

TECHNICAL MEMORANDUM

TO: Philip Eugene
Lancaster Economic Development Committee
Town of Lancaster, MA

DATE: September 20, 2021

SUBJECT: **DRAFT** Fiscal Impact Analysis – Capital Commerce Center

RKG Associates, Inc. (RKG) was retained by the Town of Lancaster to provide an independent analysis of the likely fiscal impacts associated with the proposed Capital Commerce Center (referred to as the Project in this report). The Project (Figure 1) is proposed as a multi-phased and multi-tenanted development including a mix of industrial, residential, retail, and recreation uses totaling approximately 2.68 million square feet (SF).

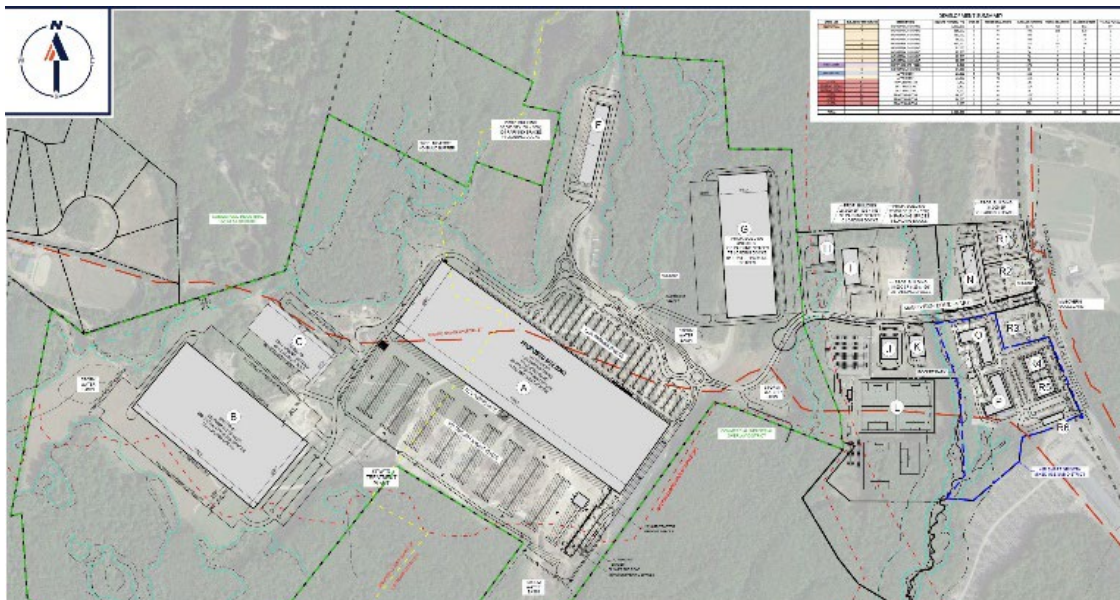


Figure 1 – Preliminary Concept Rendering of the Project

The focus of this fiscal impact analysis, however, is on Phase 1 which includes a proposed 1,182,000 SF industrial building slated for distribution/logistic tenants and a proposed 150-unit multifamily residential complex to be permitted and constructed under a future 40R district designation. Tentatively, the Phase 1 development is anticipated for completion in 2023, with the remainder of the project to be constructed in subsequent phases after that (the timing of those phases has not been specified at this time).

The purpose of this analysis is to assist the Town in their ongoing considerations and review of the Project as well as the zoning needed to regulate and permit the construction of the Project. The following summarizes the findings from this fiscal impact analysis with all estimates presented in FY 2021 dollars.¹ A more detailed discussion of inputs and assumptions utilized in this analysis is presented throughout the remainder of this memorandum.

Summary of Findings

- **Property Taxes and Service Costs** – Estimated property taxes for the Project’s proposed buildings, prior to any costs or other adjustments, total \$2,450,467.² Approximately 82% of those taxes are derived from the industrial component. Once adjusted for an estimated \$149,493 in Town service costs (not including education), the adjusted property tax revenue is \$2,301,974. Approximately 84% of the adjusted tax revenue comes from the industrial component.

