

TECHNICAL MEMORANDUM

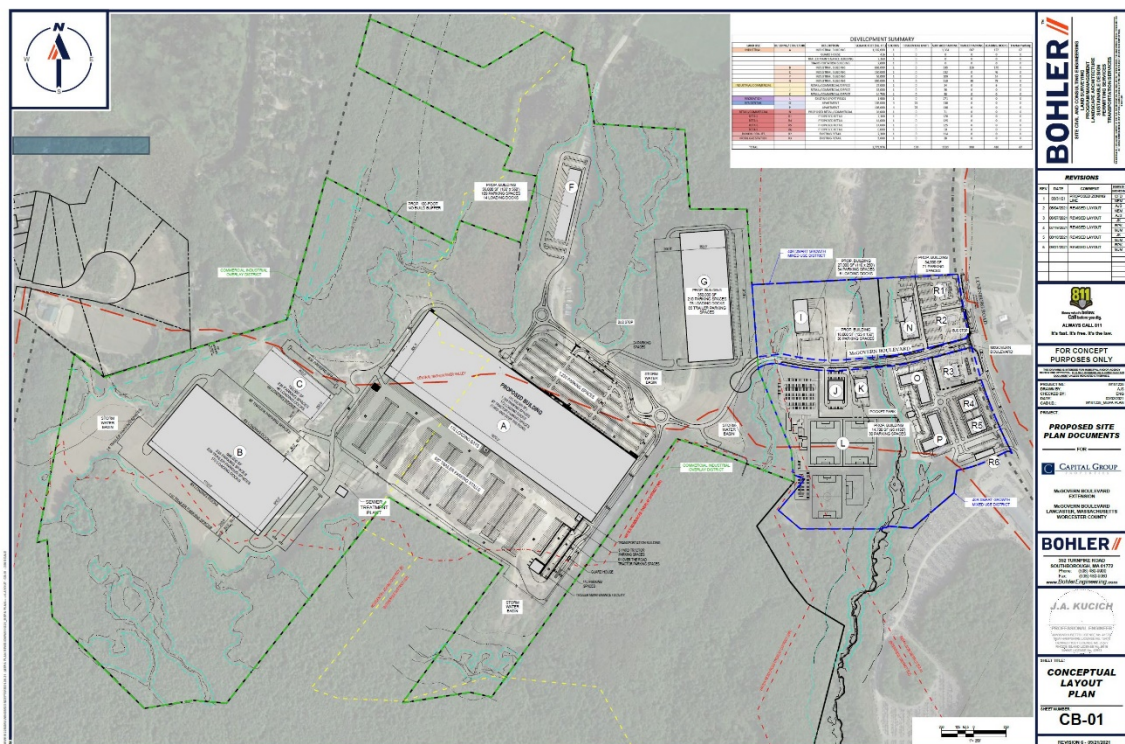
TO: Philip Eugene
Lancaster Economic Development Committee
Town of Lancaster, MA

DATE: October 29, 2021

SUBJECT: Fiscal Impact Analysis – Capital Commerce Center

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

Figure 1 – Preliminary Concept Rendering of Capital Commerce Center



The focus of this fiscal impact analysis, however, is on Phase 1 (as reported to RKG) which includes the following elements:

- **Industrial Warehouse and Distribution** – an approximate total of 1,194,779 SF, with a proposed primary 1,182,000 SF industrial building slated for distribution/logistic tenants and an additional three (3) support properties totaling 12,779 SF.
- **Rental Residential** – two (2) separate structures of four (4) stories each and 75 units each – to include a mix of affordable and market rate apartments (refer to Table 2). Total residential development is approximately 216,000 SF inclusive of tenant amenity space.
- **Retail Commercial** - an approximate 101,000 SF across seven (7) structures ranging in size from 6,000 SF to 27,000 SF – tenants are unknown at this time.

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 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 \$2,875,446.² Approximately 71% of those taxes are derived from the industrial component, another 8% from the retail component and the remaining 21% from the residential component.

Once adjusted for an estimated \$169,169 in Town service costs (not including education), the resulting property tax revenue is \$2,706,277. Approximately 80% of this adjusted tax revenue comes from the non-residential components.

The property, prior to redevelopment, renders an approximate \$59,528³ in property taxes and after deducting this lost “as is” tax the Project yields \$2,646,748 in property taxes,

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”.

³ The “as is” taxes were allocated proportionately in this analysis according to each component of the development. For example, the industrial component renders approximately 71% of the new taxes and as a result account for \$42,007 of the lost “as is” taxes.

