

Wenham Fiscal Impact Analysis: Benchmarks & Development Scenarios

Town of Wenham, MA

March 2024



Authors

Ann Furbush – amf@camecon.com

Dan Hodge – dh@camecon.com

(Cambridge Econometrics)

Project director

Dan Hodge – dh@camecon.com

Cambridge Econometrics' mission is to provide clear and useful insights, based on rigorous and independent economic analysis, to address the complex challenges facing society.

www.camecon.us

Cambridge Econometrics, Inc. is a US corporation based in Massachusetts, and part of the Cambridge Econometrics global economic consultancy, which is owned by a charitable body, the Cambridge Trust for New Thinking in Economics.

www.neweconomicthinking.org

Contents page

1.	Background and Purpose	2
2.	Fiscal Trends in Wenham	3
3.	Illustrative Benchmarks for Economic Development Contribution to Property Taxes	6
4.	Fiscal Impacts of Development Scenarios	8
5.	Summary of Findings	15
	Appendix A: Existing Fiscal Conditions	15

1. Background and Purpose

This report supplements the Economic Development and Fiscal Analysis portions of the 2024 Wenham Master Plan to provide additional analysis of fiscal benchmarks and assess hypothetical development scenarios of varying forms of business and residential uses. The report focuses on property tax revenues because, like most Massachusetts municipalities, most (87 percent) of Wenham's tax revenues are generated by this source (with smaller amounts coming from motor vehicle and excise taxes, charges for services, and other revenue sources). Within the property tax levy, residential properties account for the vast majority of the town's revenues. For the past six years, commercial, industrial, and personal property levies only amounted to 2 percent or less of the town's total property tax levy, with residential properties accounting for the remaining 98 percent.¹

Wenham is interested in exploring options to diversify its tax base to include more revenue from business properties (commercial and/or industrial). This report provides analysis of the net impacts Wenham can expect as a result of different scales and types of development. To provide background context, Section 2 describes the existing conditions and fiscal trends in Wenham, including revenue generation and town expenditures. Section 3 considers the scale of commercial development needed for Wenham to reach the fiscal benchmarks developed by the town's master planning committee. In particular, the town requested a benchmark assessment of fiscal impacts if net revenues from new commercial developments made up 5 to 10 percent of the total current property tax levy. This section considers the town-wide scale of commercial development needed to reach these benchmark values, rather than a site-specific assessment.

Next, section 4 assesses the net fiscal impacts of hypothetical development projects. This section outlines development scenarios at an appropriate scale for Wenham. The scenarios are not mutually exclusive and can be combined to reach the benchmarks outlined in the previous section. In other words, Section 3 describes the overall scale of commercial development needed for Wenham to meet the assessed benchmarks while Section 4 outlines several development scenarios that could be combined to reach the benchmark development scale.

¹ "DLS Municipal Finance Trend Dashboard," Mass.gov, 2024, <https://www.mass.gov/service-details/municipal-finance-trend-dashboard>.

2. Fiscal Trends in Wenham

This section describes the existing fiscal conditions and historical fiscal trends in Wenham. The section is based on the detailed fiscal analysis compiled for the Master Plan but is updated with estimates through 2024. The full version included in the Master Plan (compiled in 2022) can be found in Appendix A.

Wenham, a small town of about 5,000 people, features a comprehensive local government and a well-regarded school district. The town has historically maintained a higher tax rate compared to neighboring communities. This elevated tax burden arises from the challenge of funding education and town services within a relatively small tax base, particularly given that 1,200 of the 5,000 residents (about 24 percent) are students attending Gordon College, a tax-exempt institution, resulting in an above-average tax rate and single-family tax bills compared to other communities in the state. Despite these financial considerations, Wenham remains a sought-after community for living, and the real estate market reflects its desirability. In recent years, assessed values have continued to rise in tandem with the real estate market, leading to a reduction in the tax rate to \$15.26 per \$1,000 in assessed value in fiscal year 2024. However, it's worth noting that this rate still places Wenham in the top 15 percent of all towns in the state in terms of tax rates.

