impact Analysis	Developer's Lower-Range Estimate (1)
I. Retail (Size Caps in Development Agreement)		
15,000-45,000 sq. ft.	\$24	\$33
10,000-15,000 sq. ft.	\$29	\$30
7,000-10,000 sq. ft.	\$20	\$20
5,000-7,000 sq. ft.	\$35	\$35
Less than 5,000 sq. ft.	\$28	\$30
Retail Weighted Average	\$27	\$33
II. Office	\$18	\$18
Retail Gross Income	\$4,150,000	\$5,120,000
Office Gross Income	\$180,000	\$180,000
Retail O&M/Credit Loss/Vacancy Ratio, 25% (2)	\$1,040,000	\$1,280,000
Estimated Net Operating Income	\$3,300,000	\$4,020,000
Estimated Assessed Value at Cap Rate 8.5% (3)	\$38,800,000	\$47,300,000
Property Taxes @ \$12.54	\$486,000	\$593,000

(1) Upper-end rents range from a low of \$30/sq. ft. to a high of \$55/sq. ft. Table 2 excludes the upper-end rents because in consultation with assessors and other professional in the field, we could not find evidence that the upper-end rent estimates are attainable in this location.

(2) Standard expense ratios in other communities range from 25-30%.

(3) Capitalization rates are set on a project-by-project basis. For recently built commercial projects, rates commonly identified range from 8-10%.

In our opinion, the Town will realize approximately \$486,000 in tax revenue from the commercial side of the mixed-use development, assuming Wayland's current tax rate of \$12.54. It is possible that when the project is completed, the actual tenant mix under build-out operating conditions will justify applying a lower capitalization rate to net operating income in order to set the assessed value of the project. Given that the town center project remains in a conceptual/predevelopment stage and there are a number of unknowns at this time, we cannot recommend assuming more optimistic rents or a lower capitalization rate.<sup>2</sup>

<sup>2</sup> Author's Note. We acknowledge that our assumptions are more conservative than the developer's assumptions. For example, the developer suggested assuming a 3% vacancy rate, no O&M, and a 7.5% capitalization rate. However, we have never seen a commercial property assessed on the basis of a 0% expense ratio. The assumptions used to forecast the market value of a commercial project may differ from the assumptions used to estimate the project's assessed value as an income-generating property.

### 2.3 Residential Component

The MUOD Development Agreement caps the allowable number of dwelling units at 100. We understand from the developer that the actual number of units may be somewhat less because the gross floor area cap does not support 100 units of the type contemplated for this project. For our analysis, we assumed 100 two-bedroom units and we also assumed that the units will be condominiums, not apartments.

On April 14, 2006, the Town Administrator received three comparable sales reports from a certified appraiser. The appraiser's estimate for two-bedroom condominiums (\$445,000) is not as high as the developer's sale price assumption (\$800,000±). We do not know the sample unit specifications that were available for the appraiser's review. To estimate residential property tax revenue for the MUOD, we have used the median value of condominiums built in Wayland from 1990-2000, i.e., recently constructed units.

Table 3: Revenue Estimate for MUOD Residential Component (Rounded)

Source of Revenue	Fiscal Impact Assessed Value & Other Revenue Assumptions	Developer's Sale Price Assumptions
I. Property Taxes		
Market-Rate Units (75)		
Assessed Value/Unit	\$660,000	\$800,000
Total Assessed Value	\$49,500,000	\$60,000,000
Property Tax Revenue	\$621,000	\$753,000
Affordable Units (25)	\$153,000	\$153,000
Total Assessed Value	\$3,830,000	\$3,830,000
Property Tax Revenue	\$48,000	\$48,000
Total Tax Revenue	\$669,000	\$801,000
II. Excise Tax	\$35,100	
Total Revenue	\$704,100	

In addition to property taxes, residential uses generate motor vehicle excise taxes. Wayland's actual excise tax revenue in FY05, converted to revenue per capita, is \$155. We used this figure to estimate the excise tax revenue shown in Table 3, based on assumptions about the household population that would live in the development (Table 4). We assumed no other local receipts and no additional local aid.

Table 4: MUOD Estimate of Household Population & School-Age Children

Housing Units	# Units	Average Household Size		Average School-Age Children	
		Per Unit	Total	Per Unit	Total
Market-Rate	75	2.25	168.8	0.11	8.3
Affordable	25	2.29	57.3	0.32	8.0
Total	100		226.0		16.3

Source: Census 2000 SuperPUMA 25102; cross-tabulations by author.

The development's total household and school-age populations may vary by 5-6% from the figures reported in Table 4.

## 2.4 Community Service Expenditures

For our previous study, we analyzed Wayland's actual expenditures and revenue, FY 1990-2004, in order to account for long-term financial trends and understand the rates of growth or change that had occurred in various departmental operating budgets. Thereafter, we converted the Town's FY05 departmental appropriations to per capita costs and used them as base multipliers to estimate the cost to serve residents of the MUOD. On a case-by-case basis, these base multipliers were adjusted for marginal cost impacts with coefficients developed from fiscal impact case studies conducted nationally. Modified per capita cost studies are commonly used by fiscal impact analysts when more refined information is unavailable from the unit of local government.

The Town Administrator arranged for us to meet with Wayland's department heads on April 5, 2006, to discuss the MUOD and comprehensive permit proposal. We also met with the Town Administrator individually on March 30, 2006, consulted by telephone with Fire Chief Robert Loomer on April 3, 2006, and had follow-up communication with School Superintendent Gary Burton after the department head meeting. Table 5 provides our revised estimate of municipal and school service costs directly attributable to the proposed MUOD, based on our present understanding of the project. The estimates in Table 5 incorporate information we received from the Town and standard costing practices used in fiscal impact studies.

(A)	(B)	(C)	(D)
General Fund Service Category	Total	Commercial	Residential
General Government	\$0	\$0	\$0
Public Safety	\$211,900	\$165,000	\$46,900
Education	\$168,000	\$0	\$168,000
Public Works	\$41,200	\$15,500	\$25,700
Health & Human Services	\$14,630	\$5,790	\$8,840
Culture & Recreation	\$44,260	\$3,860	\$40,400
Total General Fund Services	\$479,990	\$190,150	\$289,840

### Table 5 Notes

(1) General Government. The Town Administrator anticipates no additional general government service costs as a direct result of this project. It is his position that Wayland's existing general government operations can absorb any service demands that may be generated by the development, i.e., a de minimus impact. In the future, the Town may want to consider a methodology for measuring the cumulative impacts of new growth on community services.