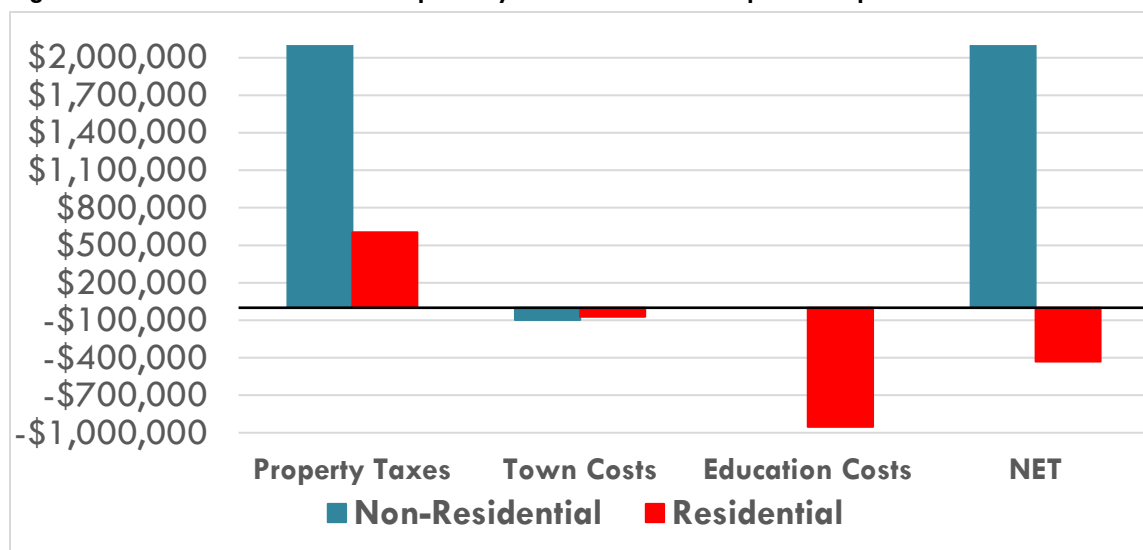
prior to a deduction for estimated annual education costs associated with the estimated new students from the residential component.

Education costs (full budget) are estimated at \$951,606 for the projected 58 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 \$1,695,142.

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 (at full budget) associated with the projected number of new students, but the Project as a whole remains fiscally positive.

The reconciliation of revenues and costs of the proposed Project are presented in detail in Table 8 and graphically summarized in Figure 2.

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



Source: RKG (2021)

Employment – Based on industry averages of the number of employees on a per SF metric, the proposed industrial component (with support facilities) is estimated to result in 797 FTE (full-time equivalent)⁴ positions and the retail another 202 positions.

Vehicle Excise Tax – In 2020, the Town of Lancaster reported⁵ a little more than \$1.44 million in vehicle excise tax receipts. Vehicle excise taxes reflect a base valuation of \$25

⁴ Typically, construction work is “fluid” with some contractors working a few weeks or months at a time, while FTE employment reflects a full-year of work measurement.

⁵ Per the Massachusetts Department of Revenue – Division of Local Services.

per \$1,000 and are further calculated on a percentage scale based on the age of the vehicle, it is unknown how many vehicles may be accounted for by the proposed 150-unit apartment complex, or their value and age. Further, if any of the tractor trailers associated with the Project are registered in the Town of Lancaster, additional revenues may be realized. Often, these revenues are associated with the costs in administering them and likely may not represent an additional ongoing revenue source for the Town of Lancaster general fund.

Local Option Tax - In 2020, the Town of Lancaster reported⁶ 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 local establishments in the short term. Also, the ongoing household spending on purchased meals from residents of the new 150-units (as well as the retail sector employment) 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 (and employees) resulting from the Project would offer additional tax receipts to the Town.

Community Preservation Act (CPA) – Although not an ongoing revenue source available to the Town of Lancaster and as part of the general fund receipts, the community has enacted a one (1) percent CPA tax to be used for dedicated services. Applying this one (1) percent to the estimated assessments (by component) of the Project results in annual estimated CPA tax receipts of \$28,754, an increase over the “as is” CPA receipts of approximately \$596 (rounded).

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

⁶ *Ibid.*

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 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 \$59,528 (Table 1). Further, applying the one (1) percent CPA tax to the FY 2021 taxes amounts to approximately \$596 in current CPA tax receipts.

