

March 15, 2016

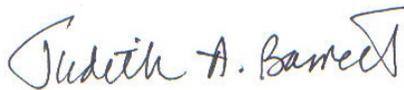
Mr. Stephen Senna  
Vice President  
National Development  
2310 Washington Street  
Newton Lower Falls, MA 02462

Reference: Fiscal Impact Analysis, Meadow Walk Sudbury/Avalon Sudbury

Dear Mr. Senna,

I am pleased to submit the enclosed fiscal impact analysis of the proposed "Meadow Walk Sudbury" and "Avalon Sudbury" projects in Sudbury, Massachusetts. Should you have any questions, please let me know.

Sincerely,



Judi Barrett  
Director of Municipal Services

## **FISCAL IMPACT ANALYSIS**

### **Proposed Raytheon Redevelopment**

### **Meadow Walk Sudbury \* Avalon Sudbury**

#### **1. INTRODUCTION**

National Development and AvalonBay Communities are working jointly to redevelop the 49-acre Raytheon site at 526-528 Boston Post Road for residential and commercial uses. Raytheon's defense research facility in Sudbury consists of approximately 560,000 sq. ft. of office and industrial as well as extensive surface parking. Under plans announced in 2014, Raytheon is gradually consolidating its Sudbury operations with another Raytheon-owned facility in Marlborough. The Sudbury plant will close later this year (2016).

RKG Associates, Inc., has been asked to prepare a Fiscal Impact Analysis (FIA) of Meadow Walk Sudbury and Avalon Sudbury: the redevelopment plans proposed by National Development and AvalonBay Communities. When completed, the Meadow Walk Sudbury/Avalon Sudbury developments will include the following components:

- Commercial: 80,000 sq. ft. of retail/restaurant space, including a grocery store;
- An assisted living residence with 48 units and 54 bedrooms;
- Sixty age-restricted residential condominiums; and
- Apartment buildings with a combined total of 250 rental units.

The redevelopment stands to benefit Sudbury in several ways. Notably, approving the proposed 250-unit AvalonBay component will enable Sudbury to fulfil the central goals of its Housing Production Plan by meeting the 10 percent statutory minimum under G.L. c. 40B, §§ 20-23 ("Chapter 40B"), at least through 2020, thereby establishing significant new local planning control. The Town's present Chapter 40B shortfall is 234 units.<sup>1</sup> In addition, the project will create more housing choices for Sudbury seniors who want to downsize or retirees hoping to move to Sudbury because they have children and grandchildren who live there. It also offers a residential option for elderly people with special care needs, including memory care. Finally, Meadow Walk at Sudbury will introduce new high-quality retail and restaurant options, which will enhance the base of goods and services available to people who live or work in town.

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<sup>1</sup> Sudbury Housing Trust, Letter to Sudbury Board of Selectmen re Sudbury Housing Production Plan (January 28, 2016).

As a mixed-use project that redevelops and improves an established site, Meadow Walk Sudbury/Avalon Sudbury incorporates “best practices” in community planning. From a fiscal impact perspective, it also creates a project that balances the impact of new growth by distributing revenue and costs over multiple land uses. Furthermore, the proposed project substantially addresses the Town’s goals for the Raytheon site as outlined in a letter from the Board of Selectmen and Planning Board to Raytheon in February 2015.<sup>2</sup>

AvalonBay’s 250-unit apartment development requires approval from the Sudbury Board of Appeals under Chapter 40B. Toward that end, AvalonBay applied for Chapter 40B Project Eligibility in November 2015 and received an eligibility determination from the Massachusetts Housing Partnership (MHP), the subsidizing agency, in December 2015. The public hearing for Avalon Sudbury opened on March 7, 2016. While the proposed grocery store (Whole Foods) for Meadow Walk Sudbury may be approved by the Sudbury Planning Board under the Town’s existing site plan review and stormwater management provisions, the other elements, including proposed restaurant, assisted living, and age-restricted condominiums, require a zoning change. Accordingly, Town Meeting will be asked to act on the proposed zoning for these elements of Meadow Walk Sudbury in May 2016. Meanwhile, the Planning Board is considering the grocery store application, which National Development filed with the Town in November 2015.

## **2. CONCLUSIONS (SUMMARY)**

At project completion, the overall redevelopment will have a favorable fiscal impact in Sudbury for the reasons outlined below. RKG’s estimates do not include the dollar value of mitigation the developers will be providing under their development agreement with the Town. Though mitigation clearly benefits the community, it is typically not included in a fiscal impact study’s sources and uses analysis.

