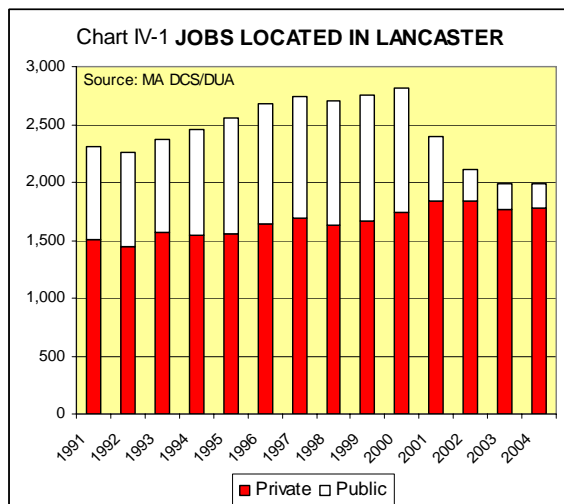


IV. ECONOMIC DEVELOPMENT

BACKGROUND¹

Consistently, Lancaster planning participants have underscored the central importance of improving the Town's fiscal circumstances as a major reason for local efforts at economic development. Gaining good jobs at good wages is also often cited as an important motivation for local economic development, even though only a minority of the workers living in Lancaster work within the Town. Further, economic development can enhance the quality of life in Lancaster, possibly broadening the array of services available nearby, and perhaps shortening commuting time, distance, and environmental costs².

Jobs in Lancaster



According to 2000 Census commuting reports, a total of 2,800 people then had jobs located in Lancaster,

¹ This Chapter draws upon “V. Economic Development Chapter” in *Lancaster Community Development Plan* prepared by the Montachusett Regional Planning Commission (MRPC) under Executive Order 418 in 2004, and attempts to complement rather than being redundant with it.

² This statement and many of the action items in this Chapter are drawn from the memo of the Business and Economic Development group formed for this effort. See Business and Economic Development Topic Group, “Summary of Results,” November, 2005.

compared with a total of 3,100 Lancaster residents working either within the town or commuting elsewhere. That means there were then about 90 percent as many jobs in Lancaster as there were employed Lancaster residents, very nearly achieving the balance of jobs and housing which many planning efforts set as a goal.

In the years since then Lancaster's population has inched upwards but local employment has dropped sharply due to relocation of several State facilities, probably dropping the ratio of local jobs to local workers to as little as 60 percent.

That same Census data indicates that in 2000 some 720 Lancaster residents were employed in Lancaster, of whom 170 worked at home and another 224 walked to work, a strikingly high number. Many others found jobs (in descending order) in Clinton, Marlboro, and Worcester, as well as in many places elsewhere. Comparing where residents worked versus where holders of local jobs lived, it is striking that Lancaster workers went to Middlesex County jobs in far greater numbers than did Middlesex County residents commute into Lancaster, a pattern not repeated to a similar degree elsewhere³.

The incomes derived from the combination of local jobs and jobs to which residents commuted elsewhere resulted in Lancaster incomes being about 10 percent higher than the median for the Boston metropolitan area but about 10 percent lower than the median for the 11-town East Worcester region with which Lancaster is grouped for housing price considerations³.

Much of the change in jobs located in Lancaster over the past decade or more has been changes in State positions in correctional facilities and elsewhere. Private employment has grown slowly since 1990, but not nearly enough to offset public sector job declines. Job projections for Lancaster from 2000 to 2030 made by the Metropolitan Area Planning Council (MAPC), having ignored the public jobs dip indicate slow growth, the strongest growth coming in education and health services jobs⁴, industries in which the Massachusetts outlook is strong, but having below-average wages.

³ See Herr & James, “Lancaster Census Data,” March 20, 2006, Selected Economic Characteristics.

⁴ See Herr & James, “Lancaster Growth Expectations,” March 20, 2006, Tables 5-7.

Interestingly, a recent study by the MA High Technology Council ranked Lancaster 34th out of the 351 Massachusetts communities in being welcoming to high-tech businesses, higher than either Marlborough or Leominster, the only other nearby communities also rated “four stars” in that study.⁵ Choices made by the Town which resulted in the Town’s high rankings were:

- Having only a single tax rate, not one which is higher for business than for residences;
- Having a Tax Increment Financing program through which in certain cases taxes from development can be earmarked for infrastructure improvements;
- Having an unusually large area of land zoned and available for business development (enough for 23 million square feet of building area per their data, 19th highest in the State).

