Connery Associates

To: Needham Town Meeting

From: John Connery

Re: Overview of Proposed Zoning

April 26, 2016

This memorandum is intended to summarize the key features of the proposed mixed use overlay and to provide an overview of its fiscal implications for Town Meeting Members.

During the 15-month review process with the Council of Economic Advisors, Planning Board, Finance Committee and Board of Selectman the basic concept of an overlay district for the MU128 district and abutting portions of the HC128 District has remained consistent.

Specifically, to create mixed use re- development opportunity that recognizes the land value and special conditions of the area, while providing Needham with special permit control. Further, to design an overlay district that ensures that re-development provides a clear fiscal benefit to the community while strengthening the overall economic viability of Needham Crossing.

In addition, it has been the objective of the various boards to give the Town the ability to direct future multi-family development toward locations that are most appropriate for higher density residential development. Also, to ensure that any future multi-family development must add to the affordable housing inventory and assist the Town to stay above the 10% 40B requirement.

Key Features

- A residential development cap of 250 units of rental or condominium units.
- All overlay development requires a special permit; all exiting uses can also expand using underlying zoning.
- Minimum lot size of two acres; designed to encourage parcel assembly, roadway reorganization and higher value re-development.
- A 12.5% affordable housing requirement, to insure the Town registers gains in its affordable housing supply to offsets any future market rate residential development in the community.

Fiscal Considerations

A driving force from the outset was Needham's requirement that any zoning proposal must result in a positive fiscal outcome for the community i.e. that annual revenues generated must exceed all associated municipal service costs. To meet this basic requirement, the Town and its consultant tested numerous development scenarios. The key factors that emerged were the percentage of one bedroom units in the total project mix, the percentage of three bedroom units, and the percentage of affordable units required.

- The unit mix is a critical factor since one bedroom units, in larger developments (over 100 units) do not generate any measurable or sustainable number of school aged children and education cost is by far the largest component of residential service cost. Therefore, the higher the percentage of one bedroom units the lower the associated education costs.

  The proposed zoning therefore requires a unit mix of at least 40% one bedroom units. Numerous test scenarios were prepared to show that with one bedroom units the resulting annual fiscal profile would remain positive regardless of the nature of the other units. Please note that to insure some level of housing type diversity a one-bedroom maximum was placed at 70%.

  While the zoning proposal does not prohibit three bedroom units, they are not required as is the case under 40B. Further, test scenarios clearly indicated that without three bedroom units the annual fiscal benefit accruing to the Town increases significantly.

- The requirement that 12.5% of all units must be offered at affordable housing rates does reduce assessed value and tax yield to some extent. However, when paired with the reduction in education costs associated with the minimum 40% one-bedroom requirement, all development scenarios remain clearly and sustainably positive.

Example Fiscal Outcomes.

Fiscal outcomes will obviously vary given project size and unit mix, however, the following examples were based on the various test scenarios examined over the past 15 months. Please note, in all cases we tested the maximum development capacity i.e. 250 units. In reality there may be one project that attains the capacity limit or there may be two smaller projects. However, to insure that the full impact of the zoning was clearly understood we examined impacts at the 250-unit maximum level.

- A 250-unit development with a unit mix of 40% one-bedroom and 60% two-bedroom; and a 12.5% affordable component would generate a cost to revenue ratio (fiscal profile) of approximately 0.60. Meaning that for every revenue dollar collected it would cost the town 60 cents to provide all services i.e. schools, fire police etc.

- In terms of dollars the above development scenario would generate an annual fiscal benefit of approximately $350,000. If the same number of condominium units were developed the annual fiscal benefit would likely be in the range of $525,000 to $700,000 per year, given the differences in assessment methodology depending on the nature of what is built.

- The estimated assessed value of 250 apartments would be approximately 52 million dollars. If the same number of condominiums were built, the assessed value would be at least 75 million dollars and depending on nature of proposal up to 100 million dollars.

In tests run in March of 2015 on a potential two-acre site it was found that the current assessed value was approximately 8.8 million dollars but as shown above the redeveloped site would have an assessed value of at least 52 million dollars.

- The number of school aged children generated by a 250-unit overlay development will fluctuate on an annual basis. However, assuming 40% one bedroom units, 60% two bedroom units and no three bedroom units, the number of school aged children will most likely be within the range of 15-20 students per year; or student generation characteristics similar to nearby Charles River Landing.