Wenham generates little revenue from commercial and industrial properties due to the small number of businesses in the town. Of the comparison towns in Table 1, Wenham is the most dependent on residential property taxes. Wenham earns 98 percent of its property tax revenues from the residential levy whereas share of revenues from residential taxes in comparison towns ranges from 92 percent in the town of Essex to 97 percent in West Newbury and Boxford.

Table 1 Tax Rate and Levy Comparison

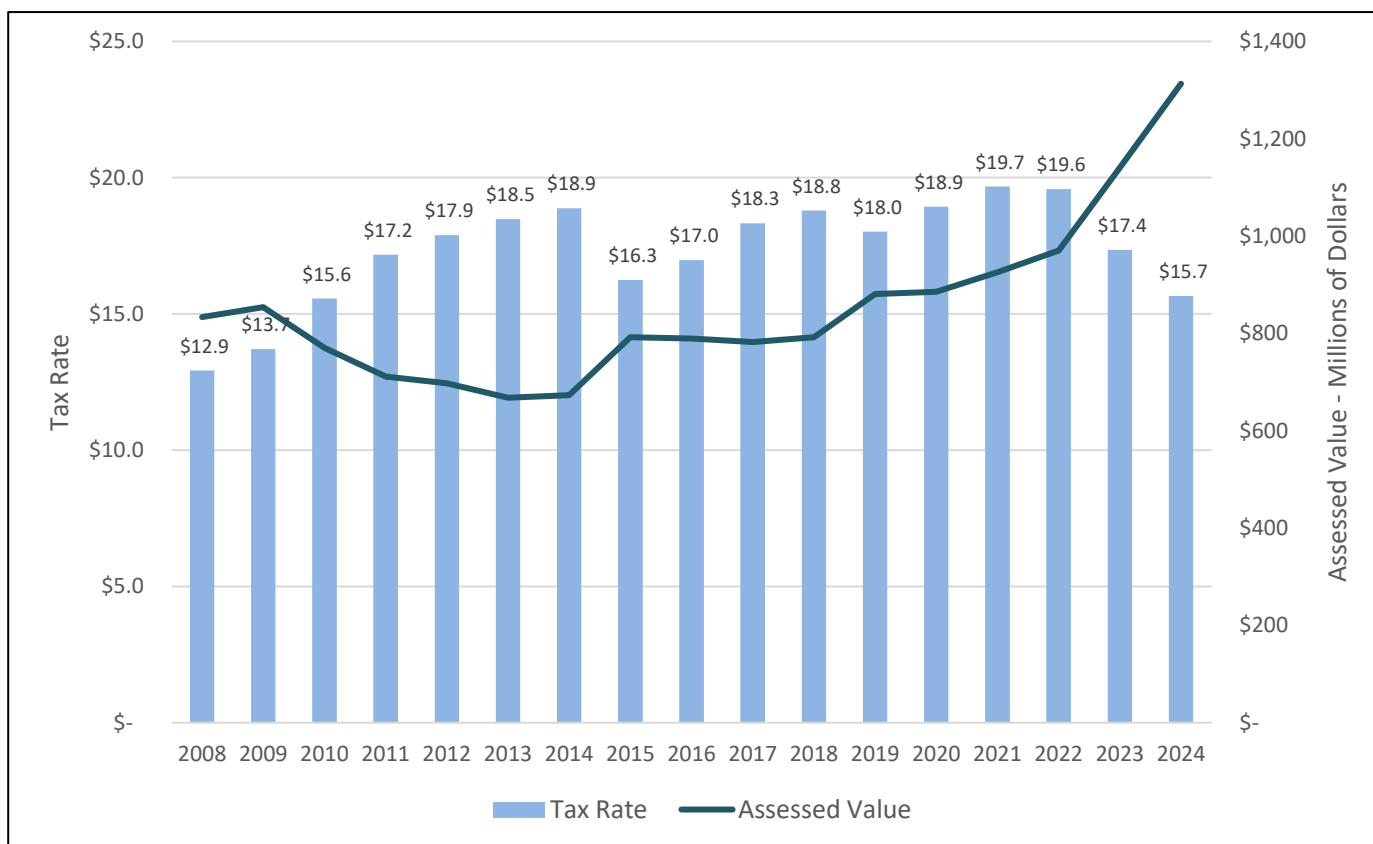
	Tax Rate per \$1,000 Assessed Value (2024)	Average Single Family Tax Bill (2024)	Percent of Property Tax Revenues from Residential Properties (2023)
Wenham	\$15.66	\$15,125	98.04%
Boxford	\$13.05	\$12,428	97.14%
Essex	\$13.32	\$11,067	91.94%
Hamilton	\$15.11	\$12,056	95.93%
Topsfield	\$14.69	\$12,762	93.21%
West Newbury	\$10.82	\$9,429	97.35%

