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Community Opportunities Group, Inc.

To: Sarah Raposa, Town Planner
From: Courtney Starling
CC: Medfield Affordable Housing Trust
Date: 1/3/2019
Re: Mini-Market Analysis

Comments: As a follow up to the 12/6/18 Affordable Housing Trust meeting, the attached spreadsheet highlights the following information:

- baseline housing, economic, demographic, and municipal fiscal health information,
- regional development pipeline data; and
- a rental survey of recently completely apartment developments, with occupancy rates, affordability provision, and tax data.

Next Steps: Discussion at the January 10, 2019 AHT Meeting
Submission of a fiscal impact and market analysis from the May Rock Development Team

Conclusions:

1. There is significantly development activity occurring within the region; many communities are focusing on larger scale multi-family rental developments that include affordable housing even if they have already met the 10% threshold requiring the provision of affordable housing. Norfolk remains an exception which has primarily permitted large developments of single family homes during the past ten years. Based on occupancy rates, in spite of there being significant development, it appears there is still unmet demand.
2. The rate of development in Medfield appears to be slower on a per capita basis than in neighboring communities.
3. Rental rates vary significantly around the region, but show a stronger correlation in pricing related to the year built, than proximity to specific types of transit or Boston. Proximity to restaurants, dining, and other amenities do impact pricing, and increase the likelihood that a parking space comes at an additional fee.
4. Older buildings have the lowest vacancy rates, likely due to slightly lower rents and limited supply to meet those housing needs. In new buildings, one bedroom apartments have much higher vacancy rates than two-bedroom apartments. There is little to no vacancy in 3+ bedroom units, which are most frequently constructed as townhouses (and tend to be in addition to larger scale apartment buildings within the same development).
5. The average gross tax yield on a per unit basis in projects over 20 units in the rental sample was found to be \$2,200. All buildings in the sample constructed in the past ten years generated over \$3,000 per unit in tax revenue on an annual basis. Luxury developments like Charles River Landing in Needham generate nearly \$4,000 per unit.
6. It is useful to look at development from two perspectives: 1) How many units does it take to make a project financially feasible, and 2) How many units does it take for the project to be revenue positive to the host community?

Attachments: medfieldminimarket.xls

Overview

At the December 6, 2018 meeting of the Medfield Affordable Housing Trust, the Trust reviewed a proposal for a LIP project by May Rock Development to construct 56 units of rental housing and a VFW clubhouse. The project, although conceptually supported, was subject to a number of questions:

1. Is there sufficient demand for Medfield's market to support 56 new one-, two-, and three- bedroom rental units priced starting at \$1,800 in addition to those units recently permitted?
2. Could the design of the building be improved to mitigate visual impacts? Of particular interest is whether or not the building would be feasible with few units (i.e. removing the top story of the building).
3. Is rental a good program during a potential recession?
4. What are the costs to the Town to serve this development relative to project tax revenues? Will it be revenue negative, neutral, or positive?

The developer, May Rock Development, is largely charged with answering those questions with respect to their development. This mini-market analysis was done to benefit the Town's understanding of their position in the regional real estate submarket, identify what is in the development pipeline in neighboring communities, and evaluate a number of rental properties constructed between 2008 and 2018 (with one comp built in 1971 to demonstrate the relationship between building age, pricing, and vacancy).

Methodology

A profile was developed of Medfield and neighboring geographies to review demographic trends, labor participation, commuting characteristics and geographic proximity, and municipal fiscal health. These profiles were developed to help Trust members ascertain to what degree Medfield has commonality with its neighbors and comparable communities. The profiles contain a mix of publicly available data sourced from the American Community Survey (ACS), Massachusetts Department of Revenue, Massachusetts Department of Elementary and Secondary Education, local assessor's data, and the Massachusetts Department of Housing and Community Development.

