The background of the page is a faded, sepia-toned photograph of a multi-story brick building. The most prominent feature is a clock tower on the left side of the building, which has a decorative top and two visible clock faces. In the foreground, a street sign on a pole reads "CLOCK TOWER PLACE" and "Main Street". Below the sign is a "NO PARKING ON BRIDGE" sign. A street lamp is also visible. The overall image is semi-transparent, allowing the text to be overlaid clearly.

Fiscal and Economic Impact Analysis

CLOCK TOWER PLACE

A review of proposed zoning amendments to allow residential and other uses in the Health Care/Industrial District.

**Prepared for:
Maynard Planning Board**

**By:
Community Opportunities Group, Inc.**

October 20, 2011

CONCLUSIONS & RECOMMENDATIONS

Wellesley/Rosewood Maynard Mills, L.P. (W/RMM), owners of Clock Tower Place, want zoning that is more flexible so they can develop residential, retail, and restaurant uses on their property - uses that are currently prohibited in the Health Care/Industrial District (HCID). If the Town approves the requested zoning changes and W/RMM moves forward with plans to redevelop existing vacant space, the following outcomes will most likely occur:

- Three hundred one-bedroom units designed as multi-family housing or extended-stay hotel units will cater primarily to young workers in the Greater Boston area, including young workers employed by companies at Clock Tower Place. Since all of the units will be restricted to one-bedroom floor plans, there will be few if any school-age children living in the Clock Tower Place compound. Our estimate: six children.
- The Town's cost to serve residents at Clock Tower Place would range approximately \$247,600 to \$315,600, depending on the number of school-age children living on the property at any given time.
- Residential development at Clock Tower Place would generate anywhere from \$372,350 to \$593,130 in property tax revenue per year, depending on the number of units occupied as housing and the number occupied as extended-stay (commercial) space. These figures represent real estate taxes only. The Town may realize as much as \$25,000 more from motor vehicle excise tax receipts, but we have not included excise taxes in our analysis. The actual amount of excise tax revenue, if any, will depend in part on the number of units occupied for residential purposes.
- Providing for retail and restaurant space at 10 percent and 4 percent (respectively) of the total floor area at Clock Tower Place will help to preserve a competitive environment for existing businesses and still give W/RMM some options to make the facility as attractive as possible for new tenants. For purposes of this report, we have not assumed *any* net revenue from commercial development on this property. We think food service and retail lease-ups could take a considerable amount of time, and the Town should not count on them to offset the cost to serve residential uses at Clock Tower Place. Those uses need to stand alone - and they can.

RECOMMENDATIONS:

- Consult with Town Counsel about options for instituting a false alarm bylaw, with service fees and fines, in order to reduce the incidence of false alarms and the time they require from the Police Department; or negotiate appropriate mitigation and add it to the Development Agreement.
- Limit the number of multi-family, garden-style or extended-stay units to 30 percent of the floor area in the HCID (Clock Tower Place) or 300 units, whichever is less, in addition to limiting the units to one bedroom; add text to accomplish this end to the Development Agreement.
- Do not prohibit loft space in one-bedroom units. The lofts will make the units more valuable, with little if any increase in municipal service costs.

- Work with W/RMM to develop effective ways to link future residents of the mills with downtown businesses, e.g., an appropriate wayfinding system between Clock Tower Place and downtown-area businesses.

INTRODUCTION

Clock Tower Place is a large, historic mill complex located along the Assabet River in Downtown Maynard. Composed of some thirteen buildings with a combined total of 1.1 million sq. ft. of floor area, Clock Tower Place is a remarkable reinvention of a facility that once served as Digital Equipment Corporation's (DEC) headquarters and previously as a woolen manufacturing company. Its sheer size, downtown location, and historical significance as a regional employment center make Clock Tower Place vitally important to Maynard's economy and tax base.

Wellesley/Rosewood Maynard Mills, L.P. (W/RMM) purchased the mill complex in 1998. At the time, the property lay nearly vacant. The company that acquired it from DEC three years before had been unable to redevelop the site as a continuing care retirement facility with assisted living units and senior support services, so the complex went back on the market. Agreements beneficial both to W/RMM and the Town helped to facilitate a different redevelopment plan, this time for an office park. Until a few years ago, Clock Tower Place could boast a vacancy rate of <10 percent and a wide mix of tenants. However, the foreclosure crisis, the recession, industry contractions, business closures, and rising unemployment have collectively undermined the Boston office market. Today, the Greater Boston area has many vacant and underutilized office buildings and a suburban office vacancy rate of 20.7 percent.¹ At Clock Tower Place, the mill buildings have a combined vacancy rate of approximately 30 percent,² and on average, the existing tenants have less than two years left under their current leases. Most of W/RMM's existing tenants will probably renew their Clock Tower Place leases, but some have already begun to relocate and others will follow, depending on their space and location needs and the deals they can find elsewhere in the Boston metro office market. Throughout the region, property owners are offering very attractive incentives and concessions in an effort to lure new tenants. Like other investor owners, W/RMM has to compete to keep the tenants it has and attract new tenants, too.

PROPOSED ZONING AMENDMENTS

An office park is a real estate product that has to compete with other parks for tenants. While commonly understood factors such as rents, location, parking, and security play a major role in a tenant's choice of office parks, other not-so-obvious factors come into play as well. On-site amenities and services for business owners and their employees – coffee shops, a central cafeteria, restaurants, fitness centers, banks, and day care centers – are an expected part of the package in desirable office parks today, but tenants want even more - and they don't have to look very far to find what they want. Conference facilities with overnight accommodations, extended-stay hotels, theatres, and personal services such as dry cleaners,

¹ Colliers International, *Greater Boston Market Viewpoint* (Q4 2010): 6, and Jones Lang LaSalle, 495/North Office, *Pulse* (Q2 2011): 1.

