

A Fiscal Impact Analysis
Reading Woods
Reading Massachusetts

December 6, 2010

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1.0 Preface

This report is designed to provide the Town of Reading with an objective understanding of the annual fiscal impact related to Reading Woods (the “Project”), a proposed residential community by Pulte Homes of New England LLC located in Westborough Massachusetts. The Project is located on the former Addison Wesley property (a former and now vacant office and publishing complex) off of Jacob Way which provides access to Rt. 28.

This report examines the anticipated municipal service costs and revenues that will be generated by the Project in order to determine an annual cost to revenue ratio; and the estimated annual dollars lost or gained by the Town of Reading. The report will also indicate the annual net fiscal position of the Project as it moves from initial construction to final stabilization. In addition, the report identifies the significant one time fees associated with building permit and any other construction applicable fees. For purposes of this fiscal analysis the Project start up year is 2010 since it is the initial design year; stabilization is estimated to occur in 2019.

The proposed for sale residential community is summarized in Table 1 below. It is anticipated that construction will commence in the spring of 2011 beginning with 200 senior housing units located in Sub district C and will require 36 to 42 months to complete. During this period construction will also commence on the 16 town house units in Sub district A, located along Jacobs Way. The “start up and follow on” method of site development will continue though out the construction period until all four development sub districts.

Table 1. Reading Woods Development Program

Components	Buildings	Specifics
200 smart growth units Sub district C	Four story buildings. Four 50 unit buildings	20% affordable; 92 one bedroom 108 two bedroom units
16 town houses and club house Sub district A	Three stories 4 buildings and club house	Three bedroom townhouses Market Rate
122 senior independent living units; Sub district D	Four story buildings Two 36 unit buildings One 50 unit building	Age restricted over 55 Independent living
86 senior independent living units; Sub district B	Four Story buildings One 36 unit building and One 50 unit building	Age restricted over 55 Independent living.

2.0 SUMMARY OF METHODOLOGY

2.1 REVENUE ESTIMATES

Reading Woods is a for-sale development and all homes will be taxed using the full and fair market value method of assessment. Essentially the initial sale price of the homes will set the original assessed value and from this initial value, adjustments will be made annually by the local assessor with state mandated comprehensive re-valuations every three years. In this instance, it is only at project stabilization that all the homes will be taxed using the full and fair market value assessment methodology. Until stabilization occurs those components under construction will be taxed at the replacement cost or improvement cost method. Therefore, in Table 2 below in any given year both the full and fair market value and the improvement value method may be used to estimate the total property taxes for any given year. Real estate property taxes comprise the large majority of the estimated annual municipal revenue stream; however, in this instance local annual automotive excise taxes and special 40R revenues will supplement the annual municipal revenue stream. Finally, one time revenues such as building permit fees will also be estimated. While significant they are not included in the annual fiscal analysis since they are onetime payments.

2.2 SERVICE COST

Residential development generates two general types of municipal service costs; education cost and general service cost i.e. the estimated annual cost of all other germane municipal services excluding education costs. In this instance, education costs will be minimized since 49% of all homes are restricted to people 55 years and older. Further, in the 200 unit smart growth component, 46% of the homes will be designed as one bedroom units and as illustrated by regional and local data one bedroom units do not generate school aged children. The remaining 54% of the smart growth units will be two bedroom units and will generate school aged children at a rate of approximately 0.14 children per condominium. There will be no three bedroom units in the smart growth component.

The three bedroom town houses comprise the smallest component of housing types, only 16 units. However, these units will generate school aged children at the regional average of approximately 0.65 students per unit. Accordingly 300 or 71% of the 424 homes will not generate school aged children and this purposeful design factor will significantly reduce the overall education costs associated with Reading Woods.

Annual fiscal impacts are further mitigated by the established utility (water and sewer) enterprise funds, essentially a pay as you use accounts that do not impact the annual fiscal balance sheet in terms of revenues or costs. Further, municipal costs associated with traditional public works responsibilities were determined to be minimal, all internal roadway and drainage maintenance, trash removal, lighting, snow plowing, and other associated site maintenance costs will be the responsibility of the Condominium property owner; and since Route 28 (the main connector road and point of access) is under the jurisdiction of the Commonwealth all maintenance costs for Rt. 28 are absorbed by the Commonwealth. Costs for recreation, library, and general government are de minimus given the nature of the Project and the ages of the majority of the residents. Primarily no additional municipal employment is projected as a consequence of the Project except for school personnel which will be included into cost estimates. Finally, existing

municipal debt service will not be impacted by the Project given that it is an unrelated and pre-existing condition. Similarly budget line items such as statutory, unclassified, and general government departmental costs (e.g. assessor, city clerk, etc.), will not be impacted in any measureable manner.

