



October 2, 2015

The Honorable Town Council
The Town of Weymouth
75 Middle Street
Weymouth, MA 02189

RE: Economic Analysis for Amendment to SouthField Zoning & Land Use By-Laws

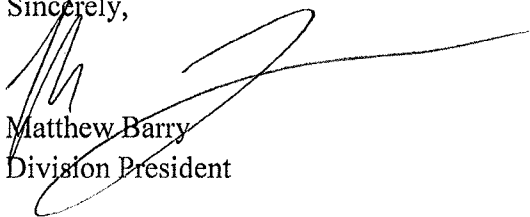
Dear Members of the Town Council:

We are pleased to present to you an economic analysis prepared by FXM Associates to provide an assessment of the municipal revenues and costs related to the proposed amendment to the Zoning and Land Use By-Laws for NAS South Weymouth as submitted for your consideration on August 24, 2015.

This analysis does not address any of the development revenues or costs documented in the Financial Benefit Analysis dated March 20, 2014. Our direction to FXM was to analyze the impact of the proposed amendment. Specifically, the increase of residential units by 1,000 age-restricted units and increase in commercial square footage. We will review the 2014 analysis and FXM analysis to ensure that the combination of these reports provides a comprehensive review of the benefits and costs that the SouthField project can achieve.

We look forward to reviewing this report with you on Monday, October 5, 2015. Thank you.

Sincerely,



Matthew Barry
Division President

cc: Rockland Board of Selectmen
Abington Board of Selectmen
SRA Board

Technical Memorandum

Assessment of Municipal Revenues and Costs of Proposed New Residential and Commercial Development at Southfield in Weymouth

Prepared for: LStar Southfield LLC
Prepared by: FXM Associates
Date: September 2015

Introduction

FXM Associates has been retained by LStar Southfield LLC to prepare an independent assessment of potential municipal revenues and costs attributable to the following development program at Southfield in Weymouth:

- 1,000 units of housing limited to householders age 55 and over with no school aged children. This part of the project is assumed to be built out at the rate of 80 units per year (12.5 year absorption period) beginning in 2017 with first year occupancy of 80 units assumed for 2018.
- 2,100,000 square feet of commercial office, life sciences and biotech space (R&D) to be built out at the rate of 50,000 square feet per year of office space and 100,000 square feet of R&D space (14 year absorption period) beginning in 2017 with first year occupancy of 150,000 square feet assumed for 2018.

This analysis follows on a fiscal impact analysis of 2,563 new residential units and 900,000 square feet of commercial development at Southfield, distinct from the program analyzed by FXM. The previous analysis was performed by the developer. The municipal revenues and costs of the proposed new senior housing units and new commercial development are **additional** to the earlier projections and are thus not replacing them. FXM reviewed the prior analysis in preparing the findings described in this memo. Although FXM's independent analysis differs in minor ways from the prior work, the methods used in the two are not inconsistent with each other and, indeed, yielded consistent results.

Subsequent sections of this report include **Summary Findings; Analytic Assumptions, Sources and Methods;** and **Technical Analysis.**

Summary Findings

Data in Table 1 summarize the findings of this analysis. All dollar values in Table 1 and in subsequent sections of this report are constant \$2015.

As shown by the data in Table 1, in each year of the projected absorption period the proposed project is expected to generate an **incremental \$1.486 million in net new revenue (constant \$2015)** to the Town of Weymouth, after allowing for expected municipal expenditures to service the residential and commercial development proposed. Both the residential and commercial components of the development are expected to be fiscally positive (generating net new revenues to the Town of Weymouth) throughout the life of the project, beginning with the first full year of absorption in 2018.