Two other rating items were less directly the results of Town choices: ranking 23rd on the basis of 10th grade MCAS scores, and ranking 350th in housing starts per 1,000 households in 2004 (low production). The remaining five evaluative criteria were simply geography, such as the size of the workforce within 30 minutes drive time, rather than being the results of Town actions.

The study probably isn’t useful as a predictor of job growth, but it is instructive regarding what the High Technology Council members judge to be important.

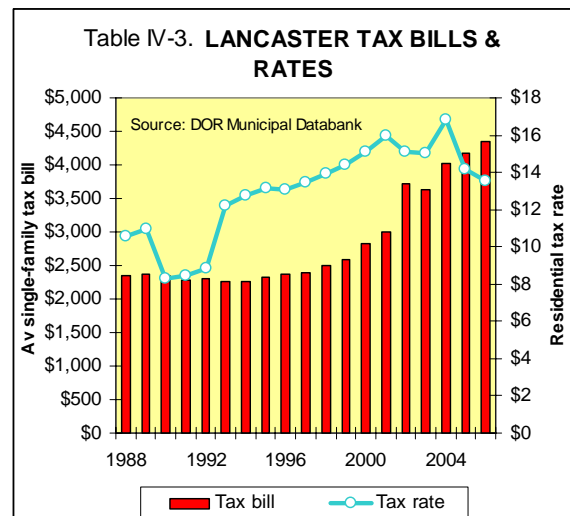
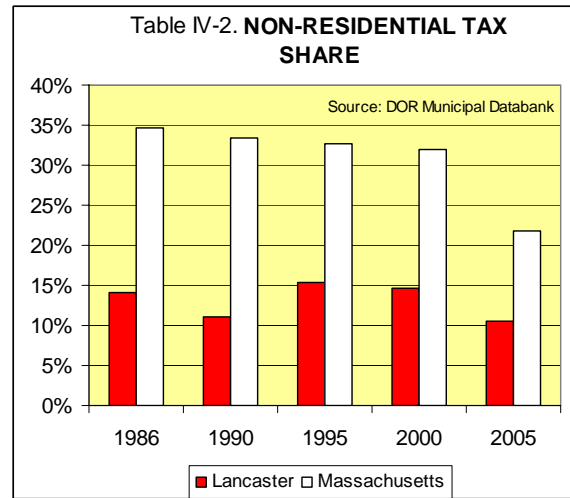
For at least two decades the non-residential share of the Lancaster property tax levy has consistently been lower than is true Statewide despite Lancaster having nearly as many local jobs in relation to housing units as is true State-wide.

Part of the explanation lies in the large share of Lancaster jobs being in either public or tax-exempt facilities. Another part of the explanation is the single tax rate: many Massachusetts communities have a “split tax rate” through which the non-residential share of the tax levy is increased, in some cases doubled. The recent decline in the non-residential tax share both in Lancaster and Statewide largely reflects the relative strengths of the residential and business real estate markets in recent years:

⁵ “Hopkinton ranks at top of tech-friendly communities,” Robert Weisman, *Boston Globe*, March 31, 2006, page B1. Details can be found at www.MassTrack.org.

residential values soared, while business values stagnated.

