



May 8, 2019

Mr. Ken Steen
Steen Realty
3 Ledgewood Blvd.
Dartmouth, MA 02747

Reference: Cranberry Highway Smart Growth Overlay District

Dear Mr. Steen,

I am submitting our estimate of the fiscal impact of the proposed Cranberry Highway Chapter 40R Overlay District. Upon completion, the district will include 208 apartments with associated commercial space at Routes 28 and 58 in Rochester, Massachusetts. Please let me know if you have any questions or need any additional assistance.

Sincerely,

BARRETT PLANNING GROUP LLC

A handwritten signature in black ink that reads "Judith A. Barrett". The signature is written in a cursive style with a large, stylized initial "J".

Judith A. (Judi) Barrett
Principal

1. SUMMARY

The Cranberry Highway mixed-use development will benefit the Town of Rochester in several ways. It will bring new tax revenue to Rochester – more than what the Town will have to spend to serve the development. It also will move Rochester well over the 10 percent statutory minimum under Chapter 40B, at least for the immediate future. Today, Rochester has only eight affordable units on the Chapter 40B Subsidized Housing Inventory (SHI).¹ This means the unmet need in Rochester is currently 179 units. The Cranberry Highway Smart Growth Overlay District will provide 208 new apartments, and all will “count” on the SHI because 25 percent will be affordable under state guidelines.

At completion, the Cranberry Highway project will provide \$1.00 in General Fund revenue for every 71 cents the Town spends to provide services to the development’s residents and businesses, i.e., a cost-revenue ratio of 0.71. The cost-revenue ratio for this development has been calculated using a conservative approach to forecasting municipal expenditures and revenue. Please note that all dollars expressed in our report are based on Rochester’s budgeted revenues and expenditures for FY 2019 (the current fiscal year). Using current-year financial data is standard procedure in fiscal impact analysis.

REVENUES

The Cranberry Highway Smart Growth Overlay District will generate the following annually recurring revenues to the Town of Rochester:²

Annual Gross Revenue: \$499,300
Annual Service Costs: \$352,200
 Schools: \$222,700
 Municipal (Residential and Nonresidential): \$129,500
Net Revenue: \$147,100

These are conservative estimates.

EXPENDITURES

Total General Fund expenditures: \$352,200

- Fire Department: \$80,200
- Police: \$36,800
- Schools: \$222,700
- Other: \$12,500

Based on the above analysis, the net fiscal impact of the Cranberry Highway Smart Growth Overlay District is **0.71**, or 71 cents in expenditures for every \$1.00 in new revenue.

These are conservative estimates.

¹ Massachusetts Department of Housing and Community Development (DHCD), February 2019.

² Numbers may not total due to rounding.

2. UNDERSTANDING FISCAL IMPACT

Fiscal impact is the relationship between municipal revenues and municipal and school service costs associated with a given land use. We express that relationship as a ratio of service costs to revenue, or a "cost-revenue ratio." A land use that generates more revenue than service costs is "revenue positive," i.e., a ratio <1.00 , or a low cost-revenue ratio. A "revenue neutral" land use represents the break-even point (1.00), and a "revenue negative" land use costs more in community services than the amount of revenue it produces (>1.00), or a high cost-revenue ratio. The ultimate questions for any fiscal impact analysis are these: can the proposed development generate enough revenue to pay for itself? Is it likely to have a positive or negative impact on the tax rate?

A fiscal impact analyst typically begins by studying demographic trends in order to understand how growth and change might be affecting a community's fiscal condition. The age of a community's population, the size and make-up of its households, the types of housing that exist, where people work, and the economic position of the community's households all have an indelible impact on municipal finances. Determining the amount of General Fund revenue that various land uses already generate and the community's General Fund expenditures to serve those land uses is also important. This type of existing conditions assessment matters because fiscal impact studies have to rely on known demographic, land use, and municipal finance conditions in order to predict the unknown – that is, the impact of a project that has not yet been constructed. The emphasis is placed on General Fund activity because it is the General Fund that supports traditional municipal and school services.

It is important to note that the projected community service costs in a fiscal impact analysis may not materialize as actual changes in spending. Our job is to estimate the dollar impact of the Cranberry Highway district at buildout on municipal and school operations, but we do not control decisions that Town officials and Town Meeting will make later. To refine and update some of the assumptions we use in our fiscal impact studies, we often do a post-construction and occupancy assessment of projects that we reviewed during the permitting phase. On balance we have found that our forecasts of community service demands were quite accurate. In some cases, the communities made spending decisions to address those demands, e.g., by approving budget increases for the affected departments as development-generated revenues increased. In other cases, the municipal service demands we predicted did materialize, but the communities declined to increase funding for the affected departments even though there was enough development-generated revenue for mitigation. Instead, the revenue growth was allocated to other municipal operations or the school department. *Cities and towns make appropriation decisions based on local policies and priorities, not on estimates and projections reported by fiscal impact analysts.*

