

June 8, 2015

Kevin Sweet, Town Administrator
Town Building
195 Main St.
Maynard, MA 01754

Reference: 129 Parker Street: Fiscal Impact of "The Shoppes at Maynard Crossing"

Dear Mr. Sweet:

I am pleased to submit our final report on the fiscal impact of the proposed "Shoppes at Maynard Crossing" at 129 Parker Street. If you have questions or need any additional information from me, please don't hesitate to contact me at (617) 847-8912 or jbarrett@rkgassociates.com. We have enjoyed working with you and your staff, and we hope that you and the developer can arrive at a plan that meets everyone's needs.

Sincerely,



Judi Barrett
Director of Municipal Services

cc: Jon Witten, Esq.

I. SUMMARY

- **Project Components.** The Shoppes at Maynard Crossing is a proposed mixed-use development that will contain 702,894 sq. ft. of commercial and residential space at buildout:
 - Supermarket: 65,000 sq. ft.
 - Retail/Restaurant: 163,050 sq. ft.
 - Flex/Office: 82,720 sq. ft.
 - Multifamily Housing, 200 Units: 264,796 sq. ft.
 - Senior Independent Living, 142 Suites: 127,328 sq. ft.
- **Revenue.** RKG estimates that the project will generate \$1,770,100 in recurring General Fund revenue sources each year –mainly property taxes and excise taxes, as follows:
 - Real estate taxes: \$1,686,600
 - Excise taxes: \$83,500
- **Cost of Municipal and School Services.** The development will place new demands on municipal and school services. RKG’s conservative estimate of General Fund service costs includes the following:
 - For the retail/commercial component: \$264,100
 - For the multifamily housing component: \$556,300
 - For the independent living (age-restricted) component: \$113,800
 - Total additional cost of services: \$934,200
- Total **net General Fund revenue:** \$835,900
- **Cost-revenue ratio: 0.53.** For every \$1.00 in revenue generated by the project, the Town will need to spend 53 cents on municipal and school services.
- **One-Time Revenues.** The project will also generate non-recurring revenue from building permit fees (estimated): \$827,800
- **Primary Impacts.** The Fire Department, Police Department, and School Department will experience most of the impact of The Shoppes at Maynard Crossing. The impact on other services, if any, will be very small. Based on information from the Police Chief, RKG believes that even with the additional traffic generated by the project, the Police Department will be able to absorb most of the impact with its existing personnel. This is largely because the recent change to civilian dispatch has effectively increased the Police Department’s patrol and response capacity. Nevertheless, there will be a measurable increase in demand for services on Maynard’s public safety operations, and some impact on the schools as well. RKG’s report focuses primarily on these three departments.

II. INTRODUCTION

A. Background

Capital Group Properties (“Developer”) proposes to construct a mixed-use project on a site formerly owned by Digital Equipment Corporation (DEC) at 129 Parker Street in Maynard, Massachusetts. The property includes 58.4± acres of land, an existing building, and an access road and associated parking. It has been substantially vacant since 1999.¹ The underlying zoning is the Industrial District, but the option to create a mixed-use project exists in the Neighborhood Overlay Business District (NBOD), which the Town created in 2006 to provide for marketable development opportunities in this location.



The property has been the subject of great interest in Maynard for several years. Less than a year after adopting the NBOD, Town Meeting approved a concept plan for a “lifestyle center” proposed by a previous developer (129 Parker Street, LLC). The concept plan was accompanied by a Memorandum of Agreement (MOA) for traffic mitigation and various negotiated payments to the Town. Concept plan approval paved the way for submission of a site plan, and in 2009 the Maynard Planning Board approved a site plan for nonresidential components of the project. By the time an appeal of the Board’s decision was resolved, the market assumptions used to design the concept plan had become obsolete. The project was no longer feasible, and the former lender foreclosed on the property. Since then, Capital Properties Group has controlled the site.

¹ Edward J. Collins, Jr., Center for Public Management, UMass Boston, *Review of Proposed Zoning Bylaw Amendments & Concept Plan for 129 Parker Street Maynard, MA* (March 2013), 5.