Table 1

**Summary Fiscal Revenues and Costs
Proposed Southfield Development in Weymouth**

Program	2018	2031
	Incremental Annual	At Buildout
Residential, 55+	80 units	1,000 units
Commercial Office (SF)	50,000	700,000
Commercial Life Sciences & Biotech (SF)	100,000	1,400,000
TOTAL Commercial (SF)	150,000	2,100,000
Municipal Revenues and Costs		
	Constant \$2015	
	Incremental Annual	Annual At Buildout
Residential Valuation	\$ 32,120,000	\$ 401,500,000
Commercial Valuation	\$ 62,500,000	\$ 875,000,000
TOTAL Residential and Commercial Valuation	\$ 94,620,000	\$ 1,276,500,000
Residential		
Residential Property Taxes	\$ 414,348	\$ 5,179,350
Other Revenue from Residences	\$ 48,896	\$ 611,194
TOTAL Revenue from Residences	\$ 463,244	\$ 5,790,544
Municipal Service Costs for Residences	\$ (193,981)	\$ (2,424,764)
NET Annual Municipal Revenues (costs) for Residences	\$ 269,262	\$ 3,365,780
Commercial		
Commercial Ad Valorem and Personal Property Taxes	\$ 1,456,409	\$ 20,389,724
Municipal Service Costs for Commercial	\$ (222,851)	\$ (3,119,912)
NET Annual Municipal Revenues (costs) for Commercial	\$ 1,233,558	\$ 17,269,813
Annual Building Permit Fees Through Buildout	\$ 784,730	
Cumulative Building Permit Fees		\$ 10,793,500
ANNUAL NET MUNICIPAL REVENUES (COSTS) ALL	\$ 2,287,550	\$ 20,635,593

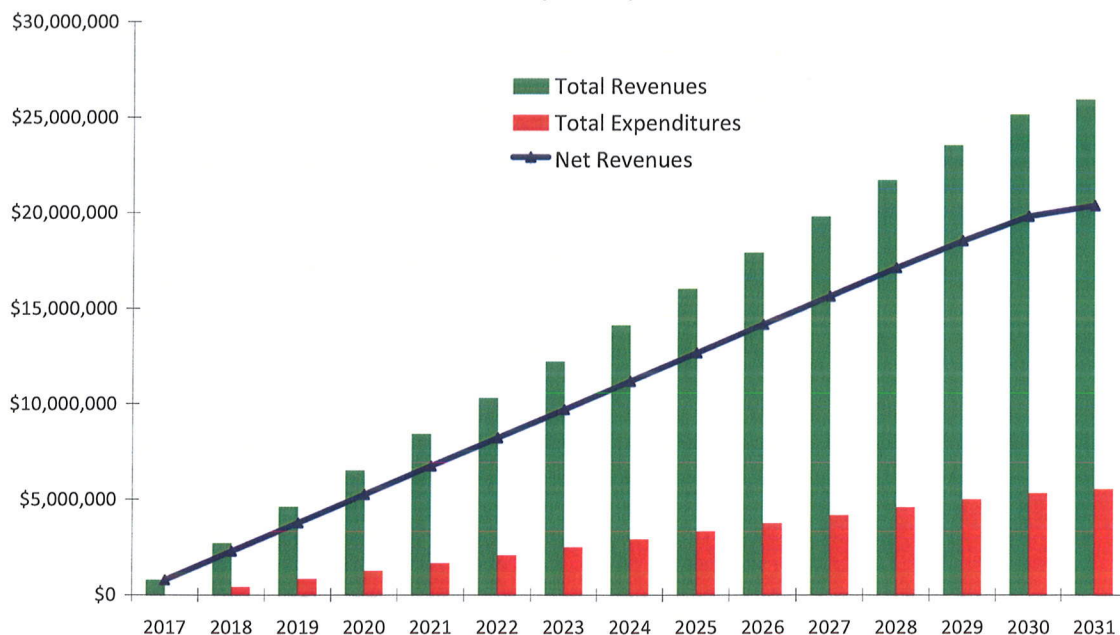
At buildout (year 13 for the residential and year 14 for the commercial components of the development) and for each year thereafter, the proposed development is expected to generate **annual net municipal revenues of over \$20 million per year (\$2015)**. The approximate \$1.3 billion in new assessed valuation contributed