Education. In consultation with the School Superintendent, we have used Wayland's FY 2005 Per Pupil Expenditure (as reported by the Department of Education) to estimate the Town's K-12 school costs for children living in the MUOD. Depending on the grades directly affected by new enrollments, the Town may need to add a bus route. It is premature to estimate this cost. We assumed all school-age children would attend the Wayland Public Schools, and needs for special education services would be consistent with Wayland's existing experience.

Public Safety. Estimating additional public safety costs is more difficult than estimating any other municipal service costs. Our conversations with Wayland's public safety officials, our knowledge of public safety staffing levels in other communities, state and county data reported by the Census of Governments, and industry publications persuade us that Wayland's police and fire departments are already understaffed. It is conceivable that Wayland would postpone increasing its police and fire personnel indefinitely if the MUOD were not built, so perhaps an argument can be made for assigning a much larger public safety cost to the proposed project, i.e., the Town's existing deficit plus costs directly attributable to the development. However, we do not think it is appropriate or methodologically sound to assign the Town's existing deficit to the MUOD or the comprehensive permit development.<sup>3</sup>

The costs shown in Table 5 reflect the following assumptions and procedures. For public safety demands from commercial uses, the cost represents a "proportional valuation" analysis in which Wayland's existing non-residential public safety expenditures are multiplied by the ratio of the project's assessed value to Wayland's total nonresidential assessed value, and thereafter by a marginal cost coefficient.<sup>4</sup> For residential uses, we estimated Wayland's salary, employee benefits and supplies expenditures per police officer and firefighter,<sup>5</sup> and converted the population estimate for this project to a multiplier based on the statewide standard for the average number of police (1.9) and firefighters (2.1) per 1,000 population. The total public safety cost in Table 5, Column B, is the sum of commercial and residential public safety costs estimated with these two methods.

Public Works; Health & Human Services. Estimated costs are based on Wayland's current expenditures per capita multiplied by the mid-point and upper-range population estimates for the project; and commercial costs on a proportional valuation analysis. The development may have little if any direct impact on Wayland's public works functions because the project will be

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<sup>3</sup> Our estimate of Wayland's current public safety deficit is approximately \$388,865, assuming the state average of 1.9 officers per 1,000 population and 2.1 career (paid) firefighters per 1,000 population. Wayland does not meet either of these standards. The total cost estimate represents 2.8 police officers (plus employee benefits) and an additional police cruiser, and 3.4 firefighters (with benefits), both multiplied by an entry-level salary assumption and a factor for supplies (see below).

<sup>4</sup> Estimated FY06 nonresidential public safety costs = \$1,479,047; FY06 nonresidential real property assessed value = \$118,743,474; ratio of project value to total nonresidential value = .33; refinement coefficient = .40.

<sup>5</sup> Employee benefits calculated at 40% salary costs; a factor for supplies was derived from Wayland's FY06 police and fire budgets (salaries x 0.08 for police, and salaries x 0.04 for fire).



responsible for road maintenance, solid waste disposal and other services. However, it will have a recurring impact on the Board of Health, which is responsible for commercial, food service and multi-family residential inspections.

Culture & Recreation. Our cost estimate assumes Wayland's existing expenditures per capita for recreation and library services and a modest addition for services used by employees of MUOD businesses (estimated on a proposal valuation basis).

Debt Service. We understand that this project will require improvements to the wastewater treatment facility (WWTF). Capital and operating costs for the WWTF are excluded from this analysis because WWTF revenue and expenditures are accounted for on an enterprise basis. We are not aware of any other capital improvement costs the Town will incur as a direct result of the MUOD.

Unclassified or Shared Costs/Employee Benefits. In consultation with the Town Administrator, we assumed 40% of wage/salary costs as a basis for estimating the Town's new municipal employee benefit expenditures. The Department of Education's Per Pupil Expenditure formula already includes a municipality's shared costs for school employees and school property. The costs are based on information the Department of Education receives in year-end reports (Schedule 19) submitted by school districts and certified by city or town finance officers. Where applicable, benefit costs are included in total amounts shown in Table 5.

## 2.5 Summary of Revenue and Expenditure Estimates

In our opinion, the MUOD will produce a favorable fiscal impact on the Town. Actual revenue from the proposed development may exceed our estimates depending on the commercial/retail tenant mix. We believe the project will not impose more demands on general fund services than the estimates presented in this report. The services most likely to be affected by the MUOD are Wayland's public safety operations, which are currently understaffed, and the Wayland Public Schools. Impacts associated with improvements to the wastewater treatment facility (WWTF) are beyond the scope of our review because the WWTF is a municipal enterprise.

Table 6: MUOD Net Fiscal Impact (Numbers Rounded)

I. Revenue		II. Expenditures	
<i>Commercial</i>		General Government	\$0
Property Taxes	\$486,000	Public Safety	\$211,900
<i>Residential</i>		Education	\$168,000
Property Taxes	\$669,000	Public Works	\$41,200
Excise Taxes	\$35,100	Health & Human Services	\$14,630
Chapter 70	\$0	Culture & Recreation	\$44,260
<i>Total Revenue</i>	\$1,190,100	<i>General Fund Total</i>	\$479,990
Surplus/(Deficit) Revenue	\$710,110	Cost-Revenue Ratio	0.40

## 2.6 Echo-Effect Growth in Population and School-Age Children

The developer expects that for the most part, the market-rate housing units in the MUOD will attract empty-nester or over-55 households. We think this is plausible. Accordingly, the Town should anticipate that approximately 20% of the market-rate units will be sold to existing Wayland households, or 15 units. Since the average number of school-age children in new housing units and older homes upon resale ranges from .90-1.11, the echo-effect or secondary fiscal impacts of the MUOD would be about \$171,500, or 16.7 students multiplied by Wayland's FY05 average per pupil cost.