² Joseph Mullin, Wellesley Management Co., Sept. 19, 2011.

tailors, and hair salons, along with retail shops, car washes, central mail and delivery facilities, recycling centers, and other conveniences have made their way into business parks in order to satisfy (and keep) tenants. In addition, business tenants want easy access to off-site shopping, recreation, entertainment, and health care services, so the amenities available within a few miles of an office park play a large role in a development's marketability, too.

Although Clock Tower Place has some of these amenities and services, the missing pieces are important. Most office parks in the Boston/Route 128/Route 2 area - Framingham, Waltham, Newton, Wellesley, Concord, and Burlington, in addition to Boston and Cambridge - offer the same or more on-site services and many more off-site amenities as well. Hoping to keep Clock Tower Place a profitable endeavor, W/RMM approached the Town about changing the Zoning By-law to allow a wider range of uses in the Health Care/Industrial District (HCID), which includes most of the Clock Tower Place property. Specifically, the proposed amendments would provide for the following uses as of right:

- Multi-family or garden-style units
- Live-work units
- Retail stores
- Supermarket
- Personal service establishments
- Restaurants
- Brewery with ancillary food service
- Printing shop
- Hotel, motel, extended-stay accommodations

Except for personal service establishments, currently allowed by special permit, all of these uses are expressly prohibited in the HCID or they do not appear in the existing Table of Uses.

The proposed zoning amendments include a new Sec. 9.6, which restricts the amount of floor space that can be allocated to these uses. The floor area limits seek to accomplish at least two objectives: (1) to preserve as much of Clock Tower Place as possible for the kinds of businesses contemplated several years ago when W/RMM bought the property, and (2) to discourage direct competition with Maynard's existing small retail and restaurant businesses. Under the floor area caps, as much as 64 percent of the space at Clock Tower Place could be used for purposes other than the office, industrial, and health care uses for which the property can be developed today.

Use	Aggregate Floor Area Cap (Maximum)	Floor Area Minimum per Use	Floor Area Maximum per Use	Notes
Multi-family, extended stay, live/work units	50%	N/A	N/A	See Development Agreement, below.
Retail, personal service	10%	10,000 sq. ft.	50,000 sq. ft.	Reduced from 15% on 10/20/11
Supermarket		20,000 sq. ft.	N/A	
Restaurant	4%	5,000 sq. ft.	N/A	Reduced from 10% on 10/20/11

Town of Maynard, October 2011.

Development Agreement

In addition to zoning amendments, the Town and W/RMM have been negotiating a Development Agreement, which imposes additional limits on Clock Tower Place. For example, multi-family or extended-stay units would be limited in size to one bedroom. Presumably the Town wanted a bedroom restriction in order to control the impact of residential uses on the Maynard Public Schools. The Development Agreement also requires W/RMM to pay for planning, permitting, design, and construction (if not otherwise funded by the state) of off-site and site access traffic improvements and mitigation. Finally, it obligates W/RMM to incorporate water reclamation features (for stormwater management purposes) into the design of any new buildings on the site and to pay for certain sewer studies if the Town grants a special permit for new construction.³

KEY ISSUES

There are potential conflicts between the owner's hopes for Clock Tower Place, the Town's land use policies, and public perceptions of housing as an inherent fiscal "negative." All but a small portion of the property is located in the HCID, which provides for office, research, and manufacturing uses as well as elderly housing, health care, and "medically assisted housing," or assisted living units. Due to the region's weak office market, W/RMM wants to make space at Clock Tower Place usable for other purposes, including housing that can double as "extended-stay" hotel units depending on market demand. People in Maynard seem to disagree about whether the inclusion of housing at Clock Tower Place is consistent or inconsistent with the Town's recent plans. Nevertheless, office market trends in Eastern Massachusetts support the owners' view that without more flexible use regulations, Clock Tower Place will probably have more vacant space in the near future. The higher the vacancy rate, the lower the property's taxable value.

The owner's proposal involves some "unknowns" that make a fiscal impact analysis challenging at this stage of the development process. It is one thing to have the right to develop 110,000 sq. ft. of retail floor area and quite another to lure enough retail tenants in the 10,000 - 50,000 sq. ft. category to fill the space. If the zoning passes and W/RMM proceeds to construct 300 multi-family/extended-stay units at Clock Tower Place, the fiscal impact of the units could vary significantly depending on the actual purposes they serve. Maynard is one of 107 communities in Massachusetts with a split tax rate: the practice of shifting some of the tax burden from residential to commercial and industrial taxpayers.⁴ If the units are leased and occupied for residential purposes, the applicable tax rate would be Maynard's residential rate. However, if the units are occupied on an extended-stay basis (transient quarters), they would be subject to the Town's commercial tax rate and they may generate room occupancy excise tax revenue at the applicable local rate.⁵

³ "Development Agreement," Draft 3, Oct. 18, 2011.

⁴ Massachusetts Department of Revenue (DOR), Division of Local Services, "CIP Shift and Amounts Shifted, FY 2011," *Municipal Data Bank*, <http://www.dls.state.ma.us/mdm.htm>.

