

129 Parker Street Project

Fiscal Impact Analysis

September 9, 2016 and
September 21, 2016 update

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September 21, 2016 update

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

Reference: 129 Parker Street: Updated Review, “The Shoppes at Maynard Crossing”

Dear Mr. Sweet:

You have requested clarification of several items in our September 9, 2016 correspondence about the fiscal impact of the “Shoppes at Maynard Crossing” proposed for 129 Parker Street. Toward that end, I offer the following comments.

1) Excise Taxes

The vehicle excise tax multiplier was adjusted upward, to \$250 per vehicle, based on an analysis of the most recent motor vehicle excise tax data published by the Department of Revenue.

2) Municipal Service Costs; Nonresidential Uses

When we estimated the fiscal impact of this project last year, we approached nonresidential service costs two ways, mainly to see if two nonresidential cost models would yield similar conclusions. The first model is known as proportional valuation, which assumes that nonresidential development’s share of the community’s total assessed value can be used as a reasonable proxy for estimating the community’s nonresidential service costs. The second model applies average municipal service costs per sq. ft. to the size of a proposed development, with costs modified to reflect differences in service demands associated with different classes of land use. For example, the average cost per ft. approach assumes that retail generates more demands for services than offices or most types of industrial development.

This year, you asked us to update our previous work. Since the two models produced fairly similar results a year ago, we opted to perform the update with average cost per sq. ft. multipliers. However, some of these multipliers have changed – as they should, for as the number of available data points (nonresidential developments) increases, what we know about the impact of various land uses improves, too. With this in view, here are the



differences between the average cost multipliers we used last year and our updated multipliers this year:

	<u>2015 Analysis</u>	<u>2016 Update</u>
Supermarket:	\$0.91 per sq. ft.	\$0.99 per sq. ft.
Retail:	\$0.91 per sq. ft.	\$1.03 per sq. ft.
Flex/Office:	\$0.55 per sq. ft.	\$0.63 per sq. ft.

As I understand it, our September 9, 2016 letter includes errors in the total floor space devoted to each class of use in the nonresidential portions of the Shoppes at Maynard Crossing. We reviewed the information you provided by email and it appears that we misinterpreted the project summary on the plan we received from Mr. Depietri. Accordingly, we submit the following corrections for your use.

Land Use	Component (Sq. Ft.)	Service Cost Assumptions (Per Sq. Ft.)	Total Cost of Services (Rounded)
Supermarket	68,000	\$0.99	\$67,300
Inline retail space	139,490	\$1.03	\$143,700
Retail pads	35,750	\$1.03	\$36,800
Flex/office space	50,300	\$0.63	\$31,700
Total Nonresidential	293,540		\$279,500

This cost of services projection is \$14,500 more than the cost of nonresidential services we estimated on September 9, 2016. The difference is due to the division of 85,750 sq. ft. of flex/office space into 50,000 sq. ft. for flex/office and 35,750 sq. ft. for retail.

3) Cost of Services for Multifamily Housing

The community's cost to serve any non-age restricted housing development is affected in part by the projected number of school students who will reside in the new homes. You have asked us to work with the same source of population age multipliers data that we used in 2015 (Rutgers University, Center for Urban Policy Research, Residential Demographic Multipliers, June 2006). Doing so produces an estimate of twenty-seven students (rounded), which is five more students than we estimated a year ago.

You informed us that 45 percent of the proposed 180 units will be one-bedroom units and 55 percent will be two-bedroom units. The bedroom distribution matters because it has an impact on the multipliers used to estimate the future school-age population. To be consistent with the Commonwealth's fair housing requirements for a development that includes affordable housing, we assume that the affordable units will be divided proportionally between the one- and two-bedroom apartments. According to the

development agreement, a multifamily project of 175 units must provide at least seventeen affordable units, and if the project exceeds 175 units, each unit over 175 must be an affordable unit. Since Mr. Depietri proposes to build the maximum number of multifamily units allowed under the development agreement (180 units), we assume that 129 Parker Street will have twenty-two affordable units, or 12 percent of all units in the development.

The following table lays out the assumptions used to arrive at the estimate of twenty-seven school-age children.

129 Parker Street Multifamily Component: School-Age Population Estimate			
Market-Rate	Number of Units	Average School-Age Children Per Unit	Projected Number of School-Age Children (Rounded)
1 BR	71	0.030	2
2 BR	87	0.220	19
Subtotal	158		
Affordable			
1 BR	10	0.100	1
2 BR	12	0.420	5
Subtotal	22		
Total	180		27
Source of Population Multipliers: Rutgers University, Center for Urban Policy Research, Residential Demographic Multipliers, June 2006.			

Using a local cost of \$10,300 per student as a guide, the projected cost of public education for the Shoppes at Maynard Crossing is \$280,800 (rounded).

