

Devens Economic Analysis Team

Vicksburg Square

September 20,2011

The following report has been prepared in response to the charge of the Harvard Board of Selectmen to investigate the fiscal impacts of the proposed residential development of **Vicksburg Square**. The major headings are the specific issues raised by the Selectmen; comments from the DEAT conclude this report.

The proposed project consists of **246 housing units** ranging in size from one to three bedrooms. Major funding sources include the use of **Low Income Housing Tax Credits (LIHTC)** and **Historic Tax Credits**, both of which will be sold at discount to investors to raise up front cash needed to make the project economically feasible.

Eighty percent (**80%**) of the units will be income restricted; 67.5% to individuals and families with incomes at or below 60% of the **Area Median Income (AMI)**, 12.5% to individual and families at or below 30% of AMI. For a family of four the **Low Income limit will be \$55,080**, and the **Very Low Income** Limit for a family of four will be **\$27,540**. The remaining **20%** will be **Market Rate Units**. Preference in housing will also be given to veterans and older individuals and their families.

The project is contingent upon a change to the **Devens Reuse Plan** allowing an increase in the percentage of affordable housing from the current 25% to 80%; a zone change from **Innovation and Technology Center** to **Residential**; and the successful negotiation of a **Land Disposition Agreement** with **MassDevelopment**.

"Projected revenues from property taxes based on Trinity proposal."

Trinity: Proposal

Trinity proposes to develop all four of the major buildings in Vicksburg Square as rental housing at a cost of **\$83 million**. The assessed value for income producing property is determined by a valuation method called the **capitalization of income**. The Assessor at Devens using this method, along with income and expense information provided by Trinity, established the total assessed value of the property at **\$15,701,653**.

Applying the **Devens tax rate of \$13.25** to this valuation yields an annual property tax of **\$208,047** at build out.

Eighty percent of the units will be income restricted under the terms of the **LIHTC** program for a period of 40 years. Therefore, property tax revenue will likely remain relatively constant for that period.

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<p>DEAT: Alternative Development Proposal</p>	<p>This alternative is presented only for the purpose of contrasting the property tax implications of completely divergent development models. Other residential development models that include varying numbers of rental units would yield correspondingly less tax revenue.</p> <p>If the property were to be developed under a total ownership model, assessed value would approximate actual sale price, which becomes the highest and best use of the individual units.</p> <p>Using a total development cost of \$83 million, as estimated by Trinity, with a 25% affordable housing percentage, presently required by the Reuse Plan; the annual property tax revenue would be \$1,100,206. (See Table 1)</p> <p>Actual property tax revenue for ownership units has a greater potential to keep up the actual cost of providing municipal services than income restricted rental units.</p>
<p>"Review of demographic data provided by Trinity, especially as it relates to school population."</p>	
<p>Trinity: Demographics</p>	<p>The developer estimates a total population of 598 for all four buildings at build out.</p> <p>Trinity engaged the services of two consulting firms, Byrne McKinney & Associates (BMA) and ConsultEcon, Inc. to conduct research for the project, including estimating the number of children likely to reside at Vicksburg Square.</p> <p>ConsultEcon estimated the number of children at 99, Byrne McKinney at 145. Of this number, the consultants estimated the number of school age children to be between 77 and 112 respectively.</p>
<p>DEAT: Survey</p>	<p>The DEAT is attempting to survey three similar LIHTC projects in other suburban communities to arrive at a count based on actual experience. The results will be published when available. (See Table 2).</p> <p>The ConsultEcon report provides a more detailed analysis of the distribution of children by unit size and economic mix. By using that methodology, an ownership project with 25% affordable would yield between 71 and 102 school age children. (See Table 3)</p>

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"Effect on costs and requirements for all other services."