### **2.1. Revenue and Expenditures**

On a recurring (annual) basis:

- Total General Fund revenues: \$1,712,900
- Total cost to the General Fund for municipal and school services: \$1,031,500
- Net General Fund revenue: \$681,400 (total local revenues minus municipal and school services)
- Cost-revenue ratio: 0.60
- For every \$1 of revenue generated by Meadow Walk Sudbury/Avalon Sudbury, the Town will spend 60 cents on services for residents and businesses in the development.

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<sup>2</sup> Charles Woodward, Chair, Board of Selectmen, and Craig Lizotte, Chair, Planning Board, Letter to Raytheon re Sudbury Raytheon Redevelopment (February 25, 2016).



## 2.2. Demographics

- At project completion, Meadow Walk Sudbury will have approximately 129 residents between the senior housing units and the assisted living facility.
- Residents of the age-restricted condominiums will most likely range in age from 60 to 75 years, while the average age of assisted living residents will be 85 years.
- AvalonBay’s 250 apartments will house approximately 461 people, including 65 school-age children. The average household size for the development as a whole will be about 2 people per unit.

Table 1 provides a snapshot of the project’s service costs and revenue, by component. While the apartment development may have a neutral to slightly negative impact on its own, the combination of land uses in this redevelopment absorb costs that would otherwise have to be paid by other residential or commercial taxpayers.

Table 1. Estimated Fiscal Impact: Meadow Walk Sudbury and Avalon Sudbury						
Project Component	Total Revenue	Municipal Service Costs	Education Costs	Total Cost of Services	Ratio	Net Revenue
Commercial	\$311,400	\$62,300	\$0	\$62,300	0.200	\$249,100
Assisted Living	\$136,700	\$60,900	\$0	\$60,900	0.446	\$75,800
Age-Restricted Condominiums	\$441,500	\$56,700	\$0	\$56,700	0.128	\$384,800
Apartments	<u>\$823,300</u>	<u>\$227,600</u>	<u>\$624,000</u>	<u>\$851,600</u>	1.034	<u>-\$28,300</u>
Total	\$1,712,900	\$407,500	\$624,000	\$1,031,500	0.602	\$681,400

Sources: Sudbury FY2016 Budget Document; RKG Associates, Inc.

## 3. METHODOLOGY

To develop this report, RKG visited Sudbury to conduct site reconnaissance and to interview Sudbury department heads and staff. The objective of the interviews was to develop an understanding of how departmental operations and specific departmental cost categories may be affected by the introduction of new households and commercial operations in Sudbury. The key point of contact was Melissa Murphy-Rodrigues, Town Manager. RKG also conducted interviews with the following department representatives:

- William Place, Director of Public Works
- James Kelly, Facilities Director
- William Murphy, Health Director
- Mark Herweck, Building Inspector
- Gary Brown, Veterans Affairs
- Maryanne Bilodeau, Assistant Town Manager

- Rosemary Harvell, Town Clerk
- Debra Galloway, Council on Aging Director
- Esme Green, Library Director
- Scott Nix, Police Chief
- William Miles, Fire Chief
- Cynthia Gerry, Assessor
- Andrew Vanni, Finance Director
- Mark Thompson, Information Technology
- Anne Wilson, Sudbury Public Schools

Information obtained from the interviews informed the estimates of municipal costs that Sudbury will incur in order to provide government services to new households and businesses. RKG also utilized several public data sources to prepare the analysis including:

- Massachusetts Department of Revenue, Municipal Data Bank, Town of Sudbury General Fund Revenue and Expenditures (Actual) FY 2005-2014, Budgeted Revenues FY 2005-2016, and Property Tax History (Tax Levy and Tax Rates)
- Town of Sudbury Preliminary Budget Document, FY 2016
- Town of Sudbury FY 2015 Budget and Financing Plan
- Town of Sudbury Comprehensive Annual Financial Report (CAFR), FY 2015
- Sudbury Public Schools, FY 2016 Budget
- Massachusetts Department of Elementary and Secondary Education, K-12 Enrollment Trends, Chapter 70 Profile: Sudbury Public Schools and Lincoln-Sudbury Regional School District
- Massachusetts Department of Elementary and Secondary Education: Per Pupil Cost Reports
- Census of Governments, Government Finance Statistics, State and Local Governments (2013).

