



Memorandum

To: Devens Stakeholders
From: Marty Jones, President & CEO
Date: December 19, 2010
Re: Responses to Vicksburg Square Questions and Comments

MassDevelopment has prepared the following responses to questions and comments raised by stakeholders during the Vicksburg Square outreach process. We look forward to discussing these issues with all interested parties at a public meeting in Devens that we plan to host in mid-January. Should you have any comments or questions before then, please feel free to contact Ed Starzec, MassDevelopment’s Project Manager for Vicksburg Square, at estarzec@massdevelopment.com.

Question 1. What effect will Trinity Financial’s Vicksburg Square proposal have on the current education contract with Harvard?

Section 26 of Chapter 498, the law that created the Devens Regional Enterprise Zone, requires that MassDevelopment “ensure that persons residing at Devens will receive the same educational benefits and opportunities to which other persons are entitled under the General Laws.” Beyond the letter of the law, MassDevelopment is committed to providing Devens residents with access to high-quality educational services. MassDevelopment is aware—and pleased—that most Devens residents report a high level of satisfaction with the current schooling arrangement.

As the Commonwealth’s economic development agency, MassDevelopment has the financial resources available to continue to meet its obligations under the existing education contract regardless of whether the Vicksburg Square project advances (for more information on MassDevelopment finances, see response to Question 3).

MassDevelopment has always assumed that the Devens population would grow over time. The current contract was negotiated when MassDevelopment had expected that the imminent development of Grant Road would create up to 176 three- and four-bedroom homes.

That said, MassDevelopment actively seeks to reduce the cost of providing municipal services by constantly analyzing our budgets and costs; supporting regionalization agreements (like those resulting in the Household Hazardous Waste facility and E-911 dispatch center); and identifying other potential capital and operating efficiencies. Accordingly, MassDevelopment reserves the right to seek or entertain changes to the current education contract if appropriate, regardless of the fate of Vicksburg Square or any other housing proposal.

As in the past, any changes to the education contract would be contemplated only in close coordination with the Devens Educational Advisory Committee (DEAC).

In the event that the current education agreement with Harvard is terminated by either party, the current contract provides that Devens students enrolled in Harvard Public Schools at the time of termination could continue to attend Harvard Public Schools until they graduate from high school with costs paid by MassDevelopment.¹ MassDevelopment hopes that this “grandfather clause” reassures current Devens residents that the redevelopment of Vicksburg Square would not result in a change of school districts for their children.

Question 2. Does MassDevelopment agree with the Devens Economic Analysis Team report?

MassDevelopment has thoroughly reviewed the Devens Economic Analysis Team (DEAT) report. While it includes many observations and opinions, it does not offer a clear conclusion other than what can be surmised from the report’s generally pessimistic tone. However, there are a few aspects of the report that MassDevelopment would like to address.

- As a “solution,” the DEAT report proposes a hypothetical condominium plan for Vicksburg Square. Such a project is neither currently feasible nor financeable and may never be, even if the housing market dramatically improves. The sales price and absorption assumptions underlying the DEAT’s condominium plan are unrealistic. A condominium project would also be ineligible to take advantage of low income housing

¹ See Section 9 of the September 22, 2008 PK – Grade 5 contract and Section 8 of the July 7, 2006 Grade 6 – 12 contract.

and/or historic preservation tax credits, which provide a key source of funds for this project.

- The DEAT report marginalizes the real demand for affordable housing within Harvard and completely ignores the need for affordable housing in Devens, Ayer, Shirley, and the larger Devens region. The March 2011 *Town of Harvard Affordable Housing Plan*² notes that “[a]lthough Harvard is a relatively affluent community, the 2000 Census reported that more than 21 percent of its homeowners and 36 percent of its renters paid more than 30 percent of their income for housing; 4 percent of homeowners and nearly 26 percent of renters paid more than half their income for housing. About 14 percent of Harvard households are considered low income, and about 3 percent earn less than \$15,000 per year, putting them at or near the federal poverty level.”
- The DEAT report notes that “the School Committee has questioned the validity of using [Trinity Financial’s] marginal cost [approach], arguing that the true cost will be closer to the average cost per student of \$13,105.” This statement conflicts with the School Committee’s long-standing practice of generating revenue by accepting “choice” students from other districts. If the School Committee’s average cost per student figure is indeed more accurate, the Town of Harvard incurs a loss of roughly \$8,000 per choice student, as the town is reimbursed only \$5,000 for each choice student it accepts. In aggregate, this would mean Harvard lost approximately \$560,000 on the 70 choice students it accepted this year. By comparison, under the current contract with MassDevelopment, Harvard receives reimbursement of \$13,105 per student for tuition, plus an additional \$282,000 (approximately \$5,000 per child) for transportation, capital needs, “transition fees,” and special education.

