

Initial Summary Response to “Report on Wareham Re-zoning Plan by NOTOS Group, Frederick Jennings, March 30, 2021”

FXM Associates

April 5, 2021

Late on Friday, April 2, 2021, the Wareham Town Planner asked FXM Associates to respond to the above referenced document. The document is littered with unprofessional language, apparent misreadings of the portions of the document it reviews, and a poor understanding of planning as practiced. We will take some responsibility for any misreading, as it suggests our documentation must not have been crystal clear. Still, statements like that on page 15 of Jennings’ report where he notes that the “study was designed in such a way to make it come out with results that meet their client’s financial interests” are misguided and certainly not within the conduct of normal professional practice, even if true. We take this opportunity to state unequivocally that it is untrue. We defend this statement in the necessarily brief document that follows.

At the core of Jennings critique is his principle that “fixed” costs of education and municipal services ought not to be counted when assessing the impacts of new development. That is, he suggests planning practitioners should always apply marginal costs rather than average costs of proposed developments in applications like that investigated in the FXM report. By using average costs, Jennings alleges that we overstate education and municipal service costs attributable to new development. Obtaining information on marginal costs of public services is typically expensive, time-consuming, and otherwise difficult. This is even without the presence of an on-going pandemic when offices were closed, pertinent officials were working from home or furloughed, and relevant documents were unlikely to be readily available.

Thus, planners have long used average costs when roughing out costs of alternative projects and programs.¹ We detail below why his argument is, for all practical reasons, wrongheaded.

- **Average costs apply per pupil.** Jennings failed to note that the *Commonwealth of Massachusetts explicitly recognizes per pupil costs as a basis for state aid*. This decision by the Commonwealth was not made capriciously, as Jennings’ accusation of biased analysis suggests. Capital expenses, the “fixed costs” of schools in Massachusetts, tend to comprise a relatively small share of a district’s total annual budget. In fact, in growing school districts, operating expenses comprise about 80% of the annual budget.² Wareham’s schools have not been growing for some time now. We’d therefore expect

¹ See for example: *The Fiscal Impact Handbook: Estimating Local costs and Revenues from Land Development*. Burchell & Listokin, 1978; and *The New Practitioners Guide to Fiscal Impact Analysis*, Burchell, Listokin and Dolphin, 1986. Even if time and circumstances allowed, a marginal cost analysis of a hypothetical development – that is one not yet proposed – would be impossible because the full project details are not specified.

² https://www.leeschools.net/our_district/change_for_change/capital_vs_operational_funds

operating expenses, which Jennings surely must admit encompass the lion's share of marginal costs, to compose an even higher proportion of Wareham's school district's annual budget³.

- Similarly, we use **average costs also apply on a per household basis**, since there is no reason to believe that, outside of school related operating costs which make up about 55% of the local operating budget, new households will consume town services and infrastructure differently from existing households. Jennings contention suggests that
 1. Capital expenses for sewage, water, roads, and public safety facilities and equipment currently comprise a substantial portion of the local budget and
 2. New households in a new subdivision should not be charged for the linkage costs the subdivision will force the Town to incur.

We suggest both of these points are not only unsubstantiated in his evaluation but they are unreasonable.

Jennings appears baffled that we **inflated the estimated household sizes and number of school-aged children** and that we did not opt to use town averages for household sizes and the count of children per household. He seems to forget that new single-family homes on large lots are bought by families with children. Indeed, we stated this in our report in the third paragraph of *Analytic Assumptions* which he apparently ignores.⁴ Note, using Wareham's averages for household size and count school-aged child based on the Town's overall population and households would simply be wrong. The average includes single persons living alone, couples without children, persons in group quarters and assisted living, and other non-family situations. Such metrics would, therefore, understate those for homes explicitly built for larger families. Additionally, a review of current listings of homes for sale in Wareham reveals the majority to be three- and four-bedroom units.

Jennings asserts that by using the average sales price of existing single-family homes we "wildly understated" the potential Town revenues of newly constructed homes. Such unprofessional, inflammatory language was particularly misguided because, in fact, we did **not** use the average sales price of existing homes; we used the sales price of new homes. He apparently failed to read page 2 of our December 7 report: "To these basic parameters, FXM added market values

³ New data (March 11, 2021) since FXM's analysis from the Massachusetts Department of Elementary and Secondary Education, School and District Profiles, shows per pupil expenditures in Wareham to be \$20,207.78 – 21% higher than the \$16,692 per pupil used in FXM's December 7, 2020 report.

⁴ "The single-family homes are assumed to contain a mix of 3 and 4-bedroom units, 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. 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.", FXM December 7 report, page 2.

on average sale prices of single-family homes in Wareham over the past three full years **adjusted upward based on current listings of new homes.**" Perhaps we should have noted this a few more times in the report to make sure it would be read.