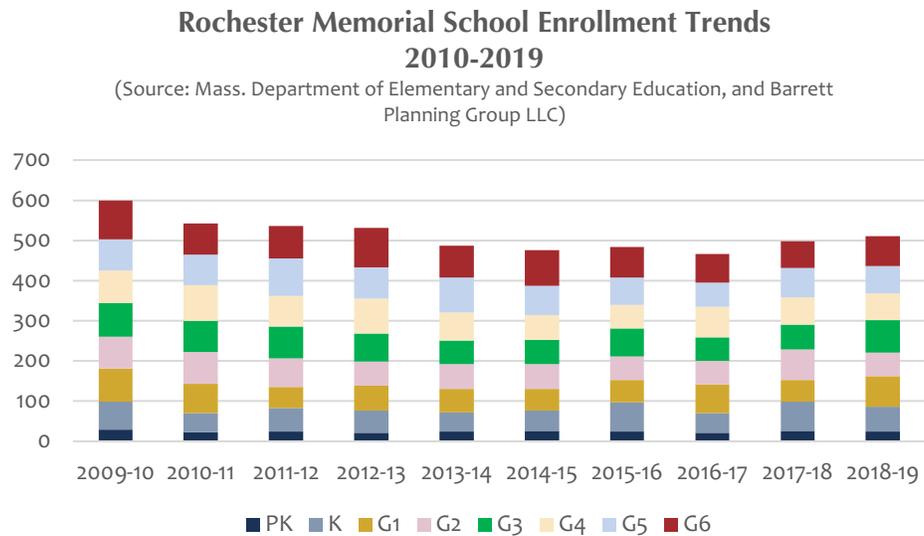
Many people think all housing development is inherently "negative," i.e., a class of land use that inevitably costs more for town and school services than the revenue it generates, but this is not always true. In fact, Rochester's existing land use policies favor a particularly expensive form of residential development: large-lot single-family zoning. The town's land use policies are easy to understand

because Rochester has virtually no municipal utilities. Nevertheless, the cost to serve low-density development patterns is almost always more than the cost to serve compact development patterns. It is critically important to understand this because what the Town may spend today to serve its residents is not a valid basis for estimating the cost to serve the residents and businesses in the Cranberry Highway development. For this analysis, we must look to the experience of other communities and try to adapt their experience to Rochester.

3. ROCHESTER DEMOGRAPHICS

Rochester is a small, semi-rural town in the South Coast region of Massachusetts. Its current population of 5,700 people (rounded) represents an 8 percent increase since the last official census in 2010. Rochester has grown quite a bit over the last 15-20 years. Between 2000 and 2010, the town’s population increased over 14 percent and its total number of households increased 15 percent.³ Since 2010, the rate of growth has mellowed in Rochester as it has in most Massachusetts towns, but meanwhile, household sizes have gradually crept upward as families moving to Rochester a decade ago have had more children. It is no surprise to find that Rochester’s largest households are families that moved to Rochester between 2000 and 2009.⁴ Families that chose Rochester between 2010 and 2014, buying new homes in developments like the 115-lot Connet Woods, also tend to be larger-than-average households.⁵ Today, the Town’s population density is a remarkably low 116 people per sq. mi.

Rochester participates in a three-town school district, Old Rochester Regional. Each town has one or more elementary schools, and all students transfer to fully regionalized schools beginning with seventh grade. In Rochester, students in grades K-6 attend Rochester Memorial School on Pine Street. In 2011, the Town completed a \$26 million modernization and expansion project at Rochester Memorial, bringing the school to a design capacity of 680 pupils. The Massachusetts School Building Authority (MSBA) reimbursed the Town 57.9 percent



³ University of Massachusetts Donohue Institute, Massachusetts State Data Center, “Total Population for Massachusetts, Counties, and Cities and Towns, Decennial Census Counts and American Community Survey Estimates, 1930-2016.”

