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## MEMORANDUM

TO: Greg Price, Chair, Maynard Planning Board  
Michael Sullivan, Town Administrator

FROM: Judi Barrett, Planning Director, Community Opportunities Group, Inc.

RE: Preliminary Review, Clock Tower Place

DATE: Oct. 17, 2011

CC: Mark Bobrowski, Esq., Town Counsel

At the Town's request, Community Opportunities Group, Inc. (COG) has examined the proposed development of residential floor space and accessory uses at Clock Tower Place. The present owners, Wellesley/Rosewood Maynard Mills (W/RMM), L.P., have asked the Town to amend the Zoning Bylaw in order to allow residential uses and some commercial uses that Maynard currently prohibits in the Health Care/Industrial District (HCID), the zoning district that includes most of the Clock Tower Place property.

Our firm was asked to estimate the fiscal and economic impact of W/RMM's plans for the property. Toward that end, we are providing a preliminary and partial report for the Planning Board's review. The attached document focuses on an estimate of the number of school-age children who might live at Clock Tower Place and the Town's cost to serve them. We chose to address this first because residents at the Sept. 29 zoning workshop seemed particularly concerned about school impacts.

We will submit the rest of our report by Thursday morning.

## BACKGROUND

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 space, 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, shrinking industries, business closures, and rising unemployment have collectively undermined the Boston regional office market. Clock Tower Place is no exception. Today, the mill buildings have a combined vacancy rate of approximately 30 percent,<sup>1</sup> and on average, the existing tenants have less than two years left under their current leases. Though W/RMM's existing tenants will most likely opt to renew their leases at Clock Tower Place instead of relocating, the Greater Boston area has many vacant and underutilized office buildings. In an effort to lure tenants, property owners are offering attractive incentives and concessions. Like other investor owners, W/RMM has to compete to keep the tenants it has and attract new tenants, too.

At issue is a potential conflict 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 Health Care/Industrial District, 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 marketable for other purposes, including housing. 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. However, Eastern Massachusetts office market trends support the owners' view that without more flexible use regulations, Clock Tower Place will probably have more vacant space in the near future. This would cause the property's taxable value to decline.

## OVERVIEW: FISCAL AND ECONOMIC IMPACTS

**Fiscal Impact Analysis.** Maynard wants to know if the zoning changes sought by W/RMM will have a positive or negative fiscal impact on the community. What does "fiscal impact" actually mean?

The goal of any *fiscal impact analysis* is to determine whether a town's tax rate will increase or decrease as a *direct result* of new development. With this in mind, the fiscal impact analyst focuses primarily on how much *General Fund revenue* is generated by various land uses and

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<sup>1</sup> Joseph Mullin, Wellesley Management Co., Sept. 19, 2011.

the community's *General Fund expenditures* to serve those land uses. An existing conditions assessment is critical because in most cases, fiscal impact studies must 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 different mix of uses at Clock Tower Place. Since communities differ in so many ways, estimating the fiscal impact of new development should begin with a process for "assigning" existing service costs to existing land uses. There are a few ways to do this. Choosing an approach depends on the type of project (or mix of land uses) and the amount of financial data available for a given study.

Most fiscal impact models have been designed to evaluate a specific project, and most culminate in a ratio of service costs to revenue, known simply as a *revenue ratio*. To a fiscal impact analyst, a land use is "revenue positive" if it generates more revenue than the cost of services used by its residents or businesses. 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. 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. The revenue ratio for new development usually differs from the ratio for established land uses.

Local government's dependence on property taxes has made fiscal impact studies a popular tool for development review. However, fiscal impact analysis is not confined to a single "tool." In fact, there are several impact models in use today, though for the most part they produce similar results. Since all of the models have built-in weaknesses, fiscal impact studies should be used cautiously. For example, most fiscal impact 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 land use tends to produce net (surplus) revenue or a deficit*. The ratio may change, but in general, 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 estimates of new service costs may not materialize as actual spending increases in Maynard. Our task is to identify and quantify the net operating impact of Clock Tower Place on municipal and school services, but we do not control decisions made by the Town's legislative body (town meeting). We often evaluate our fiscal impact studies after projects have been constructed and communities have had a chance to absorb "on-the-ground" impacts. Doing so has helped us refine our methodology and adjust some of our assumptions, but on balance we have found that our estimates of operating impacts were quite accurate. In some cases, the communities allocated their new revenue to the departments affected by a project. In other cases, the public safety demands we

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*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.*

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predicted did materialize, yet the communities did not increase their appropriations for police and fire services even though the developments clearly generated enough tax and other revenue to pay for the additional personnel. 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.<sup>2</sup>

**Economic Impact Analysis.** An economic impact analysis measures the effects of an economic “event” on the structure, size, and make-up of the local or regional economy. Its contribution is typically expressed as direct employment and wage projections, indirect employment generated by the entity’s spending on goods and services from other businesses, and induced employment generated by the consumer spending of its own 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.

## FISCAL IMPACT ANALYSIS

If Town Meeting approves the proposed zoning amendments for Clock Tower Place (Article 3, STM Warrant), the owners will be able to accommodate more uses than Maynard's zoning presently allows. Significantly, multi-family and garden apartment units, “extended stay” hotel units, and retail and personal services would be permitted as of right, subject to aggregate floor area caps. Under the proposed caps, as much as 75 percent of the floor 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. Specifically, the zoning

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<sup>2</sup> 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.

amendments include a new Section 9.6,<sup>3</sup> which limits how much floor space in the HCID can be devoted to residential (50 percent), retail (15 percent), and restaurant (10 percent) uses. Section 9.6 also imposes a special permit requirement on new construction in the HCID. In addition to the zoning amendments, the Town and W/RMM have been negotiating a development agreement. The contents of the development agreement were unavailable for this analysis.

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 that merit attention 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. 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. *For purposes of this report, we assumed that the housing units will be limited to one-bedroom units and that the bedroom limitation will be memorialized in the development agreement.*

### School-Age Children

People often assume that new apartments will attract scores of families with children. 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.

It seems universally true that when people hear about a multi-family housing proposal, they assume it will attract scores of families with children and the school budget will skyrocket accordingly. 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. We find this even in communities with multi-family developments that have few if any children. *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.*

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 fairly outdated federal census data,<sup>4</sup> and two studies relied upon federal data from two sources – the most recent

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<sup>3</sup> Section 9.6 is part of a new Section 9, Special Districts, also proposed as part of an overhaul and update of Maynard's Zoning Bylaw on the Oct. 29, 2011 town meeting warrant.

<sup>4</sup> 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).

decennial census and the Census Bureau/HUD American Housing Survey<sup>5</sup> – 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.
- 3) In addition to unit sizes, new multi-family developments have a greater or lesser tendency to attract families based on:
  - a) *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.

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<sup>5</sup> 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>.

- b) *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.
- c) *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.
- d) *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.
- e) *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.
- f) *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.
- 4) 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.

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*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.*

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**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). 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.

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: 6 students, mainly in grades K-3.<sup>6</sup> At Maynard's average cost per student of \$11,265 (FY 2010),<sup>7</sup> the 300 housing units at Clock Tower Place would require an increase in education spending of \$68,000 (rounded) per year.

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.*

<sup>6</sup> 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  $0.021 \times 300$ , 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.

<sup>7</sup> 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.