Lancaster Fiscal Structure



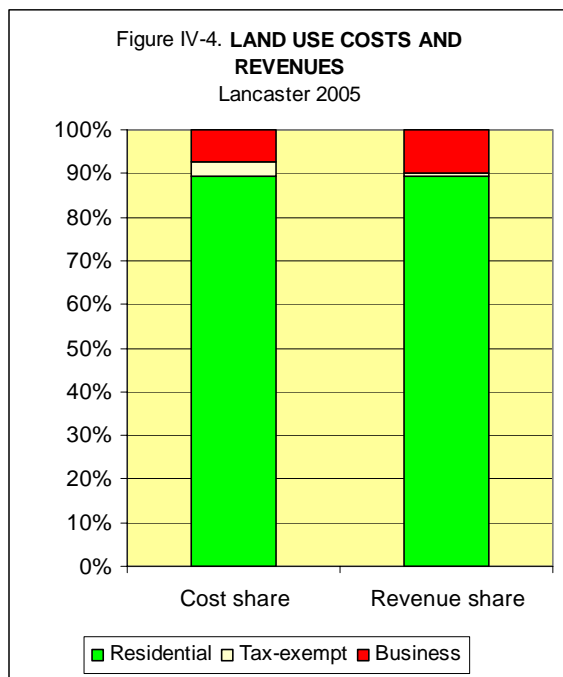
The average single-family **tax bill** in Lancaster has steadily grown in recent years, even after adjusting for inflation as was done in the chart above. The **tax rate** in dollars per \$1,000 assessed value has fallen over the past five years despite rising tax bills, reflecting that the great increases in the value of residential real estate have moved faster than Proposition 2 ½ will allow the tax levy to rise.

Lancaster’s fiscal circumstance is not exceptional. Lancaster was about in the middle of the group in comparisons made with Berlin, Bolton, Clinton, Harvard, Lunenburg, Shirley and Sterling regarding median single-family tax bills, the percent of the tax levy carried by non-residential taxes, and the frequency of reliance on, and level of success with, Prop 2½ overrides and capital or debt exclusions.

The lone non-middle position was Lancaster’s residential tax rate, virtually the same as Bolton’s at the upper edge of the group⁶.

Cost-Revenue Comparisons

To better understand the relationship between development and the Town’s fiscal circumstance, we made an analysis of the Town’s fiscal year 2005 General Fund revenues and expenditures of about \$12.4 million⁷. The results are shown in Chart IV-4. Residential property’s share of the tax levy and other revenues going into the General Fund was about 90 percent, and its share of costs paid from the General Fund was nearly identical. For businesses the share of revenues was about 10 percent, while its share of costs was only about 7 percent. Tax-exempt properties made up the remainder.



The implications of those relationships are clear. For residential development, tax revenues almost match Town costs. That means that any residential development which has unusually high tax revenue in comparison with its public costs will be fiscally beneficial. Examples include the obvious cases of age-restricted development which has no school-age residents, and very high-end homes, even if they have school children. With few exceptions, multi-family

⁶ See table 11 in Herr & James, “Growth Expectations,” April 3, 2006.

⁷ See tables 12 and 13 in the above memo.

housing in Massachusetts communities similar to Lancaster have few school-aged children, so have low school cost impacts, usually making them fiscally beneficial by a substantial margin.

More subtly, otherwise “average” housing which makes unusually light demands upon Town infrastructure systems of roads and utilities by virtue of location and design can also be tax-beneficial. On the other hand, “average” family housing which is price-restricted to ensure affordability is unlikely to fully cover its service costs with its tax payments.

Residential developments which trigger unusually high public costs will not be fiscally beneficial even if otherwise they would have been. The aggregate figures used above deal with average costs, not marginal ones. If new development triggers the necessity of major capital investments, then marginal costs per added housing unit can soar. Lancaster’s infrastructure of water, sewerage, and school facilities are all strained. That places special importance on land use configurations and project designs which minimize the added burden which they place on those systems.

On the business development side, the percentage margin between costs and revenues is very wide, chiefly because business has no direct impact on education costs. The numbers suggest that in Lancaster’s case the popular impression is correct that business development is fiscally beneficial, with only unusual exceptions.

It is important to recognize, however, that the total dollars involved in business costs and revenues in Lancaster is small relative to overall costs and revenues, and as a result the scale of net contribution by business to the Town’s fiscal balance is also small: a large percentage “profit” from a relatively small number results in a small number. For business development to make a substantial difference in the share of tax burden carried by homes it would need to be expanded by a very large percentage. Adding 50 percent to business tax revenue, whether by new development, a reversal of recent market value changes, or splitting the tax rate applicable to business versus residences, would lower the residential share of the burden by only 5 percent.

On the other hand, should out-of-control business development damage the Town’s image and value as a fine residential community, the net fiscal impact could be negative. Symmetrical with the above, a drop of 5 percent in residential values could almost

wholly wipe out any fiscal gain from a 50 percent increase in business valuations.

The importance of land use configuration and project designs in minimizing burdens on municipal service systems cited earlier with regard to residential development also applies to business development, along with the further consideration that business location can not only impact public costs but it can also indirectly impact public revenues if as a result of location and design it has a damaging impact on nearby property values.