Note: The six towns in this table have a single tax rate for residential, commercial, industrial, and personal property.
Sources: DLS Massachusetts Average Single Family Tax, 2024; DLS Municipal Finance Trend Dashboard, 2024

Proposition 2.5, a Massachusetts General Law, imposes limitations on the funds a community can generate through taxation. The towns tax rate is determined by dividing community spending (the budget) by the total assessed value of the town. Furthermore, Proposition 2.5 mandates that all communities in Massachusetts adjust their assessed values to reflect current market conditions, ensuring each assessed value represents fair and full cash value. Typically, this results in a decrease in tax rates as assessed property values surpass the restricted spending increase as a percentage.

To illustrate, between 2022 and 2023, the average assessed value of residential homes in Wenham increased from \$730,000 to \$850,000, indicating a 16 percent increase. The subsequent year witnessed another 14 percent rise in assessed values to \$966,000, accompanied by a decline in the tax rate from \$19.58 to \$17.35 to \$15.66 per \$1,000 in assessed value during the same period (see Figure 2.1). The application of rate reductions to higher assessed values generally leads to an average tax bill increase proportionate to the rise in spending. In Wenham, the average single-family tax bill rose from \$14,300 in 2022 to \$14,700 (2.8 percent) in 2023 and further to over \$15,100 (2.9 percent) in 2024, with the increases more in line with spending increases.

Figure 2.1 Wenham Tax Rate and Total Assessed Value



Source: DLS Municipal Finance Trend Dashboard, 2024

The town revenues typically increase annually to cover the increasing costs of public services expenses such as education and public safety. Education makes up over half of Wenham's annual budget. The town is part of the Hamilton Wenham Regional School District (HWRSD), which includes a preschool, three elementary schools, a middle school, and a high school. Education expenses are divided between Wenham and Hamilton based on the share of students from each town. In recent years, the number of students from Hamilton increased while enrollment in Wenham has decreased, thus shifting more of the funding responsibility to Hamilton. However, this trend is expected to change in coming years, shifting more funding responsibility to Wenham and increasing educational expenses in the town.

3. Illustrative Benchmarks for Economic Development Contribution to Property Taxes

The vast majority of Wenham's revenue generation is dependent on residential property taxes (87 percent of total town revenues, 98 percent of property tax revenues). To help visualize the economic impact of diversifying its tax base, Wenham's Master Plan Advisory Committee (MPAC) requested an illustrative benchmark assessment of fiscal impacts if net revenues from new commercial and industrial properties made up 5 to 10 percent of the total current property tax levy. This section evaluates the town-wide commercial (and/or industrial) properties required to meet these benchmarks. This high-level analysis is not specific to a particular type of uses (e.g., retail, industrial, etc.), but instead offers an overview of the scale of new building development (measured as square feet of buildings) necessary for the town to reach the 5 and 10 percent illustrative benchmarks.

Assessed Benchmarks
Net property tax revenues from new commercial and industrial properties make up 5 to 10 percent of the total current property tax levy.

Table 2 outlines the scale of new commercial/industrial properties that would be needed for the town to achieve these benchmark values. For the net revenues generated from new properties to total 5 and 10 percent of the town's total annual tax revenues, the new properties would need to generate about \$1 million and \$2 million in net revenues, respectively. With the typical ratio of expenses to revenues for commercial and industrial properties of about 25 percent (i.e., 25 percent of the revenues generated from the properties would be used to cover public expenses such as fire, safety, and other public costs), that means the new properties would have to generate total revenues of \$1.3 million or \$2.6 million, respectively for the 5 and 10 percent benchmark targets. Given Wenham's 2024 tax rate of \$15.66 per \$1,000 of assessed value, the new developments would need to be:

- Valued and assessed at \$84 million to achieve the 5 percent revenue benchmark; or
- Valued and assessed at \$168 million to achieve the 10 percent revenue benchmark.