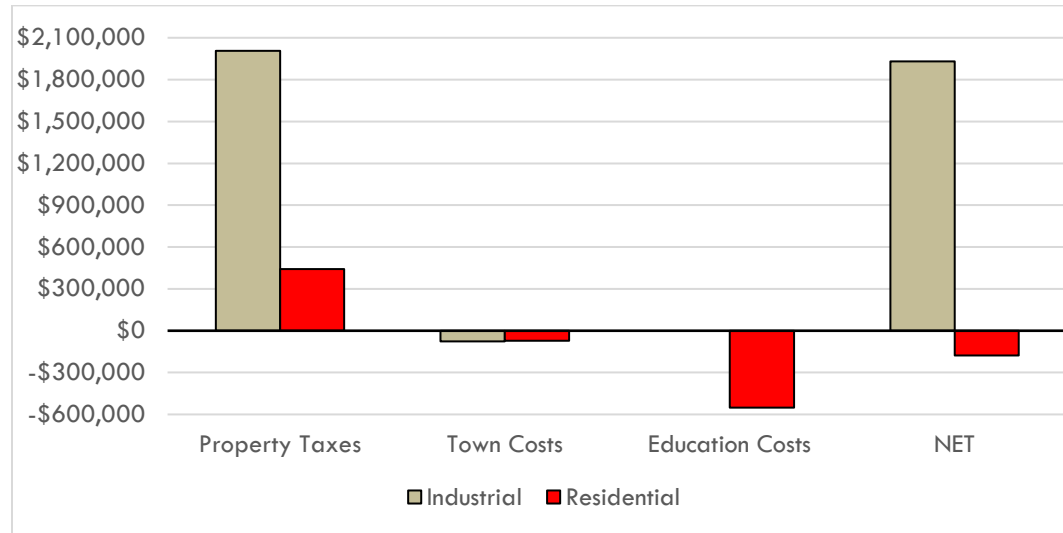
Education costs are estimated at \$550,175 for the projected 53 new students that would result from the multifamily residential component of the Project. This added cost to the overall Project drops the net fiscal benefit to \$1,751,799. The overwhelming positive contribution from the industrial building maintains an overall net positive fiscal benefit for the Project as a whole. This estimated net positive fiscal benefit represents a marked increase over the existing “as is” property tax receipts of approximately \$59,528. It is important to note that the residential component of the Project measured on its own produces a net negative fiscal impact to the Town due to the education costs associated with the projected number of new students, but the Project as a whole is fiscally positive.

The reconciliation of revenues and costs of the proposed Project are presented in detail in Table 9 and graphically summarized in Figure 2.

¹ Throughout much of this narrative, dollars and other numeric information are rounded for ease to the reader, the unrounded data appears in the appropriate tables.

² This analysis considers the estimated property taxes as a result of the new development *only*. While it is reasonable to assume that there may be some change in land value and resulting property taxes given the new improvements built thereon, RKG assumes at a minimum these will remain as is.

Figure 2 – Reconciliation of Fiscal Impacts by Use – Phase 1 of Proposed Project



- **Vehicle Excise Tax** – In 2020, the Town of Lancaster reported³ a little more than \$1.44 million in vehicle excise tax receipts. Vehicle excise taxes reflect a base valuation of \$25 per \$1,000 and are further calculated on a percentage scale based on the age of the vehicle. While it is unknown how many vehicles may be accounted for by the proposed 150-unit apartment complex, or their value and age, it is reasonable to assume that they will represent an additional ongoing revenue source for the Town of Lancaster, although unquantified in this analysis.
- **Local Option Tax** - In 2020, the Town of Lancaster reported⁴ nearly \$99,400 in local option tax receipts from purchased meals. During the construction phase of the Project, it is likely that contractors and other workers may purchase taxable meals from establishments in the short term. Also, the ongoing household spending on purchased meals from residents of the new 150-units is likely to result in some additional tax receipts on an ongoing basis. While neither impact has been specifically quantified in this report, both the temporary construction employment and new residents resulting from the Project would offer additional tax receipts to the Town.

³ Per the Massachusetts Department of Revenue – Division of Local Services.