The Developer proposed some NBOD amendments in 2013, but Town Meeting did not agree with them. According to information recently submitted to the Town, the development – now called The Shoppes at Maynard Crossing – would include the following uses at build-out:²

- Retail: 228,050 sq. ft.
 - Office/Flex Space: 82,720 sq. ft.³
 - Multifamily Housing: 264,796 sq. ft. (200 units)
 - Age-Restricted Independent Living: 127,328 sq. ft. (142 units)
- Total: 702,894 sq. ft.

RKG has relied on these floor area and housing unit assumptions as a starting point for our review. At the Town’s request and ours, the Developer subsequently provided a breakdown of the retail space by approximate floor area per building for a grocery store and four other retail structures with a combined total of 228,050 sq. ft. This information was important to us because the revenue assumptions for retail uses vary by retail type. For purposes of a fiscal impact analysis, retail size (floor area) is a commonly used surrogate for retail type.

B. Review Scope and Purposes

RKG Associates, Inc., has been asked to analyze and estimate the fiscal impact of “The Shoppes at Maynard Crossing” on the Town of Maynard. We often find that people have different ideas about what “fiscal impact” means and what a fiscal impact study should include, so it seems important to cover some basics before presenting our assessment of the project at 129 Parker Street.

Fiscal impact is the relationship between General Fund revenues and municipal and school service costs associated with a given land use. We express that relationship as a ratio of service costs to revenue, or a “cost-revenue ratio.” A land use that generates more revenue than service costs is “revenue positive,” i.e., a ratio <1.00, or a low cost-revenue ratio. A “revenue neutral” land use represents the break-even point (1.00), and a “revenue negative” land use costs more in community services than the amount of revenue it produces (>1.00), or a high cost-revenue ratio. The ultimate questions for any fiscal impact analysis is this: can the proposed development generate enough General Fund revenue to pay for itself? Is it likely to have a positive or negative impact on the tax rate?

A fiscal impact analyst typically begins by determining the amount of General Fund revenue that various land uses already generate and the community’s General Fund expenditures to serve those land uses. This type of existing conditions assessment matters because 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 The Shoppes at Maynard Crossing. Since communities differ in many ways, estimating the fiscal impact of new development should

² Breakdown of uses and floor area provided to the Town by Capital Properties Group, April 28, 2015.

³ Includes the so-called PK-2 building, designated for medical office or health club facility.

start with procedures for "assigning" existing service costs to existing land uses. The generally accepted method for doing so is known as **proportional valuation**.

It is important to note that the service cost projections in a fiscal impact analysis may not materialize as actual changes in spending. Our job is to quantify the impact of Capital Properties Group's project on municipal and school services in Maynard, but we do not control decisions that Maynard's local officials and town meeting will make later. 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 made spending decisions to address those demands, e.g., by approving budget increases for the affected departments as development-generated revenues increased. In other cases, the municipal service demands we predicted did materialize, but the communities declined to increase funding for affected departments even though there was enough development-generated revenue for mitigation. Cities and towns make appropriation decisions based on local policies and priorities, not on estimates and projections reported by fiscal impact analysts.

It is also important to note that fiscal impact studies focus on General Fund revenues and expenditures, which means that other types of local revenue are excluded. Examples of other revenues not accounted for in our report are water and sewer enterprise receipts and Community Preservation Act (CPA) funds.

III. FISCAL IMPACT ANALYSIS

A. Estimated Cost of Municipal and School Services

The Shoppes at Maynard Crossing is a mixed-use proposal that includes residential and commercial uses. The Developer anticipates that buildout will occur within two years, so our analysis does not include phasing assumptions. The proposed use classes need to be reviewed separately because their impact on the Town will not be the same. RKG's analysis begins with estimating nonresidential service costs using a generally accepted approach known as **proportional valuation**. We would do this even if the project was an all-residential development. The reason: the proportion of municipal spending attributable to nonresidential land uses has to be identified and segregated from municipal services for residential development.

Proportional valuation assumes that a community can determine the cost of new nonresidential services – the "unknown" – from the relationship between three "known" conditions: the assessed value of existing real property (total and average value), the assessed value of nonresidential

The ultimate questions for any fiscal impact analysis is this: can the proposed development generate enough General Fund revenue to pay for itself? Is it likely to have a positive or negative impact on the tax rate?

property (total and average value), and the community’s nonresidential service costs (General Fund expenditures minus education spending). The underlying logic is that assessed value relationships provide a useful surrogate for municipal service cost relationships, i.e., the proportional value of a land use can reasonably be used to estimate its proportion of municipal service costs. Since this approach was inaugurated over thirty years ago, it has been modified and used by many organizations and applied to a wide range of fiscal impact questions. We have also supplemented proportional valuation with another approach in order to compare the conclusions of different models and provide the Town with a range of probable service costs.