Table 2 Scale of New Commercial & Industrial Development Needed to Reach Fiscal Benchmarks

	Assumptions		Benchmark Percentage	
			5%	10%
Total property tax revenues 2023:			\$19,784,000	
Net revenue generation needed from new developments			\$989,000	\$1,978,000
Total revenue needed to achieve net revenue benchmark	Expense/Revenue ratio for commercial and industrial properties:	25%	\$1,319,000	\$2,638,000
Assessed value of new development needed	Tax rate per \$1,000 assessed value:	\$15.66	\$84,224,000	\$168,447,000
SF of new development needed (low value)	Average assessed value per SF (low):	\$115	735,000	1,471,000
SF of new development needed (high value)	Average assessed value per SF (high):	\$146	576,000	1,151,000

Source(s): MassGIS Assessors Data, 2023 and Massachusetts Division of Labor Services (DLS) Municipal Databank, 2023.

Note(s): The expense to revenue ratio for commercial properties is based on guidance from Camoin Associate's report, Fiscal Impact Analysis: The Importance of Fiscal Impact Analysis in Economic Development and Planning, and Cambridge Econometrics' professional experience. The range of assessed value per SF of commercial and industrial properties is derived from nine comparison towns: Boxford, Essex, Hamilton, Ipswich, Manchester-by-the-Sea, Newburyport, North Andover, Topsfield, and West Newbury. The low and high estimates are derived using the bottom and top five towns (with one overlapping town) based on the average value per SF of commercial and industrial properties. Commercial and industrial properties are those with a three-digit use code beginning with a 3 and a 4, respectively, and excluding vacant parcels. At the time of this report, 2024 assessed value data were not available. To estimate the assessed values in 2024, the 2023 values from MassGIS were scaled up using the total change (increase) in industrial and commercial property values for each town between 2023 and 2024, which was calculating using DLS data.

Average assessed value per square foot (SF) is used to estimate the total square footage that would be needed to reach the benchmark assessed value. Due to uncertainty in the assessed value per SF of the new developments, a range of values is provided. To achieve its 5 percent benchmark, Wenham would need between 576,000 SF and 735,000 SF of new commercial and industrial buildings, depending on the assessed value per SF. For the 10 percent benchmark, the SF needed ranges from 1.2 to 1.5 million.

For context, 576,000 SF of new business uses (based on the scenario with high assessed values per SF and the 5 percent benchmark target), is roughly 16 times the size of the Buker School, or about 3 times the size of the North Beverly Plaza. Wenham currently has less than 40,000 SF of commercial buildings (about 7 percent of 576,000). This scale of new businesses will take time to plan, finance, and construct, likely beyond the 10-year horizon of the Master Plan. The next section of this report provides some examples of the types of new developments the town could pursue and estimates the net fiscal impact associated with each development scenario.

4. Fiscal Impacts of Development Scenarios

This section assesses the fiscal impacts associated with different development scenarios the town could pursue. The estimates provided in this section are intended to quantitatively assess and compare development scenarios, including mixed use, research lab, industrial/warehouse, and residential. Values shown in this section are based on the best available estimates and assumptions, working from hypothetical development projects across different uses.

4.1. Sources & Assumptions

A summary of the assumptions and sources used to estimate net fiscal impacts is provided in Table 3. Below are the sources associated with each assumption.

- The **SF per housing unit** for multi-family units are based on Cambridge Econometrics' professional judgement. For single-family residential homes, the SF is based on the average from the comparison towns.
- **Use codes** are defined by the MA Property Type Classification Codes for Non-Arm's Length Codes, June 2016 and provided in the MassGIS Assessors' Database.
- The **average value per SF** estimates are based on assessors' data in the nine comparison towns: Boxford, Essex, Hamilton, Ipswich, Manchester-by-the-Sea, Newburyport, North Andover, Topsfield, and West Newbury. A range of assessed value per SF is used whenever possible.² This range is derived from nine comparison towns: the low and high estimates use the bottom and top five towns (with one overlapping town) based on the average value per SF of properties with the associated use code. At the time of this report, 2024 assessors' data from MassGIS were not available. The average value per SF from the 2023 assessors' data was scaled up based on the total change in a particular use code in the comparison towns between 2023 and 2024 (total assessed values are provided in MA Department of Labor Services: Municipal Finance Trend Dashboard)
- **Fiscal expense to revenue ratio** is derived based on guidance from Camoin Associates, "Fiscal Impact Analysis: The Importance of Fiscal Impact Analysis in Economic Development & Planning," and Cambridge Econometrics' professional experience. This metric indicates how much the development

² In some cases, not enough of the comparison towns have parcels under the selected use codes to create a low-high range.

would increase town expenses relative to value of new revenue generated.