## 3.0 COMPREHENSIVE PERMIT DEVELOPMENT

The developer has applied to MassHousing for Project Eligibility/Site Approval to build 200 homeownership units on the site. According to the developer's application, The Residences at Wayland Center consists of 80 three-bedroom units and 120 two-bedroom units, including 40 three-bedroom townhouses and 160 multi-family condominiums configured in three six-story buildings, with 120 two-bedroom units and 40 three-bedroom units. The cost and revenue estimates in this report are based on the developer's current plan.

In 2005, we developed a forecast of school-age children by cross-tabulating decennial census data for Wayland and surrounding communities. The results were very similar to statistics in our own multi-family database. We believe regional data make sense because the proposed project will attract local and non-local homebuyers. Moreover, Wayland does not have large, mid-rise multi-family buildings. Since the Chapter 40B project and the MUOD involve different uses, we calculated new household size and school-age children multipliers in order to estimate a household population range for The Residences at Wayland Center. The multipliers for this development are not the same as the MUOD multipliers shown in Table 3.

Table 7: Estimate of Comprehensive Permit Household Population & School-Age Children

Housing Units	# Units	Average Household Size		Average School-Age Children	
		Per Unit	Total	Per Unit	Total
Townhouses					
Market-Rate	30	3.22	96.6	0.31	9.3
Affordable	10	2.48	24.8	0.65	6.5
Condominiums					
Market-Rate					
2-Bedroom	90	2.27	204.3	0.12	10.8
3-Bedroom	30	2.46	73.8	0.19	5.7
Affordable					
2-Bedroom	30	2.26	67.8	0.33	9.9
3-Bedroom	10	2.41	24.1	0.36	3.6
Total	200		491.4		45.8

Source: Census 2000 SuperPUMA 25102; cross-tabulations by author.

### 3.1 Revenue

The developer's application to MassHousing includes assumptions about the sale prices of the market-rate and affordable housing units. When the application was prepared, the developer estimated that the affordable units would sell for \$155,000 (2-bedroom condominium) and \$166,000 (3-bedroom condominium or townhouse) and the market-rate units at \$617,500 (2-bedroom condominium), \$831,200 (3-bedroom condominium) and \$878,500 (3-bedroom townhouse). Recently the developer supplied an update of market-rate sale price assumptions, reflecting an overall average value of \$390/sq. ft. This assumption revises the sale prices for market-rate units to \$507,000 (2-bedroom condominium), \$682,500 (3-bedroom condominium) and \$713,500 (3-bedroom townhouse). The Town's appraisal consultant has supplied lower estimates for the market-rate units: \$445,000 (2-bedroom condominium), \$490,000 (3-bedroom condominium) and \$780,000 (3-bedroom townhouse). Our analysis incorporates the appraisal consultant's market-rate sale prices because in our experience, the prices more closely represent what we have seen in other comprehensive permit developments in the Boston area.

Table 8: Comprehensive Permit Estimate of Assessed Values & Revenue

Source of Revenue	# Units	Fiscal Impact Values & Other Revenue Assumptions	Developer's Updated Sale Prices (Approximate)
I. Property Taxes			
<i>Market-Rate Townhouse</i>	30	\$780,000	\$714,000
<i>Market-Rate 2-Bedroom Flat</i>	90	\$445,000	\$507,000
<i>Market-Rate 3-Bedroom Flat</i>	30	\$490,000	\$683,000
Total Assessed Value		\$78,200,000	\$87,600,000
<i>Affordable 2-Bedroom Unit</i>	30	\$153,000	\$153,000
<i>Affordable 3-Bedroom Unit</i>	20	\$166,000	\$166,000
Total Assessed Value		\$7,910,000	\$7,910,000
Grand Total	200	\$86,100,000	\$95,500,000
Property Tax Revenue		\$1,080,000	\$1,200,000
II. Excise Taxes		\$76,200	
III. Chapter 70 Aid <sup>6</sup>		\$36,400	
Total Revenue (Rounded)		\$1,192,600	

<sup>6</sup> We included Chapter 70 aid in the comprehensive permit revenue estimate because under the current Chapter 70 formula, we believe Wayland would receive a small amount of additional assistance. This is largely because of the estimated enrollment growth reflected in Table 7 and a limited amount of "echo effect growth."

### 3.2 Community Service Expenditures

We estimate the following municipal and school service costs for the comprehensive permit development. In most cases, the cost assumptions are similar to those used in the MUOD analysis. Where differences exist, they are explained in the notes to Table 9.

Table 9: Municipal & School Service Cost Estimate (Rounded)

General Fund Service	Estimated Cost
General Government	\$0
Public Safety	\$230,000
Education	\$472,000
Public Works	\$55,800
Health & Human Services	\$19,300
Culture & Recreation	\$125,000
Debt Service	\$82,900
General Fund Total	\$985,000

#### Table 9 Notes

Public Safety. See Table 5 notes for methodology used to estimate new residential public safety costs.

Culture & Recreation. Our cost estimate assumes Wayland's existing expenditures per capita for recreation and library services, and an increase in library personnel by one part-time librarian (with benefits at 40%). When we met with department heads on April 5, 2006, the library director noted that school-age population growth within walking distance of the library would most likely increase the number of children using the facility during afternoon and early evening hours. We believe this impression is reasonable and should be incorporated into a fiscal impact analysis for the project.

Debt Service. The fiscal impact estimate incorporates purchase of a 110-foot aerial ladder truck, per comments from Fire Chief Robert Loomer. We assigned 100% of the annual debt service payments for the ladder truck to The Residences of Wayland Center. We do not know of other conditions that would prompt Wayland to make such an investment, at least in the near term, except for the construction of mid-rise buildings. The debt service assumes an acquisition price of \$650,000 for the ladder truck and a 10-year repayment period, with a one-year BAN at 2.5% and nine years of permanent financing at 5%.