<p>Trinity: Education Cost Estimates</p>	<p>ConsultEcon analyzed education costs using two different scenarios: Devens as a town, and Devens returning to the host communities along historic boundaries.</p> <p>If Devens were to become a town the report calculates the cost to be \$1.02 million (\$1.4 million using the BMA count of students) based on the current level of Devens education costs.</p> <p>ConsultEcon arrived at a marginal cost per student of \$9,239 for Harvard's cost per student.</p> <p>Under the second scenario where Devens returns to the towns along historic boundaries, the ConsultEcon report establishes the marginal cost to Harvard of \$231,000, further reduced by to \$127,000 (\$184,700 using the BM count of students) by applying Chapter 70 state aid to education</p>
<p>DEAT: Alternative Scenario Education Costs</p>	<p>Unfortunately, a third scenario was not considered: keeping all present and future residences within one political jurisdiction. This has long been a priority for the Devens Community.</p> <p>Using the ConsultEcon marginal cost per student, and placing all students in the Town of Harvard produces an annual cost of \$710,479. That number less Chapter 70 funds of \$101,969, and applying all tax receipts from the development, produces a deficit of \$400,463. The student population estimate from BMA raises that number to \$583,249.</p> <p>The School committee has questioned the validity of using marginal cost, arguing that the true cost will be closer to the average cost per student of \$13,105.</p>
<p>DEAT: Alternative Scenario Other Municipal Costs</p>	<p>Determining the cost of other municipal services is difficult except to understand that adding nearly 600 new residents to the Town of Harvard would increase its population by about 9%.</p> <p>A population increase of this size will increase municipal operating costs for all services provided by the town. It is difficult to project those costs without knowing the makeup of the population. Veteran's services and elder services would certainly rise under the Trinity proposal, which includes occupancy preferences for both groups.</p>

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"Anticipated demand of proposed housing units by Harvard municipal employees and current residents desiring to 'down size'."

<p>Trinity: Proposal</p>	<p>Occupancy is based on total family income, capped at 60% of area median income (AMI) for 67.5% of the units, 12.5% of all units are capped at 30% of AMI. For a family of four the Low Income limit will be \$55,080, and the Very Low Income Limit for a family of four will be \$27,540. The remaining 20% will be Market Rate Units.</p> <p>Expected average disposable income of Affordable units is \$31,579. Expected average disposable income of Market Rate units is \$45,833. Total disposable income is estimated to be \$8.0 million.</p> <p>Veterans would have preference for all units.</p> <p>Project does not have project base Section 8 subsidies, but is priced to work with Section 8 mobility vouchers.</p>
<p>DEAT: Area Workforce</p>	<p>By definition, half of all families fall above the median, and would be ineligible for the affordable units at Vicksburg Square.</p> <p>Of those who fall below the median, only those whose income is at or below 60% of AMI are eligible.</p> <p>According to a U.S Census Bureau report prepared in 2005, only 28% of all U.S. households have incomes less than 60% of median.</p>
<p>DEAT: Town of Harvard Municipal Workforce</p>	<p>Of the last 10 teachers hired by the School Department, none would have been eligible for the affordable housing as individuals, six would have been eligible if their family size was three or more and there was no other source of family income.</p> <p>Of all 403 full and part time town employees 193 earn too little to be eligible (part-time employees) and 104 earn too much, regardless of family size.</p> <p>Of the remaining 106 employees, 17 would be eligible as individuals, and the remaining 89 might be eligible depending on family size though eligibility might be adversely affected by other family income.</p>

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DEAT: Future Devens Workforce	Based on the individual income limits of the LIHTC program, without consideration for family size, other employed family members, or other sources in income; most occupational categories have average salaries that would only allow occupancy of the market rate units . (See Table 4)
DEAT: Preference for Market Rate Housing	<p>Because of the strict requirement to maintain housing affordability at 80% of all units, and housing occupancy at 60% of the AMI of less, after initial occupancy, preference for market rate units will be given to current residents whose income has increased above the 60% threshold.</p> <p>Unlike a home ownership 40B or Local Initiative Project, where affordable units are specifically identified by the developer and distributed throughout the project, in a LIHTC project, every unit has the potential to become an affordable unit at one time or another.</p>
DEAT: Other Comments	
Trinity Market Study	<p>The market study conducted by Trinity was designed to determine the market acceptance of a (LIHTC) project at Vicksburg Square.</p> <p>It was not designed to establish the future housing needs of the Devens Regional Enterprise Zone and the surrounding communities.</p>
Harvard's Affordable Housing "Liability"	<p>Based on established town boundaries, the project proposed by Trinity would allocate 51 affordable housing units to the Town of Harvard toward its affordable housing goal of 10%; the balance (195) would be allocated to the Town of Ayer.</p> <p>Should Devens become its own town or become part of the Town of Ayer, all of the units would be re-allocated to the Town of Devens or Ayer.</p> <p>Should the Reuse Plan be changed to increase the percentage of affordable units at a residentially zoned Vicksburg Square from 25% to 80%, the total number of affordable at Devens at residential build out would be 268, or 51% of all housing units (282 units now allowed, 246 units proposed).</p> <p>In Addition, the two homeless shelters at Devens contain 22 units of housing, which could be classified as affordable housing.</p>