by the proposed development will add 21% to the current total assessed valuation of all residential and commercial properties in Weymouth (\$2015). At buildout (2031) the \$26 million in gross revenues per year attributable to the project represents about 31% of Weymouth non-school expenditures annually while the \$6 million per year in gross costs represents about 7% of non-school expenditures annually (\$2015). An additional \$784,730 in building permit fees is expected each year of the proposed buildout, accumulating to a total of \$10,793,500 in building permit fees over the full absorption (buildout) period. At full buildout, Community Preservation Act (CPA) taxes are estimated to total an additional \$233,493 in net fiscal revenues annually attributable to the project.

It should be noted that FXM has used all revenues and costs in constant \$2015. The effect of this approach is likely to understate the magnitude of net municipal revenues in the out years of the project if it is assumed that revenues and costs will grow at proportional rates of inflation and/or adjusted valuations and tax rates, but it avoids speculation about inflation and other fiscal and economic circumstances that cannot be reliably projected. This is FXM's preferred approach in all analyses of this type and, in our judgment, most fairly represents the proportional net fiscal impact of development projects notwithstanding special circumstances. Figure 1 graphs annual gross revenues and expenditures and net revenues throughout the buildout period.

Figure 1

**Total Annual Revenues and Expenditures and
Net Annual Revenues to Town of Weymouth
(\$2015)**



Analytic Assumptions, Sources and Methods

This section notes working assumptions for the analysis provided to FXM by the client/developer, as well as data sources and methods used for the analysis.

Developer assumptions provided to FXM

The developer provided FXM with the following program components for use in the analysis:

Residential

1,000 units of senior housing, restricted to householders age 55 and older, without any school age children,¹ distributed by type of unit and cost as follows (\$2015):

- 250 condo units, averaging \$380,000 per unit
- 250 assisted living units, averaging \$320,000 per unit
- 300 townhouse units, averaging \$475,000 per unit
- 100 single family homes, averaging \$550,000 per unit
- 100 workforce units,² averaging \$290,000 per unit

Rate of buildout: 80 units per year for 12.5 years

First year of occupancy: 2018

Commercial

2.1 million square feet of commercial space, as follows:

- 700,000 square feet of office space
- 1,400,000 square feet of life sciences and biotech (R&D) space

Rate of buildout: 50,000 square feet of office space per year for 14 years
100,000 square feet of R&D space per year for 14 years

Valuation: \$250 per square foot (SF) office; \$500/SF R&D (\$2015)

First year of occupancy: 2018

¹ U.S. Department of Housing and Urban Development regulations provide for "Housing for Older Persons" exemption to the Fair Housing Act, enabling the developers to refuse to sell or rent dwellings to families with minor children, provided that the development is "intended and operated for occupancy by persons 55 years of age or older."

² According to information provided by the developer, workforce housing is defined as "dwelling units available at a cost of no more than thirty percent (30%) of the gross annual income of households above eighty percent (80%) and at or below one hundred twenty percent (120%) of the Area Median Income, calculated for the household, as reported by HUD."

Sources Used

Applied to the developer assumptions above are factors that are derived or calculated from other sources:

Municipal service costs per capita are based on Town of Weymouth 2015 budget estimates divided by the 2015 total population estimates found in a proprietary data source customarily used by FXM: The Nielsen Company's *Site Reports*, whose estimates are based on the 2010 U.S. Census.

The estimate of average household size in the new development is derived from household size data in the U.S. Census, *Current Population Survey, Annual Social and Economic Supplement*, 2011, released in 2012.

Municipal revenue data comes from Town of Weymouth budget and tax sources. Other data, such as building permit fees and Community Preservation Act rates, are drawn from Town of Weymouth sources used in the initial fiscal analysis provided by the developer.

Local aid and other financial data also come from the Massachusetts Department of Revenue, Division of Local Services.

Calculation of the number of employees in the new commercial development is based on the number of employees per square foot for office and R&D space, as estimated by the Institute of Transportation Engineers and other sources used by FXM Associates.