⁵ The room occupancy excise tax is authorized under G.L. c. 64G, which provides for a tax on payments by transient overnight guests occupying rooms in a bed and breakfast, hotel, motel, or lodging house for a period of ninety days or less. The law requires operators of covered facilities to collect a 5.7 percent tax for the state and a local room occupancy excise tax of up to 6.5 percent, at the discretion of cities and towns. Whether extended-stay hotel rooms will generate room occupancy tax receipts depends on how they are leased.

Based on information we received from the Town, the demographic and market data we collected and analyzed for this report, and our review of mixed-use proposals in other communities, we think there are three core questions that Maynard should focus on as it considers W/RMM's request. The first two questions are primarily fiscal impact questions and the third involves the project's economic impact:

- 1) Will residential uses have a negative impact on the Maynard Public Schools?
- 2) Will the mix of uses cause Clock Tower Place to place more demands on Maynard's public safety personnel than it does today, and if so, can the additional demands be offset with development-generated revenues?
- 3) How will residential, retail, and food service uses at Clock Tower Place affect Maynard's economy?

Commercial and industrial land uses currently account for about 7.4 percent of Maynard's General Fund expenditures, yet the same land uses comprise 14.5 percent of Maynard's total assessed value and generate 21 percent of the tax levy.

FISCAL & ECONOMIC IMPACT

Maynard wants to know if the zoning changes sought by W/RMM will have a positive or negative fiscal impact on the town. But what does "fiscal impact" actually mean?

The goal of a fiscal impact analysis is to determine whether a community's tax rate will increase or decrease as a *direct result* of new real estate development. The fiscal impact of a project is expressed as a ratio of service costs to revenue, known simply as a *revenue ratio*. To fiscal impact practitioners, a land use is "revenue positive" if it generates more revenue than the cost of services used by its residents or businesses. All other things being equal, a revenue positive land use would help to lower the tax rate. For example, a revenue ratio of 0.47 for a given land use means that for every dollar of revenue it generates, the community spends 47 cents to provide it with services – meaning the use is revenue positive by 53 cents per dollar. A "revenue neutral" land use represents the break-even point, and a "revenue negative" land use costs more to serve than the amount of revenue it produces. Again, all other things being equal, a revenue negative land use would cause the tax rate to increase.

A fiscal impact analyst typically begins by determining the amount of *General Fund revenue* that various land uses generate and the community's *General Fund expenditures* to serve those land uses. The existing conditions assessment is critical because in most cases, fiscal impact studies have to rely on known land use and municipal finance conditions in order to predict the unknown outcome of a future event: a proposed development, such as a change in the mix of uses at Clock Tower Place. Since communities differ in so many respects, estimating the fiscal impact of new development should start with procedures for "assigning" existing service costs to existing land uses. There are a few ways to do this, but the choice of methodology depends on the mix of land uses and the amount of financial data available for a given fiscal impact study. Since the revenue ratio for new development usually differs from the ratio for redeveloping and reusing established properties, the type of project must be taken into account as well.

Caveats

Local government's dependence on property taxes makes fiscal impact analysis a popular tool for development review. However, fiscal impact analysis is not confined to a single "tool." There are several fiscal impact models in use today, developed variously by though for the most part they produce similar results. Since all of the models have some built-in weaknesses, fiscal impact studies need to be used cautiously. For example, most models do not account for financial or capacity weaknesses that may exist in a community today, yet these problems partially determine the real fiscal impact of new growth. In addition, all fiscal impact models rely on present costs and revenues to forecast the fiscal outcome of a future event, but unforeseen conditions can make fiscally advantageous projects somewhat less positive over time. Changes in federalism, local aid policies, and the economy are examples of conditions that affect the long-term fiscal impact of any land use. In general, *the revenue ratio tells us whether a given land use tends to produce net (surplus) revenue or a deficit*. The ratio may fluctuate, but a fiscally positive land use tends to remain positive even if the proportional relationship between costs and revenue shifts over time.

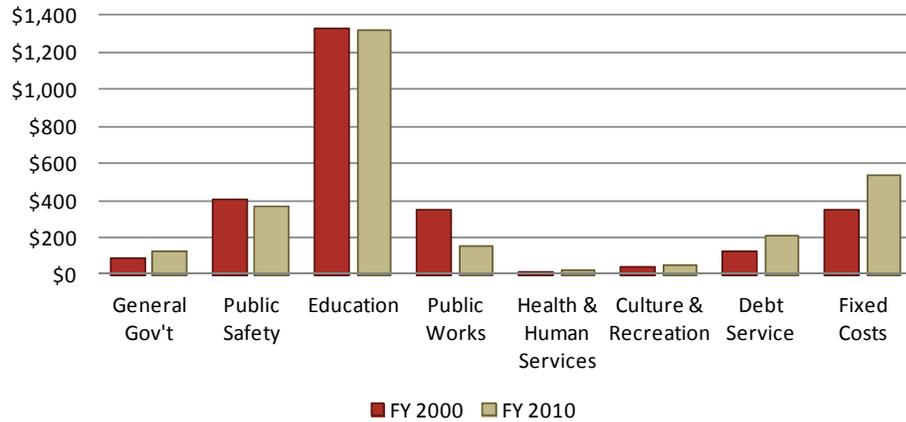
Another consideration is that our service cost estimates may not materialize as actual changes in spending. Our task is to identify and quantify the impact of Clock Tower Place on municipal and school services, but we do not control decisions that Maynard's local officials and town meeting will make later, as Clock Tower Place continues to evolve. To refine and update our fiscal impact assumptions, we often do a post-construction and occupancy assessment of projects that we reviewed during the permitting phase. On balance we have found that our forecasts of community service demands were quite accurate. In some cases, the communities allocated their new revenue to the departments most affected by a project. In other cases, however, the public safety demands we predicted did materialize, but the communities declined to increase public safety funding even though there was enough development-generated revenue to mitigate the impact on police and fire services. Cities and towns make appropriation decisions based on local policies and priorities, not on estimates and projections reported by fiscal impact analysts.