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	<p>Should Harvard assume jurisdiction over Devens with all of the residential community within that jurisdiction, the Town of Harvard would add 62 units from Vicksburg Square (25% X 246), as well as 12 additional units on Bates and Auman Streets, now in the Town of Ayer.</p> <p>Adding all housing at Devens, market and affordable, at build out to Harvard's count of residential units would bring Harvard's affordable housing percentage to approximately 9.0%, without changing the 25% affordable provision of the Reuse Plan.</p> <p>The advantage to the proposed project is that all units, income restricted and market would count toward the town's affordable housing goal. The 51 rental units offered by Trinity's project for Harvard would require the development of 204 homeownership units with at 25% affordable.</p>
<p>Disposable Income</p>	<p>Trinity has calculated the disposable income from Vicksburg Square to be approximately \$8 million, based on the income restrictions of the LIHTC program.</p> <p>Since disposable income is all income reduced only by taxes, Trinity's share of disposable income, as gross rental income would be approximately \$3.4 million. This assumes none of the tenants receives individual rental subsidies.</p>
<p>Trinity: Historic Preservation</p>	<p>Trinity intends to utilize Historic Tax Credits to help fund the redevelopment of Vicksburg Square. As such they will be required to produce an historic preservation plan for the property for approval by the National Park Service.</p> <p>Once the project is completed a certification of compliance with that plan will be required, thus insuring the quality of preservation at a high level.</p> <p>Trinity's development represents a viable preservation plan for those buildings that would begin as soon as 2012 and completed by 2017.</p>
<p>DEAT: Historic Preservation Existing Agreements</p>	<p>All of Vicksburg Square is within the Devens Historic District; therefore the Devens Enterprise Commission acting as the local Historic Commission must approve any work done on those buildings.</p> <p>Furthermore, there exists a three party agreement between MassDevelopment (on behalf of the Commonwealth), the Massachusetts Historic Commission, and the U.S. Army</p>

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	<p>that further prescribes the ongoing obligations for the care and maintenance of the historic property.</p> <p>Regardless of the success of Trinity's proposal, MassDevelopment has an obligation to mitigate any threats to the eventual rehabilitation of Vicksburg Square.</p>
Conclusion	
	<p>The Devens Reuse Plan and the Town of Harvard Master Plan both contain clear principals related to the development of affordable housing at Devens.</p> <p>While this report attempts to understand the economics of the proposed project, the following sections of these documents should be part of the public discourse as well.</p>
Town of Harvard Master Plan	<p><i>Sect 5.31 - implementation</i></p> <p><i>Until such time as the long-term disposition of Devens is resolved, Harvard must find ways to include the entire community in decisions that affect all residents. This applies not only to civic, social and cultural activities but also to planning</i></p> <p><i>-5.32-</i></p> <p><i>.... for the types of housing built at Devens in the future. Harvard should take a strong advocacy role in assuring that new neighbourhoods at Devens do not absorb a disproportionate share of Chapter 40B units.</i></p>
Devens Reuse Plan	<p>Pattern in the Reuse Plan</p> <p><i>In order to accommodate the needs of a broad range of income groups, and to ensure the stability of the residential core, approximately twenty-five (25%) of the 282 units to be reused or constructed under the Reuse Plan will be reserved for low and moderate income individuals or families, and/or special needs populations. It is recognized that the success of the residential reuse is dependent on a balance between market rate and the affordable/special needs population.</i></p>