In addition, National Development and AvalonBay Communities provided information specific to the proposed project, including estimates of the post-construction assessed value of each project component. RKG surveyed the Boston Metro/Outside 128 region for similar retail, apartment, and condominium properties in order to test the developers' assessed value assumptions. Since the estimated values the developers provided are well within range for similar properties, RKG has used those values to calculate development-generated real estate tax revenue.



The fiscal impact of Meadow Walk Sudbury/Avalon Sudbury has been estimated using generally accepted per capita (average cost) and marginal cost methods. Revenues from property and excise taxes were estimated for the developments when fully constructed and occupied. Similarly, municipal expenditures for general government services, public safety, public works, and so forth reflect estimates at full build-out. The analysis presents costs and revenues on an annual basis. Phasing in costs and revenues over time was not necessary because the proponents expect to build out the site in a two-year period.

### **3.1. Recurring Revenue Sources**

This section describes RKG's assumptions for estimating municipal revenues associated with Meadow Walk Sudbury/Avalon Sudbury. RKG focused on the major revenue streams that Sudbury relies upon to pay for municipal and school services. While the Town will benefit from other sources of revenue generated by this project, they are not collected for direct use in the Town's operating budget, e.g., enterprise (proprietary) fund revenues, the Community Preservation Act (CPA) surcharge, fiduciary funds, or other restricted receipts. The revenues reflected in RKG's analysis include real property tax and vehicle excise taxes only. This analysis intentionally omits state aid (which the Town does not control) and any local sources that are restricted by law or for which there is not enough information to develop a reliable estimate.

#### **3.1.1. Real Estate Taxes**

Real property taxes are the primary source of municipal revenue in almost every community. As a result, the first step in any fiscal impact analysis involves estimating the property taxes that will be generated by a proposed development.

Avalon Sudbury and most of the components of Meadow Walk Sudbury will be assessed as income-generating properties. This method of appraisal recognizes the relationship between the property's value and the income it is expected to earn, net of expenses. Assessors determine the value of an investment property by dividing its net operating income (gross income minus expenses) by a capitalization rate that converts the project's income stream into market value, i.e., what the property would likely sell for if it were on the market. In general, the capitalization rate is based on recent sales of similar properties in the same market area.

Projects like Avalon Sudbury have a high value because multi-family housing is considered a low-risk investment, especially in the Metro Boston area where the multifamily supply falls far short of demand. The value of retail properties can vary quite a bit depending on location and type of retail. Given National Development's reputation and the identity of the anchor tenant, Whole Foods, it is reasonable to assume that Meadow Walk Sudbury's retail space will be high-quality and comparatively high-end. A city or town assessor has



to account for many factors to arrive at the assessed value of an investment property. Until the asset is actually operating and there is a financial history to review, it is very difficult for assessors to provide an estimate of value. Therefore, fiscal impact analysts typically do a sample property survey for comparable locations and develop assumptions about the likely assessed value per sq. ft. or assessed value per dwelling unit. In this case, however, RKG had the benefit of valuation estimates from the developers, based on similar properties in the Boston area, so the sample property survey was used for verification purposes. Table 2 summarizes the estimated assessed value and real property taxes for each component of the Raytheon redevelopment project.

<b>Table 2. Estimate of Assessed Value and Annual Tax Revenue Meadow Walk Sudbury/Avalon Sudbury</b>				
Project Component	Units/Floor Area	Assessed Value Multiplier	Total Estimated Assessed Value	Estimated Property Tax Revenue
Village Retail*	80,000 sq. ft.	\$160/ft	\$12,400,000	\$311,400
Assisted Living Residence**	48	\$160,000/unit	\$7,680,000	\$136,700
Senior Housing**	60	\$400,000/unit	\$24,000,000	\$427,200
Apartments**	250	\$165,000/unit	\$41,250,000	\$734,300
<b>Total</b>			<b>\$85,330,000</b>	<b>\$1,609,600</b>

Source: National Development, RKG Associates.  
 \*Tax revenue assumes FY 2016 commercial rate, \$25.11  
 \*\*Tax revenue assumes FY 2016 residential rate, \$17.80  
 Note: Assisted Living Residence provides a total of 54 beds, but the average valuation for the project as a whole is based on living units.