A final consideration is that in all communities, operating costs increase even without population and household growth or new commercial development. The best example of this is the rapid acceleration in shared or "fixed" costs such as employee health insurance during the past decade. From Fiscal Year (FY) 2000 through FY 2010, Maynard's total general fund operating expenditures increased at an average annual rate of one percent per capita, in constant 2010 dollars. However, fixed costs increased at an average annual rate of about five percent per capita.⁶

⁶ Massachusetts Department of Revenue (DOR), "General Fund Expenditures," 1987-2010, Municipal Data Bank, <http://www.dls.state.ma.us/mdm.htm>, and Community Opportunities Group, Inc.

**Town of Maynard, Massachusetts
 Local Government Expenditures Per Capita, 2000-2010
 (2010 Constant Dollars)**

(Source: Dept. of Revenue, Community Opportunities Group, Inc.)



Economic Impact

An economic impact analysis measures the effects of an economic "event" on the structure, size, and make-up of the local or regional economy. The effects are typically expressed as direct employment and wage projections, indirect employment that occurs when a new business purchases goods and services from other businesses, and induced employment generated by the consumer spending of a new business's employees. The "multiplier" effect of wage growth is important, for job creation alone does not always lead to significant economic gains for a community or region. An entity that creates a large number of lower-wage jobs may not generate as many lasting benefits as another entity that creates a modest number of high-wage jobs. Accordingly, the analyst of a proposed commercial development considers both the total number of new jobs and the wages they will pay, recognizing that the "multiplier" value of high-wage employment is greater than that of low-wage employment. The economic impact of local and regional employment and wage growth also affects state revenues, e.g., an increase in income and sales taxes, but for our purposes we have focused on local and regional impact.

Though related concepts, fiscal impact and economic impact are not the same. One centers on the costs and benefits for community services and the other on the size, structure, growth potential, and durability of the economy. Both matter, but they have to be evaluated separately. Sometimes, they are fairly inconsistent. For example, the net revenue from a shopping center may be very desirable to local officials, but the job creation benefits would probably be small (and could even be negative). This is because a majority of the new jobs would be in lower-wage retail and food service businesses.

CORE QUESTIONS

IMPACT ON PUBLIC SCHOOLS

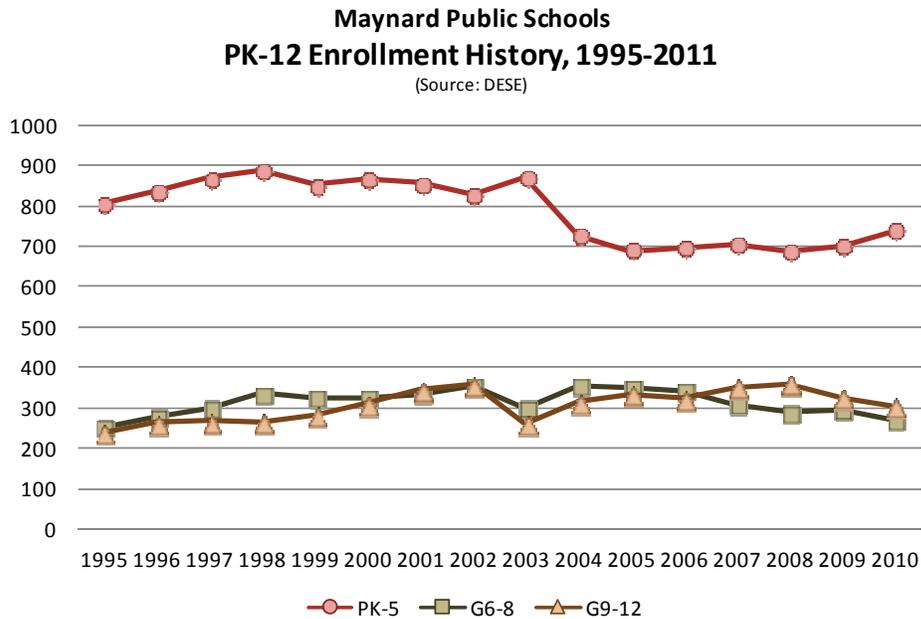
On Sept. 29, 2011, the Maynard Planning Board conducted a workshop meeting about the zoning proposals on the Special Town Meeting warrant, notably the changes proposed for Clock Tower Place. The proponent's presentation triggered some questions because what W/RMM has in mind for Clock Tower Place differs from what the HCID zoning

amendments say. The most important difference is that W/RMM has described converting up to 300,000 sq. ft. to residential uses, but the zoning amendment would allow as much as 550,000 sq. ft. for these uses. Through the Development Agreement, the owners have committed to limiting all of the residential space to one-bedroom units, which should go far to alleviate concerns about an adverse impact on the Maynard public schools.