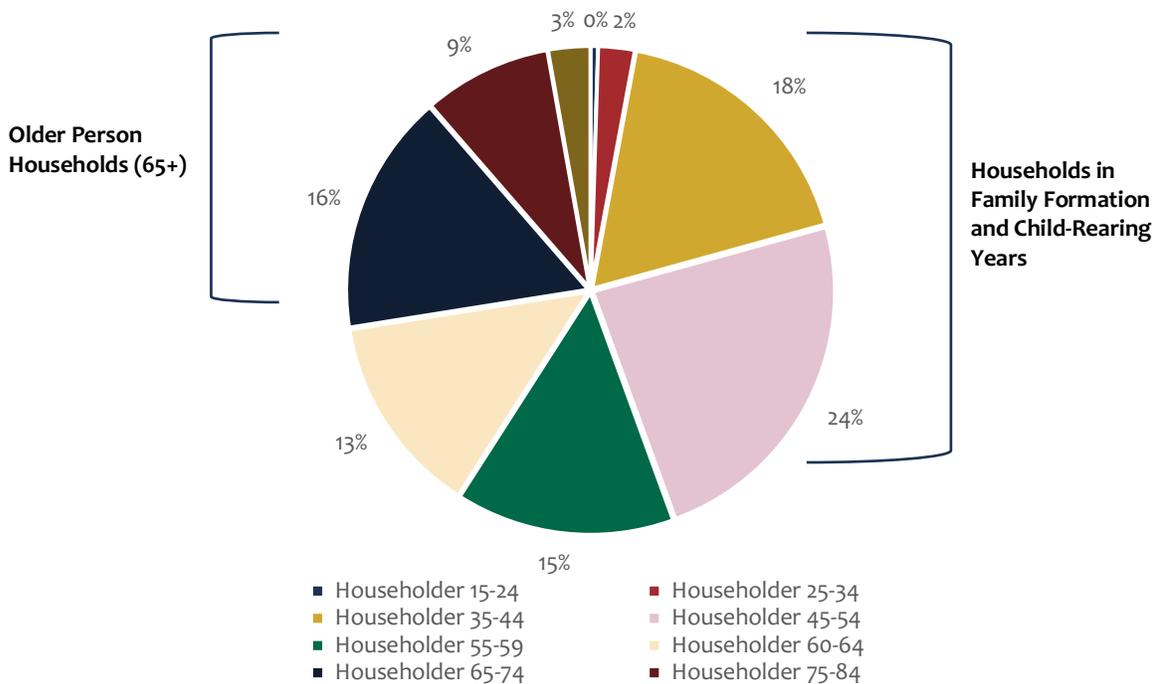
⁴ U.S. Census Bureau, American Community Survey (ACS) Five-Year Estimates, 2013-2017, and Barrett Planning Group LLC.

⁵ Connet Woods is approximately 75 percent complete.

of the total project cost.⁶ Over the past ten years, total enrollment at Rochester Memorial has ranged from a high of 599 (2009-2010) to a low of 466 (2016-2017). Nevertheless, enrollment has increased in the past two years to the current-year enrollment of 509 students. Today, Rochester has the largest elementary school population of the three towns. The schools in Mattapoissett currently have 411 students combined, and at Marion’s Sippican School, the PK-6 enrollment is 477.⁷

Once the smallest of the three towns in the Old Rochester district, Rochester has gradually become the second most populated overall and the largest in terms of the population under 18 years.⁸ The average number of school-age children per household in Rochester is approximately 0.71. By contrast, Rochester has the smallest number and percentage of households headed by older people. Only 30 percent of Rochester households are 65 and over, and only 12.4 percent 75 and over. The town’s senior household statistics place Rochester well below regional, county, and state averages.⁹

Householders by Age Group in Rochester
 (Age Refers to Head of Household)
 (ACS 2013-2017)



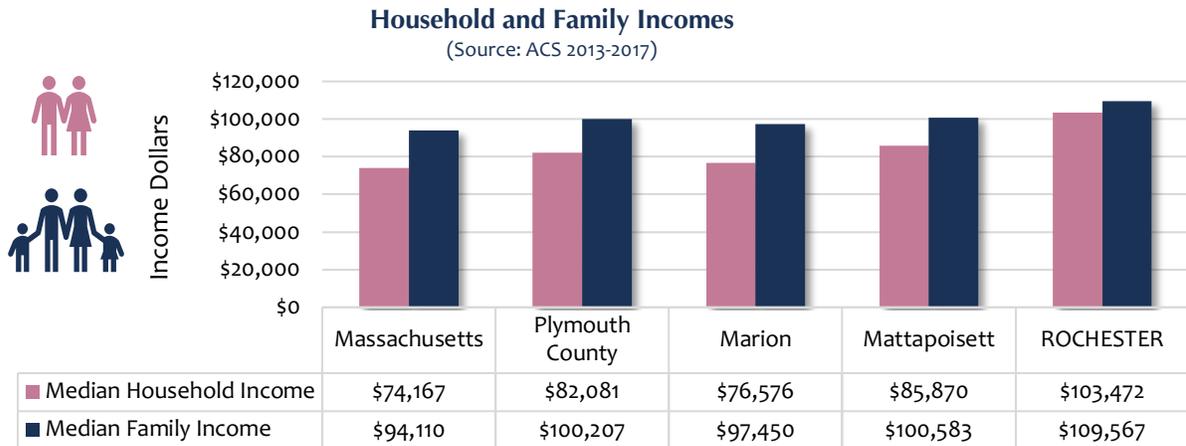
⁶ Massachusetts School Building Assistance Authority (MSBAA), Rochester Memorial Building Project; Anne Eisenmenger, “Expanded and renovated Rochester Memorial School is officially opened,” *Sippican Week*, October 2, 2011.