4) Senior Housing

You have questioned our assumptions about the estimated service costs associated with age-restricted housing. We reconstructed the analysis we prepared for you a year ago and discovered that when we updated our spreadsheet, we inadvertently shifted the cell address of an important piece of information: the refinement coefficient that adjusts the average cost of services up or down based on factors such as household type. We apologize for the error. The following analysis is a correction.

The proposed redevelopment of 129 Parker Street includes a 143-unit independent living residence for seniors. While this component is unlikely to affect some services such as the Town's general government functions, culture and recreation, or public works, it will have an impact on public safety services, mainly emergency medical. As a result, the Town's average expenditure per household for some services will be less and for others, it is likely to be quite a bit more. To simulate the effects of differences in household type, householder age, and household size on demands for municipal services, we adjust the residential

service cost multipliers where appropriate. To do this with any degree of reliability, we have to make cost refinements on a category-of-service basis, which means there is no “across the board” adjustment for municipal services.

Last year, we focused on demand for public safety services because it is always the main concern about senior housing that we hear from every community we have worked with. Recognizing that independent living units will have a *de minimis* impact on virtually all other municipal services in Maynard, we computed the additional cost of services for this component by multiplying the Town’s average residential cost of public safety services (\$321 per capita) by a refinement coefficient of 2.5, i.e., \$803 per capita for independent living units.¹ Applying the same approach today, using updated (FY 2016) assumptions about residential service costs per capita, the estimated cost of services for the independent living residence is as follows:

A	B	C	D	E
Independent Living Units*	Avg. Public Safety Cost Per Capita, Residential Services†	Refinement Coefficient (Multiplier Adjustment for Senior Units)	Adjusted Avg. Public Safety Cost Per Capita (A*B*C)	Cost of Services, Independent Living Residence (A*D)
143	\$335	2.5	\$838	\$119,800

*In our 2015 report, the number of independent living units was 142.
†Except for schools, all municipal services respond to demands from residential and nonresidential land uses. \$335 per person is the residential share. For further discussion, see our June 8, 2015 report, pages 5-6.

This is approximately \$6,000 more than our estimate for independent living units last year.

5) Summary of Service Costs

The estimated cost of services associated with the proposed 129 Parker Street is \$869,500, based on the following assumptions:

Project Component	Total	Municipal	Schools
Nonresidential Uses	\$279,500	\$279,500	
Multifamily Housing	\$470,200	\$189,400	\$280,800
Independent Living Services	<u>\$119,800</u>	\$119,800	
Total	\$869,500	\$588,700	\$280,800

¹ A refinement coefficient is a fiscal impact multiplier for adjusting the average per capita or per household cost of a service up or down in order to simulate the effects of unique circumstances, in this case, a public safety cost increase for senior housing because statistically, seniors place more demands on emergency medical service than non-elderly households.

6) Revenue

The only changes to be made in our September 9, 2016 revenue estimate stem from the change in nonresidential sq. ft. by class of use noted on page 2 of this letter (breakdown of nonresidential uses by class of use) and an adjustment in gross floor area for the multifamily component. The following table incorporates these changes and provides the revised revenue projection for 129 Parker Street.

129 Parker Street: Projected Revenue				
Land Use	Floor Area (Sq. Ft.)	Value/ Sq. Ft.	Land Area (Acres)	Est. Tax Revenue (Rounded)
Supermarket	68,000 sq. ft.	\$135.40		\$272,300
Inline retail space	139,490 sq. ft.	\$88.08		\$363,300
Retail pads	35,750 sq. ft.	\$88.08		\$93,100
Flex/office space	50,000 sq. ft.	\$92.13		\$136,200
Multifamily housing	171,250 sq. ft.	\$74.60		\$271,500
Senior living units	127,328 sq. ft.	\$74.60		\$201,800
Land parcel 1			40.11	\$66,700
Land parcel 2			18.77	\$36,700
Total				\$1,441,600
Total New Growth				\$1,338,200

Sources: Shoppes at Maynard Crossing Site Plan, prepared by CI Group for Capital Properties Group, Inc., dated June 28, 2016; 129 Parker Street Development Memorandum of Agreement, September 6, 2016; Angela Marrama, Town Assessor, Sept. 7, 2016; and RKG Associates, Inc.
Note: Tax rate assumptions: \$29.57 commercial, \$21.25 residential.

The total projected revenue for the 129 Parker Street development is \$1,420,450 from recurring revenue sources [\$1,338,200 new growth + \$82,250 from motor vehicle excise taxes]. The approximate surplus, or the positive difference between estimated service costs and estimated revenue, is \$550,950 [\$1,420,450 - \$869,500], for a cost-revenue ratio of 0.61. As previously noted, this development will also generate one-time revenues of approximately \$800,000 from building permit fees.

If you have any questions, please call me at (617) 847-8912, ext. 2, or email me at jbarrett@rkgassociates.com.