Accordingly, in addition to educational costs the municipal costs associated with Reading Woods will focus on public safety costs, (police and fire services) but not including ambulance service costs which are reimbursed to the Town since the Town provides for Advanced Life Care services. Please note, any traffic mitigation costs associated with the Project are considered as Project development costs and while beneficial to Reading Woods and the community, they are not on-going annual operational (fiscal) costs.

3.0 SUMMARY OF FINDINGS

- ***At completion, Reading Woods has a strong positive cost to revenue ratio of 0.26 and will generate a net fiscal benefit of approximately \$1,778,250 per year and the net benefit will be sustainable for the long term.***
- At all times during the build-out period Reading Woods generates a positive net fiscal benefit for the Community
- At stabilization in 2019 Reading Woods will have generated approximately \$13,940,000 in total revenues of which \$10,246,900 will be net revenue for the Town.
- As part of the revenue stream the Town will receive a total \$950,000 in Charter 40R smart growth funds by 2015.
- The estimated total assessed value at project stabilization will be \$170,000,000.
- One time building and associated permit fees will total approximately \$600,000 and are in addition to the estimated net annual fiscal benefits.
- A total of 28 students will be generated, approximately 5 to 6 per year during the build out process ending in 2019.

4.0 REVENUE PROJECTIONS

4.1 Revenue

In Massachusetts the annual municipal revenue stream is comprised of various sources. This characteristic is reflected in Reading with property taxes, being the largest single source of revenue at 59%, followed by local receipts (excise taxes, departmental fees, etc. at 22%), and state aid (education and general government at 15%); with 4% of local revenues are from special funds and trusts.

In this report it is important to note that I have accounted for the water and sewer revenues by assuming they are off-set by annual service costs. In effect the annual enterprise account service fee charged to the user covers the annual service cost that individuals or businesses pay for water and sewer services on a usage basis. Further, state aid to education and unrestricted government aid revenues are addressed further in the report as off-sets to service costs, as appropriate.

Accordingly, the revenues that will be generated by Reading Woods are property taxes, and local receipts (excise taxes). Additionally, Reading Woods contains a 40R smart growth development zone which will result in an additional one-time payment of \$350,000 and payments of \$3,000 per unit up to \$600,000 as the units receive building permits. The latter sum sum will be paid over a period of years as the 40R component is completed and is therefore reflected in the revenue analysis.

For the property tax estimates I employed two methods of assessment i.e. the stabilized income method and a property improvement or cost method. Due to the nature of the Project it will be built in phases over at least an eight year period. Accordingly, the property taxes may be based only on the physical improvements to the property while in other years it will be a mixture of the full and fair market and improvement methods. Once the project is fully constructed and occupied the assessor will likely switch to the full and fair market method based on the estimated market value of the property. The assumptions used and integrated into Table 2 below are as follows:

- To estimate the value of the new homes over time, the taxable value of completed units have been increased at a rate of 3% per year (reflecting both the estimated changes to the current annual tax rate and underlying assessed value).
- The assumptions used to construct the estimated assessed values reflect the reduced value for the affordable housing units i.e. \$149,000 for a one bedroom unit and \$167,500 for a two bedroom unit. Market rate town houses have an assigned value of \$400,000, the two bedroom multi-family units have an average value of \$350,000; and one bedroom homes an average value of \$300,000. In the table below the words “sold or sale” refers to the estimated units sold and or under agreement.
- The property improvement method is based on the construction cost projections of Pulte Homes of New England LLC as of November 2010. To reflect anticipated cost increases

over time, the value of the construction estimates have been increased at a rate of 1% per year.

- Local Receipts (excise taxes) are based on FY10 levels (\$90 per vehicle) and have been increased in value by 1% per year over the construction period.
-
- The \$950,000 in 40R payments will be paid from 2011 to 2015 representing the completion and occupation of the 40R component of the Project.