1. Nonresidential Service Expenditures

Maynard’s General Fund budget of \$36 million (FY 2015) supports a local population of about 10,300 people and an employment base with 280 establishments and a combined total of 3,500 jobs. Nonresidential properties generate 16 percent of the tax levy, but RKG’s analysis shows that they account for about 6.2 percent of total service expenditures. The methodology for arriving at this estimate is shown in Table 1.

Step	Model Component	Number	Notes
A	Total General Fund Expenditures	\$36,156,049	
B	School Budget	\$16,244,007	
C	Fixed Costs, Est. Residential Share	\$5,053,265	75% total fixed costs
D	Debt Service, Est. Residential Share	\$3,041,616	75% total debt service
E	Estimated Municipal Expenditures	\$11,817,162	=(A-B-C-D)
F	Non-Residential Real Property Value	\$114,994,073	Excludes personal property
G	Total Real Property Assessed Value	\$1,145,797,143	Excludes personal property
H	Ratio	0.10	=(F/G)
I	Non-Residential Parcels	172	
J	Total Parcels	3,815	
K	Average Value: Non-Residential Parcel	\$668,570	=(F/I)
L	Average Value: All Parcels	\$300,340	=(G/J)
M	Ratio	2.23	=(K/L)
N	Refinement Coefficient ⁴	1.89	
O	Nonresidential Municipal Expenditures	\$2,241,500	=(E*H*N)
P	Residential Municipal Expenditures	\$9,575,600	=(E-O)
Q	Nonresidential % Total	6.2%	

Source: Mass. Department of Revenue, Municipal Data Bank; Robert W. Burchell, *The Fiscal Impact Handbook*; and RKG Associates, Inc. Notes: (1) Source of refinement coefficients: Burchell. (2) Debt service and fixed cost allocations to residential uses are based on author’s assumptions. (3) Numbers may not total due to rounding.

The process for estimating Maynard’s “new” cost to serve the nonresidential uses at The Shoppes at Maynard Crossing builds on the steps in Table 2. RKG received assessed value and tax revenue

⁴ The refinement coefficient is a multiplier that adjusts for scale. An unadjusted approach to proportional valuation can lead to distorted results, e.g., excessive or insufficient costs assigned to nonresidential development.

estimates prepared by the Town’s assessor, Angela Marrama, and her estimated have been incorporated in our analysis.

Step	Model Component	Number	Notes
R	Est. Assessed Value: Nonresidential Components (Total)	\$33,045,274	A. Marrama
S	Ratio: Shoppes at Maynard/Total Nonresidential Value	0.29	=(R/F)
T	Ratio: Shoppes at Maynard/Avg. Nonresidential Value	49.43	=(R/K)
U	Refinement Coefficient	0.41	
V	Cost of Nonresidential Services; 129 Parker St.	\$264,100	=(O*S*T)

Sources: see Table 1, and A. Marrama, Town Assessor. Numbers may not total due to rounding.

The estimated cost of municipal services for nonresidential uses at 129 Parker Street is \$264,100 (rounded), using the proportional valuation fiscal impact model. Almost all of the additional service costs stem from growth in demand for police and fire services, and to some extent public works, too.

The \$264,100 estimate can be tested by applying another set of assumptions to the same floor area configuration. Toward that end, RKG used a “rule of thumb” approach: the average cost of municipal services for retail uses generally ranges from \$0.86 to \$0.95 per sq. ft., and for flex/office uses, from \$0.50 to \$0.61 per sq. ft. RKG used the midpoint service cost per sq. ft. for each class and arrived at the estimates shown in Table 3. In this case, different fiscal impact models support very similar conclusions about the cost of nonresidential municipal services. Most of the service costs will be driven by demands on public safety personnel, and primarily the police department.

Class of Use	Floor Area (Sq. Ft)	Cost Multiplier	Municipal Service Cost (Rounded)
Retail/Restaurant	228,050	\$0.91	\$207,500
Flex/Office	82,720	\$0.55	\$45,500
Total	310,770		\$253,000

Source: RKG Associates, Inc.