⁷ Massachusetts Department of Elementary and Secondary Education (DESE), School Profile Series: Marion, Mattapoissett, Rochester, and Old Rochester Regional School District; and D. Russo, Executive Assistant to Superintendent, Old Rochester Regional School District.

⁸ University of Massachusetts Donohue Institute, “Total Population, 1930-2016.”

⁹ U.S. Census Bureau, American Community Survey (ACS) Five-Year Estimates, 2012-2017, B25007.

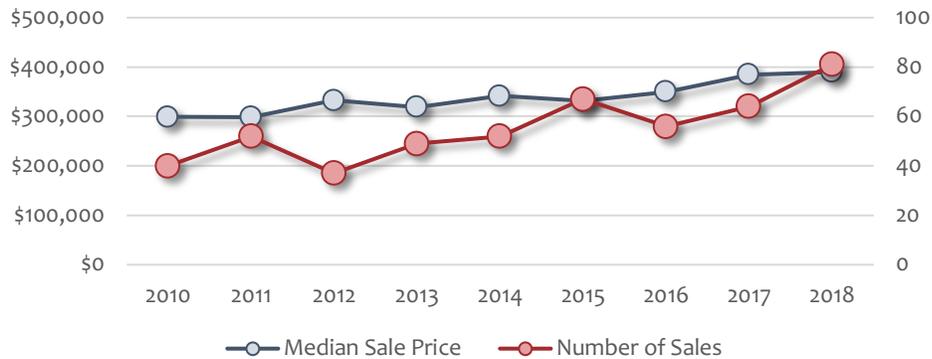
Along with household growth, and especially family household growth, Rochester has gradually become a wealthier town as well. It currently leads the three towns in the Old Rochester district for median household income and median family income, and it is easy to see why.



Prior to the 2007-2009 recession, Rochester was issuing about 50 building permits per year, and almost all were for detached single-family homes. Rochester has available land, and all of its recent housing growth consists of new single-family dwellings that have sold on the higher end of the regional market. There is another factor that distinguishes Rochester from its neighbors: its inland location. Unlike Mattapoisett and Marion, Rochester has only a handful of seasonal homes.¹⁰ When a house sells in Rochester, it sells to a family that plans to live in Rochester year-round. Virtually every new home built in Rochester brings revenue growth, growth in demands on town and school services, and growth in household income. That is not always the case in Old Rochester's other member towns.

Median Selling Price and Number of Sales in Rochester 2010-2018

(Sources: Banker & Tradesman, Barrett Planning Group LLC)



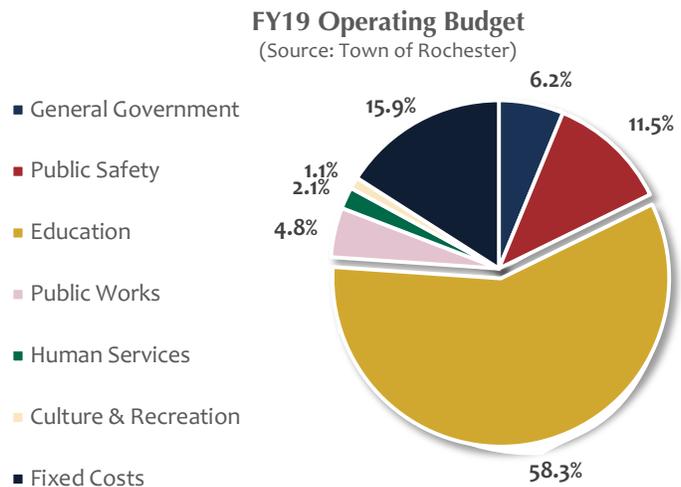
¹⁰ ACS 2013-2017, B25004.

According to building permit databases maintained by the state, Rochester has issued building permits for over 110 new homes since 2010.¹¹ The town is desirable and relatively affordable, and it offers fairly good access to the regional highway system. This can be seen in the wide dispersal of Rochester’s labor force throughout the South Coast and South Shore, for only 11 percent of Rochester’s employed residents actually work in Rochester.¹² The rest commute to New Bedford and the region’s larger towns - Wareham, Middleboro, Dartmouth, Fairhaven, and Plymouth – and northward from Plymouth along Route 3. Rochester is almost exclusively residential. This is evidenced by the very small number of businesses operating in the town and the overwhelmingly residential make-up of Rochester’s tax base, as discussed below.

4. OVERVIEW OF TOWN FINANCES

BUDGETED REVENUES

Rochester is a small, \$22.1 million organization with a fairly traditional, decentralized form of town government that includes many elected boards and officials. A full-time town administrator provides day-to-day oversight of Rochester’s administrative and financial operations. According to data from the Department of Revenue (DOR) and the Town, Rochester employs 133 full-time employees, including municipal workers and the teachers and staff at Rochester Memorial School. However, many other people work part-time for Rochester, too.