⁴ *Ibid.*

Fiscal Impact Methodology

There are several approaches available for determining fiscal impacts; all based on the same general assumptions. First, current local operating costs and revenues are the best basis for determining future costs and revenues.

Second, the proposed development is at full build-out and/or occupancy. This latter assumption allows a comparison of the financial effect of the entire project on municipal costs and revenues. While many projects are constructed over a multi-month period, municipal costs and revenues generally occur in equal proportions, therefore this steady-state approach does not detract from the appropriateness or accuracy of this method. It should also be noted that fiscal impact analysis is only concerned with local public costs and expenditures and removes all revenues that come from outside sources such as state and federal aid.

Fiscal impact analysis, as applied in this memorandum, encompasses the identification and comparison of both municipal service costs related to the Project, and the potential public revenues resulting from the development, most of which is generated from property tax payments.

Detailed Analysis

Site and “as is” Condition

The proposed Project is situated in the Town of Lancaster, Massachusetts, and is identified as map/parcel 008-0045 (0 White Pond Road) by the Town’s Assessor. The Project site encompasses nearly 379 acres with 12 acres as undevelopable and includes 3,010 SF of built space. The total FY 2021 assessed value of the “as is” condition is just under \$2.98 million resulting in FY 2021 property taxes of nearly \$59,530 (Table 1).

Table 1 – Proposed Project - Baseline Metrics “as is”

Proposed Project	Acres	Built SF	FY 2021 Value	Per Acre / SF	FY 2021 Taxes (1)
390 - Vacant land (accessory)	366.95		\$ 2,752,100	\$ 7,500	\$ 54,987
132 - Vacant land (undevelopable)	12.00		\$ 12,000	\$ 1,000	\$ 240
Development		3,010	\$ 215,300	\$ 71.53	\$ 4,302
TOTAL	378.95	3,010	\$ 2,979,400		\$ 59,528

Source : Lancaster, MA Assessor and RKG (2021)

(1) FY 2021 tax rate of \$19.98 per \$1,000

Phase 1 Project Development Program and Costs

Phase 1 of the Project includes an approximate 1.2 million SF industrial building intended for distribution/logistics users. The building is proposed to include 172 loading docks while the site will provide 89 tractor trailer parking spaces and 1,371 vehicle parking spaces. The residential component of the project is proposed to include 150 residential rental units constructed under the Commonwealth’s 40R Smart Growth overlay district designation. Capital Group Properties, LLC has indicated that all units will “count as part of the Towns affordable housing stock.”⁵ As RKG understands the 40R guidelines, for all housing units to count towards a community’s affordable housing stock⁶, either:

- 20% of the housing (30 units in this analysis) must be affordable to households earning 50% of the area median income (AMI) or;
- 25% of the housing (31 units in this analysis) must be affordable to households earning 80% of AMI.

The proposed residential development mix (Table 2) as provided by Capital Group Properties LLC. When accounting for the on-site amenities associated with the residential component it represents 158,400 SF of total development.

Table 2 – Residential Mix at Proposed Project

Proposed Project - Residential	Unit Count		
	Total	Market	Affordable
One Bedroom	81	65	16
Two Bedroom	54	43	11
Three Bedroom	15	12	3
TOTAL	150	120	30

Source : Capital Group Properties LLC and RKG (2021)

Construction costs for the Project’s industrial as provided by Capital Group Properties, LLC are estimated to be \$85 per SF. RKG’s review of Marshall & Swift Valuation Services cost estimation data indicates that construction costs in the range of \$33.50 per SF to \$102 per SF may be appropriate for warehousing and distribution facilities.⁷ RKG considers the estimate provided by the developer to be reasonable. As such, RKG applied the \$85 per SF construction cost estimate to

⁵ Memorandum dated May 13, 2021, from Capital Group Properties, LLC to the Lancaster Affordable Housing Trust.

⁶ Target is a minimum 10%, according to data reported to the Department of Housing and Community Development (MA) Lancaster was at approximately 9.8% as of December 21, 2020 – however, this was prior to the release of Census 2020 data.