Harvard may want to consider phasing out its choice program as the Vicksburg Square population grows. This approach would allow Harvard to generate revenue – or at least remain revenue neutral – while keeping its school population essentially constant. With Harvard’s own studies indicating dwindling enrollment over the ten-year timeframe, there may even be adequate capacity to accommodate both current and future Devens students as well as choice students.

² harvard.ma.us/Pages/HarvardMA_BComm/Planning/HarvardAffordableHsgPlan2011%20Revised.pdf

Question 3. What is the impact of Trinity Financial’s Vicksburg Square proposal on Devens’ fiscal sustainability?

MassDevelopment currently and prospectively has the financial capacity to fund the costs associated with the residential redevelopment of Vicksburg Square. However, several stakeholders have questioned the impact of Trinity Financial’s proposed project on the long-term “fiscal sustainability” of Devens.

While Devens is nearing its 15-year mark, one should not analyze its finances in the context of a traditional municipal budget. Devens is more akin to an “in progress” real estate project than a town. Approximately four million of a potential eight and a half million square feet of development has been completed to date. In 2010 and 2011, fourteen companies moved to Devens and developed or leased approximately 460,000 square feet of space. MassDevelopment continues to invest in road and utility upgrades, perform environmental remediation, and undertake other site preparation activities to support the ongoing development of Devens. Currently undeveloped sites have the capacity to accommodate millions of square feet of commercial development.

As far as increased demands on the Devens Fire Department, the State Police, and the Devens Department of Public Works, these departments are already fully staffed, equipped, and more than capable of absorbing the increase in demand for their services resulting from the redevelopment of Vicksburg Square. Additional commercial real estate development will increase revenues without commensurately increasing expenditures.

While Trinity Financial’s proposed redevelopment of Vicksburg Square will mean additional education-related costs for MassDevelopment, this same relationship would exist for any additional residential development and we feel strongly that the project’s long-term benefits will far outweigh its costs. MassDevelopment is actively taking steps to attain sustainability for Devens over the next two decades (see Question 4) and remains confident that any increased costs will be more than offset by both future revenues from development and cost savings.

Question 4. What is MassDevelopment’s plan to attain sustainability before disposition?

MassDevelopment’s broad plan to attain “sustainability” at Devens over the next two decades (prior to the legislatively-mandated deadline for disposition in 2033) has three components:

- *Increase property tax revenues.* MassDevelopment will continue to aggressively attract new commercial and industrial development to Devens, as well as encouraging and facilitating the expansion of existing Devens companies. Growth and investment in the commercial and industrial sectors will increase property tax revenues and result in additional demand for Devens utilities. Numerous major land parcels remain to be developed, and large users (such as Bristol-Myers Squibb) have not yet built out all phases of their proposed projects.

Additionally, MassDevelopment is authorized under Chapter 498 to offer tax incentives to encourage private businesses to invest and create jobs in Devens. Two of these incentives—commonly known as TIFs (Tax Increment Financing agreements)—are currently in place for Bristol-Myers Squibb and MagneMotion. In a typical TIF, the amount of the real estate tax abatement is reduced each year until the company is paying full taxes. These Devens TIFs will all expire before the legislatively-mandated deadline for disposition of 2033.

- *Reduce operating costs.* MassDevelopment will continue to seek opportunities to reduce operating costs through innovative means, including regionalization agreements. Current regionalization initiatives include water and sewer, education, household hazardous waste collection, and E-911 dispatch. MassDevelopment regularly reviews staffing levels, equipment requirements, and facilities needs to identify potential savings.
- *Revisit the capital projects plan in light of current information and conditions.* The Devens capital projects plan derives primarily from the fifteen-year-old Reuse Plan. In the years since approval of that document, new information has allowed for a re-evaluation of the capital plan. For example, rare species issues at the Moore Army Airfield (not identified in the Reuse Plan) will greatly limit development on the site, precluding the need for expensive upgrades to MacPherson Road.

Question 5. What is the role of residential development in Devens? How does housing fit in with the economic development of Devens?