### 3.3 Summary of Revenue and Expenditure Estimates

Table 10: Comprehensive Permit Net Fiscal Impact (Numbers Rounded)

I. Revenue		II. Expenditures	
<i>Commercial</i>		General Government	\$0
Property Taxes	\$0	Public Safety	\$230,000
<i>Residential</i>		Education	\$472,000
Property Taxes	\$1,080,000	Public Works	\$55,800
Excise Taxes	\$76,200	Health & Human Services	\$19,300
Chapter 70	\$36,400	Culture & Recreation	\$125,000
Total Revenue	\$1,192,600	Debt Service	\$82,900
		<i>General Fund Total</i>	\$985,000
Surplus/(Deficit) Revenue	\$207,600	Cost-Revenue Ratio	0.83

### 3.4 Echo Effect Growth in Population and School-Age Children

In our experience, comprehensive permits developments comprised of townhouses and multi-family units tend to attract very few market-rate homebuyers from within the community. In addition, empty-nester or over-55 households usually do not buy or rent market-rate units in a comprehensive permit development. Up to 70% of the affordable units in the development may be reserved on a “local preference” basis for Wayland families, but in an affluent suburb it is very unlikely that there will be 35± income-eligible homebuyers already living in the town. We estimate that not more than 5% of the market-rate units and approximately 20-22% of the affordable units will be purchased by Wayland households (a total of 18 units). The echo-effect or secondary fiscal impacts of the comprehensive permit development would be about \$228,505, or 17-19 students.

## 4.0 STATE FINANCIAL INCENTIVES FOR HOUSING DEVELOPMENT

### 4.1 Chapter 40R

We were asked to comment on potential revenue the Town may receive if the property is zoned under the provisions of M.G.L. c.40R (“Chapter 40R”). Assuming DHCD determines that the site is eligible in accordance with 760 CMR 59.04, the residential density conforms to Chapter 40R requirements at 760 CMR 59.04(1)(d), and the residential uses are permitted as of right (subject to site plan review), Wayland should be eligible for a Zoning Incentive Payment of \$75,000 for the number of units proposed in the mixed-use development and \$200,000 for the number of units proposed in the comprehensive permit. The payment is based on the number of units that can be built in the Chapter 40R Overlay District minus the number of units that can be built as of right under existing zoning; in Wayland, this would apply to all of the units because currently the site is not zoned for residential development. The Zoning Incentive Payment is a one-time payment to cities and towns with DHCD-approved Chapter 40R Overlay Districts, i.e., it is a non-recurring revenue source.

In addition to the Zoning Incentive Payment, the Town would receive \$3,000 per unit upon issuance of building permits. Much like the Zoning Incentive Payment, the payment per unit applies to "Bonus Units," or units that would not have been buildable as of right under existing zoning. According to DHCD regulations, "Bonus Units" also include "units that are developed within a [Chapter 40R Overlay] District under a Comprehensive Permit issued pursuant to M.G.L. c.40B after the submission of an application to the Department under 760 CMR 59.05(2), in excess of the number of Existing Zoned Units for the same Project." Assuming that DHCD would treat all units in the mixed-use town center or the comprehensive permit as Bonus Units, Wayland would be eligible for total Bonus Unit payments of up to \$300,000 for units in the town center project and \$600,000 for units in the comprehensive permit. The Bonus Payment is a one-time, non-recurring revenue source.

The above revenue estimates assume that sufficient funds will exist in the Chapter 40R Trust Fund to make full payments to DHCD-approved communities in the future.

#### 4.2 Chapter 40S

The legislature recently enacted a companion law, M.G.L. c.40S (Chapter 141, Acts of 2005), which pledges future state revenue to offset the cost of educating children living in Chapter 40R developments. Payments under Chapter 40S would effectively increase the community's Chapter 70 (education) reimbursements. Unlike Chapter 40R payments, receipts under Chapter 40S would constitute a recurring source of revenue to the Town – if the Town qualifies for the assistance. Although Wayland may receive some additional Chapter 70 aid through Chapter 40S appropriations, we question whether the proposed projects will generate any Chapter 40S payments because they will most likely produce enough tax and other revenue to pay for the services used by residents. Under Section 2 of Chapter 40S, the state has assumed financial responsibility for making payments according to the following formula, subject to appropriation:

Total Education Costs for Eligible Students = Actual Net School Spending (Actual NSS) per student for the previous fiscal year, multiplied by the total number of students in Chapter 40R development.

minus:

Total Education Revenue for Eligible Students = the sum of (a) Chapter 40R development property tax and excise tax revenue, multiplied by the *statewide* percentage of general fund expenditures attributable to public schools, as certified by the Department of Revenue, and (b) additional Chapter 70 aid, such as foundation or minimum aid increases, if any, included in the community's Chapter 70 allocation as a direct result of new students generated by the Chapter 40R development, as certified by the Department of Education.

If the formula results in a deficit, i.e., insufficient revenue to pay for education costs, Chapter 40S authorizes a compensatory school cost reimbursement. If there is no deficit, the community is presumed to have sufficient revenue to cover the full cost of educating Chapter 40R students. Since there is currently no appropriation for Chapter 40S payments and the Wayland projects appear to have a positive revenue position (without any additional foundation or minimum aid) we assumed no Chapter 40S revenue in our analysis. Ultimately, the Town would need to furnish educational cost and revenue documentation to the state, and the Department of Revenue will determine whether Wayland is eligible for Chapter 40S payments.

# Wayland Town Center



## Fiscal & Economic Impacts Review



# Outline

- Fiscal Impact Report
  - Summary
  - Issues
- Economic Impacts
- Fiscal Impact and Land Use Policy





# Important Questions

- Fiscal Impact
  - Will the estimated net fiscal impact, or the ratio of new service costs to new revenue, be favorable or unfavorable to the town?
  - If the ratio is favorable, what is the probability that it will remain favorable over time?
  - What departments (if any) will absorb a noticeable increase in demand for services?