Sincerely,



Judi Barrett
Director of Municipal Services

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

Reference: 129 Parker Street: Updated Review, “The Shoppes at Maynard Crossing”

Dear Mr. Sweet:

Per your request, I am providing an updated fiscal impact projection for the proposed “Shoppes at Maynard Crossing,” a mixed-use development to be constructed on a 58-acre site at 129 Parker Street. As we understand it, the developer’s proposal is slightly different than the plan we reviewed over a year ago. According to your development agreement with Capital Properties Group and information we received from Mr. Depietri, the proposed redevelopment of 129 Parker Street will include the same components we analyzed in 2015, but some of the floor space assumptions have changed. The following table compares the Shoppes at Maynard Crossing as it existed last year and the project as presented in the proponent’s June 28, 2016 site plan.

Table 1. Shoppes at Maynard Crossing: Project Components			
Land Use	2015 Review	2016 Review	Difference
Supermarket	65,000 sq. ft.	68,000 sq. ft.	+3,000 sq. ft.
Inline retail space	163,050 sq. ft.	139,490 sq. ft.	-23,560 sq. ft.
Flex/office space	82,720 sq. ft.	85,750 sq. ft.*	+3,000 sq. ft.
Multifamily housing	175 units	180 units	+5 units**
Senior independent living units	142 unit	143 units	+1 unit
Sources: Shoppes at Maynard Crossing Site Plan, prepared by CI Group for Capital Properties Group, Inc., dated June 28, 2016; 129 Parker Street Development Memorandum of Agreement, September 6, 2016.			
*The flex/office space component includes redevelopment of an existing, vacant 50,000 sq. ft. building on the site.			
**The multifamily component originally consisted of 200 units, but the number of apartments had been reduced to 175 as of the last time we looked at this development.			

Using current assessed value per sq. ft. assumptions that we received from the Town Assessor, Angela Marrama, we find that the proposed project will, at buildout, generate a total of \$1,457,400 in real estate tax revenue, of which \$1,354,000 will constitute new growth in the tax base. This is explained in Table 2.

Land Use	Floor Area (Sq. Ft.)	Value/Sq. Ft.	Land Area (Acres)	Est. Tax Revenue (Rounded)
Supermarket	68,000 sq. ft.	\$135.40		\$272,300
Inline retail space	139,490 sq. ft.	\$88.08		\$363,300
Flex/office space	85,750 sq. ft.	\$92.13		\$233,600
Multifamily housing	178,500 sq. ft.	\$74.60		\$283,000
Senior living units	127,328 sq. ft.	\$74.60		\$201,800
Land parcel 1			40.11	\$66,700
Land parcel 2			18.77	\$36,700
Total				\$1,457,400
Total New Growth				\$1,354,000

Sources: Shoppes at Maynard Crossing Site Plan, prepared by CI Group for Capital Properties Group, Inc., dated June 28, 2016; 129 Parker Street Development Memorandum of Agreement, September 6, 2016; Angela Marrama, Town Assessor, Sept. 7, 2016; and RKG Associates, Inc.

We further estimate that the residential components will generate approximately \$85,000 in excise tax revenue [(180 multifamily units * 1.5 cars per unit * \$250 per car = \$67,500); (71 senior units * 1 car per unit * \$250 per car = \$17,750); \$67,500 + \$17,500 = \$85,250]. This brings the total recurring sources of revenue from The Shoppes at Maynard Crossing to \$1,439,000.

Using the same methodology that guided our earlier fiscal impact analysis and updated service cost assumptions, we estimate that at full buildout, the Town’s cost to provide municipal and school services to the businesses and residents at 129 Parker Street will be substantially as presented in Table 3. Conservatively, we estimate the total cost of community services at \$883,800.

Land Use	Component	Municipal Service Cost Assumptions	School Cost Assumptions	Total Cost of Services (Rounded)
Supermarket	68,000 sq. ft.	0.99/ft.		\$67,300
Inline retail space	139,490 sq. ft.	\$1.03/ft.		\$143,700
Flex/office space	85,750 sq. ft.	0.63/ft.		\$54,000
Multifamily housing	180 units	\$1,052/unit	\$10,300/student	\$560,200
Senior living units	143 units	\$410/unit		\$58,600
Total				\$883,800

Sources: Shoppes at Maynard Crossing Site Plan, prepared by CI Group for Capital Properties Group, Inc., dated June 28, 2016; 129 Parker Street Development Memorandum of Agreement, September 6, 2016.

Together, the estimated real estate and excise tax revenue and cost of community services associated with this project mean that in any given year, the development will generate surplus revenue of approximately **\$555,200** and a total cost-to-revenue ratio of **0.61**. This development will also generate one-time revenues of approximately \$800,000 from building permit fees. Neither of these projections accounts for any exactions the Town may have negotiated with the proponent and memorialized in the development agreement.

If you have any questions, please don't hesitate to call me at (617) 847-8912, ext. 2, or email me at jbarrett@rkgassociates.com.

Sincerely,



Judi Barrett
Director of Municipal Services