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 (and support facilities) intended for distribution/logistics users. The development is proposed to include 172 loading docks while the site will provide 89 tractor trailer parking spaces and 1,371 vehicle parking spaces. There is also a proposed 101,000 SF of retail components. 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.”⁷ As RKG understands the 40R guidelines, for all housing units to count towards a community’s affordable housing stock⁸, either:

⁷ Memorandum dated May 13, 2021, from Capital Group Properties, LLC to the Lancaster Affordable Housing Trust.

⁸ The 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.

- 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 (38 units in this analysis) must be affordable to households earning 80% of AMI.

The proposed residential development (Table 2) as provided by Capital Group Properties LLC reflects the mix of units with respect to bedroom mix. The mix of market rate units and affordable units was based on allocating 25% (as indicated by the Town) of the units, per bedroom mix, to the total Project. In total, approximately 54% of the units are one-bedroom, followed by 36% as two-bedroom and 10% as three-bedroom. When accounting for the on-site amenities associated with the residential component it represents 216,000 SF of total development.

Table 2 – Residential Mix at Proposed Project

Proposed Project - Residential	Unit Count		
	Total	Market	Affordable
One Bedroom	80	60	20
Two Bedroom	54	40	14
Three Bedroom	16	12	4
TOTAL	150	112	38

Source : Capital Group Properties LLC and RKG (2021)

Construction costs for the Project's industrial component, 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.⁹ RKG considers the estimate provided by the developer to be reasonable, indicating a total cost estimate of \$101,556,215.

RKG's experience working elsewhere throughout the Commonwealth indicates that a construction cost of approximately \$120 per SF is appropriate for basic retail space, and that has been used in this analysis, resulting in an estimated construction cost of \$12,120,000 for this component.

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 \$30,240,000 for the proposed 216,000 SF residential

⁹ Marshall & Swift Valuations Services, February 2020, section 14, page 23 – distribution warehouse class S (*latest data available for this section*).

component. This equates to approximately \$201,600 per unit which is within the range of RKG's experience in other markets across Massachusetts.¹⁰

Revenues

This section describes ongoing revenues and 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 (or as noted for RKG) 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.¹¹ This approach to valuation results in an estimated FY 2021 valuation of \$143.92 million and property taxes of approximately \$2.88 million, prior to any municipal service or education costs 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	1,194,779		\$ 85	\$ 101,556,215	\$ 2,029,093
Retail Commercial	101,000		\$ 120	\$ 12,120,000	\$ 242,158
Rental Residential	216,000	150	\$ 140	\$ 30,240,000	\$ 604,195
TOTAL	1,511,779	150	n/a	\$ 143,916,215	\$ 2,875,446

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

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

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 \$2.60 million for Phase 1, representing a one-time fee to the Town to cover building permit and inspectional services.¹²

¹⁰ Discussions with the Lancaster Assessor indicated that there 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.

¹¹ 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.

¹² Total Project SF at 1,511,779 X 125, then divided by 1,000 = 188,972 X \$13.75 = \$2,598,370.

Municipal Service Costs

RKG reviewed the Town of Lancaster's FY 2021 general fund expenditures¹³ 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% of the total assessed value while commercial and industrial uses represent approximately 12% (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 costs¹⁴ (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 nearly \$2,321 per household (residential share) and \$479 per employee (commercial and industrial share) across the entirety of the budgets 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).¹⁵ 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 expenditures, and 70% of public safety (police and fire) expenditures. These estimates

¹³ As provided by the Massachusetts Department of Revenue - Division of Local Services.

¹⁴ Residential benchmark of 2,937 households and commercial/industrial benchmark of 1,942 employees.

¹⁵ 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 has not included this in the fiscal impact analysis.

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 (rounded) cost of \$476 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 797 employees as part of the industrial facility (with support uses) as well as an estimated 202 employees for the retail component.¹⁶ This resulted in estimated Town costs of approximately \$71,274 for the residential component and \$78,100 for the industrial component and \$19,795 for the retail component – totaling \$169,169 (Table 6).