Table 2 Revenue Estimates

Year	Components	Assessed Value	Property Tax @ \$13.75	40R and Excise Tax \$	Annual Revenue \$	Cumulative Revenue \$
2010	Est. Site Value	17,000,000	233,750	0	233,750	233,750
2011	Residual Site value. Construction 8 town homes. Construction of 50 condos (40R)	15,000,000 1,015,000 <u>5,110,000</u> 21,120,000	276,513	0	276,513	510,263
2012	Residual site value. Construction of 8 town homes. Sale of 8 town homes. Construction of 50 condos (40R). Sale of 50 condos. 40R	12,000,000 2,030,000 3,200,000 5,015,000 <u>13,000,000</u> 35,245,000	470,662	350,000 40R zoning 40R sales 150,000 Excise tax 7,800	992,419	1,502,712
2013	Residual site value. Construction of 66 condos 16 town homes sold 100 condos sold	9,000,000 6,620,000 6,592,000 <u>33,475,000</u> 55,687,000	765,696	40R sales 150,000 Excise tax 16,000	931,696	2,434,408
2014	Residual site value 16 town homes sold. Club house. 166 condos sold. Construction of 70 condos.	6,000,000 6,790,000 400,000 57,236,000 <u>7,227,716</u> 77,653,716	1,067,738	40R sales 198,000 Excise tax 27,000	1,292,738	3,727,146
2015	Residual site value 16 town homes sold 236 condos sold. Construction of 65 condos.	3,000,000 6,994,000 83,813,000 <u>7,000,000</u> 100,807,000	1,386,096	40R sales 102,000 Excise tax 39,000	1,527,096	5,254,242

2016	Residual site value. 16 town homes sold 301 condos sold. Construction of 71 condos.	1,000,000 7,203,820 110,104,001 <u>7,722,615</u> 126,034,436	1,732,918	Excise Tax 50,000	1,782,918	7,037,160
2017	16 town homes sold 371 condos sold. Construction of 37 condos	7,419,934 139,490,758 <u>4,064,705</u> 150,975,397	2,075,911	Excise Tax 62,000	2,137,911	9,175,071
2018	16 town homes sold 408 condos sold or under agreement.	7,642,532 <u>158,004,302</u> 165,646,834	2,277,644	Excise Tax 70,000	2,347,644	11,522,716
2019	Stabilized, all units taxed at full and fair market value; 424 units	170,616,000	2,345,970	Excise Tax 71,000	2,416,970	13,939,686

As indicated above, the revenue stream is a combination of the estimated property taxes and excise taxes and 40R revenues received during the period 2010 -2015. The annual gross revenue stream is estimated to be \$2,416,970 in 2019.

5.0 MUNICIPAL SERVICE COST

As noted, this analysis divides municipal service costs into two broad categories: education costs and general service costs which are all other non-school operating costs. In addition, there are several departmental or general budget line items that will not be impacted by the Project in any measurable way. Some examples of municipal costs not measurably impacted are existing municipal debt, overlay accounts, free cash and special appropriations.

5.1 Education Costs and New Enrollment

Our review of the most recent Massachusetts Department of Education data (updated to October of 2010) indicates that over the past decade enrollment in Reading increased at an annualized rate of approximately 0.042% or by approximately 180 students over a 10 year period. For FY10 there we approximately 4,300 students enrolled in the school system grades K-12.

This report employs the Actual Net School Spending (ANSS) per pupil cost, as opposed to a more defined incremental cost analysis, as the method best suited to reflect costs associated with additional pupils. In FY2010, the last year of complete data the ANSS for Reading was \$9,610. It is important to note that not all of the ANSS cost impacts the Reading general fund. The Town received approximately \$2,122 per pupil in state aid in FY10. This is a revenue source that needs to be assigned against the ANSS. By deducting the state aid from the ANSS value I have accounted for the state aid to education revenue source. Accordingly, deducting \$2,122 per pupil from the ANSS of \$9,610 leaves a local school cost responsibility of \$7,488 per pupil for the Reading school system.