- The **SF per employee** estimates come from the Institute of Transportation Engineers and US Department of Energy, "Building Area per Employee by Business Type."
- The **uses, total SF, and number of housing** units for development scenarios were derived based on guidance from the MPAC. For reference, the SF of some well-known buildings in Wenham are listed below:
 - Town Hall: 7,000 SF
 - Iron Rail Buildings (excluding the barn): 15,500 SF
 - Police Station: 5,000 SF
 - Buker School: 37,000 SF

Table 3 Development Scenario Assumptions

Scenario	Use(s)	SF	Housing Units	SF/ Housing Unit	Use Code(s)	Average Value/SF		Fiscal Expense to Revenue Ratio	SF/Employee
						Low	High		
Mixed Use	Retail	45,000			322, 325	\$259	\$183	30%	550
	Restaurant	15,000			326	\$202	\$212	30%	135
	Multi-family Residential (Non age-restricted)	90,000	60	1,500	112	\$140	\$156	70%	
	Multi-family Residential (Age-restricted)	30,000	20	1,500	112	\$140	\$156	35%	
Research Lab & Office	Research Lab	100,000			404	\$169		25%	405
	Office	40,000			340	\$124	\$162	25%	300
Industrial/Warehouse	Industrial	105,000			400	\$71		25%	850
	Warehouse	45,000			401	\$73		25%	2,200
Residential	Age-restricted	26,000	10	2,600	101	\$220	\$361	50%	
	Non-age-restricted	52,000	20	2,600	101	\$220	\$361	130%	

4.2. Mixed Use MBTA Community

Mixed use developments include housing and commercial uses, such as retail or restaurant. This type of development nicely balances the need for additional housing (in particular rental options) and the town's interest in expanding the commercial base. In addition, mixed use development can be designed to meet

Massachusetts MBTA community requirements for residential zoning. Wenham qualifies as a Commuter Rail Community due to its proximity to the Hamilton/Wenham commuter rail station. This subsection outlines a development scenario that would meet these state-mandated housing development policies while also providing new commercial opportunities for the town.

Methodology

This scenario considers a three-story mixed-use building that includes 80 housing units, with 20 of those units restricted to residents aged 55 and older. The first floor of the building would be about 60,000 SF and would be used for retail and restaurants. To estimate the total assessed value of these uses, the average assessed values per SF are multiplied by the total SF of each use. We assume 75 percent of the first floor is used for small retail (45,000 SF, or about the same size as six Wenham Town Halls) and the remaining 25 percent is used for restaurants (15,000 SF or about the size of the brick Iron Rail buildings).

To estimate the average assessed value per SF, we use assessors' data from the nine nearby comparison towns. Based on the use code,³ total value, and building SF associated with each parcel, we calculate the range of average value per SF of retail to be \$159 to \$183 and restaurant to be \$202 to \$212, respectively. The resulting assessed value for the commercial space ranges from \$10.2 million to \$11.4 million. Applying Wenham's 2024 tax rate (\$15.66 per \$1,000 assessed value) to the total assessed value yields between \$160,000 and \$179,000 in total new tax revenues from commercial uses.

However, some of this town revenue would be used to provide public services to the new development, such as public safety (police) and fire services. We assume that the ratio of expenses to revenue associated with these commercial uses is 30 percent (i.e., development associated with this scenario would increase town expenses by 30 percent of the value of the new revenue generated). As a result, the net fiscal impact associated with the commercial development is \$112,000 to \$125,000 per year.