Recent economic trends have illustrated the import of the clear link that exists between economic development and housing. The availability of affordable, workforce, and reasonably-priced market rate housing, including for-sale and rental housing, helps to determine the success of a community in terms of attracting both residents and businesses.

The link between housing and economic development goes far beyond the wealth that homeowners have lost as housing prices have dropped both locally and nationally. Simply put, housing serves as an economic engine in a variety of interrelated ways. Residential construction stimulates employment, localities with affordable housing more easily retain workers, and first-time homebuyers drive consumer demand for a wide range of products.

Accordingly, in an October 2011 report, the Kitty & Michael Dukakis Center for Urban & Regional Policy noted that “the decline in home construction has been a leading factor in why the 2007 cyclical recession has turned into the Great Recession.”

We must work to reverse this transformation. As a quasi-governmental agency charged with both increasing economic development throughout Massachusetts and building residential units, MassDevelopment will continue to serve as a committed partner in the Commonwealth’s efforts to support housing development. As an example of this commitment, MassDevelopment views Vicksburg Square as an ideal location for housing for employees, senior citizens, and veterans.

Trinity’s market study provides statistical evidence regarding the demand that these constituencies have for the type of housing that the company proposes. Moreover, members of MassDevelopment staff have talked with representatives of businesses in Devens who indicate that Devens employees would find Vicksburg housing affordable and attractive as well.

While important to Devens, however, the Trinity proposal does not stand alone. Rather, Vicksburg Square represents part of a comprehensive strategy for the development of a range of homes, businesses, utility infrastructure, recreational facilities, and open space in Devens. In the past few months, MassDevelopment has announced the development of eight attractive, moderately-priced “zero net energy” single family homes at Adams Circle. On December 20, a twelve-unit townhome development (also energy efficient and moderately-priced) will break ground on Bates Street. Vicksburg Square thus serves as just one component of a balanced, diverse, and measured strategy to develop housing in Devens.

MassDevelopment will continue to support projects that will directly or indirectly increase economic growth and housing opportunities in ways that meet the needs not just of both Devens and its neighbors, but also of both the region and the Commonwealth of Massachusetts as well.

Question 6. Why increase the percentage of affordable units in Devens from the 25 percent in the Reuse Plan?

MassDevelopment firmly believes that the continued success of Devens as an engine of the regional economy relies in part upon the availability of a range of housing types at all levels of affordability (see response to Question 5, above).

While many characterize Devens as a hub of high-tech business activity and above-average wages, many current Devens employees would potentially qualify to live in an affordable unit at Vicksburg Square. Employers such as Federal Medical Center Devens, Pan Am Intermodal, New England Sheets, Routhier & Sons, NFI-Polartec, Devens Recycling Center, Regency Transportation, Catalano Brothers, Rock Tenn, Springhill Suites, Hilton Garden Inn, and Quiet Logistics collectively employ hundreds of potentially eligible individuals. Enlisted and civilian employees of the U.S. Army may also be able to take advantage of the project. This figure excludes entry-level, back-office, and/or part-time employees of Devens' many high-tech businesses who may also qualify to live at Vicksburg Square.

In addition to Devens employees who could qualify to live at Vicksburg Square, many income-qualified residents of the Devens region would benefit from living in a first-rate, professionally-managed apartment complex. While the DEAT report tends to marginalize the demand for affordable housing, the surrounding towns have no shortage of potential residents. Several prospective residents have even made supportive statements at Trinity Financial's recent public hearings.

The high-quality, professionally-managed housing product Trinity Financial proposes is unique in the three-town region and unlikely to compete directly with existing housing options. Anecdotally, the only vaguely comparable, larger-scale rental housing in the area—the Littleton Lyne and Old Town Village developments in Ayer—are effectively fully occupied, even in the current economy.

Devens currently has 24 affordable homes and townhomes, representing 22.6 percent of the 106 existing units. The Devens-wide affordability level will be reduced to 19.0% with the currently underway development of 20 market-rate, zero-energy single-family homes and townhomes. The addition of Trinity Financial's Vicksburg Square proposal would add 168 additional one-bedroom and family units —80 percent affordable and 20 percent market rate—to the mix, resulting in a Devens-wide affordability level of 53.7 percent (excluding senior units which have less economic impacts than one-bedroom and family units). Assuming that the 156 un-built units remaining

under the Devens housing cap are eventually developed as market-rate units, the Devens-wide affordability level would fall to 35.1 percent, or 158 out of 450 total units.