Please see Table 3 below for a student enrollment projection by year thorough to project stabilization in 2019. A five percent private school factor is likely to occur but given the relative small amount of new students the private school deduction would amount to slightly more than 1 student per year. To be conservative with enrolment estimating and to be prudent in the Town's favor the private school factor was not included in the school cost projections.

Table 3. Additional Students by Year and Total

School Year	Occupied Units by Type	Students / unit	Total Students
2010-11	No occupied units	0	0
2010-12	No occupied units	0	0
2012-13	8 town three bedroom houses	0.650	5.20
	21 one bedroom 40R condominiums	0.000	0.00
	19 two bedroom 40R condominiums	0.140	2.66
	5 one bedroom aff.40R condo	0.000	0.00
	5 two bedroom aff. Condo	0.350	1.75
	Cumulative Total		9.61 (10)
2013-14	16 town three bedroom houses	0.650	10.400
	42 one bedroom 40R condominiums	0.000	0.00
	38 two bedroom 40R condominiums	0.140	5.32
	10 one bedroom aff.40R condo	0.000	0.00
	10 two bedroom aff. 40R condo	0.350	3.50
	Cumulative Total		19.22 (19)
2014-15	16 town three bedroom houses	0.650	10.400
	63 one bedroom 40R condominiums	0.000	0.000
	57 two bedroom 40R condominiums	0.140	7.980
	14 one bedroom aff.40R condo	0.000	0.000
	13 two bedroom aff. 40R condo	0.350	4.550
	Cumulative Total		22.93 (23)
2015-16	16 town three bedroom houses	0.650	10.400
	83 one bedroom 40R condominiums	0.000	0.000
	77 two bedroom 40R condominiums	0.140	10.780
	20 one bedroom aff.40R condo	0.000	0.000
	20 two bedroom aff. 40R condo	0.350	7.000
	36 senior condos	0.000	0.000
	Cumulative Total		28.18 (28)
2016 17	16 town three bedroom houses	0.650	10.400
	83 one bedroom 40R condominiums	0.000	0.000
	77 two bedroom 40R condominiums	0.140	10.780
	20 one bedroom aff.40R condo	0.000	0.000
	20 two bedroom aff. 40R condo	0.350	7.000
	101 senior condos	0.000	0.000
	Cumulative Total		28.18 (28)
2017-18	16 town three bedroom houses	0.650	10.400
	83 one bedroom 40R condominiums	0.000	0.000
	77 two bedroom 40R condominiums	0.140	10.780
	20 one bedroom aff.40R condo	0.000	0.000
	20 two bedroom aff. 40R condo	0.350	7.000
	208 senior condos.	0.000	0.000
	Cumulative Total		28.18 (28)

2018-19	16 town three bedroom houses 83 one bedroom 40R condominiums 77 two bedroom 40R condominiums 20 one bedroom aff.40R condo 20 two bedroom aff. 40R condo 208 senior condos. Cumulative Total	0.650 0.000 0.140 0.000 0.350 0.000	
Total	424		28.18 (28) 28 or 0.066/ unit

Table 3 above indicates that by the 2018-19 school-year Reading Woods will generate 28 school aged children. In reality this figure will be attained by the 2015-16 school year since after said date all new units to be added will be age restricted senior units. Accordingly during the 2011-16 time frame Reading Woods will add approximately 5 to 6 new students per year. The students will attend all 13 grade levels from Kindergarten through grade 12. It is estimated that 60 % will attend grades K-6 (17 students); and 40% (11) students will enroll in grades 7 through 12.

As noted in Section 5.1 the actual net school service (ANSS) cost per pupil in 2010 was \$7,488 after removing state aid. Since this study assumes stabilization in 2019 I have examined the school budgets of the past ten years and determined that the average 10 year annualized increase in education costs has been approximately 4.1 % per year. Accordingly, for the school year 2011-12, (the earliest year to anticipate school costs) I increased the *Town's portion* of the actual net school costs per pupil or ANSS school cost of \$7,488 by 4.1% to cost to \$8,000. In this manner I am accounting for the anticipated rise in annual school costs but also taking into account the revenue contribution of the Commonwealth.

Table 4 below illustrates the estimated school costs per year over the period of the estimated construction period.

Table 4. Projected School Enrollment Increases and Associated Cost.