The policy aim clearly should be for well-managed quality in both business and residential development. Among the seven communities with which we made fiscal comparisons, Harvard had by far the lowest share of tax burden carried by non-residential property (4.1 percent), but only two of the eight communities had tax rates lower than Harvard's. Berlin had the highest levy share carried by non-residential property (23.7 percent), but its tax rate was higher than all but three of the eight communities. There is no correlation between the non-residential share of tax levy and the level of tax rates discernable among those communities.

Tax-exempt property by definition directly pays no property taxes, but it occasions some public costs and is the source of some non-tax revenues which show up in the Town's General Fund. By definition, tax-exempt use of property is on first examination a "fiscal loser," but that topic needs more careful examination. First, tax-exempt properties commonly do produce positive but indirect fiscal benefits through the support their clientele provide to local tax-paying businesses, and through the support their presence provides for the taxable value of residential properties.

More importantly, tax-exempt institutions have made great contributions towards establishing and protecting the character of Lancaster. They contribute richly to the Town's cultural landscape. Without them, Lancaster would be a far different and less attractive community. Had the organizations owning those properties not been exempt from property taxes over many years there would have been added pressure on their finances that would have made it less likely that they could have been as effective as they have been in holding open land open. In considering measures to address the short-term fiscal concerns of the municipality the reality of that stewardship certainly should not be overlooked.

GOALS AND OBJECTIVES

Our goals for economic development are quite simply the achievement of the vision framed in the first paragraphs of this Chapter: to strengthen the Town's fiscal ability to provide good services without excessive burdens, to attract good job opportunities nearby, to enrich the range of services easily available to Lancaster residents, and to do all of that with emphasis on positive efforts rather than prohibitions, and to do it in ways which are carefully supportive of the Town's cultural and natural resources.

The strategies for pursuing those goals can be put into just a few major approaches:

- Supporting the emergence of a mixed-use Town Center, including institutional, commercial and residential development. That could serve all of our economic development goals, as well as our goals for land use, housing, and other topics.
- Shaping the patterns and kinds of residential growth so that they result in a substantial amount of housing which serves both social and fiscal objectives, encouraging that through both reformed zoning and infrastructure support.
- Diversifying the tax base to include a larger non-residential share to ease the tax burden on residential property.
- Working to forge positive connections between business and Lancaster's rich natural and cultural landscape.
- Reforming regulatory and infrastructure frameworks to enable highway corridor business development in Lancaster to become a model for the region regarding achieving economic development together with environmental protection and compatibility with the Town's character.
- Taking other helpful actions.

IMPLEMENTING ACTIONS

MIXED-USE TOWN CENTER

- As also discussed in the land use and housing Chapters, pursue the development of a more complete Town Center, to include institutional, commercial, and residential components, all of which can benefit from their proximities within that setting, and conjunctively are likely to support all of our objectives for economic development.
- As a means of testing Town support for the Town Center concept, further develop and propose adoption of “Village Center Zoning,” beginning from the draft described in the memo of that same name⁸.
- Follow through with the set of further studies suggested by the Town Center Topic Group to provide the groundwork for consolidation of the concept⁹.

SHAPING RESIDENTIAL GROWTH

- Multi-family housing by its nature is likely to be fiscally beneficial, so as outlined in the Housing Chapter:
 - explore expansion of the area which currently allows multi-family development; and
 - consider revision to zoning’s dimensional regulations to make them more compatible with the areas where multi-family may be proposed; and
 - consider allowing multi-family housing to be developed in additional areas in other parts of the Town where, at appropriate density, it is appropriate to its context.
- Senior housing by its nature is likely to be fiscally beneficial, so as outlined in the Housing Chapter, explore refining the regulations under which it is allowed.

⁸ Herr & James, “Village Center Zoning,” August 31, 2005.

⁹ See Business and Economic Development Topic Group, “Summary of Results,” November, 2005.

- Estate preservation is a clear fiscal “winner,” so as outlined in the Housing and the Historic and Cultural Resources Chapters, explore creating the regulations necessary to enable it.
- Ensure that the revisions to Flexible Development which are being reviewed¹⁰ make it likely that they will result in a format which is inviting to at least some high-end single-family development.