Maynard Public Schools

Maynard operates a local K-12 district with a present enrollment of 1,321 students in three school buildings.⁷ The Town is currently building a new high school which, upon completion (est. August 2013), will house grades 8-12. As a participant in the Massachusetts School Choice Program, Maynard sends approximately seventy-eight of its own children to other school districts in the region and accepts about thirty students from other schools, too. The 1,321 PK-12 enrollment includes School Choice students attending school in Maynard but excludes Maynard students attend school elsewhere. The local PK-12 enrollment count also excludes children attending Minuteman Regional vocational-technical school, local and regional private schools, and special needs programs. Of the 1,321 students in Maynard this year, 517 attend the Green Meadow school (grades PK-3), 504 attend the Fowler school (grades 4-8), and the remaining 310 students attend Maynard High School (grades 9-12).

According to the Massachusetts Department of Elementary and Secondary Education (DESE) and the Maynard Public Schools, local enrollments have dropped by approximately 100 students over the past ten years. By 2020, the district's PK-12 enrollment is expected to reach 1,365 students.⁸



⁷ Peter DiCicco, Business Office, Maynard Public Schools, Oct. 12, 2010.

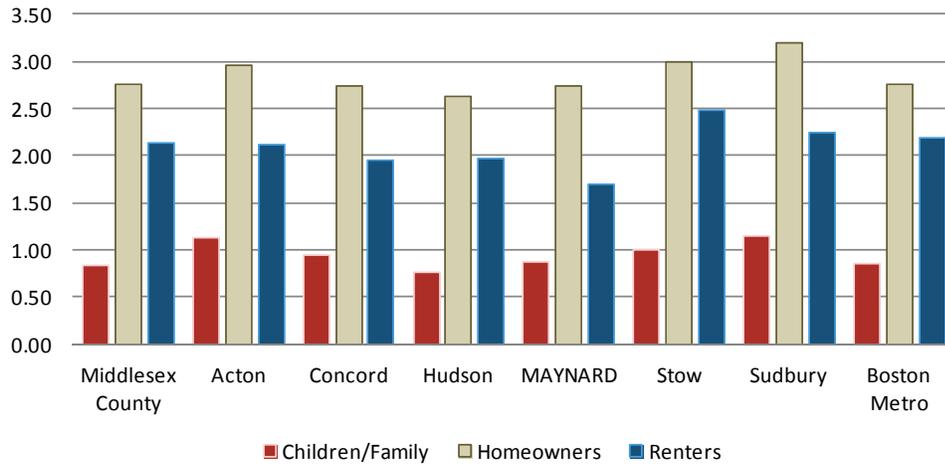
⁸ New England School Development Council (NESDC), "Maynard, MA Projected Enrollment," March 3, 2011.

New School-Age Children

People often assume that new apartments will attract scores of families with children and the school budget will skyrocket accordingly. We find this even in communities with multi-family developments that have few if any children. Analysts can arrive in a community equipped with data and case studies that indicate the contrary, and people will still argue that multi-family housing is the straw that threatens to break the school district’s back. In fact, the experience throughout Eastern Massachusetts is that unlike older rental housing developments, the new projects have strikingly few school-age children. If one looks closely at key characteristics of the state’s recently built apartments, the absence of children is not very surprising: in most cases, the projects have been designed to discourage family occupancy. Developments limited to one- and two-bedroom units, with little if any open space and no on-site play areas, and buildings mixed with professional and business offices and customers coming and going all day long, do not appeal to families.

The matter of school-age children and school enrollments needs to be addressed at the outset of this review because if Maynard officials and residents dismiss our estimates, the rest of the Clock Tower Place analysis is moot.

Town of Maynard, Massachusetts
Average Children Per Family and
Average Household Sizes: Homeowners and Renters
 Source: American Community Survey



At least three studies of multi-family housing and school-age children have been published in Massachusetts over the past several years. One study relied on outdated federal census data,⁹ and two studies relied upon federal data from two sources – the most recent decennial

⁹ All three studies were prepared for the Citizens Housing and Planning Association (CHAPA). The studies include Robert Nakosteen, James Palma, et al., *The Fiscal Impact of New Housing Development in Massachusetts: A Critical Analysis* (February 2003); Community Opportunities Group, Inc., *Housing the Commonwealth’s School-Age Children* (September 2004); and University of Massachusetts Donohue Institute, *The Fiscal Impact of Mixed-Income Housing Developments on Massachusetts Municipalities: A Report for Citizens’ Housing and Planning Association* (May 2007).

census and the Census Bureau/HUD American Housing Survey¹⁰ – as well as information obtained directly from school districts and rental housing property managers. In addition, our firm has been tracking enrollment statistics in thirty-two multi-family developments in Eastern Massachusetts since 2003. The average number of children per unit in developments with three-bedroom units has increased somewhat in the past few years, probably because of the housing market. However, the average number of children per unit in dense developments with one- and two-bedroom units has remained stable and in some communities, it has declined. This applies to all types of communities, too, from very affluent towns with prestigious schools to middle-income, maturely developed suburbs and small cities.

Our findings are very similar to statistics derived from the Census Bureau's new American Community Survey (ACS), which reports virtually no school-age children in one-bedroom units and very few in two-bedroom multi-family units. Some general findings can be gleaned from all of these sources:

- 1) Households in new multifamily housing are quite different from their counterparts in older multi-family developments. The differences range from household size and composition to household income and employment characteristics. A key factor separating new from old developments is that the former are frequently designed to cater to childless households.
- 2) The number of school-age children in new multi-family housing is driven primarily by the size of the dwelling units (number of bedrooms) and whether the units are subject to age restrictions. For non-age-restricted housing, three-bedroom units almost always attract families with children, including school-age children; two-bedroom units attract a mixed population, including some families with school-age children; and one-bedroom units rarely have dependent children, especially older children. When school-age children do occupy a one-bedroom unit, it is usually due to an emergency or short-term condition.