As the FY19 operating budget chart shows, the departments that drive most of Rochester’s spending on town services are public schools and public safety. If this report presented similar charts for year-end expenditures in Rochester over time, they would look very similar. Even in larger, more complex communities than Rochester, education, police, and fire are the departments providing the most direct face-to-face service delivery to the public and they are the most sensitive to population and household growth. It should come as no surprise, then, that the fiscal impact analysis of the Cranberry Highway 40R district focuses almost entirely on this group of town services. Aside from the fact that public safety and schools are the typical budget drivers in every town (along with fixed costs), this is

¹¹ University of Massachusetts Donohue Institute, Massachusetts State Data Center, “New Residential Building Permits by City and Town, 2002-2016”

¹² U.S. Census Bureau, Journey to Work, ACS 2011-2015 Commuting Flows.

particularly true for multifamily housing. Commercial/retail developments directly affect demands on public safety as well.

REVENUE SOURCES

Rochester supports its annual operating budget with four revenue sources: the tax levy, state aid, local receipts (such as motor vehicle excise taxes), and other sources such as “free cash,” or funds available from prior years. The tax levy is primarily residential, and residential taxes generate over half of all operating revenues.

The sources of operating revenue in any given year are largely a reflection of the town’s tax base. Table 1 reports

tax base trends in Rochester since 2010. Like many towns, Rochester recovered from the 2007-2008 recession quite slowly. In fact, the total assessed value of Rochester’s single-family housing base was higher in 2007 than 2018, yet the town still had to support its annual operating needs. This helps to explain the increases in Rochester’s tax rate over the past 10 years or so – and, with tax base growth in the past few years, the recent decreases as well. Rochester has done well at managing to protect basic town services with such a small tax base even as its population has continued to grow.

FY19 Sources of Operating Revenue

(Source: MA DOR)

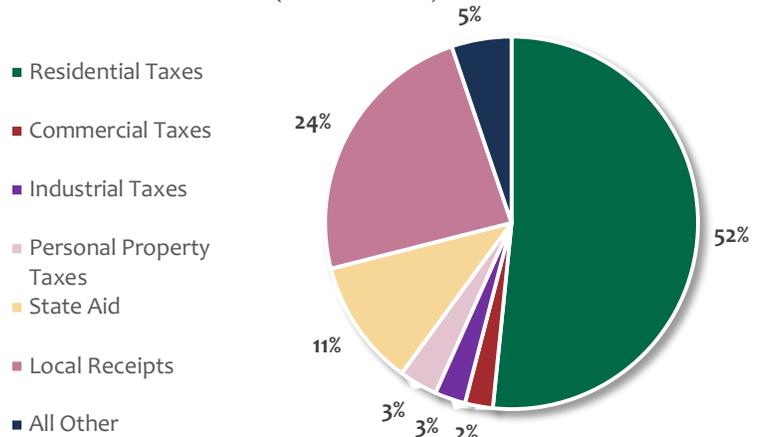


Table 1. Rochester Tax Base Profile, 2010-Present

FY	Residential*	Commercial, Industrial, Personal Property	Total Assessed Valuation	Total Residential %	Single-Family % Residential Valuation*
2010	\$714,547,460	\$109,192,040	\$823,739,500	86.7%	72.3%
2011	\$710,443,735	\$115,155,945	\$825,599,680	86.1%	70.9%
2012	\$693,145,295	\$107,458,405	\$800,603,700	86.6%	71.1%
2013	\$688,084,665	\$104,061,535	\$792,146,200	86.9%	71.7%
2014	\$692,821,695	\$102,013,905	\$794,835,600	87.2%	72.1%
2015	\$707,689,895	\$105,882,505	\$813,572,400	87.0%	71.5%
2016	\$737,936,285	\$109,510,815	\$847,447,100	87.1%	71.5%
2017	\$737,387,765	\$116,121,135	\$853,508,900	86.4%	71.2%
2018	\$779,620,830	\$130,547,970	\$910,168,800	85.7%	70.8%
2019	\$816,092,675	\$133,296,125	\$949,388,800	86.0%	71.2%

Source: Mass. Department of Revenue, Municipal Data Bank.

*Other residential uses include approximately 100 condominiums, mostly age-restricted.