⁷ Marshall & Swift Valuations Services, February 2020, section 14, page 23 – distribution warehouse class S (*latest data available for the section*).

the industrial portion of the Project which results in a total cost estimate of \$100,470,000.

Capital Group Properties, LLC also provided RKG with estimated construction costs for the proposed 150-unit residential component at \$140 per SF. This results in total construction costs of \$22,176,000 for the proposed 158,400 SF residential component. This equates to approximately \$147,850 per unit which is well within the range of RKG’s experience in other markets across Massachusetts and on similar projects.⁸

Revenues

This section describes ongoing revenues one-time fees to the Town of Lancaster. Property tax receipts will serve as the single largest source of ongoing revenues to the Town once the project is constructed and occupied. To estimate assessed value and future property tax revenue, RKG used the estimated construction costs provided by Capital Group Properties, LLC to serve as a proxy for assessed valuation. In reality, the assessed valuation for the Project may differ from these estimates as the Town’s assessor shifts from a cost-based approach to an income-based approach to valuation once the Project is fully built and stabilized.

This analysis utilizes the cost-based approach as discussed and as applicable to the new built components.⁹ This approach to valuation results in an estimated FY 2021 valuation of \$122.65 million and property taxes of approximately \$2.45 million, prior to any municipal service cost adjustments (Table 3).

Table 3 – Estimate of Valuation and Gross Property Tax – the Proposed Project

Proposed Project (Phase 1)	SF	Units	Costs per SF	Estimated Valuation	FY 2021 Taxes (1)
Distribution/Logistics Warehouse	1,182,000		\$ 85	\$ 100,470,000	\$ 2,007,391
Rental Residential	158,400	150	\$ 140	\$ 22,176,000	\$ 443,076
TOTAL	1,340,400	150	<i>na</i>	\$ 122,646,000	\$ 2,450,467

Source :Capital Group Properties LLC, Lancaster, MA Assessor and RKG (2021)

(1) FY 2021 tax rate of \$19.98 per \$1,000

⁸ Discussions with the Lancaster Assessor indicated that that are currently no apartment complexes of a scale (number of units) similar to the proposed Project (150 units), and that a cost approach to valuation, likely to be later refined by an income approach, on the part of the local assessor. to valuation, was a reasonable initial approach.

⁹ RKG notes that the value of the land may increase as it is improved, however, RKG holds it constant in this analysis and focuses on the incremental change in valuation and property taxes represented by the new buildings associated with the Project.



One-Time Fees – RKG contacted the Town of Lancaster’s Office of the Building Commissioner to provide a best estimate of the building permit fees that may be associated with Phase 1 of the Project. Building officials estimated permit costs at \$2.12 million for Phase 1, representing a one-time fee to the Town to cover building permit and inspectional services. It is possible that such fees could exceed actual costs which would result in a surplus revenue.

Municipal Service Costs

RKG reviewed the Town of Lancaster’s FY 2021 general fund expenditures¹⁰ and indexed these costs in proportion to the Town’s assessment values by property type. For example, the residential assessment town-wide represents approximately 88 percent of the total assessed value while commercial and industrial uses represent approximately 12 percent (excluding personal property). In this manner, for every \$1.00 of municipal service costs \$0.88 would be allocated to residential uses and \$0.12 would be allocated to commercial and industrial (i.e., non-residential) uses.

Based on these percentages, RKG reviewed the general fund expenditures by department indexing costs for commercial and industrial uses and allocating said costs on a per employee basis, and on a per household basis for residential costs¹¹ (Table 4).

Table 4 – Municipal Service Costs per Household and per Employee (full budget)