In addition to a positive net fiscal impact, the commercial development would also provide new employment opportunities in Wenham. The Institute of Transportation Engineers estimate the building area per employee for different commercial and industrial uses. Applying the estimates for retail (550 SF per employee) and restaurant (135 SF per employee) yields a total job estimate of 194 (112 restaurant and 82 retail jobs).

The residential portion of the development would use the two stories above the commercial development, with a total of about 120,000 SF. Assuming each unit is 1,500 SF, this space would allow for 80 new housing units. If an average of 2.5 people live in each unit, the new development would provide house for about 200 people.

The average value per SF of multi-family residential in the comparison towns is used to estimate the total assessed value of the residential floors (based on use code 112 – apartments with more than eight units). With

³ Use codes 322 (discount and department stores) and 325 (small retail and service stores) were used to estimate the average value per SF of retail. For restaurant uses, use code 326 (eating and drinking establishments) was used.

an average assessed value per SF ranging from \$140 to \$156, the two floors are valued between \$16.8 and \$18.8 million. Based on the 2024 tax rate of \$15.66 per \$1,000 assessed value, this residential development would generate \$264,000 to \$294,000 in total revenues for the town. However, residential uses have a higher expense to revenue ratio, largely due to the demand for public schools. As a result, an estimated 70 percent of the revenues from non-age-restricted units would be used to cover associated public service expenses. For age-restricted multi-family units, expenses are lower (35 percent) due to lower demand for public schools. In total, the residential portion of the development has a net fiscal impact of \$102,000 to \$114,000.

Findings

The mixed use development would:

- Meet the MBTA community zoning requirements for housing within 0.5 miles of the commuter rail station
- Provide 80 residential units (including 20 age-restricted units) that would house about 200 people
- Add 60,000 SF of commercial development to the town
- Create almost 200 job opportunities in retail and restaurants
- Generate \$423,000 to \$473,000 in property tax revenues (up to a 2.4 percent increase from the total property tax revenues generated in 2023)
- Have a net fiscal impact of \$214,000 to \$239,000

4.3. Research Lab & Office

Research labs and accompanying office space have several key advantages. The buildings are typically large (over 100,000 SF) and high value, but do not attract high levels of traffic like retail or other uses. Labs are often hidden from view of the road, preserving the natural beauty and small-town character of the town while bringing in substantial property tax revenues and providing high-quality employment opportunities.

Methodology

This development scenario considers a 140,000 SF space⁴ split into research lab space (100,000 SF) and office (40,000 SF). The average assessed value per SF of lab space is \$169 (based on use code 404 – research and development facilities).⁵ As such, the estimated assessed value of the lab portion of the building is \$16.9 million. Based on an average assessed value per SF of \$124 to \$162 (based on use code 340 – general office), the office portion of the building is valued between \$5.0 and \$6.5 million. In total, the estimated assessed value of the building is between \$21.9 and \$23.4 million. Based on the 2024 tax rate of \$15.66 per \$1,000 of assessed value, the new development would generate between \$342,000 and \$366,000 in property tax revenues for the town. An estimated 25 percent of this revenue would be used to cover public service

⁴ This size is based on the original design of the New England Biolabs in Ipswich, MA. The facility has since expanded to over 300,000 SF.

⁵ This value is based on research labs in Essex, Ipswich, Newburyport, and North Andover. Other comparison towns do not have any buildings under use code 404.

expenses associated with the new development, leaving a net fiscal impact of \$257,000 to \$275,000.

In addition to the tax revenue benefits, the lab space would also provide high quality employment opportunities. Lab spaces generally employ one employee for every 405 SF of building area. The 100,000 SF research lab space would employ an estimated 250 people. In addition, the 40,000 SF office space would employ about 130 people (based on building area per employee of about 300).

Findings

The 100,000 SF research lab and 40,000 SF office space would:

- Add a total assessed value of \$21.9 to \$23.4 million to Wenham
- Support 380 high-quality jobs
- Generate a total property tax revenue of \$342,000 and \$366,000 (up to a 2 percent increase in the town's 2023 total property tax revenues)
- Generate a net fiscal impact of \$257,000 to \$275,000

4.4. Industrial/Warehouse

Wenham is conveniently located near several major throughways as well as the Beverly Regional Airport. This proximity to transportation infrastructure could make the town an attractive location for industrial or warehouse development. These large developments can bring tax revenues, jobs, and complementary businesses and infrastructure to towns and cities. Due to concerns about noise and truck traffic, these developments are located away from residential properties whenever possible.