### 3.1.2. Motor Vehicle Excise Taxes

The estimate of motor vehicle excise taxes per year began with calculating Sudbury’s FY 2015 annual excise tax revenue and dividing the result by the most recent Sudbury population estimate from the Census Bureau. This produced an excise tax multiplier of \$194 per capita. RKG also divided the annual excise tax figure by the estimated number of households in Sudbury and compared the two figures. This produced an excise tax multiplier of \$592 per household. Although using either figure as a multiplier often produces similar results, in the Sudbury case it did not – probably because the households at Meadow Walk and Avalon Sudbury will be smaller than Sudbury’s existing households. RKG opted to take a conservative approach and adjusted the Town’s average excise tax per capita to 95 percent. This was done in order to acknowledge the difference in demographic characteristics between residents of the development and the larger households in town, many of which have children under 18 and more than two vehicles per family.

Accordingly, RKG’s estimate of motor vehicle excise taxes for the project is \$103,300, which assumes the following:



- A household population of 460 at Avalon Sudbury;
- A household population of 76 in the age-restricted condominiums;
- An average excise tax payment of \$192 per person (rounded).

At project completion, local revenues from the project will be approximately \$1,712,900 (\$1,609,600 + \$103,300).

### **3.2. Recurring Expenditures for Municipal and School Services**

In addition to municipal revenues, new development also generates demand for government services, so there will be a cost impact on some Town departments. RKG has developed estimates of what Sudbury will need to spend to provide services to the residents, employees, and property owners at Meadow Walk Sudbury and Avalon Sudbury. This section explains the approach used to estimate the cost of community services for residential and nonresidential land uses.

#### **3.2.1. Estimated Cost of Services for Nonresidential Development**

As with any fiscal impact analysis, the first step in the Sudbury study involved allocating shares of the Town's existing departmental expenses to residential and commercial land uses. This step matters because it provides a framework for understanding how a given community's land use pattern affects government spending.

To estimate the assignment of service costs by land use, RKG used a well-established fiscal impact methodology known as Proportional Valuation. The model is an industry standard that analysts use primarily to estimate the cost of services for nonresidential land uses. Iterations of it have been used for many years to understand the cost and revenue relationships of businesses, industry, institutional uses, and open space. It assumes that with some adjustments, a proportional relationship exists between the assessed value of a land use and its associated community service costs. By isolating nonresidential service costs from total municipal expenditures, the analyst can establish a more accurate picture of the cost of services used by residential development. Table 3 presents a step-by-step assessment of what Sudbury currently spends to provide municipal services to businesses and other nonresidential land uses in the community today, and it culminates in an estimate of what the Town will spend to serve the commercial uses at Meadow Walk Sudbury.



Table 3. Proportional Valuation: Estimate of Current Municipal Service Expenditures Nonresidential Land Uses		
Identifier	Methodology Component	FY 2016
A	Total General Fund Expenditures	\$88,502,000
B	<i>School Budget</i>	\$39,816,100
C	<i>Regional Schools</i>	\$22,136,800
D	<i>Minuteman Assessment</i>	\$694,400
E	<i>Total School Spending</i>	\$62,646,700
F	Net Cost of Municipal Services (A-E)	\$25,855,300
G	Non-Residential Real Property Value	\$206,473,800
H	Total Real Property Assessed Value	\$4,160,141,500
I	Ratio (G/H)	0.05
J	Non-Residential Parcels	209
K	Total Parcels	6,486
L	Average Value: Non-Residential Parcel (G/J)	\$987,900
M	Average Value: All Parcels (H/K)	\$641,400
N	Ratio (L/M)	1.54
O	Refinement Coefficient	2.15
P	Cost of Nonresidential Services (F*N*O)	\$2,759,000
Q	Residential Expenditures (A-P)	\$85,743,000
R	Nonresidential Percent (P/F)	3.2%
S	Assessed Value, Meadow Walk Commercial Space	\$12,400,000
T	Proportion (S/L)	12.55
U	Refinement Coefficient	0.002
V	Cost of New Municipal Services (P*T*U)	\$62,300
Source: Town of Sudbury Preliminary Budget Document, FY 2016; and RKG Associates. Source of Refinement Coefficients: Center for Urban Policy Research, Rutgers University.		

Having estimated what Sudbury currently spends on nonresidential services and what it will likely spend to serve the new development, RKG further estimated the operating budget breakdown by category of government service. The breakdown is illustrated in Table 4 (next page). The resulting *residential* share of Sudbury’s operating budget is the difference between Column B and Column D.