Town of Lancaster Expenditures (\$1,000s)	General Fund Expenditure			Benchmark Costs	
	Total	Residential	Non-Residential	Per HH	per Emp
General Government	\$ 1,631.85	\$ 1,436.03	\$ 195.82	\$ 488.94	\$ 100.84
Police	\$ 1,139.72	\$ 1,002.96	\$ 136.77	\$ 341.49	\$ 70.43
Fire	\$ 658.88	\$ 579.81	\$ 79.07	\$ 197.42	\$ 40.71
Other Public Safety	\$ 300.93	\$ 264.82	\$ 36.11	\$ 90.17	\$ 18.60
Public Works	\$ 654.59	\$ 576.04	\$ 78.55	\$ 196.13	\$ 40.45
Human Services	\$ 166.07	\$ 146.14	\$ 19.93	\$ 49.76	\$ 10.26
Culture and Recreation	\$ 407.80	\$ 358.87	\$ 48.94	\$ 122.19	\$ 25.20
Fixed Costs	\$ 1,525.25	\$ 1,342.22	\$ 183.03	\$ 457.00	\$ 94.25
Intergovernmental	\$ 141.62	\$ 124.63	\$ 16.99	\$ 42.43	\$ 8.75
Other Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 1,118.68	\$ 984.43	\$ 134.24	\$ 335.18	\$ 69.13
TOTAL	\$7,745.39	\$ 6,815.94	\$ 929.45	\$ 2,320.72	\$ 478.60

Source : MA DoR - Division of Local Services and RKG (2021)

Impacted Departments

Total municipal expenditures were estimated to be \$2,321 per household (residential share) and \$479 per employee (commercial and industrial share) across the entirety of the budget for these departments. While RKG did not perform a detailed review of all individual departmental budgets, typically for each impacted department there are fixed costs and variable costs (as highlighted in Table 4).¹² Variable costs are those that fluctuate with changes in employment and/or households and include costs such as salaries, staffing, training, equipment, and other materials.

While no two communities are the same, it is RKG’s experience that these variable costs typically comprise about 10% of general government expenditures, 25% of public works

¹⁰ As provided by the Massachusetts Department of Revenue - Division of Local Services.

¹¹ Residential benchmark of 2,937 households and commercial/industrial benchmark of 1,942 employees.

¹² RKG spoke with representatives of the Finance Department who indicated that “Other Public Safety” represented costs for a regional dispatch center for handling emergency calls. While it is possible that the proposed Project may add to this call volume, RKG considers such calls to be nominal and not otherwise result in the need for additional staffing, and as such has not included this in the fiscal impact analysis.

expenditures, and 70% of public safety (police and fire) expenditures. These estimates were then reviewed with department heads, the summaries of those conversations are provided below. Applying these variable costs adjustment to the full budget costs of the impacted departments results in an estimated cost of \$475 per residential unit and \$98 per employee (Table 5).

Table 5 – Impacted Departments as Adjusted for Variable Costs

Town of Lancaster Expenditures (\$1,000s)	Benchmark Costs		Costs as Variable	
	Per HH	per Emp	Per HH	per Emp
General Government	\$ 488.94	\$ 100.84	\$ 48.89	\$ 10.08
Police	\$ 341.49	\$ 70.43	\$ 239.04	\$ 49.30
Fire	\$ 197.42	\$ 40.71	\$ 138.19	\$ 28.50
Other Public Safety	\$ 90.17	\$ 18.60		
Public Works	\$ 196.13	\$ 40.45	\$ 49.03	\$ 10.11
Human Services	\$ 49.76	\$ 10.26		
Culture and Recreation	\$ 122.19	\$ 25.20		
Fixed Costs	\$ 457.00	\$ 94.25		
Intergovernmental	\$ 42.43	\$ 8.75		
Other Expenses	\$ -	\$ -		
Debt Service	\$ 335.18	\$ 69.13		
TOTAL	\$ 2,320.72	\$ 478.60	\$ 475.16	\$ 97.99

Source : MA DoR - Division of Local Services and RKG (2021)

Impacted Departments

- Police** – RKG spoke with Acting Police Chief Everett Moody about our approach to estimating costs to the Police department. Chief Moody indicated that this was a reasonable approach and he did not anticipate any extraordinary additional expense to his department unless the Project necessitated the hiring of additional personnel. Otherwise, the Project would alter and add to his department’s patrolling patterns. Of note, however, the anticipated increase in area employment would add additional vehicular traffic to the Town’s roadways and could result in an increase in traffic incidents requiring service calls, although specific additional costs were not provided.
- Fire** – RKG was unable to speak with representatives of the Fire department. However, conversations with the Town Administrator indicated that since the Project would be new and built to modern code and safety standards, any municipal service costs may be less impacted when compared with the Town’s existing residential and industrial building stock.
- Public Works** – Discussions with Superintendent Kevin Bartlett of the Public Works department indicated no anticipated direct costs to his department as a result of the Project. Nonetheless, and as confirmed by Superintendent Bartlett, RKG has

opted to include some potential costs noting that the project will increase traffic and some wear and tear on locally-maintained roadways.