2. Residential Expenditures

Capital Properties Group proposes to include two types of housing at 129 Parker Street: multifamily dwellings and independent living units for seniors (age-restricted). To estimate what it will cost Maynard to serve this development, RKG has focused on the services most likely to be affected by the proposed housing types. The easier approach would be to apply Maynard’s total average expenditure per capita to the new household population at 129 Parker Street, but on their own, average cost per capita multipliers tend to create a distorted picture of new development and they are not sensitive to differences in housing types. In RKG’s experience, the greatest impact of the new housing at 129 Parker Street will be felt in public safety (mainly fire/emergency medical)

and the schools. There may be some impact on other services, e.g., recreation or the public library, but the impact will be *de minimis* – that is, a very low risk of demand that cannot be absorbed by existing operations. By contrast, the schools, the police, and the fire department will absorb direct, recurring demands for services. To a lesser extent the building, health, and public works departments, will experience intermittent demands as well. Our analysis focuses on the services that will most likely require a net increase in service expenditures by the Town.

In RKG's experience, the greatest impact of the new housing at 129 Parker Street will be felt in public safety (mainly fire/emergency medical) and the schools. There may be some impact on other services, e.g., recreation or the public library, but the impact will be *de minimis* – that is, a very low risk of demand that cannot be absorbed by existing operations.

Multifamily (Not Age Restricted). The multifamily component consists of 200 units, including 25 percent (50 units) that will be "affordable" and eligible for the Chapter 40B Subsidized Housing Inventory (SHI). Consistent with current state policy, 10 percent of the units in the developer's proposal will have three bedrooms. Table 4 presents RKG's understanding of the unit types and sizes proposed by the developer. For purposes of this review, RKG has assumed that the multifamily units will be rental apartments. This has an impact on our demographic and revenue assumptions.

Table 4. Multifamily Component, 129 Parker Street

Bedrooms	Number of Units		Size (Sq. Ft. Floor Area)
	Market-Rate	Affordable	
1	72	24	870
2	63	21	1,060
3	15	5	1,457
	150	50	

Source: Capital Group Properties.

The apartments will have a mix of unit sizes, including some for families, so there will be school-age children in the development. RKG has extensive data from other multifamily developments in Eastern Massachusetts, but we are aware of Massachusetts household population and population age multipliers published by the Center for Urban Policy Research at Rutgers University. We compared our database with the demographic multipliers from Rutgers. The numbers are almost the same. For this report, used demographic multipliers from Rutgers for the unit types and sizes that their study reports and our own databases for units the Rutgers report does not include. Table 5 summarizes our estimates of new population and students.

Table 5. Household Population Projection

Market	Demographic Multipliers		Results	
	Average Household Size	Students	Household Population	Students
1 BR	1.380	0.030	99	2
2 BR	2.120	0.220	134	14
3 BR	2.980	0.240	45	4
Affordable	Average Household Size	Students	Household Population	Students
1 BR	1.310	0.100	31	2
2 BR	2.400	0.420	50	9
3 BR	2.980	0.730	15	4
		Total	374	34

Sources: Rutgers University, Center for Urban Policy Research, Residential Demographic Multipliers (June 2006), and RKG Associates, Inc.

We have estimated the Town’s cost to serve the new residents by applying a set of land use coefficients to Maynard’s existing average cost per person for the services that will be directly affected by the development. The results of our service cost analysis can be found in Table 6. However, we caution the Town that **the impact of multifamily housing can vary significantly depending on how the property is managed.** In our experience, developments that cater to families and provide 24-hour on-site management by appropriately trained, qualified people have fewer problems than projects that cater to non-family households and have only daytime management staff and emergency call service at night. The numbers we provide here are a “worst-case” assessment; without knowing how Capital Properties plans to handle property management, we think it is best to assume a “high side” level of demand. In fact, the cost of public safety services could be less with 24-hour management.