<b>Table 4. Allocation of Nonresidential Service Costs by Department/Function</b>				
A	B	C	D	E
		Existing & New Nonresidential		Service Costs
Department/Function	FY16 Budget	Percent Municipal Total	Existing Nonresidential*	Meadow Walk*
<i>General Government</i>	2,719,900	5.0%	\$137,900	\$3,100
<i>Public Safety</i>	7,218,000	50.0%	\$1,379,500	\$31,200
<i>Education</i>	62,646,700	0.0%	\$0	\$0
<i>Public Works</i>	5,152,100	22.0%	\$607,000	\$13,700
<i>Health &amp; Human Services</i>	659,200	3.0%	\$82,800	\$1,900
<i>Culture &amp; Recreation</i>	1,233,400	0.0%	\$0	\$0
<i>Benefits</i>	4,566,400	10.0%	\$275,900	\$6,200
<i>Transfers</i>	525,000	N/A	N/A	N/A
<i>Other</i>	62,400	N/A	N/A	N/A
<i>Municipal Total</i>	22,136,400	100.0%	\$2,483,100	\$62,300
<i>Debt Service</i>	3,719,100	10.0%	\$275,900	N/A
<i>Total Operating Budget</i>	25,855,500		\$2,759,000	\$63,300

Sources: Town of Sudbury, RKG Associates.  
 \*See also, Table 3 Lines P and V for basis for the totals shown above for Existing Nonresidential and Meadow Walk.  
 Source of Nonresidential Cost Service Standards: Center for Urban Policy Research, Rutgers University.

### 3.2.2. Demographics Affecting Residential Service Costs

Estimating the cost of services for new residential development requires an understanding the market for the proposed housing units: the types of households, householder ages, family size and composition, and so forth. For the analysis of Meadow Walk Sudbury and Avalon Sudbury, RKG examined the following sources of information:

- National Center for Assisted Living; Demographic Profiles
- Small Business Market Research Reports: Assisted Living Facilities
- MetLife: Housing for the 55+ Market
- Urban Land Institute
- MetLife and National Homebuilders Association: Housing Trends Update for the 55+ Market
- Census Bureau, American Housing Survey (2013)
- Census Bureau, American Community Survey (ACS) Five-Year Estimates, 2010-2014, Massachusetts PUMS Records
- Towns of Concord, Hopkinton, Northborough, and Shrewsbury: K-12 Enrollment in Selected Market-Rate and Mixed-Income Rental Properties
- AvalonBay Communities

Drawing from all of these sources to create a profile of the project’s likely future residents, RKG developed the following household population multipliers for the Meadow Walk Sudbury/Avalon Sudbury study. The population multipliers are summarized in Table 5.

Table 5: Population and School-Age Children Estimates Meadow Walk Sudbury and Avalon Sudbury					
Project Component	Units	Population Multiplier	Population Estimate	School Student Multiplier	Student Estimate
Assisted Living	48	1.10	53	0.00	0
55+ Condominiums	60	1.27	76	0.00	0
Apartments					
1-BR	124	1.22	151	0.03	4
2-BR	101	2.21	223	0.32	32
3-BR	<u>25</u>	3.48	<u>87</u>	1.14	<u>29</u>
Total	250		461		65

Sources: AvalonBay Communities, ACS 2010-2014 PUMS Data, K-12 Student Counts from Concord, Hopkinton, and Northborough; and RKG Associates.

### 3.2.3. Residential Service Costs (Non-School)

To estimate the cost of residential services for Meadow Walk Sudbury and Avalon Sudbury, RKG analyzed the operating budgets of the Town of Sudbury, Sudbury Public Schools, and Lincoln-Sudbury Regional in order to identify population-sensitive costs and costs that do not change as a direct result of population growth or decline. The departmental expenses shown in Table 5 are derived from the Town’s Budget Document. Expenses are allocated by proportional share. Projections of municipal costs on a per-household or per-student basis need to recognize that there are economies of scale associated with ongoing government operations. The introduction of new households and commercial operations into a town will affect some departments more directly than others.