Number of properties in the subdivision. Jennings make much about an "impossible estimate" of 90 three-acre properties in the proposed subdivision. We note the following information for that subdivision:⁵

- Single family housing is permitted as-of-right with a minimum lot size of 130,000 SF (3± acres).
- As the subdivision is actually 285± acres, not 270 acres as we report it, as we had factored out area attributed to roadways and requisite infrastructure;
- That is, we estimated the usual 5% loss in lot yield to accommodate roadways and associated infrastructure, so we maintain that 90 lots is the likely lot yield.

Jennings takes **another unprofessional potshot** by asserting on page 7 of his report "[T]he analysis contained in the report is not to be relied upon for any substantive purpose." This statement in response to concerns we express about the extreme uncertainties surrounding local recovery from the pandemic-induced recession. We can understand some consternation on his part if he believed our December 2020 report was written in mid-March 2021. Recall, as we wrote, a second (or was it third?) wave the pandemic was striking our nation's economy and related supply chains. At the time, vaccinations were promised but not yet being delivered beyond selected first responders, and no new federal relief funding was in sight. Thus, Jennings report is written in a period of relative "comfort" and leans on information unknown in December 2020, like the amount of federal pandemic-stimulus funding to be allocated to local governments in Massachusetts. Nonetheless, our assessment recognizes the real losses –with or without stimulus funds – of revenues to the Town from meals taxes and hotel taxes, and lowered values of commercial properties, that may rebound in the future but cannot be recovered from the recent past and are likely to continue to underperform as projected.⁶

It would not have been difficult to provide a set of calculations that would show how far off our analysis might be, given all of the "flaws" Jennings perceives in our report. We vary very few parameters because of the prospective nature of the project: number of housing units, children per household, taxes revenues paid per household, and costs per pupil. If Dr. Jennings could readily derive marginal costs, he had the same opportunity as we did to do so. He also could have performed a sensitivity of our results to the various parameters above; this is spreadsheet work. Instead, Dr. Jennings opts merely to write "it would not surprise me at all if the implications of proper figures used in such a revised analysis of residential and municipal cost effects were to show Wareham performing quite well with the residential use of this particular

⁵ The material on minimum lot size and overall property size was made available by the NOTOS group.

⁶ Jennings also notes a lack of basis in our projections of revenues. In fact, we predicated the proportional losses forecasts by Moody's Analytics and CoStar – two well-known and highly regarded sources. We also add that, again contrary to his assertions, the projected revenue losses to Wareham town finances are not "massive," rather they are quite modest, on the order of 1.3% of the 2020 Town budget.

parcel of land." We have never before encountered the deleterious conviction of a report like ours (nor have we undertaken one) in which revised estimates are not part of the exercise. That is, we cannot understand why Jennings took no effort to rework our roughed-out estimates in order to "set things right."

In summary, Jennings develops serious flaws in assumptions underlying his critique of FXM's assessment of fiscal impacts attributable to a potential subdivision of single-family homes. Worse, at least from our perspective, he misrepresents FXM's report when questioning the credibility and honesty of the project team. Over the past 30 years, FXM has prepared several of what we contend are objective assessments of economic development potential for the Town of Wareham. While the NOTOS group paid for the two most recent studies, they certainly never demanded or requested certain specific outcomes and undoubtedly selected FXM for the work because of our past objective work for the Town. That is, we made it clear in advance to NOTOS that our report might not result in their favor, and they agreed to support the work regardless of the outcome.

To conclude our response, we note that the author's credentials lack any prior economic or fiscal impact assessment of a real estate or infrastructure development project. This likely accounts for the flawed critique; municipal economic and fiscal impacts assessment is not, by his own account, within his realm of experiences. By contrast, we present the following credentials.

FXM relevant project experience

The principle author of FXM's report has 50 years' experience as lead investigator and author preparing fiscal and economic impact assessments for a wide variety of development projects, including 30 years as Principal of FXM Associates. Representative projects include:

- the \$17 billion Central Artery/Third Harbor Crossing (Big Dig) EIS,
- the Sagamore Rotary Reconstruction economic impact assessment,
- the \$1 billion North Station Mixed-use Redevelopment Project,
- the Fall River Route 79/I-195 reconstruction EA, and currently
- the \$2.1 billion I-90 Interchange Allston Multi-modal EIS.

Fiscal impact work includes:

- Assembly Square in Somerville;
- Union Point mixed use development in Rockland, Abington, and Weymouth;
- Meetinghouse Village in Sandwich;
- South Hingham Office Park
- Fiscal Impacts of the Proposed Wynn Casino on the City of Somerville

In these and many other highly sensitive development projects FXM's work has been scrutinized by dozens of federal and state agencies, US District and Circuit Courts of Appeal. None have ever reported bias or a lack of analytic rigor or integrity in our reports.