- General Government** – Town Administrator Orlando Pacheco did not indicate that he anticipated any extraordinary cost increases for the Town in general with respect to the Project, but that the RKG inclusion of some potential costs was prudent. Mr. Pacheco did comment that since the Project would be new and built to modern code and safety standards (both the residential and commercial components) it was likely any costs which could result may be less than the existing Town averages which include a much older building stock.

These variable costs, as further adjusted and vetted with Town departments, were then applied against the Project’s proposed 150 residential units and an estimated 788 employees as part of the industrial facility.¹³ This resulted in estimated Town costs of approximately \$71,274 for the residential component and \$77,218 for the commercial/industrial component – totaling \$148,493 (Table 6).

Table 6 – Estimated Variable Town Services Costs without Education

Town of Lancaster - Variable \$ from Project	FY 2021 Estimated Town Costs		
	Total	Residential	Non-Residential
General Government	\$ 15,280	\$ 7,334	\$ 7,946
Police	\$ 74,703	\$ 35,856	\$ 38,847
Fire	\$ 43,186	\$ 20,729	\$ 22,457
Public Works	\$ 15,323	\$ 7,355	\$ 7,968
TOTAL	\$ 148,493	\$ 71,274	\$ 77,218

Source : MA DoR - Division of Local Services and RKG (2021)

Education Costs

Education costs are calculated using an incremental cost approach allocating costs on a per pupil basis. RKG reviewed the FY 2020 School Department’s line-item budget and identified fixed and incremental costs¹⁴ associated with school operations (general fund expenditures only, excludes grants and other revolving funds). RKG divided the existing variable costs by the current number of students (in district and out-of-district, meaning outside of the three town district) attending schools in the Nashoba Regional District and

¹³ RKG considered the 1,182,000 SF development and applied an average of 1,500 SF per worker for an estimated 788 employees which is reasonably similar to the 700 employee estimate provided by Capital Group Properties.

¹⁴ As provided by the Massachusetts Department of Elementary and Secondary Education (*latest FY available from source as updated June 2021*). Also noting that Lancaster is a part of the Nashoba Regional School District, along with the communities of Bolton and Stow, MA.

estimated an average variable cost of \$10,348 per pupil for the Nashoba Regional District (Table 8).¹⁵

In order to estimate the potential number of new students that may result from the Project’s residential component, RKG considered school age children (SAC) multipliers that we have observed across a sample of other similar sized developments in communities throughout Massachusetts. A distinction is made between the SAC multipliers for market rate and affordable units by bedroom count (Table 7). Under these inputs and assumptions, RKG estimates that the total new students from the Project could be as high as 53 students¹⁶, assumed to be spread evenly across all grade levels as consistent with current student distributions. This also assumes that all 53 students would be net new and not reflect a relocation of existing students.

Table 7 - Estimate of Students at Proposed Project

Proposed Project - Estimated Students	Unit Count		SAC Metric		Estimated Students	
	Market	Affordable	Market	Affordable	Market	Affordable
One Bedroom	65	16	0.089	0.0160	6	1
Two Bedroom	43	11	0.600	0.6080	26	7
Three Bedroom	12	3	0.833	1.3100	10	4
TOTAL	120	30	<i>na</i>	<i>na</i>	42	11

Source : Capital Group Properties LLC, Lancaster, MA Assessor and RKG (2021)

RKG Associates also contacted the Nashoba Regional School District to discuss the project, student projections, and associated costs. The following is a summary of that discussion:

- Nashoba Regional School District** – RKG contacted Aleta Masterson, Executive Assistant to the Superintendent/Assistant Superintendent of the school district, regarding the District’s capacities to absorb an estimated additional 53 new students. Ms. Masterson indicated that this was difficult to precisely estimate without knowing the actual grade distribution among these students. If evenly distributed across grade levels, consistent with current enrollment (the assumption made by RKG in this analysis) then capacities exist as enrollment levels ebb and flow annually. However, Ms. Masterson also stated that the High School is near capacity and a heavier concentration among these grade levels could be an issue. Ms. Masterson also stated the District has just begun the process of evaluating renovation, expansion, or a new build for the High School. This is in early stage preliminary discussions as of now.