To simulate these economies of scale, each category of service has been assigned an **efficiency factor**: a percentage that reflects the incremental costs that would be incurred from net new households or businesses in Sudbury, given that the actual demands placed on town departments will depend in part on the type of household involved. For example, Police cost categories such as safety and patrol services are likely to be affected more than building and vehicle maintenance or tuition. Similarly, Fire Department operations will be more directly affected than utilities, maintenance, or equipment, but the degree of impact on operations will be greater for the assisted living facility than the commercial space. Since public schools serve a narrow constituency (pupils), they are directly affected by pupils generated from new housing, yet modest enrollment growth does not necessarily

cause a school department to hire another building principal, custodian, or curriculum supervisor.

RKG's estimates of efficiency factors are based on interviews with various department representatives in Sudbury, RKG's own experience with these studies, and interviews with police and fire personnel in other communities. Overall, the efficiency factors range from 5 percent to 105 percent based on the relative impact each component will have on various departments.

- Public Works has the lowest efficiency factor in this study (5 percent) because all of the internal roadway maintenance, trash disposal, and other services normally provided by the Town will be provided and paid for by the project.
- General Government, e.g., administration and finance functions, also has a low efficiency factor (10 percent).
- For Health and Human Services, the efficiency factor varies by class of use. For example, the assisted living facility and restaurant uses proposed for the property will most likely generate a greater demand for services than the other components of the project. The efficiency factor ranges from a low of 20 percent (55+ condos) to 50 percent of the assisted living residence.
- Culture and Recreation, the efficiency factor is very low for the assisted living facility (10 percent) but much higher for the age-restricted condominiums (50 percent).
- RKG also assigned small efficiency factors tied to employee benefits to reflect impacts of new hires or expansions of part-time to full-time personnel.

Based on the methodology described above, it is estimated that the incremental cost of municipal (non-school) services for the residential uses is \$339,500. A majority of the additional spending is attributable to the impact of a relatively large project like this on public safety, mainly to serve the assisted living facility. Table 6 (next page) summarizes RKG's analysis of municipal service costs for the residential uses at Meadow Walk Sudbury and Avalon Sudbury.





Table 6. Estimated Cost of Municipal Services for Residential Uses Meadow Walk Sudbury and Avalon Sudbury				
Category of Municipal Service	Residential Share, Town Operating Budget	Efficiency Factors		
		Assisted Living	Apartments	Age-Restricted Housing
General Government	\$2,581,900	0.100	0.100	0.100
Public Safety	\$5,838,500	1.050	0.750	0.750
Public Works	\$4,545,100	0.000	0.050	0.050
Health & Human Services	\$576,400	0.500	0.300	0.200
Culture & Recreation	\$1,233,400	0.100	0.300	0.500
Benefits	\$4,290,500	0.025	0.015	0.020
Other	\$62,400	0.000	0.000	0.000
Total Municipal Services	\$19,128,200			
Cost per Household		\$1,149	\$910	\$945
Number of Households		48	250	60
Incremental Cost		\$55,200	\$227,600	\$56,700

Source: Town of Sudbury FY16 Preliminary Budget Document, and RKG Associates, Inc.

### 3.2.4. Financial Impact on Schools

New residential development accommodates households that often include school-age children. Indeed, the largest single government services cost associated with residential development is public schools. Since Sudbury’s public schools have a very good reputation and the town is family-oriented, new housing built in the town is likely to attract people with children except for housing that discourages families by design, e.g., age-targeted designs and studio- or one-bedroom units fall into the category of “family un-friendly” housing.

To prepare this fiscal impact analysis, RKG surveyed student enrollments for recently built multifamily housing in four Eastern Massachusetts suburbs: Concord, Hopkinton, Northborough, and Shrewsbury. The average number of students in these developments ranges from 0.17 students per unit to 0.24. RKG opted to apply an average multiplier per unit size to the unit types in Avalon’s development, recognizing that smaller units are far less likely to have children than the larger units. The overall average is 0.26 students per unit, and the total number of school-age children is 65. Table 7 illustrates the methodology for estimating the school population. A few of these students may be existing Sudbury residents and already enrolled in the local schools. RKG does not have enough information to estimate how many children at Avalon Sudbury will be existing students, but the Town should be aware that in-town moves do occur with the introduction of new rental housing just as they occur with construction of new single-family dwellings. In any case, all 65

school-age children have been assumed to be new public school students in Sudbury (local and regional schools).