Analytic Methods

FXM Associates uses two widely accepted average cost methods for this analysis. These methods assign the costs of new development based on per capita costs of municipal services for the residential component of the project (the per capita cost method), and per employee municipal service costs for the commercial portion of the project (the employment anticipation method).³

Municipal service costs allocated to residents and businesses are based on the proportion each use type represents of town wide assessed property valuation. In this instance 85% of municipal service costs are allocated to residents and 15% to commercial uses based on the current proportional valuations of residential and commercial uses. This is called the proportional valuation method and, while clearly a simplification of potential costs of specific types of commercial uses, has been widely accepted in professional practice and is legally recognized in required EA and EIS documents prepared under the National Environmental Policy Act (NEPA).

³ Buchell, R.W., D. Listokin, & W.R. Dolphin, "The New Practitioners Guide to Fiscal Impact Analysis", Center for Urban Policy Research, Rutgers University, New Brunswick, NJ 1985

School costs are not included in this analysis and are subtracted from overall town expenditures in estimating per capita municipal service costs to residents since no school-age children are assumed in this senior development. Education costs are also excluded in the employment anticipation method for estimating municipal service costs attributable to businesses since the businesses directly contribute no school-age children. The indirect effects of new jobs on potential public school children are assumed in this instance to be picked up in the developer's fiscal impact assessment for other new residences.

In order to not overstate the potential net fiscal benefits of the proposed development, FXM assumed that both current annual payments for pensions and pre-existing debt would be assigned to the per capita and per employee costs of the subject development. It can be argued that new residents and businesses are not responsible for prior debt and pension obligations. It can also be argued that new residents and businesses enjoy the fruits of the infrastructure and other investments made that are responsible for current annual debt payments, and for the services developed by the contributions of prior employees. These costs are not inconsiderable, representing over 40% of the non-school related annual municipal budget for Weymouth. If current debt and pension obligations were to be excluded, the net fiscal benefits of the project derived in this analysis would be substantially greater. On balance, in FXM's judgment, the attribution of debt and pensions to our per capita and per employee municipal service cost allocations more than offsets the potential effects of any new school-age children that might result from the new jobs created, only a portion of which are expected to be held by new residents.

NOTE: Based on discussions with the client, FXM did not analyze potential marginal costs that new residents or businesses might impose on town infrastructure or services because of capacity or service limits, thus requiring the municipality to invest in additional physical infrastructure such as school, police, or fire buildings or vehicles, water and sewer, roadways, personnel, and so forth. FXM's analysis assumes that these capacity/marginal cost issues have been and will continue to be discussed by the client with appropriate town officials and that whatever financial or other arrangements are made do not affect this assessment of average costs attributable to new residents and businesses.

Technical Analysis

In this section, FXM explains the analyses used to arrive at the conclusions discussed in the preceding Summary Findings text and in Table 1. Data in Table 2 show the summary calculations used for the residential fiscal impact assessment, while data in Table 3 show the calculations used for the commercial fiscal impact assessment.

Residential

To establish the part of the budget that would apply to the new households, school budget amounts are subtracted from the total Town of Weymouth budget for 2015, since the new units are to be marketed exclusively to over age 55 residents with no school aged children, per HUD regulations (see footnote 1 above). As shown in Table 2 below, the non-school expenditures of \$83,556,300 are then allocated to total town residents in the same proportion that the residential valuation represents of total town valuation: 85%. This amount, \$71,022,855 is the amount considered to be town expenditures on residents. Dividing that amount by total residents, estimated at 56,238 in 2015, yields an expenditure of \$1,263 per resident.

FXM then calculates the number of persons per unit in the new development, using data from the U.S. Census, *Current Population Survey, Annual Social and Economic Supplement*, 2011, released in 2012. That number, 1.92, is less than the townwide household size of 2.43, and reflects its age restriction to those over 55. Multiplying 1.92 times the per resident expenditure of \$1,263 gives a fiscal cost per unit of \$2,425.