After the completion of the remaining residential units within the original housing cap and Vicksburg Square, a Devens-wide affordability level of 25 percent could be achieved through the development of an additional 180 market-rate units, bringing the total number of units in Devens to 630. Recall that the three neighboring towns, including Harvard, were receptive to a Devens housing build-out of 600 to 800 units during the 2006 disposition planning process.

Question 7. Why concentrate low-income housing at Vicksburg Square?

Some stakeholders have raised the issue of concentrated affordable housing, likening Vicksburg Square to an isolated island of low-income housing in Devens. MassDevelopment believes that this statement is unfounded.

Vicksburg Square is the highly visible, iconic heart of the Devens community. The site and its handsome buildings are within easy walking distance of the two existing Devens residential neighborhoods, a bustling commercial center (including three restaurants, a coffee shop, banks, daycare, a gym, a dry cleaner, and other services), recreational amenities, and a range of employment opportunities. Future residents will integrate easily with the existing Devens community, and vice versa.

By contrast, much of the new affordable housing in surrounding towns seems to have been deliberately sited as far away from existing residents as possible, in commercial districts and remote sites along noisy highways. MassDevelopment is confident that Vicksburg Square is a suitable location for this project.

Trinity proposes a mixed-income development targeted to a wide mix of occupants including veterans, retirees, single professionals, and working families living in one-, two-, and three-bedroom apartments. The development will have three levels of income restrictions: 20 percent of the units will have no income restrictions and are expected to be rented at \$1,100 to \$1,700; approximately 70 percent will be restricted to households with incomes below 60 percent of the area's median income (AMI) with rents of \$1,026 to \$1,350; and approximately 10 percent will be restricted to households below 30 percent of AMI with rents of \$484 to \$598. These income limits and rents will rise over time as area incomes rise. The Low Income Tax Credit Program that will apply to the restricted units encourages community stability and income growth by

permitting residents to remain eligible for the restricted units until their incomes exceed 140 percent of AMI.

Lastly, the Vicksburg Square buildings will be expensive to redevelop, requiring extensive environmental remediation (to remove asbestos) and completely new systems to meet the current building code, all to be completed within the stringent requirements of the Secretary of the Interior's standards for the renovation of National Register properties. Without low income housing tax credits and historic preservation tax credits, market rents and/or "for sale" prices would not likely support the cost of redeveloping these buildings.

Question 8. Why not wait for a better proposal? What is the rush?

MassDevelopment's focus for Devens is redevelopment. The Vicksburg Square buildings have been marketed for redevelopment for fifteen years and still remain empty in the middle of Devens. This situation persists because of the significant costs associated with renovating the buildings to meet current market, code, and historic preservation requirements. These costs will not decrease by waiting.

Trinity's plan is a feasible and well thought out proposal that meets demonstrated needs. The regional demand for affordable rental housing for families is not currently addressed in the Devens area, nor does it appear likely to be in the foreseeable future. Trinity Financial's Vicksburg Square proposal will go a long way towards meeting that critical need, thereby bolstering the competitiveness of Devens as an engine of the regional economy.

While the life expectancy of the Vicksburg Square buildings is the subject of debate, the buildings continue to deteriorate with each passing year. MassDevelopment cannot justify a major investment in repairs and upgrades for buildings that have doubtful reuse potential under existing zoning. These historic buildings should not be allowed to deteriorate to the point that would preclude any feasible reuse options.

Question 9. How will residents of the affordable units get around if they can't afford a car?

Anecdotal evidence from Devens and surrounding towns demonstrates that most households living in affordable units have access to at least one vehicle. Furthermore, the compact and walkable nature of Devens should make a vehicle unnecessary for many trips. However, should

demand for transportation services become evident, MassDevelopment and Trinity Financial will work with the Montachusett Regional Planning Commission to investigate the feasibility of establishing a shuttle service connecting Devens and Vicksburg Square to Ayer and Shirley. Such a service might potentially be provided in partnership with the two Devens hotels, which already provide on-demand van service to the Ayer commuter rail station.

Question 10. If the rezoning vote fails, will MassDevelopment address the issue of water infiltrating the Vicksburg Square buildings?

In the unfortunate event that the vote fails, MassDevelopment will reassess the physical condition of the buildings and make a determination on next steps. The Devens Department of Public Works will continue to repair broken windows and address vandalism issues as they arise.