# Important Points

- Fiscal impact
  - Focuses on General Fund revenue & expenditures directly attributable to the project
  - Excludes enterprise fund, special revenue fund, trust fund revenue & expenditures not accounted for as General Fund activity
  - Focuses on recurring sources of revenue and ongoing expenditures

# Mixed-Use Project



## I. REVENUE

### Property Taxes

Commercial      \$486,000

Residential      \$669,000

Excise Taxes      \$35,100

Chapter 70 Aid      \$0

Total Revenue      \$1,190,100

## II. EXPENDITURES

General Government      \$0

Public Safety      \$211,900

Education      \$168,000

Public Works      \$41,200

Health & Human Services      \$14,630

Culture & Recreation      \$44,260

Debt Service      \$0

Total Service Costs      \$479,990

# Comprehensive Permit



## I. REVENUE

### Property Taxes

Commercial	\$0
Residential	\$1,080,000

Excise Taxes	\$76,200
Chapter 70 Aid	<u>\$36,400</u>
Total Revenue	\$1,192,600

## II. EXPENDITURES

General Government	\$0
Public Safety	\$230,000
Education	\$472,000
Public Works	\$55,800
Health & Human Services	\$19,300
Culture & Recreation	\$125,000
Debt Service	<u>\$82,900</u>
Total Service Costs	\$985,000



# Major Findings

- The proposed projects:
  - Should generate enough tax and other revenue to pay for their associated municipal & school service costs
  - Differ by degree of fiscal benefit
  - Will affect municipal & school services in different ways



# Key Differences-Revenue

- MUOD
  - Commercial & residential property taxes
  - Motor vehicle excise taxes
- Comprehensive Permit
  - Residential property taxes
  - Motor vehicle excise taxes
  - Modest increase in Chapter 70 aid



# Key Differences-Cost

- MUOD
  - Affects public safety more than other operations
  - Virtually all additional public safety costs attributable to commercial component
  - Direct impact on schools less pronounced: fewer housing units, developer anticipates “over-55” market





## Key Differences-Cost

- Comprehensive permit
  - Large number of three-bedroom units
  - Project affects public safety & schools
  - Some impacts on library due to increase in school-age patrons during after-school hours
  - Existing fire equipment inadequate for fire protection in mid-rise buildings (hence debt service)



## However...

- MUOD
  - Much greater likelihood of echo-effect school enrollment growth
  - Project is conceptual, tenant mix unconfirmed
  - Market-rate sale prices difficult to estimate at this stage; condo market has softened
  - If rental instead of ownership housing, revenue will drop and service costs may increase



## However...

- Comprehensive Permit
  - Market-rate sale prices also difficult to estimate
  - Household size & school-age children multipliers assume most units will be in mid-rise buildings
  - If project design changes in favor of low-rise buildings, multipliers no longer valid
  - Very little “echo effect” impact either way



# MUOD Assumptions

- Commercial
  - Weighted average for retail rents: \$27/ft
  - Office rents: \$18/ft.
  - Expense ratio: 25%
  - NOI capitalization rate: 8.5%
  - Assessed value: \$38.8M
  - Property taxes: \$486,000 (FY06 \$)



# MUOD Assumptions

- Residential
  - Market-rate sale price: \$660,000
  - Affordable sale price: \$153,000
  - Assessed value: \$53.M
  - Property taxes: \$669,000
  - MV excise tax per capita @ \$155 x estimated population (226) = \$35,100

## 40B Assumptions



- Market-rate sale prices
  - Townhouse: \$780,000
  - 2-BR Flat: \$445,000
  - 3-Br Flat: \$499,000
- Affordable sale prices
  - 2-BR: \$153,000
  - 3-BR: \$166,000
- MV Excise Tax Revenue @ \$155 x estimated population (492) = \$76,200
- Add'l Chapter 70 aid @ 7.7% Actual NSS/Student (46 students) = \$36,400



## Changes Since 2005

- Original analysis: per-capita cost methodology using Wayland's actual FY05 expenditures, adjusted for marginal cost impacts
- New analysis: more information, not only from the developer but also from the Town
  - Town Administrator expects no increase in general government expenditures for either project
  - Market assumptions for MUOD housing units

# Chapter 40R



- Zoning Incentive Payment
  - Town Center: \$75,000
  - Comprehensive Permit: \$200,000
- Bonus Unit Payments
  - Town Center: \$300,000
  - Comprehensive Permit: \$600,000





## Chapter 40R

- Site & zoning district must be approved by DHCD
- State payments represent a one-time, non-recurring revenue source
- Chapter 40S may generate some additional Chapter 70 aid, but only if project operates at a deficit as determined by statutory formula
- All payments subject to appropriation



# Issues

- Estimating commercial property values
- Variations in commercial property values over time
- Factors that affect capitalization rates
- Impact of housing “product” on sale prices & household population
- Limited research on echo-effect impacts
- Existing capacity deficits
- Phased development



## Issue #1

- Estimating commercial property values at predevelopment stage requires many assumptions
  - Actual tenant mix will determine rents
  - Actual tenant mix + rents + community demographics + perceived investment risk = actual cap rate
  - Cap rates not homogenous for a city/town, location or use class

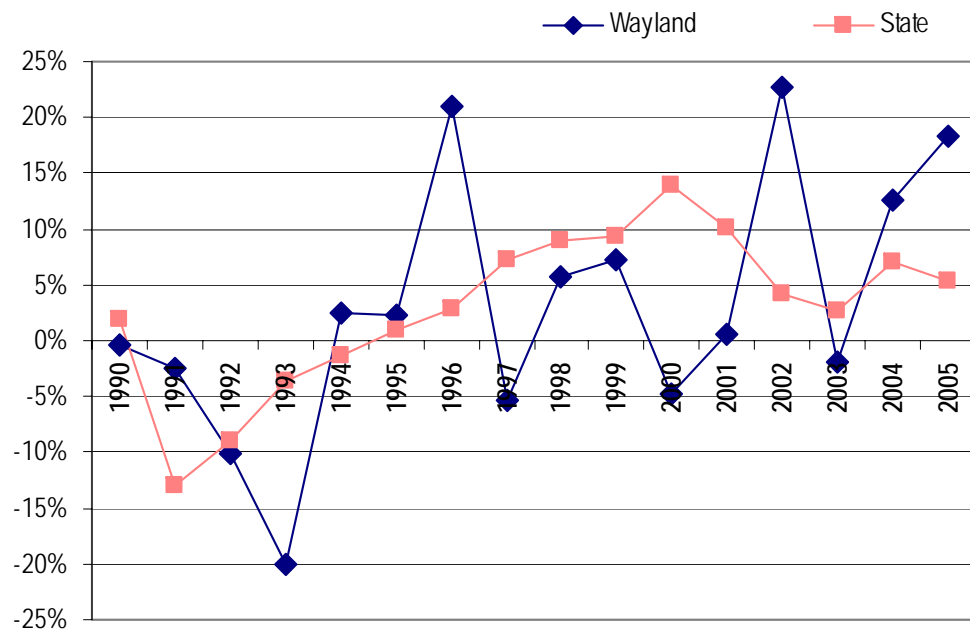
## Issue #2

- Fluctuations in commercial property values make optimistic assumptions inadvisable