LINKING BUSINESS AND THE NATURAL AND CULTURAL LANDSCAPE.

- Support agriculture-based business by revising regulations to facilitate such activities, as outlined in the memo “Agriculture and Smart Growth.”¹¹
- Link business to recreation activities such as the Youth Soccer Development both through programmatic linkages, each contributing to the other, and through locational choices regarding business development.
- Use the natural resources and historical character of the Town as a draw for tourism and related support businesses, through an effort coordinated with those working on open space and recreation and on historic preservation.

HIGHWAY CORRIDOR BUSINESS DEVELOPMENT

- Undertake a study of actions which the Town might take to leverage the business traffic being drawn to the Route 70 and Route 2 area by the soccer complex and new businesses in both Lancaster and Leominster so as to benefit growth in business activity in both communities in a mutually supportive way including, for example, analysis of the demographics of customers to aid in targeting business prospects.
- In coordination with upcoming wastewater management studies, provide enhanced infrastructure and regulation for the Route 2 corridor.

¹⁰ Herr & James, “Encouraging Truly Flexible Development,” August 30, 2005.

¹¹ Herr & James, “Agriculture and Smart Growth,” September 7, 2005.

- Ensure that potentially beneficial development is encouraged through enhanced infrastructure, both for circulation as discussed in the Transportation Chapter and for public water and sewerage as discussed in the Services and Facilities Chapter.
- Explore the possibility of zoning regulations facilitating pedestrian-scaled village development for the large-scale businesses which are the likeliest candidates for corridor locations.
- Going beyond that, explore measures enabling the creation of mixed-use development within business-zoned areas, to include business, residential, civic and recreational uses.
- Ensure compatibility of business development with existing residential uses through, among other things, strict performance controls for buffering and mitigating impacts, rather than relying only on dimensional set-backs for protection.

special character, while also taking advantage of the benefits provided by easy access to Route 2..

- Explore creation of a new business district at the Route 117/Route 190 interchange, carefully configured to avoid damage to Bartlett Pond or other environmental resources, and perhaps with controls parallel to those to be developed for the Route 2 corridor.
- Devise incentives to encourage non-conforming businesses to relocate to conforming sites, such as favorable regulatory treatment to allow profitable adaptation of the existing sites and buildings for conforming uses.
- Explore the means by which the Town might enhance telecommunications access primarily for its business areas but also for its residential areas to further enhance Lancaster’s well-deserved image as an excellent place of residence for the high technology professionals whose presence in the community can do much to improve the likelihood of attracting the industry within which they work.
- Explicitly recognize that business recruiting is a proper function for Town staff, together with performing such services as surveying town businesses and institutions to identify needed services which could be provided by Lancaster vendors, and compiling other helpful data about the Town and providing it to both potential businesses and to residents.

OTHER HELPFUL ACTIONS

- Create an Economic Development Task Force to undertake efforts listed earlier, such as leveraging the Route 2/Route 70 aggregation of businesses as a magnet drawing activity capable of supporting other businesses, and linking business development with the natural and cultural landscape.
- Give strategic priority for sewerage to areas of potential business development in the northern portions of Lancaster and also in programming extensions within the present Sewer District, importantly including service to the entirety of Sterling Road and through District extension to the upper portion of Sterling Street, both areas currently zoned for industry and potentially served by the same pumping station.
- Explore refinements in the Zoning Map’s current mapping of business districts, such as considering extension eastward of the General Industrial District on Sterling Street, and the potential rezoning from existing business districts into a new mixed-use zoning district along Route 2 better able than current districts to assure that new development will be compatible with its context and reflective of Lancaster’s

APPENDIX

Resident topic group memos:

- Business and Economic Development Topic Group, “Summary of Results,” November, 2005.
- Town Center Topic Group, “Vision of and Strategies for a 21st Century Lancaster Town Center,” November, 2005.

Herr & James memos:

- “Lancaster Census Data,” March 20, 2006.
- “Lancaster Growth Expectations,” March 20, 2006.
- “Village Center Zoning,” August 31, 2005.

- “Encouraging Truly Flexible Development,” August 30, 2005.
- “Agriculture and Smart Growth,” September 7, 2005.

OTHER REFERENCED MATERIAL

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