School Year	New Enrollment	Total Enrolment	Estimated Cost per Pupil	Total Cost per Year
2010-11	0	0	0	0
2011-12	10	10	\$8,000	\$ 80,000
2012-13	9	19	\$ 8,328	\$ 158,232
2013-14	4	23	\$8,669	\$ 199,387
2014-15	5	28	\$9,205	\$ 257,740
2015-16	0	28	\$9,395	\$ 263,060
2016-17	0	28	\$9,781	\$ 273,868
2017-18	0	28	\$10,182	\$ 282,096
2018-19	0	28	\$10,600	\$ 296,800
2019-20	0	28	\$10,918	\$ 305,704

As noted in Table 4 above, at stabilization in 2019, the estimated actual net school service (ANSS) cost minus state aid to be raised locally will be approximately \$305,704 or \$10,918 per pupil.

5.2 General Service Costs. General Service costs are best described as the non school annual operating cost increases that can be logically assigned to a specific development proposal. For the most part additional service cost accrue when there is a direct relationship between the proposed project and new municipal hiring or an expansion of a community service into a new area. In this instance we can anticipate new school hiring and said costs are reflected in the estimated \$305,700 of new costs shown in the table above. However, I do not anticipate new municipal hiring in the other departments as a result of the Project that reaches stabilization in 2019.

The fire department has historically provided fire and fire inspection service to the former publishing and office complex but since the use is now changing to residential, I have included fire safety services as an anticipated new cost since it is a change in service type. Further, I have included additional police services since there will be additional population. All other measurable public service cost attributable to the project will be trash collection, otherwise all other traditional public works services, including trash collection, will be privately borne by the condominium association. Accordingly, police and fire services will be added to the overall anticipated increases in municipal service costs.

Police Department

While the project area has been traditionally service in the past by the Reading Police as a commercial complex, like all residential uses, Reading Woods will generate a need for a variety of police services. Apportioning the public safety expenses to both police and fire departments I estimate the current annual budgets to be \$3,975,000 and \$3,900,000 respectively. It is important to note that all public safety costs are not generated by the residential population. Applying the analyses provided in of The Fiscal Impact Handbook Burchell and Listokin, Chapter 6 Proportional Valuation Fiscal Impact Method (See Appendix 1) it is observed that depending on the community type 40% to 90% of public safety costs are related to commercial activity or general traffic not necessarily originating in the community. In this instance while Reading has increased its commercial base in recent years and has expanded commercial activity in it's downtown and along Main St./Route 28, and is serviced with regional interstate interchanges; to be prudent and conservative I am applying only 33% of the police budget to non-residential services. Accordingly the base police service cost budget for analysis purposes is \$2,663,000. Currently Reading has approximately 8,850 total residential units or a police service cost of \$301 per residential unit. Given that Reading Woods will have 424 new residences (208 of which are senior housing) the estimated additional police costs are estimated as a function of the number of new units and the cost of policing over time. To estimate police costs over time I have expanded the current \$301 cost per housing unit by 3% per year in the table below.

Table 5. Police Service Cost

Year	Occupied New Units	Cost Per Unit(1)	Additional Cost Per Year
2010	0	\$301	0
2011	0	\$310	0
2012	58	\$319	\$ 18,502
2013	116	\$329	\$ 38,164
2014	184	\$339	\$ 62,376
2015	252	\$349	\$ 87,948
2016	317	\$360	\$114,120
2017	387	\$371	\$143,577
2018	424	\$382	\$161,968
2019 Stabilized	424	\$393	\$166,632

Fire Department

As noted, the Fire Department budget with expenses is estimated at \$3,900,000. Applying the same public safety factor for non-residential uses as was applied to police services, the base budget for this analysis is \$2,613,000 or \$295 per residential unit.

Table 6. Fire Service Cost

Year	Occupied New Units	Cost Per Unit	Additional Cost Per Year
2010	0	\$295	0
2011	0	\$304	0
2012	58	\$313	\$ 18,154
2013	116	\$323	\$ 37,468
2014	184	\$333	\$ 61,272
2015	252	\$343	\$ 86,436
2016	317	\$354	\$112,218
2017	387	\$365	\$141,255
2018	424	\$376	\$159,424
2019 stabilized	424	\$387	\$164,088

Based on the above, at Project stabilization in 2019, the estimated annual fire service costs will be approximately \$164,000 per year.