¹⁵ As a matter of note, total per student education costs were estimated at \$16,410 which is consistent with an estimate offered by the Lancaster Economic Development Committee, of \$16,061 in an e-mail dated 13 August 2021.

¹⁶ As a matter of note, RKG’s estimate of 53 students is more or less consistent with an estimate offered by the Lancaster Economic Development Committee, of 60 students in an e-mail dated 13 August 2021.

As a result, the projected 53 new students equate to an estimated education cost of \$550,175 in total (Table 8).

Table 8 - Variable Education Costs and Estimated Cost

Nashoba Regional School District - General Fund Expenditures (FY 2020)		Variable
Variable Costs		
<i>Teachers</i>		\$ 22,023,524
<i>Instructional Materials, Equip. & Technology</i>		\$ 1,165,385
<i>Other Teaching Services</i>		\$ 4,727,411
<i>Instructional Leadership</i>		\$ 2,570,094
<i>Transportation Services</i>		\$ 1,027,910
<i>Pupil Services</i>		\$ 2,726,829
<i>pro-rated Out-of-District</i>		\$ 139,466
Total		\$ 34,380,618
Students		
<i>in District</i>	3,183	
<i>out of District</i>	140	
Estimated per Pupil Variable Costs		\$ 10,348
New Students and Cost	53	\$ 550,175

Source : MA Department of Elementary and Secondary Education, RKG (2021)

Reconciliation

In summary, Phase 1 of the proposed Project is estimated to result in an annual net positive fiscal benefit of \$1,751,799 to the Town of Lancaster at full build out and stabilization. A summary of the revenues and costs are shown in Table 9. Of note, the industrial component is the primary contributor to the net positive benefit as the estimated costs for education result in a net negative fiscal impact for the residential component.

Table 9 – Summary Reconciliation of Net Fiscal Impact – Phase 1

Fiscal Impact Reconciliation - Proposed Project (Phase 1) - Lancaster, MA	Non-Residential	Residential	TOTAL
Estimated Property Taxes	\$ 2,007,391	\$ 443,076	\$ 2,450,467
less Town Costs	\$ (77,218)	\$ (71,274)	\$ (148,493)
General Government	\$ (7,946)	\$ (7,334)	\$ (15,280)
Police	\$ (38,847)	\$ (35,856)	\$ (74,703)
Fire	\$ (22,457)	\$ (20,729)	\$ (43,186)
Public Works	\$ (7,968)	\$ (7,355)	\$ (15,323)
NET prior to Education Costs	\$ 1,930,172	\$ 371,802	\$ 2,301,974
less Education Costs	\$ -	\$ (550,175)	\$ (550,175)
TOTAL NET Fiscal Impact	\$ 1,930,172	\$ (178,373)	\$ 1,751,799

Source : RKG (2021)

40R Smart Growth

As noted previously, the proposed Project may entail the designation of a new industrial-commercial overlay zoning district in conjunction with a 40R Smart Growth specifically for the residential portion of the Project. As such, RKG offers the following summary review of the 40R Smart Growth District program/option as we understand it.

As of December 21, 2020, the Massachusetts Department of Housing and Community Development (DHCD)¹⁷ reported that the Chapter 40B subsidized housing inventory for Lancaster included 250 units, or 9.8% of the town's 2010 total housing units count. This is just under the State's minimum 10 percent requirement for affordable housing town-wide that serves as the threshold for complying with Chapter 40B. Communities which are not at or above the 10 percent requirement are subject to residential or mixed-use developments in which the developer can effectively by-pass local zoning to build projects that include an affordable housing component.¹⁸

The following offers a summary overview of the Chapter 40R intent and process.