In addition to unit sizes, new multi-family developments have a greater or lesser tendency to attract families based on:

- 1) **Location.** Multi-family developments built next to schools, playgrounds, open space, or single-family home neighborhoods tend to have more school students than developments in isolated areas or on the edge of industrial parks, in commercial centers, or near highway interchanges.

¹⁰ The American Housing Survey (AHS) is conducted by the Bureau of the Census for the U.S. Department of Housing and Urban Development (HUD) between federal census periods. Initiated in 1973, the AHS provides detailed housing and household characteristics for all metropolitan areas in the U.S., roughly in six-year intervals. The most recent AHS report for the Boston metro area is based on samples taken in 2007. See U.S. Department of Commerce, Bureau of the Census, American Housing Survey for the Boston Metropolitan Area: 2007, Current Housing Reports H170/07-3, February 2009. Data sets available for use by analysts may be found at HUD Office of Policy Development and Research (PD&R), <http://www.huduser.org/DATASETS/ahs.html>.

- 2) **Density.** Higher-density developments tend to have fewer children of any age than lower-density developments. However, this seems to correlate with unit size because very high-density developments are usually dominated by one- and two-bedroom units.
- 3) **Building height.** When families with children live in newer multi-family developments, they are far more likely to occupy first- and second-floor units than upper-story units. The taller the building, the less likely it is to generate many children.
- 4) **School district prestige.** Families of all income levels tend to gravitate toward communities with prestigious schools. As a result, sometimes units that would be relatively “child-free” in most towns will have children, including school-age children, if the public school system has an exceptionally strong reputation. This can be seen in a few very high-end suburbs around Boston.
- 5) **Other choices in the housing market.** Since new multi-family developments are so often designed to discourage family occupancy, families seeking rental housing will choose other options if available in the same market area. For example, units in older, established neighborhoods – such as the small multi-family buildings and rowhouses constructed for factory workers a century ago – tend to have many families even though the units lack the amenities and features offered by new rental developments. In other markets, two-family homes meet family housing needs that are not addressed in new multi-family developments.
- 6) **Housing costs.** In a given market area, the higher the rent, the more likely it is that a renter household will not have school-age children.
- 7) **Suitability.** Older multi-family dwellings are more likely to house families with children because they are relatively small buildings with yards, and the rents (or condominium sale prices) tend to run below market. Families that can afford to own a home generally purchase one.

Using our data and data published in the ACS and the American Housing Survey (AHS), we estimated the number of school-age children who would live at Clock Tower Place if the owners proceeded to develop 300 one-bedroom units: 6 students, mainly in grades K-3.

The "Loft" Factor. Some may argue that a one-bedroom/loft unit is functionally the same as a two-bedroom unit. We disagree. Although we are not aware of any published literature on school-age children in loft-style apartments, we recently participated on a team of consultants to review a proposed military base redevelopment project. Due to the unusual mix of housing units involved, we conducted national research to obtain data for the types of housing proposed by the developer – housing that included loft units. Ironically, we found fewer school-age children in loft units than in one-bedroom units without lofts (which have virtually no school-age children at all). The taxable value of the units with lofts was quite a bit higher, too. We also have direct familiarity with a new 350-unit apartment development in Needham, a town with one of the Commonwealth's most highly respected school districts. This year, only nine school-age children lived in the development. Why so

few students? Seventy percent of the apartments are one-bedroom units (many with lofts), and the project is a high-density development with no outdoor play space.

Apartment Size	Average SAC	Average HHLD
1-BR	0.02	1.59
2-BR	0.16-0.24	2.10
3-BR	0.21-0.65	2.88

Sources: Census 2010, American Community Survey.

Using our data and data published in the ACS and the American Housing Survey (AHS), we estimated the number of school-age children who would live at Clock Tower Place if the owners proceeded to develop 300 one-bedroom housing units: six students, mainly in grades K-3.¹¹ At Maynard's average cost per student of \$11,265 (FY 2010),¹² the 300 housing units at Clock Tower Place would require an increase in education spending of \$68,000 (rounded) per year. It is hard to imagine that six additional students will overburden the Maynard Public Schools, even if most happen to be in the same grade.

If the units were offered as extended-stay hotel units, our estimate of school-age children would drop to zero.

PUBLIC SAFETY

The Maynard Police Department reports that Clock Tower Place already generates *many* public safety calls, notably for false alarms and misdialed 911 calls. Although the Fire Department reports the opposite – that Clock Tower Place is *not* a high generator of calls – it is important to note that officials expect an increase, especially for emergency medical assistance, if the facility has residential occupants. Unfortunately, actual incident response statistics and projections were not available for our review.

When an analyst has very little data to work with for estimating the fiscal impact of new development, we fall back on one of the available and widely used fiscal impact models in order to estimate the cost of the additional demand. The procedure for doing this actually involves two steps. First, we must estimate the nonresidential share of responsibility for the Town's General Fund spending on local services. This is done with *proportional valuation*, which embraces the theory that a land use's share of the town's total assessed valuation (the "known" variable) can be used to estimate the same land use's share of total expenditures.

¹¹ In Maynard's area, the average number of school-age children (ages 4-18) per unit in one-bedroom apartments is 0.039. The estimated number of children, 6, is 0.021*300, assuming 100 percent occupancy. Sources: Census 2010, Town of Maynard Block Group Tables; American Community Survey 2005-2009, Public User Microdata Sample (PUMS), Middlesex County PUMAs.