<b>Table 7. Estimated Number of School-Age Children and Education Costs, Avalon Sudbury</b>					
School	FY16 Budget Public Schools	Efficiency Factor	Adjusted Base	Sudbury Enrollment*	
Sudbury Public Schools	\$39,816,100	0.65	\$25,880,500	Incremental Cost Per Student (Adjusted Base/Enrollment)	\$9,600
Lincoln-Sudbury Regional Schools	\$22,136,800	0.65	\$14,388,900	Number of Students	65
Minuteman Assessment	<u>\$694,400</u>	0.65	<u>\$451,300</u>	Estimated Cost of Services	\$624,000
Total School Spending	\$62,646,700		\$40,720,800		
Sources: FY2016 School Budgets (Budget Document); Department of Elementary and Secondary Education (DESE), K-12 Enrollments and Chapter 70 Profiles; and RKG Associates, Inc. **Sudbury Enrollment* is the total estimated number of Sudbury children in the local, regional, and vocation schools, based on data from DESE.					

RKG understands that the Town customarily assumes for budgetary purposes an average expenditure of \$15,000 per student. The average cost does not really represent the amount that each new student would require the district(s) to spend. Rather, it reflects what the Town spends, on average, per child. The average cost of a public service is not the same as the incremental cost of adding a student (or even 65 students) to the district. As noted earlier, not all cost categories change in response to enrollment growth. In many parts of the state, K-12 enrollments have not grown much at all in the past few years and in some communities, enrollments have actually declined. Nevertheless, school appropriations continue to increase in these communities because some expenditures change independent of enrollment growth. Some examples of budgeted school costs that are less population-sensitive than others include operations and maintenance, professional development, and curriculum development and support.

It is important to note that RKG's analysis does not take into account the recent decline in Sudbury's school enrollment. It is also important to note, for comparison, that even if it is assumed that the Town's actual cost to accommodate 65 children at Avalon Sudbury was \$15,000 per student, the proposed mixed-use development will generate enough revenue to more than absorb the entire cost. The project's mix of land uses gives it much greater financial stability than if the project was a single multifamily development with no offsetting sources of revenue from other uses.

#### 4. ADDITIONAL COMMENTS

The purpose of this report is to estimate the fiscal impact of the proposed Raytheon Redevelopment Project. In our experience, people have quite different ideas about what a fiscal impact analysis is and the assumptions a fiscal impact analyst should use. It seems appropriate to provide some working definitions, assumptions, and caveats for the benefit of readers.

- Fiscal impact measures the net revenue gain or deficit directly associated with a given land use. The relationship between costs and revenue is expressed in a ratio. When the ratio  $<1.00$ , the total cost to serve a project is less than the total amount of revenue it will generate. For example, the ratio for Assisted Living is 0.446, which is positive because the Town will only spend 45 cents per dollar of tax revenue generated by the facility. The ratio for apartments is tighter because the residential population will be higher and there will also be students in the development. Thus, RKG's estimated revenue ratio for Avalon Sudbury is 1.034 (see Table 1).
- A fiscal impact analysis looks at direct cost and revenue impacts. It does not capture other (non-fiscal) types of development impacts or indirect or secondary impacts, including those which may involve a change in municipal costs and revenues.
- A fiscal impact analysis of buildout of a multi-phase development that is only conceptual in nature often involves a higher risk of inaccuracy than smaller or better defined developments. Despite an analyst's best efforts, sometimes conditions change in ways that could not be foreseen when a project was originally reviewed.
- In most cases, fiscal impact studies report future costs and revenues in today's (current) dollars. All dollars in this report reflect our analysis of FY 2015 actual and FY 2016 budgeted revenues and expenditures.

For the following reasons, a fiscal impact analysis should never be the sole basis for making a major public policy decision:

- Some types of development provide social or planning and community benefits that matter more to a community's residents than just municipal revenues. For example, the provision of affordable family housing through this redevelopment would meet an important local need in accordance with the Town's HPP, thereby providing an important element of local control, that most other developments cannot accomplish.
- Fiscal impact studies provide an estimate of net revenue based on a series of assumptions. If the assumptions change, the net revenue may change as well.

- The conclusions of a fiscal impact analysis do not guarantee that a town will actually commit new revenues to the services that experience new demand. RKG's task is to identify and quantify a project's net operating impact on municipal and school services, but clearly consultants cannot control decisions made by the town's voters. Town meeting will make appropriation choices based on local priorities, not on estimates and projections reported by fiscal impact analysts.
- Operating costs increase even without population and household growth. A good example is the rapid acceleration in shared or "fixed" costs such as employee health insurance, which has occurred in all communities even those with population and employment decline.