- The intent of the Smart Growth district is to provide incentives to communities to adopt overlay zoning for mixed-income housing, with a portion of units designated as affordable housing.
- Appropriate Smart Growth district locations within a community should meet any one of several criteria, including:
 - Proximity to public mass transit – typically within one-half mile of a transit station.
 - In a downtown setting, or other area of concentrated development, often capitalizing on underutilized industrial sites or buildings, and which are served by existing infrastructure.
 - Or which are otherwise designated as a “highly suitable location” per DHCD.
- Municipalities initiate the Smart Growth zoning overlay process in conjunction with the accepted criteria established by the enabling legislation and as approved by DHCD.
 - Smart Growth zoning allows development as-of-right through either site plan review or an administrative process (or may require a special permit requiring 2/3rds vote by the permit granting authority) and may include site-specific design standards.
 - In theory, the permit granting authority must issue a decision with 120 days of the filing of a project application and the timeline for permit review

¹⁷ Refer to <https://www.mass.gov/service-details/subsidized-housing-inventory-shi>

¹⁸RKG notes that this is subject to revision as full results of Census 2020 are calibrated into the analysis and that it is possible that Lancaster's affordable housing component may differ from the aforementioned 9.8%.

and decision is 100 days from application filing under site plan review, or 90 days from the close of the public hearing under special permit procedures – it is possible, although not verified, that these could be subject to revision as a result of the Covid-19 pandemic impacts on social gathering.

- To be eligible for state incentives, the Smart Growth zoning must allow for the minimum residential densities:
 - 8 acres per unit for single family housing.
 - 12 units per acre for townhomes.
 - 20 units per acre for multi-family housing.
 - Smart Growth zoning can also be used to allow mixed-use development including a mix of residential and non-residential uses.

- In order to be eligible for Smart Growth incentives, 20 percent of the units allowed within the district must be affordable to households earning at or below 80 percent of the area median income (AMI) as is currently established for the appropriate HUD FMR Area (for Lancaster this is the Eastern Worcester County, MA HUD FMR).

- Smart Growth zoning incentives for the enacting municipality include:

- **Payments** – M.G.L. c.40R Sec. 9(a) – the amount varies based on the number of “incentive units,” which are calculated by subtracting the number of housing units allowable as-of-right under the existing zoning from the number of housing units allowable under the smart growth zoning ordinance. Incentive payments are based on a sliding scale as shown in the graphic to the right.

INCENTIVE UNITS	ZONING INCENTIVE PAYMENT
Up to 20	\$10,000
21-100	\$75,000
101-200	\$200,000
201-500	\$350,000
501+	\$600,000

Payments can be between \$10,000 and \$600,000 depending on the number of units that could be constructed above what the as-of-right zoning would allow.

- **Density Bonus Payments** – M.G.L. c.40R Sec. 9(b) - once smart growth zoning is adopted; the state would provide a “density bonus” payment of \$3,000 for every new home created in the smart growth district. If approved and built under 40R zoning, the Town could be eligible for an additional \$450,000 (150 units X \$3,000/unit) from DHCD. Incentive and

bonus payments may be required to only be used by the Town for capital improvement expenditures.

- **Smart Growth School Cost Reimbursement** – M.G.L. c.40S - the school funding insurance policy adopted in 2005 and available starting in 2008 is a companion to 40R, adoption of smart growth zoning could also qualify the municipality for additional education funding in the event that the public school costs resulting from children within the smart growth district exceed approximately one-half of the tax revenues from new residential development within the district. A detailed fiscal analysis will be necessary to estimate whether any such payment would be likely based on anticipated unit type and resulting demographics. However, RKG notes that in this analysis the estimated student costs, at approximately \$550,175 well exceed the estimated gross residential property tax receipts of approximately \$443,076.

- **Priority consideration for state discretionary grants** – M.G.L. c/40R Sec. 9c - by statute, communities with smart growth zoning districts are entitled to favorable considerations for state discretionary funds including environmental, planning, economic development, transportation and infrastructure grants – assuming that these have not been impacted as a result of economic and budgetary issues arising from the COVID-19 pandemic.