Table 6 – Estimated Variable Town Services Costs without Education

Variable \$ from Project	FY 2021 Estimated Town Costs			
	Total	Residential	Industrial	Retail
General Government	\$ 17,408	\$ 7,334	\$ 8,037	\$ 2,037
Police	\$ 85,105	\$ 35,856	\$ 39,291	\$ 9,958
Fire	\$ 49,200	\$ 20,729	\$ 22,714	\$ 5,757
Public Works	\$ 17,457	\$ 7,355	\$ 8,059	\$ 2,043
TOTAL	\$ 169,169	\$ 71,274	\$ 78,100	\$ 19,795

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 for in district and out of districts costs, totaling an approximate \$54.52 million.¹⁷ Dividing this by the total in district and out of district students, at 3,323 students (rounded) results in a per pupil cost of \$16,407 (rounded). This represents the total full budget costs associated with per pupil education (general fund expenditures only, which excludes grants and other revolving funds).

RKG notes that this per pupil cost estimate, of \$16,407, exceeds the initial Town estimate of \$16,061¹⁸ per pupil as well as a subsequently revised Town estimate of \$16,077.¹⁹

Typically, RKG only considers those variable costs associated with school operations, meaning those most likely to fluctuate with enrollment. However, subsequent conversations with Town of Lancaster representatives and community stakeholders

¹⁶ RKG considered the 1,194,779 SF development and applied an average of 1,500 SF per worker for an estimated 797 employees which is reasonably similar to the 700 employee estimate provided by Capital Group Properties. Retail employment, as unspecified uses, was estimated at 500 SF per employee for the 101,000 SF in retail uses.

¹⁷ 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.

¹⁸ As offered by the Lancaster Economic Development Committee in an e-mail dated 13 August 2021.

¹⁹ As offered by the Lancaster Economic Development Committee in an e-mail dated 26 October 2021.

indicated their preference for considering the full budget costs, which RKG has applied in this analysis. As a result, the estimated student education costs are \$951,606 (on an estimated 58 new students), although RKG notes that this may overstate actual costs as it includes both fixed and variable costs.

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.²⁰ 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 58 students²¹, assumed to be spread evenly across all grade levels as consistent with current student distributions. This also assumes that all 58 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	60	20	0.089	0.016	6	1
Two Bedroom	40	14	0.600	0.668	25	10
Three Bedroom	12	4	0.833	1.310	10	5
TOTAL	112	38	na	na	41	16

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

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 50+ 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 building for the High School. This is in early stage preliminary discussions as of now. As a result, the projected 58 new students equate to an estimated education cost (full budget) of \$951,606 in total.

²⁰ This includes nearly 1,460 units in total with 24% designated as affordable. The sample 35% as one-bedroom, 58% as two-bedroom and 7% as three-bedroom.

²¹ As a matter of note, RKG's estimate of 58 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.

Reconciliation

In summary, Phase 1 of the proposed Project is estimated to result in an annual net positive fiscal benefit of \$1,695,142 to the Town at full build out and stabilization. A summary of the revenues and costs are shown in Table 8. 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 8 – Summary Reconciliation of Net Fiscal Impact – Phase 1

Fiscal Impact Reconciliation - Proposed Project (Phase 1) - Lancaster, MA	Industrial	Retail	Residential	TOTAL
Estimated Property Taxes	\$ 2,029,093	\$ 242,158	\$ 604,195	\$ 2,875,446
less Town Costs	\$ (78,100)	\$ (19,795)	\$ (71,274)	\$ (169,169)
General Government	\$ (8,037)	\$ (2,037)	\$ (7,334)	\$ (17,408)
Police	\$ (39,291)	\$ (9,958)	\$ (35,856)	\$ (85,105)
Fire	\$ (22,714)	\$ (5,757)	\$ (20,729)	\$ (49,200)
Public Works	\$ (8,059)	\$ (2,043)	\$ (7,355)	\$ (17,457)
less "as is" taxes - applied proportionately	\$ (42,007)	\$ (5,013)	\$ (12,508)	\$ (59,528)
NET prior to Education Costs	\$ 1,908,986	\$ 217,350	\$ 520,413	\$ 2,646,748
less Education Costs	n/a	n/a	\$ (951,606)	\$ (951,606)
TOTAL NET Fiscal Impact	\$ 1,908,986	\$ 217,350	\$ (431,193)	\$ 1,695,142
Estimated CPA Tax	\$ 20,291	\$ 2,422	\$ 6,042	\$ 28,754

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)²² 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.²³ The following offers a summary overview of the Chapter 40R intent and process.

²² Refer to <https://www.mass.gov/service-details/subsidized-housing-inventory-shi>

²³ RKG 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%.

- 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 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 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 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 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. 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.

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

- **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 \$951,606 well exceed the estimated gross residential property tax receipts of approximately \$604,195.
- **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.