PUBLIC SAFETY OPERATIONS

The Rochester Police Department employs a full-time chief and 11 officers as well as two part-time officers and five reserve officers.¹³ Eighty-two percent of the department’s operating budget is attributable to salaries (including non-uniformed personnel). With 12 full-time uniformed personnel, Rochester is roughly

Budget Item	Police	Fire	EMT
Salaries	\$1,096,691	\$121,359	\$411,204
Expenses	\$171,612	\$150,286	\$75,400
Capital	\$37,000	\$0	\$6,500
Source: FY19 Operating Budget.			

consistent with the average ratio of police officers to civilian population (1:450). Viewed geographically, Rochester’s police department employs 0.35 uniformed personnel per square mile (sq. mi.), which is somewhat higher than the national average of police officers per sq. mi. (about 0.235). However, Rochester is a large town in total area with a very low-density development pattern and a rural road system, and at any given time, there may be only two officers on duty. In 2017, the most recent year in which police statistics were available for our review, the Rochester Police Department handled 414 criminal offenses and 140 traffic offenses and made 44 arrests.

The Fire Department is an “all call” operation with a part-time chief and 76 call firefighters and EMTs. According to the town, the fire chief position will become full-time in another year. Rochester has three fire stations. Together, they house a 95-ft tower ladder truck, two Advanced Life Support (ALS) ambulances, three pumpers, one pumper tanker, one rescue vehicle, and two brush breakers. The closest, located four miles away on Ryder Road, is equipped with the ladder truck, a pumper tanker, and a brush breaker. Last year, the Fire Department made 547 ambulance runs and responded to 270 fire calls.¹⁴

Dispatch services for both departments are provided under a \$175,000 contract between the Town and the Regional Old Colony Communications Center (ROCCC) in Duxbury.

PUBLIC SCHOOLS

The Old Rochester Regional School District was established in 1958. As noted earlier, Rochester operates a K-6 elementary school, the Rochester Memorial School on Pine Street. Children move to the all-regional schools as of grade 7, and when they reach high school age, they may choose Old Rochester Regional High School in Mattapoisett or Old Colony Regional Vocational-Technical School, a five-town district serving Rochester, Mattapoisett,

Item	Amount
RMS Operating Budget	\$6,256,108
Bus Transportation (ORR)	\$321,601
Old Rochester Regional Assessment	\$4,774,677
Old Colony Vocational Technical Assessment	\$1,205,014

¹³ Suzanne Szyndlar, Rochester Town Administrator, April 30, 2019; Rochester Police Department Annual Report, 2018.

¹⁴ Ibid, and Scott Weigel, Fire Chief, to Suzanne Szyndlar, Town Administrator, May 8, 2019.

Acushnet, Carver, and Lakeville. In 2019, Rochester’s total school spending. According to data from the Old Rochester District, Rochester students comprise about 36 percent of the region’s total enrollment. Available projections indicate that enrollment at Rochester Memorial will decrease from 509 students in October 2018 to 454 students by October 2022. The Town’s enrollment at Old Rochester high is also projected to decline by 55 students.¹⁵

5. IMPACT ON TOWN SERVICES

■ Public Safety

We maintain extensive databases of demand for community services generated by single-family and multifamily dwellings as well as retail and restaurant facilities. Since Rochester does not have a development comparable to the Cranberry Highway proposal, we have to rely on data from other communities with similar projects in order to estimate new demands on town and school services in Rochester. This is challenging because the Town is so small and spread out in terms of its land use pattern. Many of the metrics we might use in larger or more maturely developed communities would be inappropriate in this case, throwing either unduly high or low estimates of new service costs and revenue.

In our years of research, we have found that a “hierarchy” of demand exists with different types of housing. Multifamily rental tends to be the highest generator of calls for police services while age-restricted housing tends to be the highest generator of calls for emergency medical services. While older multifamily dwellings can present difficulties for small-town fire departments, new multifamily developments tend to be low generators of calls for fire suppression and this is largely because the buildings are equipped with sprinklers. With these basic principles in view, we estimate that upon completion, development in the 40R district will impose the following new demands on Rochester, expressed both in calls for assistance and additional costs.

Table 4. Estimated Cost of Public Safety Services, Multifamily Component		
Item	Per Unit Average (Sample)	Estimate for 208 Units
Police calls	0.31	64.5
Estimated cost impact	\$382	\$24,600
Average EMT calls	0.242	50.3
Average fire calls	0.022	4.6
Average cost per call (rounded)	\$1,920	\$105,400
Revenue offset		\$25,200
Net new cost of police and fire services		\$104,800

¹⁵ Rochester enrollments at Old Colony Voc-Tech were unavailable for this report.

Rochester’s Chapter 40R development is also designed to bring an additional 12,890 sq. ft. of commercial space to Rochester’s inventory of nonresidential land uses. The cost of municipal services for nonresidential development is typically estimated in one of the following ways: as a proportion of total valuation, a cost per employee, or on a cost per square foot basis, with different factors assigned to retail/restaurant and office uses. The latter usually generates the most conservative estimate because it is an average cost approach that does not account for variable costs (e.g., administrative costs or overhead) or existing capacity.