The development pipeline data was provided by neighboring Town Planners and Building Commissioners during the course of December 2018. Each community was asked to provide a list of multi-family developments greater than 20 units that were permitted, are currently under construction, or were completed within the last five years with information regarding tenure, affordability, and age restriction. Some communities also chose to include single family development during the same time period, but in most cases that data was neither requested nor provided. As provision of data was voluntary, this data is not guaranteed to be 100% accurate, but does give a picture of comparative development activity.

The rental survey consists of a sample of buildings that were recently constructed, with one development from 1971 added to highlight some characteristics of older rental housing over the long-term. Rental developments were selected due to their size (above 20 units), location (proximate to Boston or transit), and availability of data. Vacancy rates were determined based on the number of apartments that were advertised as available on each development's website. Tax information is provided by local assessing data and the Massachusetts Department of Revenue.

Findings

It is generally accepted that with a growing population in Massachusetts and an increase in the number of single-person households, that there is significant demand in the Greater Boston Metropolitan Region for additional housing units. This is promulgated by a number of state policies, particularly the Housing Choice Communities program and the Smart Growth program, that are seeking to address issues related to affordability and stunted housing production that affect that state's quality of life indicators and economic competitiveness. Simply put, the cost of our housing relative to its quality, when compared on a national stage, is off-putting and Eastern Massachusetts tends to only be competitive with businesses relying on an extremely highly skilled and educated workforce. Consequently, the state is trying to address this problem by rewarding those communities who are building the housing critically needed to sustain future regional viability and success.

Relative to neighboring communities, Medfield's housing production rate is slow. Medfield is showing some success with respect to attracting smaller scattered site projects in the range of 12-16 units, but most communities are attracting and approving significantly larger developments. As multi-family is generally revenue positive (based on multiple fiscal impact studies performed by COG and other firms), requests to reduce unit counts may not be in the Town's best long-term financial interest – not only does it represent lost tax revenue, but if the building is

insufficiently capitalized to keep up with maintenance when thirty-year rated exterior building materials start to fail, the Town can inherit a potential blight. Hence it is important to also review proposals from a fiscal impact perspective in addition to reviewing design and compatibility. By no means is this an argument for building massive apartment complexes, but it is to offer a note of caution regarding unit reduction requests and weigh those against the municipal fiscal impact report prepared by the May Rock development team.

In addition to concerns regarding slow production, the other issue is potential vacancies and whether the housing proffered meets the widest potential range of housing needs. Of buildings analyzed in the rental market study, one-bedroom units had significantly higher vacancy rates than two- and three- bedroom apartments. This in part may be due to pricing as units tend to start at closer to \$2,000 a month for a one-bedroom while two- bedroom units are commonly offered at the \$2,200 price point. As much of Boston rental housing is priced on a per bedroom basis (e.g. assumes one paying adult per bedroom) rather than per unit basis, two-bedroom units tend to be favored because of the potential to defray costs by having a roommate, or are favored by couples who seek a guest room, but still have one paying adult per room in the balance. Although we are seeing a rise in single-person households, due to the demonstrated vacancies, it is likely we are overbuilding one-bedroom units at ultra-high price points. That said, there are few one-bedroom apartments in Medfield which should trigger some pent up demand for one bedroom units, and there is almost no vacancy to be found in three-bedroom apartments anywhere in the region. Three-bedroom units are rarely constructed (though the state is becoming more active on that issue) largely due to discrimination based on familial status due to the public costs associated with educating school-aged children, and there is significant demand for family rental housing. Whether circumstances change through divorce, layoffs, foreclosures, temporary relocation, or other factors, there is always unmet demand for rental family housing. There is also always unmet demand for cheaper rental housing.

With respect to cheaper rental housing, Stoney Brook Village in Millis is included as a sample because it is a good case study in most likely outcomes. As the buildings become more dated, the rental rates diminish slightly (they are not low by any means) and because they are marginally lower than new buildings, their vacancy rates tend to be rather low simply because lower cost apartments are in extremely short supply. If a rental complex is well-run, and well maintained, it will sustain for many years in this market offering a marginally more affordable refuge for those who cannot afford the price tag associated with brand new housing.

