

## Technical Memorandum

### **Assessment of Municipal Revenues and Costs of Potential New Residential Development in Wareham: Executive Summary Report**

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#### Introduction

FXM Associates has been retained by the Notos Group LLC to prepare an independent assessment of municipal revenues and costs attributable to the following potential development programs in Wareham:

- Option #1: 90 units of single family homes; and
- Option #2: 896 condo units, of which 672 would be market rate and 224 affordable

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

#### 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 \$2020. Municipal revenues and expenditures are based on the FY 2020 budget and tax rate.

As shown by the data in Table 1, at buildout, the potential residential development projects are expected to generate the following fiscal effects to the Town of Wareham:

- an annual **(\$800,000)** loss in net municipal revenue in the case of Option #1, 90 new single-family homes; and
- an annual **(\$1,260,000)** loss in the case of Option #2, 896 condo units of which 224 (25%) would be affordable under HUD guidelines.

Table 1

<b>Summary Fiscal Revenues and Costs</b> <b>Potential Housing Development in Wareham</b> Constant \$2020			
<b>Potential Development Program</b>	<b>90 Single Family</b>	<b>896 Condos</b>	
Average Value per Unit	\$ 349,900	\$ 290,000	
Affordable (25% of total condos)		\$ 264,000	
<b>Municipal Revenues and Costs</b>		<b>FY 2020 Budget</b> (including state aid)	
Residential Valuation	\$ 31,491,000	\$ 254,019,000	
Residential Property Taxes	\$ 345,771	\$ 2,789,129	
Other Revenue from Residences	\$ 589,610	\$ 2,265,018	
TOTAL Revenue from Residences	\$ 935,381	\$ 5,054,147	
Municipal Service Costs for Residences			
Non-school	\$ (421,800)	\$ (2,799,517)	
Schools	\$ (1,313,290)	\$ (3,514,600)	
<b>NET Annual Municipal Revenues (costs)</b>	<b>\$ (800,000)</b>	<b>\$ (1,260,000)</b>	

### Analytic Assumptions

Notos Group LLC provided FXM with the following program components for use in the analysis:

- Option #1: 90 units of single family homes
- Option #2: 896 condo units, of which 224 (25%) would be affordable

To these basic assumptions, FXM added presumed market values based on average sale prices of single family and condo units in Wareham over the past three full years adjusted upward based on current sales listing of new homes. These values are shown in Table 1. Property tax revenues are based on the FY 2020 rate of \$10.98 per thousand.

The single-family homes are assumed to contain a mix of 3 and 4-bedroom units, while the condos are assumed at an average of 2 bedrooms per unit, based on historical market listings in Wareham and FXM's proprietary data from recent comparable projects. An average of 4.5 persons per household are estimated for the single-family homes, based on FXM's in-house files of comparable projects, and 3 persons per household for the condos. Based on this mix,

and drawing upon proprietary case study examples, FXM estimates that the single-family homes will house an average of 0.93 school aged children per unit, while the condos will have an average of 0.23 students for the market rate units and 0.31 students for the affordable units. There is an average of 0.27 school aged children and 2.41 persons per household town-wide in 2020.

*It should be noted that these assumptions are for a hypothetical development and do not reflect any actual proposed project. Target market values, number of bedrooms per unit and household types would be expected to reflect detailed market studies which have not been done to date.*

### **Sources Used**

Municipal revenue and service costs per capita are based on Town of Wareham, FY 2020 budget estimates divided by the 2020 total population estimates based on the latest US Census estimates (2019) of 22,745 persons. Other demographic data used are based on current year estimates provided by the proprietary subscription data source EnvironicsAnalytics *Spotlight* reports, which is widely used by professional planners and market analysts.

Municipal revenue data come from the Massachusetts Department of Revenue, Division of Local Services. Municipal budget expenditure data come from the Town of Wareham budget.

Data on education costs and school enrollment come from the Massachusetts Department of Education and the Town of Wareham FY 2020 budget.

### **Analytic Methods**

FXM Associates uses two widely accepted average cost methods for this analysis. These methods assign the non-education costs of new development based on per capita costs of municipal services, excluding education (the per capita cost method).<sup>1</sup> Similarly, non-property tax revenues (license and other fees, excise taxes, and so forth) are assigned to the potential projects on a per capita basis to the projects' total estimated population (405 persons for the single-family homes, 2,688 persons for the condos).

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 83% of municipal service costs are allocated to residents based on the current proportional valuations of residential, commercial and industrial uses. This is called the proportional valuation method and, while clearly a simplification of potential costs of specific types of commercial uses, for example, 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).

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<sup>1</sup> 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 included in this analysis hinge on the estimate of the number of school age children in the potential new Wareham units. This estimate was made after consulting a variety of sources, as it is notoriously difficult to predict how many children a given development will house, and even estimates based on empirical data can vary widely. From the sources available, FXM selected average number of school aged children in single family and condo units recently surveyed by FXM and colleague firms. These factors were then applied to the number of units in the potential Wareham development options.

The Massachusetts Department of Education reports the number of public school children compared to all school age children and this proportion (87% for Wareham) was then applied to arrive at a total student addition to Wareham public schools from the potential developments. The portion of the Wareham Town budget allocated to school costs (including state aid for education) was divided by the total number of public school students in the town to derive a per-pupil cost of \$16,692 in FY 2020. Then per-pupil costs were multiplied by the number of students estimated to live in the Wareham potential development options in order to estimate total school costs attributable to the development. These costs were added to the non-school municipal service costs. NET municipal revenues (costs) were then calculated by subtracting these costs from the estimated revenues the new units would produce.

*NOTE: FXM did not analyze potential marginal costs that new residents 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. This level of analysis is beyond the scope of the current study which is considering only hypothetical development options as specified by the client.*