We have collected and analyzed municipal service cost data for nonresidential development for many years. We track it because so many communities assume that commercial and industrial uses are simply revenue generators with no associated service costs, but this is not true. On average, we find that uses such as those planned for the Chapter 40R district – retail, personal services, and food services such as a restaurant or take-out establishment – cost approximately 94 cents per sq. ft. for municipal services (mainly police, fire, and emergency medical). With this as a guide, the proposed 12,890 square feet of nonresidential development will cost approximately \$12,200 (rounded) for Town services, virtually all for public safety. **Together with the cost of residential services, the total estimate for new public safety spending is \$117,000 (\$104,800 + \$12,200).**

■ Public Schools

The multifamily development will include 52 “affordable” units and 156 market-rate units. In this regard, the proposed Chapter 40R district would be like a typical Chapter 40B development in almost any community in Eastern Massachusetts because the vast majority of new rental developments today are mixed-income and permitted under Chapter 40B. The main difference between Chapter 40B and Chapter 40R is that the latter brings additional one-time revenues to the Town and the potential for some additional school aid.

A common misconception in cities and towns is that what a school district spends per student (known as the average per-pupil cost) is what the budget impact will be to add new students to the schools. The per-pupil cost simply expresses the total of all school spending divided by total enrollment. That is not the same as the marginal cost to accommodate enrollment growth, especially when the anticipated growth is quite small. This means that while Old Rochester and the local school in Rochester currently spend about \$15,300 (rounded) per student,¹⁶ adding one child will not cost an additional \$15,300 and adding N new children will not necessarily mean spending growth equal to $\$15,300 \times N$. For example, a school would not need to hire a new principal or a new school librarian to accommodate 30 or 40 new students, but there would most likely be needs for additional administrative and student services personnel for 100 new students. *Understanding marginal cost is crucial.*

¹⁶ Mass. DESE, Per Pupil Cost Reports (2017).

According to information we received from the Old Rochester School District, both Rochester Memorial and Old Rochester Junior/Senior High Schools have capacity to absorb enrollment growth. As a result, we have made no assumptions about needs for capital investment to accommodate the Chapter 40R students. Under current conditions, Rochester’s share of the regional school enrollment is approximately 35 percent (and if the elementary schools are included, 36 percent). Over the next several years, Rochester is projected to see decreases of 55 students at Rochester Memorial and 55 at the high school, with a modest 4-student increase at the junior high level.

Our analysis assumes that 65 percent of the Chapter 40R students will enroll in grades K-6 (36 students), 35 percent in grades 7-12 (19 students). This distribution is fairly typical of rental housing, where the elementary school population makes up a larger percentage in the development than the town as a whole.

Again, because Rochester does not have anything comparable to the proposed mixed-use development, we must consult the experience of other Eastern Massachusetts towns with recently built mixed-income rental communities. Working with data from new projects created by AvalonBay Communities, Mill Creek, and Hanover Development, all in the 200- to 250-unit range, we estimate that the Chapter 40R apartments will house 45-55 students in any given year, or on average, about one school-age child for every five apartments. It would be very unusual for a relatively small apartment development in a location so close to a regional highway to have more than 55 students (meaning more than an average of 0.26 students per unit).

The estimates reported here will probably fluctuate somewhat from year to year, but we believe they are generally reliable for planning purposes. For our study, we assumed that the greatest impact will be felt at the elementary level. The regional school impact is effectively 10 additional students in the junior high school and 9 at the high school. It is difficult to imagine that absorbing numbers like these would have a measurable impact on school spending because the total enrollment for grades 7-9 is about 413 students and at the high school, about 682 students.¹⁷ For this reason, we focused our analysis on the elementary school.

Working with available data, we assumed an additional \$82,500 for 1.1 FTE new teachers per 20 students at the elementary level (inclusive of in-school special education and other support services), and one additional school bus. Table 5 summarizes these costs and our

Table 5. Estimated Cost Impact: 36 K-5 Students, Rochester Memorial		
Item	Per 20 Students	At 36 Students
Teachers: 1.10	\$82,500	\$148,500
Supplies	\$5,000	\$9,000
Additional school bus		\$65,200
Total school spending		\$222,700

¹⁷ Based on K-12 enrollments reported by DESE.

total estimate of additional school expenditures. To be conservative, we have not accounted for the projected loss of 55 students at Rochester Memorial over the next four to five years – that is, we assumed all 36 students would be “net new” above existing enrollments today. In fact, even after adding the Chapter 40R children to Rochester Memorial, the school will still have fewer students than it has today. Nevertheless, as local experience has already shown, a drop in enrollment does not mean a drop in school spending.