¹² All revenues and costs in this report are based on Maynard's actual FY 2010 experience as reported by the Department of Revenue, Municipal Data Bank. The FY 2011 Schedule A report was not available for the consultant's review.

A	Total General Fund Expenditures	\$29,096,800
B	School Budget	\$13,278,600
C	Est. Fixed Costs, Debt Allocable to Schools	<u>\$5,034,700</u>
E	Estimated Municipal Expenditures	\$10,783,400
F	Non-Residential Real Property Value	\$153,214,700
G	Total Real Property Assessed Value	\$1,250,597,500
H	Ratio (F/G)	0.12
I	Non-Residential Parcels	153
J	Total Parcels	3,753
K	Average Value: Non-Residential Parcel	\$1,001,400
L	Average Value: All Parcels	\$333,200
M	Ratio (K/L)	3.01
N	Refinement Coefficient	1.65
O	Nonresidential Expenditures (E*H*N)	\$2,140,200
P	Residential Expenditures	\$8,643,200
Note: numbers may not total due to rounding. Sources: DOR, General Fund Expenditures FY 2010; Burchell & Listokin, 1994; Community Opportunities Group, Inc.		

Second, we deduct the nonresidential share from the General Fund expenditures total. Dividing the residential share by the community's present population results in a per capita cost of services that can be used to estimate the cost to serve the future population.

Service Category	Total	Nonresidential	Residential	Residential Per Capita (Excluding Schools)
General Government	\$1,269,300	\$21,400	\$1,247,900	\$123
Public Safety	\$3,767,900	\$1,070,100	\$2,697,800	\$267
Public Works	\$1,560,300	\$535,100	\$1,025,200	\$101
Health & Human Services	\$263,100	\$21,400	\$241,600	\$24
Culture & Recreation	\$514,300	\$10,700	\$503,600	\$50
Debt Service	\$2,153,700	\$224,700	\$1,929,000	*\$42
Fixed Costs	\$5,426,400	\$256,800	\$5,169,500	*\$163
Other	\$863,200	\$0	<u>\$863,200</u>	<u>\$85</u>
General Fund Total	\$29,096,800	\$2,140,200	\$26,956,400	\$854
Note: Debt service and fixed costs represent <i>net municipal cost</i> , i.e., excluding the debt service and fixed costs allocable to the schools. School costs have to be calculated on a per-student basis. Sources: Dept. of Revenue, Community Opportunities Group, Inc.				

If the residential occupants of Clock Tower Place used *municipal* services at the same rate as Maynard's existing residents, expressed per capita, the Town's cost to provide the services

would be approximately \$247,600. [(300 units * .95 occupancy * 1.05 persons per unit = residential population of 289.8)] [(289.8 * \$854) = \$247,551]. Coupled with the estimated cost to educate six new students (\$68,000), Maynard's cost to serve the residential component of Clock Tower Place would be approximately \$315,600.

Recommendation: Consult with Town Counsel about options for instituting a false alarm bylaw, with service fees and fines, in order to reduce the incidence of false alarms and the time they require from the Police Department; or negotiate appropriate mitigation and add it to the Development Agreement.

PROPERTY TAX REVENUE

Maynard's assessor estimates (and we agree) that the average assessed value per unit at Clock Tower Place would be approximately \$76,900. This assumes a one-bedroom unit with 850 sq. ft. of floor area and an assessed value per foot of \$90.46.¹³ Using the Town's FY 2010 tax rates as a guide, the property tax revenue from 300 one-bedroom units would be \$372,350. Of course, if the units were offered as extended-stay housing, the tax revenue could be as high as \$593,130. We have not used the higher (commercial) tax rate in our analysis, but the Town should recognize that the revenue from W/RMM's proposed housing units could fluctuate depending on how they are occupied. As residential space, the units would also generate motor vehicle excise tax revenue to the Town.

Caveat

The revenue estimate of \$372,350 assumes 300 one-bedroom units occupying approximately 300,000 sq. ft. of space at Clock Tower Place. This is roughly the same as the vacant floor space at Clock Tower Place today. As a result, the residential activity and tax revenue would not displace existing commercial activity and tax revenue. However, if W/RMM decided to maximize the number of units allowed under the proposed zoning – 50 percent of the total floor space – there could be a displacement of commercial uses and the higher tax revenue they bring.

Recommendation: Limit the number of multi-family, garden-style or extended-stay units to 30 percent of the floor area in the HCID (Clock Tower Place) or 300 units, whichever is less, in addition to limiting the units to one bedroom.

IMPACT ON LOCAL BUSINESSES

The Planning Board, Town Administrator, and representatives of W/RMM have wisely agreed to reduce the originally proposed floor area caps for retail and restaurant space. The revised floor area caps are 10 percent of the total floor space in the HCID for retail uses (down from 15 percent) and 4 percent for restaurant uses (down from 10 percent). Although Clock Tower Place needs more zoning flexibility than the Zoning By-law provides today, the Town has to balance W/RMM's need with the needs of existing small businesses in Maynard.