Revenues from residential properties are calculated from the developer's estimate of assessed values of the units to be constructed. These values are averaged and the town residential tax rate of \$12.90 per thousand applied, yielding an average property tax per new unit of \$5,179. (In comparison, the town average is just under \$3,000 per household.)

Other revenues allocated across households include excise taxes and local non-school aid. Other sources of town revenue, local and other receipts, are allocated to town residents in the same proportion as above for non-school expenditures, 85%. The total of these other revenues is \$16,763,217, or \$298 per resident. Multiplying this figure by 1.92 residents in each Southfield unit yields new revenues of \$572 per unit. Adding this amount to the average property tax bill for each Southfield unit, \$5,179, gives total revenue per new unit of \$5,752.

Subtracting total costs from total revenues, net fiscal revenues for each Southfield unit equal **\$3,327**.

Through the period of construction, annual building permit fees would provide an additional \$128,480 (\$10 per \$1,000 on construction costs assumed at 40% of assessed value, at 80 units per year).

Under the Community Preservation Act, Weymouth collects an additional 1% of total property taxes to be dedicated to open space and historic resource preservation and the development of affordable housing and recreational facilities. Residential development is taxed at 1% of total property tax collected, after a \$100,000 exemption of assessed value for each residential property, yielding an additional incremental tax of \$3,111 per year during the construction period.

At buildout, the **net annual revenue** produced by 1,000 units would be **\$3,365,780**.

Table 2
Southfield Fiscal Impact Assessment
Summary of the Residential Development Analysis

Expenditures	Constant \$2015
Total Town	\$ 143,710,028
Schools	\$ 60,153,728
Non-school expenditures	\$ 83,556,300
Proportional Residential Valuation	0.85
Expenditures Attributable to Residents	\$ 71,022,855
Total residents	56,238
Non-school expenditures per cap	\$ 1,263
Southfield persons per unit	1.92
Southfield fiscal costs per unit	\$ (2,425)
Revenues	Constant \$2015
Average assessed value per Southfield unit	\$ 401,500
Residential tax rate	0.0129
Average Property Taxes per Southfields unit	\$ 5,179
OTHER REVENUES	
Excise taxes	\$ 5,420,000
Local aid (non-school)	\$ 7,759,000
Local receipts at 85%	\$ 2,113,718
Other receipts at 85%	\$ 1,470,499
SUBTOTAL Other Revenues	\$ 16,763,217
Per Capita other revenues	\$ 298
Other Revenues per Southfields unit	\$ 572
Total Revenues per Southfields unit	\$ 5,752
NET Fiscal Revenues(cost) per Southfields Unit	\$ 3,327
Annual Building permit fees at \$10/\$1000 (40% assessed value)	\$ 128,480
Annual Community Preservation Act Taxes	\$ 3,111
RESIDENTIAL: NET Incremental Annual Revenue (80 units) Through Buildout	\$ 397,742
RESIDENTIAL: NET Annual Revenue at Buildout (1,000 units; year 12.5)	\$ 3,365,780

Commercial

The same base budget, total town budget less school expenses, is used in the commercial analysis, displayed in Table 3 below. In this case 15% of that base budget represents the commercial proportion of the total valuation: \$12,533,445. That amount is then divided by the total number of employees town wide, 23,137, to arrive at a per employee budget expenditure: \$541.71. Based on established norms (see Sources above), FXM calculates 3.3 employees for each 1,000 square feet of office space and 2.5 employees for each 1,000 square feet of R&D space. Applying these ratios to the annual addition of 50,000 square feet of office space and 100,000 square feet of R&D space yields an annual addition of 411 workers total to the town, with annual municipal service costs of \$89,096 for office workers and \$133,754 for R&D employees. Total annual incremental service costs are therefor **\$222,851**.