■ Other Departments

We can understand that Rochester may be concerned about the project’s impact on the Building Department, but the construction period impact is temporary and will be more than offset by building permit fees. Moreover, this development will be built as a controlled construction project, which means an architect or other design professional will supervise the entire construction phase and file a certification of compliance with the Rochester Building Department at project completion. This is a common approach for large-scale commercial and multifamily developments and widely used throughout Massachusetts. As a result, there should be few if any burdens on the Building Inspector

While there may be a modest impact on Rochester’s public works operations, it is important to note that to obtain DHCD approval of a Chapter 40R district, communities must certify as to the adequacy of infrastructure and utilities to serve the anticipated new housing units. The project will receive water from the Wareham Water Department, and Wareham has already indicated that it has adequate water to service this development. The Town of Rochester will not be responsible for maintaining the access road into and through the development site.

Our service cost estimates include \$10,000 for general administration and finance costs that may be incurred in connection with the Chapter 40R, e.g., appraisals that may be needed by the assessing department to determine assessed value, additional records processing by the Town Clerk, and miscellaneous other costs. For the anticipated cost of annual and other intermittent inspections required by the Health Department, Building Department, and Fire Department, we have assumed an additional \$2,500.

SUMMARY: COST OF TOWN SERVICES

As proposed, the 208 apartments and 12,890 sq. ft. of commercial space will cost the Town of Rochester approximately \$352,200 per year for municipal and school services (Table 6). We underscore that these are

Table 6. Total Cost of Community Services for Chapter 40R District			
Cost Component	Total Cost of Services	Revenue Offset	Total
Police	\$36,800		\$36,800
Fire	\$105,400	\$25,200	\$80,200
Schools	\$222,700		\$222,700
Miscellaneous Other	\$10,000		\$10,000
Periodic Inspections	\$2,500		\$2,500
Grand Total	\$377,400	\$25,200	\$352,200

conservative estimates, especially for the schools, and that the actual new cost of services will most likely be less.

6. RECURRING ANNUAL REVENUES

The principal sources of revenue from development in the Chapter 40R district will be real and personal property taxes and motor vehicle excise taxes. The following estimates are based on project completion assessed values, including land.

Table 7. Recurring Annual Revenue Sources to Support the Chapter 40R Development				
Real Estate Taxes	Unit	Total Value	Tax Rate	Est. New Revenue
Commercial	3 acres / 12,890 sq. ft.	\$3,579,380	\$14.00	\$50,100
Residential	208 units	\$20,384,000	\$14.00	\$285,400
Local Receipts (1.75 cars/unit)	364 vehicles	\$6,552,000	\$25.00	\$163,800
Total New Revenue				\$499,300

7. NET FISCAL IMPACT

The net fiscal impact of the proposed Chapter 40R district – that is, total recurring revenues minus total recurring expenditures – will result in a cost-revenue ratio of **0.71**.

Component	Revenue	Service Costs	Net Revenue
Commercial	\$50,100	\$12,200	\$37,900
Residential	\$449,200	\$340,000	\$109,200
Total	\$499,300	\$352,200	\$147,100

8. OTHER REVENUES

CHAPTER 40R

The most significant source of one-time revenue from development in the Chapter 40R district will come in the form of Chapter 40R incentives. Chapter 40R will provide two types of one-time payments: a \$350,000 payment following acceptance of the proposed “Cranberry Highway Smart Growth” overlay district at Town Meeting on May 20, and a \$3,000 “bonus unit” payment for the 208 apartments, or \$624,000. The Town will be free to spend its Chapter 40R receipts on whatever purposes town officials and voters deem necessary. Since one-time revenues are generally not

appropriate sources for ongoing/annual operations, Rochester may wish to invest its **\$974,000** from Chapter 40R in capital improvements that will benefit both residents and businesses in the district and the Town as a whole. These are decisions best left to the community.

CHAPTER 40S

Unlike Chapter 40R, Chapter 40S provides revenue on a year-by-year basis to eligible communities. At the most basic level, Chapter 40S payments are available only to cities and towns that adopt a DHCD-approved Chapter 40R district, but more requirements apply. If the tax revenues from new development in a Chapter 40R district plus additional Chapter 70 aid (if any) are not adequate to cover the cost of education for students living in the development, Chapter 40S makes up the difference. The payment, when approved both by DHCD and the Massachusetts Department of Revenue, is approximately equal to the difference between existing Chapter 70 aid plus half the tax revenues from the project and the cost to educate the Chapter 40R children. (The Chapter 40S formula assumes that about half the development-generated revenue will be needed for non-school service costs such as police and fire.)

In FY19, nearby Lakeville is receiving \$385,499 in “smart growth school reimbursement” from the Commonwealth. It is quite possible that Rochester will receive comparable assistance, but we have opted to be very conservative by excluding Chapter 40S revenue projections from our analysis. If Rochester is actually eligible for Chapter 40S reimbursement, it will simply make the proposed Chapter 40R district even more beneficial to the Town.

PERMITS AND FEES

The proposed residential and commercial components of the Cranberry Highway Smart Growth Overlay will generate approximately \$135,000 for permit fees during the construction phase.