CHANGE IN COMMERCIAL PROPERTY VALUES, 1990-2006

Source: Dept. of Revenue



Unadjusted dollars



## Issue #3

- Capitalization rates
  - Used to convert net operating income to market value, i.e., the amount a willing investor would pay to purchase the asset
  - Lower cap rate = higher value
  - Influenced by objective and subjective factors
  - Assessed value usually less than market value



## Issue #3

- More on capitalization rates
  - Industry literature reports cap rates currently running at historic lows – retail, multi-family
  - Interest rate changes likely to increase cap rates
  - For project with so many unknowns, assessors in other towns suggested cap rate of 8-10%
  - 8.5% higher than industry norms for Boston & many suburbs, closer to historic trends



## Issue #4

- Housing unit variables
  - Owner-occupied single-family homes & renter-occupied townhouses have largest households
  - Owner-occupied single-family homes generate more school-age children per unit than any other housing type, regardless of tenure
  - Rental 1 & 2-bedroom units generate very few children, but also much less tax revenue



## Issue #4

- Housing unit variables
  - High-end condominiums = very favorable cost-revenue ratio
  - Lower price range increases likelihood of school impacts, higher cost-revenue ratio
  - Number of bedrooms has significant impact on affordable-unit household size because families with children have so few options





## Issue #5

- “Echo Effect”
  - No research in juried publications
  - From our own database:
    - 15-22% units in suburban over-55 developments sold to existing residents
    - Comprehensive permits seem to generate very little echo-effect activity & attract very few empty-nester homebuyers



## Issue #5

- “Echo Effect” cont’d
  - Associated mainly with homeownership units
  - Echo-effect sales generate population & school enrollment growth, but new units also generate revenue and relatively few service costs
  - Fiscal impact should not be measured solely on the basis of growth in K-12 school costs because analysis must also account for additional revenue



## Issue #6

- New development not responsible for existing capacity deficits
  - Wayland currently below state and national averages for police/fire
  - Both projects will trigger public safety demands, but in different ways
  - Analysis assumes proportion of police/fire costs required to serve new population, using state police/fire averages, plus commercial demand



## Issue #6

- Deficits reflect policy choices
  - If existing police/fire staffing adequate from town's point of view, then no deficit exists regardless of state and national averages
  - In that case, our residential public safety costs are too high, but
  - MUOD commercial uses will impose demands on police department and may exceed public safety costs of Chapter 40B development



## Issue #7

- Project phasing
  - Fiscal impact estimate assumes project completion, operations in place
  - While under construction, impacts will differ
  - Phasing may be affected by:
    - Softening in commercial market
    - Continued softening in condo market
    - Saturation of over-55 market



# Economic Impacts

- Issues
  - Employment growth (by type & wages)
  - Community's capacity to absorb growth in retail sales
  - Negative effects on existing businesses can mean fiscal impact is less advantageous than it appears



## Retail Trade

- Wayland has room to absorb retail sales growth
- Current retail activity = about 22% household retail expenditures, remaining sales “leaked” to other communities
- MUOD trade area defined as radius of about 4.5 miles: Wayland and portions of Weston, Lincoln, Framingham, Natick & Sudbury



# MUOD

- Creates both opportunities & challenges for existing businesses
  - Impacts will depend on MUOD's actual tenant mix
  - In all communities, retailers make marketing, merchandising & management decisions to “reposition” in response to major economic event
  - New space may be more advantageous to some existing businesses





## Issues

- Relocation of existing businesses to MUOD means potential for vacant space; vacancy = reduced commercial property values elsewhere
- MUOD also creates opportunity to redevelop/reposition existing commercial buildings
- MUOD may cause shifts in tenancy, make-up & strength of existing commercial base, but most likely a short-term issue



# Fiscal Impact & Land Use Policy

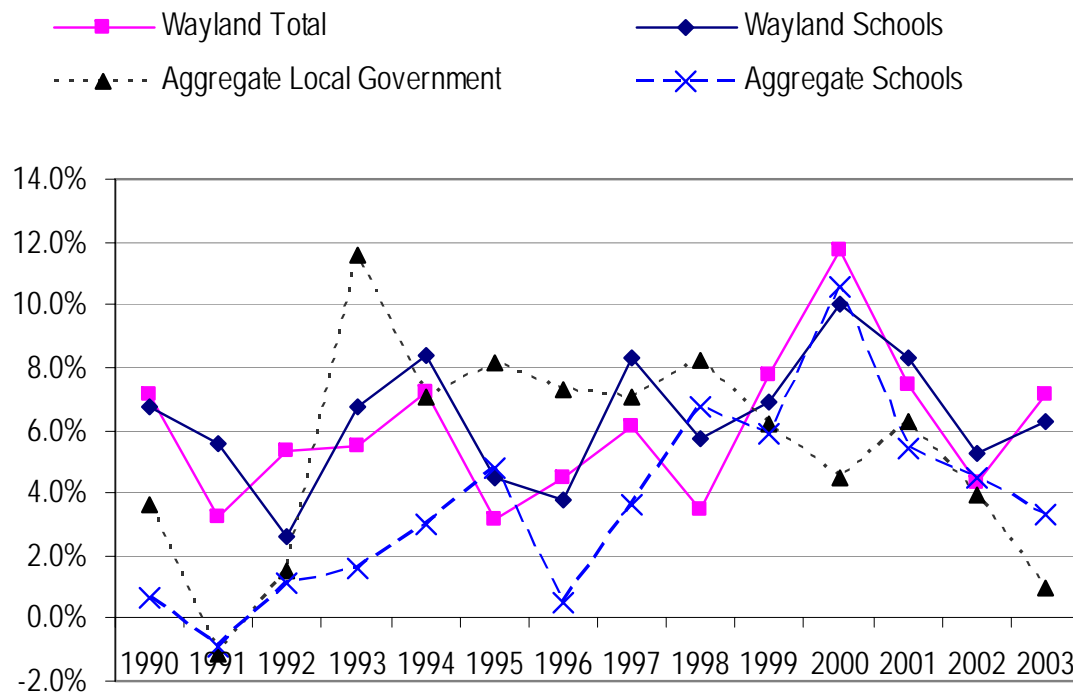
- Massachusetts communities tend to make “fiscal zoning” decisions
- “Fiscal Zoning” means basing land use policy on tax revenue or strategies to reduce service costs
  - Competition for commercial & industrial development
  - Incentives for over-55 housing