Methodology

This scenario considers a 150,000 SF building that is comprised of 105,000 SF of light industrial and 45,000 SF of warehouse space. Based on the five comparison towns, the average assessed value per SF of industrial and warehouse uses is \$71 and \$73, respectively (based on the average value per SF of use code 400 – buildings for manufacturing operations and 401 – warehouses).⁶ These values yield a total estimated assessed value of \$10.7 million (\$7.5 million industrial and \$3.3 million warehouse). Based on the 2024 tax rate of \$15.66 per \$1,000 assessed value, the total tax revenues generated by the new development would be \$168,000. About a quarter of these revenues are expected to be spent on additional public services demanded by the new development, leaving \$126,000 in net fiscal impact.

The new development would support new jobs in Wenham. We assume light industrial uses employ one person

⁶ The range of value per SF of industrial uses is based on Essex, Topsfield, Ipswich, Newburyport, and North Andover. Warehouse values are based on Essex, Topsfield, Manchester, Ipswich, Newburyport, and North Andover. Other comparison towns did not have any buildings under use codes 400 and 401.

for every 850 SF and warehouse uses employ one person for every 2,200 SF. As a result, the new development would support 125 light industrial jobs and 20 warehouse jobs.

Findings

A 150,000 SF industrial and warehouse facility would:

- Increase the total assessed value in Wenham by \$10.7 million
- Support 145 jobs
- Generate \$168,000 in total property tax revenues (a 1 percent increase from the town's 2023 property tax revenues)
- Generate \$126,000 in net fiscal impact

4.5. Residential

The town is also considering more conventional single-family residential developments. This type of development is consistent with the typical fabric of the town and supports the small-town charm of Wenham. While this scenario does not contribute to the commercial/industrial benchmark values, some types of residential development can have a positive net fiscal impact. This scenario also serves as a comparison against which commercial developments can be contrasted.

Methodology

This scenario considers a single-family residential development with 30 homes. Single-family developments typically have a negative net fiscal impact because they demand more in public services (in particular schools) than they generate in tax revenues. However, age-restricted housing units tend to have a positive net fiscal impact because older residents typically do not have school-age children. This scenario restricts 10 of the 30 homes for 55 and older residents.

Based on an average SF per home in the nine comparison towns of 2,800, the total SF of the housing development would be 84,000. The average assessed value per SF of single-family residential homes in the comparison towns ranges from \$220 to \$360 (based on use code 101 – single family residences). As a result, the estimated total assessed value of the 30 homes is between \$18.6 and \$30.4 million. With a tax rate of \$15.66, the total tax revenues generated by the new development would be \$291,000 to \$477,000.

Non-age-restricted single-family residential homes typically have a rate of expenses to revenues of about 130 percent. In other words, this type of development typically costs the town more in public services expenses than it generates in property tax revenues. As a result, the 20 non-age-restricted units would have a net fiscal impact of *negative* \$58,000 to \$95,000. Alternatively, age-restricted units have a positive net fiscal impact, with an expense to revenue ratio of about 70 percent. The 10 age-restricted units would generate a net fiscal impact of \$48,000 to \$79,000. However, the total net fiscal impact of the residential development would still be negative

(negative \$10,000 to \$16,000).

Findings

A new 30-home single-family residential development with 10 age-restricted units would:

- Add \$18.6 to \$30.4 million assessed value to the town
- Increase total tax revenues by \$291,000 to \$477,000 (up to a 2.4 percent increase from the town's 2023 revenues)
- Yield a negative net fiscal impact of -\$10,000 to -\$16,000

5. Summary of Findings

As Wenham is exploring avenues to strategically diversify its tax base through commercial development, this assessment provides an overview of the development scale associated with several benchmarking values and outlines the fiscal impacts associated with specific development scenarios. While the town's benchmarks are ambitious, with careful planning this scale of development is possible over time.