Moving forward, it is useful to look at development with two perspectives:

- 1) How many units does it take to make a project financially feasible; and
- 2) How many units does it take for the project to be revenue positive to the host community?

Finding the balance between the need for new growth and fiscal sustainability and mitigating impacts and managing negative community sentiment will remain a challenge. However, based on the regional market activity, it is reasonable expect the report submitted by May Rock will demonstrate that Medfield can support a development this size bearing the proposed rents and that it will be revenue positive.

Town	Demographics									Labor/Transportation						
	Population (2017)	Median Age	Under 18 %	% 65+	%	HH	HH Income	Fam/Non-Fam HH	WF Workforce	WF Part. Rate	Commuter Rail	Distance to MBTA	Highway	Distance to Hwy	Miles to Boston	Mean Travel Time to Work
Local Market																
MEDFIELD	12,610	42.7	3,809 30.2%	1,542 12.2%	4,189 \$ 153,847	3,522/667	6,342	68.7%	Norfolk	7 mi	I-95 Rte. 109	8 mi	24.2	38.7		
Sherborn	4,302	45	1,262 29.3%	725 16.9%	1,480 \$ 170,802	1,272/208	2,153	65.5%	West Natick	4 mi	I-90 Natick	6 mi	25.4	36.7		
Dover	5,922	44.7	1,632 27.6%	952 16.1%	2,011 \$ 204,018	1,756/255	2,869	63.1%	Walpole	8 mi	I-95 Rte. 109	5 mi	25.3	64.8		
Millis	8,144	45.3	1,720 21.1%	1,372 16.8%	3,100 \$ 100,230	2,278/822	4,276	64.3%	Norfolk	5 mi	I-495 Rte. 16	8 mi	32.4	33.6		
Walpole	19,665	42.9	6,132 24.6%	4,102 16.4%	8,933 \$ 107,956	6,731/2,202	13,670	69.5%	Walpole	0 mi	I-95 Rte. 1	2 mi	26.9	34.4		
Norfolk	11,671	43.3	2,602 22.3%	1,365 11.7%	3,183 \$ 139,137	2,654/529	5,000	52.7%	Norfolk	0 mi	I-95 Rte. 1	7 mi	31.7	40.1		
Submarket																
Foxborough	17,448	42.3	3,723 21.4%	2,693 17.0%	6,626 \$ 98,199	4,550/2,076	9,987	70.5%	Walpole	6 mi	I-95 Rte. 140	2 mi	30	34.5		
Westwood	14,618	45	4,184 26.8%	3,016 19.3%	5,521 \$ 145,799	4,231/1,290	8,107	67.6%	Norwood Depot	3 mi	I-95 Rte. 109	2 mi	23.3	34		
Natick	35,957	40.5	8,757 24.4%	5,531 15.4%	14,263 \$ 106,027	9,527/4,736	20,431	72.7%	Natick	0 mi	I-90 Framingham	2 mi	21.5	32.5		
Canton	22,829	41.1	5,148 22.6%	4,001 17.5%	9,026 \$ 96,583	5,917/3,109	12,803	70.4%	Canton Jct./Ctr.	0 mi	I-95 Neponset	2 mi	20.3	35		
Dedham	25,377	43.3	4,910 19.3%	5,014 19.8%	13,991 \$ 89,514	6,194/3,678	13,991	66.4%	Dedham	0 mi	I-95 Rte. 1	2 mi	16	30.5		
Needham	30,429	43.6	8,193 26.9%	5,543 18.2%	10,652 \$ 141,690	8,239/2,413	15,455	66.1%	Needham Ctr./Jct.	0 mi	I-95 Highland	2 mi	16.7	30.4		
Franklin	32,843	40	8,486 25.8%	3,873 11.8%	11,288 \$ 111,935	8,394/2,894	18,263	71.3%	Franklin	0 mi	I-495 Rte. 140	1 mi	36.1	34.9		
Comps outside Submarket																
Wayland	13,700	44.4	3,626 26.5%	2,437 17.8%	4,999 \$ 166,893	3,846/1,153	7,215	68.4%	West Natick	8 mi	1-90 Framingham	5 mi	20.2	34.6		
Sudbury	18,967	44.1	5,517 29.5%	2,853 15.3%	6,226 \$ 170,945	5,443/783	9,296	65.7%	West Concord	6 mi	1-95 Weston	8 mi	23.5	33.3		