On the revenue side, applying assessed values per square foot for office space, \$250, and R&D space, \$500, to the proposed square footage yields a total annual incremental assessed value of \$62,500,000. The commercial tax rate of \$22.24 per thousand on that amount produces annual revenues from property taxes of \$1,390,000. Personal property taxes, applied only to commercial property, are \$2,953,173 for the town as a whole. The 411 employees in the new development would therefore yield \$52,509 annually. Finally, Community Preservation Act taxes of 1% of total property taxes would yield an annual increment of \$13,900 for the commercial development assessed for Southfield. The total annual incremental property tax revenues would therefor reach **\$1,456,409**.

Subtracting total costs from total revenues, an estimated net incremental **\$1,233,558** would accrue to the town budget annually.

In addition to the above, over the period of construction, an estimated \$656,250 in annual building permit fees would be paid. This amount represents a fee of \$15 per \$1,000 applied to 70% of assessed value for commercial construction.

With that addition, total net annual *incremental* revenue through buildout would be \$1,889,808, with net annual revenue at buildout of **\$17,269,813**.

Table 3
Southfield Fiscal Impact Assessment
Summary of the Commercial Development Analysis

Expenditures	Constant \$2015
Total Town	\$ 143,710,028
Schools	\$ 60,153,728
Non-school expenditures	\$ 83,556,300
Proportional Commercial Valuation	0.15
Expenditures Attributable to Businesses Town Wide	\$ 12,533,445
Total employees town wide	23,137
Non-school expenditures per employee	\$ 541.71
Southfield employees per 1,000 SF office	3.3
Southfield employees per 1,000 SF R&D	2.5
Municipal Service costs/1,000 SF office	\$ 1,782
Municipal Service costs/1,000 SF R&D	\$ 1,338
Municipal Service costs/50,000 SF office	\$ 89,096
Municipal Service costs/100,000 SF R&D	\$ 133,754
TOTAL Annual Incremental Municipal Service Costs	\$ (222,851)
Revenues	Constant \$2015
Assessed Value per SF Office	\$ 250
Assessed Value per SF R&D	\$ 500
Assessed Value per 50,000 SF Office(annual absorption)	\$ 12,500,000
Assessed Value per 100,000 SF R&D (annual absorption)	\$ 50,000,000
TOTAL Annual Incremental Assessed Value	\$ 62,500,000
Commercial Tax Rate	\$ 0.02224
TOTAL Annual Incremental Property Taxes	\$ 1,390,000
Annual Incremental Employees	411
Personal Property Taxes Townwide	\$ 2,953,173
Per Employee Personal Property Taxes	\$ 128
Annual Incremental Personal Property Taxes Southfields	\$ 52,509
Community Preservation Act Taxes	\$ 13,900
TOTAL Annual Incremental Property Tax Revenue	\$ 1,456,409
NET Annual Incremental Property Tax Revenue (cost)	\$ 1,233,558
Annual Building permit fees at\$15/\$1000 (70% assessed value)	\$ 656,250
COMMERCIAL:NET Annual Incremental Revenue (150,000 SF)Through Buildout	\$ 1,889,808
COMMERCIAL: NET Annual Revenue at Buildout (2,100,000 SF; year 14)	\$ 17,269,813

About FXM: *FXM Associates is an independent economic planning and research consulting firm that was established in 1991. The firm consists of five senior professionals each with over 30 years of experience and has successfully completed more than 250 project assignments in social, economic and fiscal impact assessments; economic development; transportation planning; and real estate market and financial feasibility studies. FXM Associates enjoys an international reputation for its state-of-the-art economic and fiscal impact assessment practice, and its work has been accepted by state and federal agencies in numerous legally mandated environmental impact assessment documents as well as part of the justification and financing of major public infrastructure and other development projects. Examples of FXM's current economic and fiscal impact project assignments include the proposed \$500 million I-90/MassPike Interchange/West Station project in Allston for MassDOT; the Cape Cod Third Bridge Feasibility Study, also for MassDOT; and the proposed \$1 billion North Station development program for Boston Properties. For more information on FXM please check the firm's website at www.fxmassociates.com*