# Impetus for Fiscal Zoning



## CHANGE IN GENERAL FUND EXPENDITURES, 1990-2004

Source: Dept. of Revenue



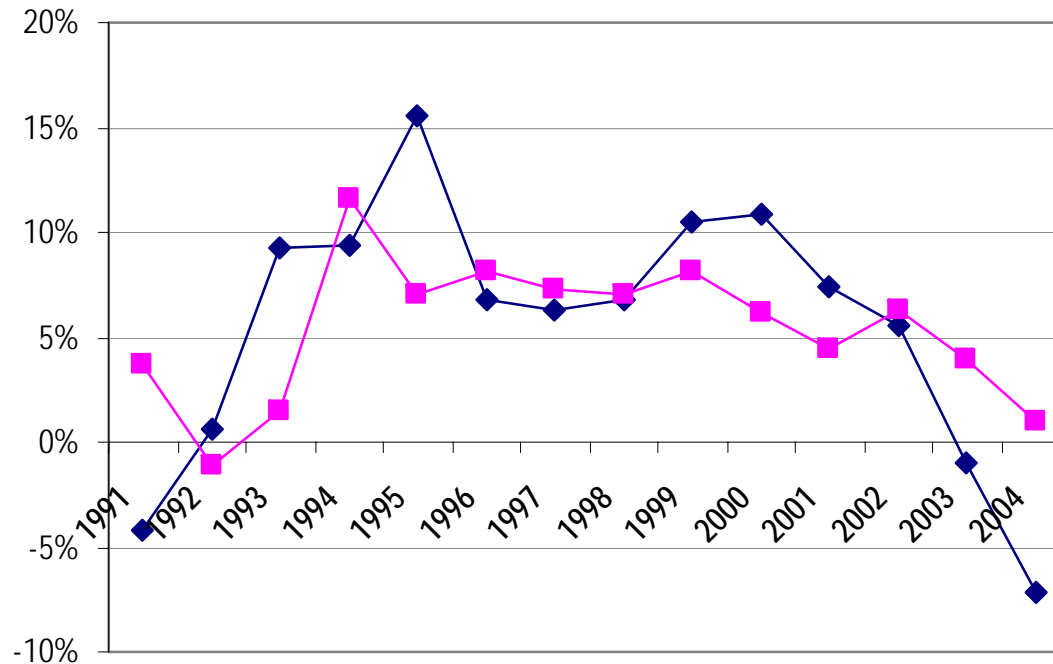
# Impetus for Fiscal Zoning



## CHANGES IN NET STATE AID, 1990-2004

Source: Dept. of Revenue

—◆— Net State Aid      —■— Aggregate Local Government Expenditures





## Final Comments

- A fiscal impact analysis depends on best available information, which may be incomplete and/or influenced by short-term conditions
- Housing development and mixed-use development offer more tax base stability than all-commercial projects
- Wayland should think positively about both options for this site

# MEMORANDUM

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TO: Larry Stabile, Chair, Wayland Planning Board  
FROM: Judi Barrett, Community Opportunities Group, Inc.  
RE: Wayland Business Center Redevelopment Project  
DATE: August 30, 2005  
CC: Joe Laydon, Town Planner

You have requested my comments on a revised proposal from KGI Properties, LLC, for redevelopment of the former Wayland Business Center property. While the new plan retains mixed-use elements, it is smaller than the original submission and it excludes commercial office space. Table 1 summarizes the original and revised concept plans by gross square feet of space devoted to each proposed use.

Table 1: Comparison of Original and Revised Town Center Proposals

Use Class	Original Proposal Square Feet (Est.) <sup>1</sup>	Revised Proposal Square Feet (Est.) <sup>2</sup>
Commercial/Retail	308,000	225,000
Offices	40,000	0
Residential	150,000	180,000
Municipal	<u>40,000</u>	<u>40,000</u>
Total	538,000	445,000

Under the proposed alternative scenario, the Wayland Town Center project will most likely result in the following local impacts:

- Gross property tax and other revenue of about \$1.5 million. Actual revenue may vary depending on the size and configuration of the dwelling units; larger, luxury units can be expected to generate higher assessed values while smaller flats will generate somewhat lower assessed values.<sup>3</sup>
- New demands for local government services at a cost of about \$822,000. The estimated cost-revenue ratio for the development is .54, for a net revenue surplus per year (in current dollars) of \$714,000. This estimate is very similar to Wayland's existing cost-revenue ratio for

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<sup>1</sup> Frank Doherty, KGI Properties, to Judi Barrett, 23 May 2005. Residential square feet based on estimate supplied by another member of the project review team, i.e., 1,500 square feet per unit. The original proposal contemplated 100 dwelling units.

<sup>2</sup> Frank Doherty, KGI Properties, to Wayland Planning Board, 24 August 2005. For purposes of Table 1, residential square feet maintains the previous unit size assumptions.

<sup>3</sup> My analysis assumes 12 affordable units, or 10% of 120, with an average assessed value of \$180,000. The maximum affordable purchase price may be higher, but the monthly condominium association fee could have a significant impact on the actual affordable purchase price.

nonresidential land uses (.55). As I stated in my previous report, public safety (mainly police) and the Wayland Public Schools will absorb most of the growth in community service costs. Table 2 provides a breakdown of the estimated distribution of additional service costs that can be expected to occur as a result of this project.