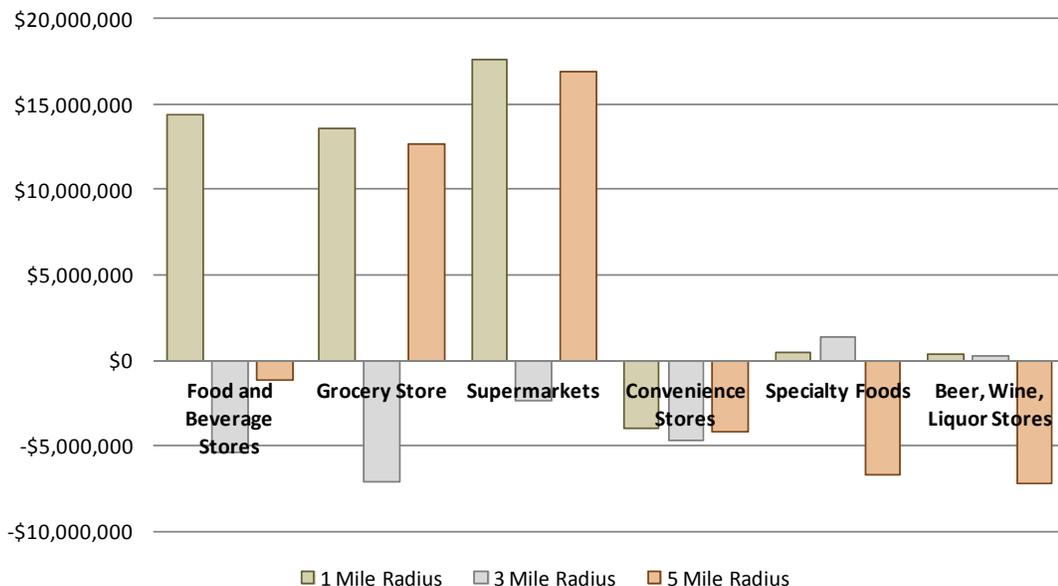
¹³ Angela Marrama, Maynard Assessor's Office, October 13, 2011.

Maynard's existing restaurants are primarily small establishments with little profit "wiggle room" to absorb a loss of customers. The Development Agreement attempted to address concerns about competition by setting a floor area minimum for restaurant tenants at Clock Tower Place (minimum of 5,000 sq. ft.). However, simply making the restaurants larger will not guarantee that they will attract a fundamentally different group of patrons, i.e., without siphoning business away from Maynard's base of small restaurants. (A more useful market segmentation technique would be to limit restaurants in the HCID to non-alcohol serving establishments, but that doesn't make economic sense.) The size and demographics of the dining-out market in Maynard's area have to be considered in this analysis. It is not hard to imagine a situation in which some larger restaurants would compete for the same or overlapping customer base. During our review of W/RMM's plans, we questioned whether most of Maynard's established small restaurants could absorb the effects of that competition.

Ironically, it is not even clear that Clock Tower Place is a marketable location for restaurant tenants in the 5,000+ sq. ft. class. There *is* demand for full-service, upscale dining in Maynard's area, measured as a five-mile radius around Clock Tower Place. However, even if Clock Tower Place attracted some restaurants of this type, it is not plausible to secure some combination of large restaurants equal to 110,000 sq. ft. for restaurant uses. A more plausible scenario - and more tenable from an economic development perspective - is 4 percent of the total floor area in the HCID, or approximately 44,000 sq. ft. Using general industry standards as a guide, providing that amount of space for restaurant uses translates to 1,750-2,200 seats depending on the type of restaurant (assuming seating occupies 60% of the restaurant's floor space). In our opinion, the Town could not accommodate more without fostering an unduly difficult business climate for its existing restaurants.

Town of Maynard, Massachusetts
Restaurant and Drinking Places: Opportunities and Oversupply
1-, 3-, and 5-Mile Radius Around Clock Tower Place

Source: Claritas, Inc., and Community Opportunities Group, Inc.



Similarly, making up to 15 percent of the HCID's floor area available for retail uses would have been too much for Maynard's market. The Development Agreement's floor area restrictions per business establishment will limit the number of retailers at Clock Tower Place because very few stores in the 10,000+ sq. ft. market are likely to find the mills an attractive place for business. Nevertheless, the total amount of floor space that Clock Tower Place could have offered to retail tenants under the original terms of the Development Agreement - some 165,000 sq. ft. - (15 percent * 1.1 million sq. ft.) - was excessive. This would have been true even if Clock Tower Place had 300 multi-family/extended stay units and therefore a larger 24-hour population.

Recommendation: Work with W/RMM to develop effective ways to link future residents of the mills with downtown businesses, e.g., a good wayfinding system.

REFERENCES

Cushman and Wakefield, Inc. Boston Office Report. *Market Beat*. 2nd Q. 2011.

Cushman and Wakefield, Inc. *Business Briefing*. 2nd Quarter 2011.

DiCicco, Peter, Business Manager, Maynard Public Schools. "Maynard Students Attending Other Districts." October 2011.

Executive Office of Labor and Workforce Development. Employment and Wages, ES-202 Series. User-Defined Queries for Maynard, Boston-Quincy-Cambridge NECTA Division, and Commonwealth of Massachusetts.

Executive Office of Labor and Workforce Development. *Massachusetts Labor Market Information Fact Sheets*. July 2011.

Jones Lang LaSalle, Inc. *128/Mass Pike Office Quarterly*. Q2 2011.

Jones Lang LaSalle, Inc. *495/North Office Quarterly*. Q2 2011.

Jones Lang LaSalle, Inc. *U.S. Office Outlook*. Q3 2011.

Massachusetts Department of Revenue. Division of Local Services. *Municipal Data Bank*.

Town of Maynard. *Community Development Plan*. 2004.

U.S. Bureau of the Census. American Community Survey 5-Year Data Release, 2005-2009.

U.S. Bureau of the Census. Census 2010.