5.3 Public Works

For most new development, traditional public services such as roadway maintenance, snow plowing, drainage management, and lighting, is a function of local government. However, in the instance of Reading Woods, all traditional DPW services such as road maintenance, drainage, snow plowing, trash collection and lighting, will be the responsibility of the private owner. There are no direct DPW service costs.

5.4 Summary of Municipal Costs

The applicable total annual service costs for Reading Woods are illustrated in Table 8 below. The dollar amounts reflect the cost for any specific year with the maximum and on-going amount being represented by 2019.

Table 8: Summary of Municipal Service Costs

Year	Education	Police	Fire	Total Cost
2010	0	0	0	0
2011	\$ 80,000	0	0	\$ 80,000
2012	\$ 158,232	\$ 18,502	\$ 18,154	\$194,888
2013	\$ 199,387	\$ 38,164	\$ 37,468	\$275,019
2014	\$ 257,740	\$ 62,376	\$ 61,272	\$381,388
2015	\$ 263,060	\$ 87,948	\$ 86,436	\$437,444
2016	\$ 273,868	\$114,120	\$ 112,218	\$500,206
2017	\$ 282,096	\$143,577	\$ 141,255	\$566,928
2018	\$ 296,800	\$161,968	\$ 159,424	\$618,198
2109 Stabilized	\$308,000	\$166,632	\$164,088	\$618,720

As indicated above, in 2019 dollars, the estimated total annual service cost will be approximately \$638,720.

6.0 Net Fiscal Impact by Year

Table 9 below illustrates the net fiscal impact by year through to stabilization and provides the reader with an overview of fiscal performance of Reading Woods based on the estimated costs and revenues for any given year in the build out cycle.

It should be noted that in all years Reading Woods generates a strong net fiscal benefit to the community. The slight fluctuations are essentially the result of the introduction of 40R revenues into the revenue stream.

Table 9. Cost to Revenue Ratio and Net Fiscal Gain or Loss

Year	Annual Cost	Annual Revenue	Net Gain or (loss)	Cost to Revenue Ratio.
2010	0	\$ 233,750	\$ 233,750	N/A
2011	\$ 80,000	\$ 290,500	\$ 210,500	0.28
2012	\$194,888	\$ 978,462	\$ 783,574	0.20
2013	\$275,019	\$ 931,696	\$ 656,677	0.30
2014	\$381,388	\$ 1,292,738	\$ 911,350	0.30
2015	\$437,444	\$ 1,527,096	\$1,089,652	0.29
2016	\$500,206	\$ 1,782,918	\$1,282,712	0.28
2017	\$566,928	\$ 2,137,911	\$1,570,983	0.27
2018	\$618,192	\$ 2,347,644	\$1,729,452	0.26
2019	\$638,720	\$ 2,416,970	\$1,778,250	0.26

As noted above, the Project remains strongly fiscally positive through-out the complete build out cycle and further due to the nature of the Project the strong fiscal benefits are sustainable for the long term. The Project's positive cost to revenue ratio varies from a 0.26 to 0.30 primarily due

to the influence and timing of the 40R funds. In the latter stages as only senior housing is being constructed, the Project's cost to revenue becomes slightly more beneficial and stabilizes at a very strongly positive 0.26. Accordingly, for every dollar of revenue received the Town will net 74 cents after all municipal service costs are paid and this characteristic will be sustainable for the long term. **Further, totaling the annual net benefit over the construction period indicates that for said period the Project will generate approximately \$10,246,900 in net revenues to the Town of Reading.**

7.0 BUILDING PERMIT FEES

Based on the current Town of Reading building, electric and plumbing fee structure and with an estimated total construction cost estimate of \$43,700,000, the one-time permit related payments to the Town of Reading are estimated to be approximately \$600,000 over the full construction period. The fees will be paid during the construction period are in addition to the strong positive annual fiscal benefit associated with the project. However, since they are one-time fee that cease with project completion they are not included in the revenue analysis portion of the fiscal analysis. While the permit fees are designed to cover the Town's construction monitoring cost, in this instance, the scale of the total building permit and associated construction fee will most likely generate an additional, but short term, fiscal benefit for the community.