Table 2: Estimated Additional Cost of Services by Service Category

Type of Local Government Service	New Cost
General Government	\$19,376
Public Safety	\$149,171
Public Works	\$22,737
Health & Human Services	\$7,102
Culture & Recreation	\$32,636
Debt Service	\$81,855
Fixed Costs/Other	\$123,576
General Fund Sub-total	\$436,453
Schools	<u>\$385,668</u>
TOTAL	<u>\$822,121</u>

*Note: this is an estimated distribution of new costs associated with the proposed project. Actual costs may vary somewhat depending on budget policy preferences of the selectmen and town administrator, and decisions made by town meeting. Viewed in its entirety, however, the estimate reasonably captures the total cost impact of the developer's proposal.*

I have not had an opportunity to revisit the economic impacts analysis that I prepared for the developer's original submission. However, based on the findings I reported to you on August 12, 2005, I believe the reduction in space devoted to retail uses is a wise move that will benefit the project and the Town. As you know, I expressed some concern about the amount of retail sales that would have to be captured in order to sustain 308,000 square feet of retail and restaurant uses. While Wayland clearly has capacity to support retail growth, the trade area for the developer's project is fairly small. Unless the development includes a destination restaurant or another type of destination use, the businesses that locate here will most likely serve a trade area confined to the town itself and limited portions of adjacent communities. In my opinion, the project would also benefit from a modest increase in the proposed number of housing units because the resulting foot traffic will provide more opportunities to diversify the retail mix on this site.

If you would like me to update the economic impact tables in my first report, please let me know.

# MEMORANDUM

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TO: Larry Stabile, Chair, Wayland Planning Board  
FROM: Judi Barrett, Community Opportunities Group, Inc.  
RE: Wayland Business Center Redevelopment Project  
DATE: September 16, 2005  
CC: Joe Laydon, Town Planner

At Joe Laydon's request, I am submitting an amended memorandum on the fiscal impact of the proposed Town Center development. When I supplied comments to you on August 30, 2005, I was under the impression that the project would include 12 affordable housing units. However, I have since learned that KGI's plan includes 20 affordable units. In addition, I understand that KGI is proposing somewhat larger condominiums (in floor area) and in Wayland's market, this change makes sense. While it may have no impact on the number of school-age children in the market-rate units, in my experience it will most likely result in more school-age children in the affordable units even if all of the condominiums in the project are limited to two bedrooms. Accordingly, I have had to adjust the base multipliers used to estimate new school students generated by the proposed development.

Table 1 summarizes the original and revised concept plans by gross square feet of space devoted to each proposed use.

Table 1: Comparison of Original and Revised Town Center Proposals

Use Class	Original Proposal Square Feet (Est.) <sup>1</sup>	Revised Proposal Square Feet (Est.) <sup>2</sup>
Commercial/Retail	308,000	200,000
Offices	40,000	0
Residential	150,000	210,000
Municipal	<u>40,000</u>	<u>40,000</u>
Total	538,000	450,000

Under the proposed scenario, my estimate of the Wayland Town Center project's fiscal impact is as follows:

- Gross property tax and other revenue of about \$1.4 million. Actual revenue may vary depending on the size and configuration of the dwelling units; larger, luxury units can be

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<sup>1</sup> Frank Doherty, KGI Properties, to Judi Barrett, 23 May 2005. Residential square feet based on estimate supplied by another member of the project review team, i.e., 1,500 square feet per unit. The original proposal contemplated 100 dwelling units.

<sup>2</sup> Frank Doherty, KGI Properties, to Wayland Planning Board, 24 August 2005; and Joe Laydon, Town of Wayland, to Judi Barrett, 30 August 2005. The condominium unit floor area has been increased from an average of 1,500 to 1,750 square feet.



expected to generate higher assessed values while smaller flats will generate somewhat lower assessed values.<sup>3</sup>

- New demands for local government services at a cost of about \$878,497. The estimated cost-revenue ratio for the development is .61, for a net revenue surplus per year (in current dollars) of \$559,393. Again, public safety (mainly police) and the Wayland Public Schools will absorb most of the growth in community service costs. Table 2 provides a breakdown of the estimated distribution of additional service costs that can be expected to occur as a result of this project.

Table 2: Estimated Additional Cost of Services by Service Category

Type of Local Government Service	New Cost
General Government	\$30,079
Public Safety	\$122,730
Public Works	\$40,755
Health & Human Services	\$7,102
Culture & Recreation	\$32,636
Debt Service	\$81,360
Fixed Costs/Other	\$111,882
General Fund Sub-total	\$426,543
Schools	<u>\$451,955</u>
TOTAL	<u>\$878,497</u>

*Note: this is an estimated distribution of new costs associated with the proposed project. Actual costs may vary somewhat depending on budget policy preferences of the selectmen and town administrator, and decisions made by town meeting. Viewed in its entirety, however, the estimate reasonably captures the total cost impact of the developer's proposal.*

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<sup>3</sup> This analysis assumes 20 affordable units with an average assessed value of \$180,000. However, condominium fees and interest rates in effect when the units are available for purchase could have a significant impact on the actual affordable purchase price.

# MEMORANDUM

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TO: Joe Laydon, Town Planner  
FROM: Judi Barrett, Community Opportunities Group, Inc.  
RE: Wayland Business Center Redevelopment Project  
DATE: September 20, 2005

This is in response to your inquiry about affordable condominiums in the proposed Town Center project. If the Town requires the applicant to provide 30 affordable units, the fiscal impact of the development will be approximately as follows:

- Gross property tax and other revenue of \$1,357,415. This assumes a maximum purchase price of \$180,000 for an affordable unit.
- New municipal and school service costs of \$911,641.

General Government	\$30,079
Public Safety	\$122,730
Public Works	\$40,755
Health & Human Services	\$7,102
Culture & Recreation	\$32,636
Debt Service	\$81,360
Fixed Costs/Other	\$111,882
Schools	<u>\$485,098</u>
TOTAL	\$911,641

- The estimated cost-revenue ratio for the development is .67, for a net revenue surplus per year (in current dollars) of \$445,774.