Town	Municipal Finance Indicators								Housing Supply					40b Status (2017)	
	Avg. SF Tax Bill FY19	Tax Base Res % Tot	Res Tax Rate	School Pop	Exp. per S/T Ratio Pupil	# of Pub. Grad Rate Schools	Housing Units (2017)	Ownership	Rental	Single Fam	20+ Units	Median Value			
Local Market															
MEDFIELD	\$ 11,766	94.3%	17.87	2,629	13.0:1	\$15,250.52	97.8%	5	4,440	86.9%	13.1%	83.8%	3.0%	\$ 633,500	7.2%
Sherborn	\$ 15,952	95.4%	19.62	421	12.9:1	\$18,552.99	98.8%	1 + 2 Rgnl	1,550	93.3%	6.7%	91.2%	2.3%	\$ 723,500	2.3%
Dover	\$ 15,693	97.8%	12.93	492	11.8:1	\$23,335.38	98.8%	1 + 2 Rgnl	2,212	95.7%	4.3%	98.5%	0.0%	\$ 1,006,800	0.9%
Millis	\$ 7,354	90.0%	18.7	1,302	14.1:1	\$14,887.67	96.7%	3	3,228	84.2%	15.8%	72.3%	6.4%	\$ 387,100	3.7%
Walpole	\$ 7,716	83.0%	15.1	3,804	13.4:1	\$15,172.93	98.0%	8	9,232	84.9%	15.1%	75.4%	4.0%	\$ 457,200	5.4%
Norfolk	\$ 8,819	92.2%	18.29	951	12.5:1	\$14,966.08	93.5%	2 + 2 Rgnl	3,334	94.9%	5.1%	90.0%	0.0%	\$ 469,100	4.1%
Submarket															
Foxborough	\$ 6,681	73.4%	14.7	2,596	12.8:1	\$16,798.29	99.5%	5	6,772	65.3%	34.7%	63.7%	7.2%	\$ 392,800	12.5%
Westwood	\$ 11,299	74.3%	14.65	3,122	13.3:1	\$17,708.33	96.1%	8	5,582	86.1%	13.9%	77.9%	16.1%	\$ 663,000	10.7%
Natick	\$ 7,793	79.0%	12.71	5,507	13.6:1	\$15,560.34	99.0%	8	14,882	71.9%	28.1%	59.9%	10.5%	\$ 497,200	10.4%
Canton	\$ 6,708	61.0%	12.4	3,310	13.4:1	\$15,396.91	95.9%	6	9,257	77.3%	22.7%	62.5%	8.3%	\$ 460,200	12.5%
Dedham	\$ 7,074	67.6%	14.15	2,658	10.9:1	\$19,794.84	92.9%	7	10,246	69.1%	30.9%	63.0%	14.3%	\$ 416,500	10.9%
Needham	\$ 11,402	76.9%	12.39	5,666	13.9:1	\$17,390.02	97.6%	8	10,693	82.6%	17.4%	76.8%	9.3%	\$ 752,000	12.6%
Franklin	\$ 6,502	80.3%	14.66	5,291	13.2:1	\$14,011.01	95.6%	11	11,620	81.3%	18.7%	68.4%	6.8%	\$ 403,000	11.9%
Comps outside Submarket															
Wayland	\$ 13,355	91.0%	18.28	2,702	12.4:1	\$18,483.99	97.5%	5	5,268	89.1%	10.9%	83.0%	4.2%	\$ 661,500	5.1%
Sudbury	\$ 13,719	95.1%	17.91	2,696	13.0:1	\$15,698.52	91.1%	5 + 1 Rgnl	6,356	92.2%	7.8%	88.6%	2.8%	\$ 668,500	11.3%