8. CONCLUDING COMMENTS

Reading Woods has very positive fiscal profiles at 0.26. The magnitude of the overall positive profile, indicates that regardless of economic background conditions the Project will generate sustainable net fiscal benefit for the Town of Reading.

The estimated total assessed valuation of approximately \$170,000,000 in 2019 will provide long-term benefits to the Town of Reading in terms of its ability to work within state regulations limiting the increase in the total annual tax levy by 2.5%. However, in the short term, the new growth taxes (all new growth is exempt from the 2.5% levy limitation for the initial year) will constitute an additional fiscal benefit. Similarly, the \$600,000 of building permit fees is likely to generate some additional level of short term fiscal benefit over the course of the construction period.

In sum, I find that the Project represents a classic revitalization effort within an established and successful mixed use corridor which will provide a large (\$1,778,250) net annual fiscal benefit that is sustainable for the long term. The Project will provide the Town of Reading with an excellent opportunity to augment its tax base for the benefit of the entire community.

Appendix 1

The following data was derived from Exhibit 6-4 Typical Impact of Commercial Uses on Various Public Service Categories: Fiscal Impact Handbook Burchell and Listokin, Chapter 6 Proportional Valuation Fiscal Impact Method.

Service Category	Percent Range	Mid-Point, %
General Government	4 to 6	6
Public Safety	40 to 90	75
Public Works	10 to 20	15
Health and Welfare	1 to 3	2
Recreation and Culture	1 to 3	2

In the report, the Public Safety category was composed of two categories: police services and fire services. It is important to note that in the above referenced handbook, commercial development is divided into two major categories with retail uses generating as much as three times the cost per square foot as office / research use. The upper end of the range is essentially designed to model the impact of large regional shopping centers in excess of 1 million square feet and the low end the non retail activities such as general office. Given the fact that Reading Woods is essentially a redevelopment of an existing commercial area, I applied the low end of the estimated service range. Even at this level, it is likely that the above model overestimates the annual service cost since it cannot take into account private security personnel, modern fire suppression and monitoring systems. As noted in the Fiscal Impact Handbook, "the analyst must temper his distribution of aggregate municipal costs with the kinds of services provided locally. He must also take into account the potential assumption of typically public services by the private facility"

In the instance of Reading Woods, its location along a major highway; its location within an existing and highly successful retail corridor; and the fact that it does not create new police or fire service zones, are the reasons for applying the lower end of the cost scale to the Project.

About the Author

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Experience:

Mr. Connery has 39 years of community planning experience. He has worked in the Mid West and for the past 37 years in New England. As founding principal of Connery Associates in 1980, he has had over 250 municipal and private clients. Mr. Connery has developed an expertise in municipal zoning, fiscal impact analysis, and project permitting. His professional assignments have included numerous downtown redevelopment projects, community master plans, zoning studies, and cost of development / fiscal impact studies.

Working with Goody Clancy and Associates in 2001 he completed and had adopted the Zoning Plan for Eastern Cambridge with the associated fiscal impact analysis. Mr. Cannery's current private sector projects include various residential and commercial fiscal impact studies in Massachusetts including the Mashpee Commons, the Natick Collection, expansion of the South Shore Mall, and life style shopping centers in Dedham, Lynnfield, Burlington and Westwood Massachusetts. Further, Mr. Connery has also recently prepared fiscal analyses for senior living facilities in Lynnfield, Braintree, Sharon, and Dedham Massachusetts. He has also prepared numerous fiscal impact studies for various 40B developments, and three 40R developments throughout the Commonwealth; and he is currently preparing comprehensive zoning amendments and fiscal studies for Everett and Brookline Massachusetts.

With Judi Barrett (principal author) of Community Opportunities Group he has assisted in the development of a 42 community case study regarding the relationship of school aged children and multi-family housing and the resulting fiscal impacts. Mr. Connery has also taught one-semester courses in urban planning at the University of Massachusetts at Boston and at Boston University, and has been a guest lecturer at both Harvard and Tufts University Graduate Schools on a number of occasions. He has been employed as an expert land use and zoning witness before both the Land Court and Superior Court for both public and private clients. He is a past president of the Massachusetts Consulting Planners Association and an active non-professional member of the American Institute of Archaeologists.

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