Table 6. Estimated Cost of Municipal Services, Multifamily Component

Government Service (General Fund)	FY15 Residential Cost Per Capita	Household Population	Refinement Coefficient	Cost of Services
General Government	\$221	508	0.25	\$20,700
Public Safety	\$321	508	1.25	\$150,100
Education - Maynard Public Schools	\$1,495			
Education - Assabet Regional	\$72			
Public Works	\$102	508	1.00	\$38,300
Cultural and Recreation	\$40			
Debt Service	\$368			
Employee Benefits	\$638			
General Fund Total				\$209,000

Source: Maynard FY 2015 Operating Budget; RKG Associates.
*General government refers to costs associated with the Health Department (e.g., housing complaints)

For the thirty-four school students this development is likely to include, RKG adopted a conservative approach to estimating the Town’s cost of education services. We assumed an average

cost per student, using Actual Net School Spending (Actual NSS) per student, net of Chapter 70 aid, as a guide (\$13,215 - \$3,001 = \$10,214). The result is \$347,300 for new education costs, which we consider a “high-side” estimate but a defensible one. We considered the possibility that Maynard could also incur capital costs to accommodate school population growth, but after reviewing Maynard’s K-12 enrollment trends and other data provided by the Town, we do not see any justification for assigning capital costs to this project.⁵ **The sum of municipal and school service costs for the multifamily component of the project is \$556,300.**

Senior Independent Living. The last component of the proposed development is a 142-unit independent living facility for seniors. Independent living facilities provide individual apartments and some on-site services such as health care, plus a variety of residential amenities and 24-hour security. They are a sorely needed housing type, and the need will simply increase as the portion of the population reaching retirement age continues to grow. Using an approach similar to that presented in Table 6, RKG has estimated the Town’s cost of services for the independent living facility. **The estimated cost of additional services demanded by the senior residential component is \$113,800.** Virtually all of the additional cost will stem from demands on the Maynard Fire Department.

Government Service (General Fund)	FY15 Residential Cost Per Capita	Households*	Refinement Coefficient	Cost of Services
General Government	\$221			
Public Safety	\$321	142	2.25	\$113,800
Education - Maynard Public Schools	\$1,495			
Education - Assabet Regional	\$72			
Public Works	\$102			
Cultural and Recreation	\$40			
Debt Service	\$368			
Employee Benefits	\$638			
General Fund Total				\$113,800

Source: Maynard FY 2015 Operating Budget; RKG Associates.
*Assumption: 1-person households, or household population of 142.

We consulted with the Fire Chief about this aspect of the project because in our experience, senior independent living and assisted living developments generate a higher volume of calls for assistance than any other type of residential use. There are more emergency medical calls on a per-unit basis, and the calls often require more time than calls from other housing types or from commercial space. Over time, RKG has gathered quite a bit of emergency medical response data for senior housing developments in an effort to help communities plan for accommodating aging populations. Maynard’s Fire Chief has gathered very similar data. In addition to a much higher number of calls per unit, senior housing developments require periodic fire safety inspections that Maynard’s small fire department seems poorly suited to absorb. For budgetary purposes, the Town

⁵ Maynard Economic Development Committee, Fact Sheet: School Capacity (April 2015).

should assume an average of one call per unit per year, or 142 calls. This is roughly four to five times higher than the average number of calls for a multifamily condominium. The \$113,800 service cost estimate in Table 7 should translate into additional personnel in the Fire Department, both for fire protection/emergency medical response and for inspectional services.

B. Revenue Estimate (Recurring and One-Time Sources)

The Shoppes at Maynard Crossing has the potential to generate a considerable amount of revenue for the Town. RKG was fortunate to receive a detailed, well documented tax revenue estimate from the Town assessor, which forms the basis for most of our revenue projection. Table 8 summarizes the sources and amounts of revenue the Developer’s project should generate for the Town at buildout.

Table 8: Revenue Summary, The Shoppes at Maynard Crossing			
Recurring Sources			
Real Estate Taxes	\$1,686,600		Source: Town Assessor
		\$1,025,100	Nonresidential
		\$661,500	Residential
Excise Taxes	\$83,500		300 multifamily vehicles, 71 independent living vehicles; 371 vehicles x average tax \$225
Total Recurring (Annual) Revenue	\$1,770,100		
Nonrecurring Sources			
Construction Permits	\$827,800		Est. construction cost x FY15 commercial rate

Conclusion. The **cost-revenue ratio for The Shoppes at Maynard Crossing is 0.53** – that is, for every \$1.00 in revenue generated by the project, the Town will need to spend 53 cents on municipal and school services.