To achieve the ambitious benchmarks of net revenues from new commercial developments making up 5 to 10 percent of the total current property tax levy, new commercial developments would have to earn a net fiscal impact of between \$1 million and \$2 million. As seen in Table 4, the research lab and office facility development have the highest net fiscal impact (up to \$275,000 annually). This development type would also support about 380 high quality employment opportunities. Even so, this development would achieve less than one-third of the town's low range benchmark. Multiple or larger developments would be necessary to fully meet the town's benchmarks. For example, doubling the size of the research lab space would lead to a net fiscal impact of \$550,000. If the town pursued that larger development, plus a mixed use and two industrial/warehouse developments, that would more or less achieve the low range target.

Table 4 Fiscal Impact Summary of Development Scenarios

Development Scenario	Total Square Footage	Non-residential Square Footage	Jobs Supported	Total Property Tax Revenues		Net Fiscal Impact	
				Low	High	Low	High
Mixed Use	180,000	60,000	200	\$423,000	\$473,000	\$214,000*	\$239,000*
Research Lab & Office	140,000	140,000	380	\$342,000	\$366,000	\$257,000	\$275,000
Industrial & Warehouse	150,000	150,000	145	\$168,000		\$126,000	
Residential	79,000	-	-	\$291,000	\$477,000	-\$10,000	-\$16,000

*This estimate includes net impact from multi-family residential and commercial developments. The commercial portion of the development has a \$110,000 to \$125,000 net fiscal impact. While the town's benchmarking scenarios specify the target net impact come from commercial developments, this total is included here because multi-family developments still represent a diversification away from single-family homes, which make up the majority of Wenham.

This analysis demonstrates that a substantial increase in the town's commercial base would be required to "move the needle" in terms of fiscal structure and the residential tax burden. The high-level assessments can help Wenham understand the fiscal impacts associated with different scales and mixes of economic development. To pursue one or more of these developments, Wenham should align the scenarios with specific development properties and ensure that the zoning, infrastructure, permitting, and regulations allow, or even encourage, development. This careful planning process should engage community members and stakeholders and aim to balance economic growth with preserving the town's unique identity and character. A key challenge for Wenham is that many potentially developable parcels are privately owned. Working with the landowners to plan and prepare for future development opportunities will be an important step towards a more diversified tax base.

Appendix A

EXISTING FISCAL CONDITIONS

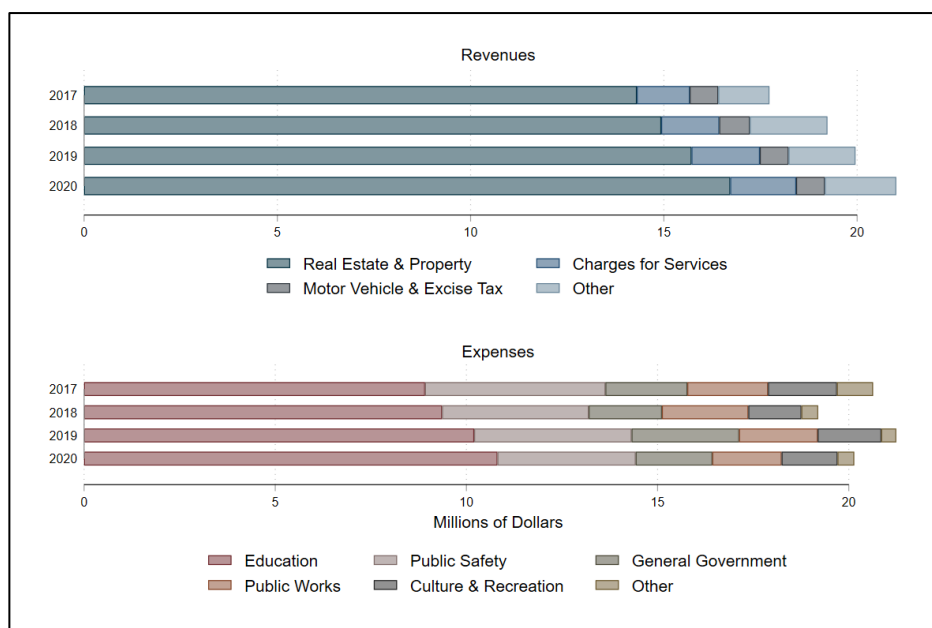
OVERVIEW

This section provides an overview of Wenham's fiscal conditions in terms of revenues and expenditures. The section explores trends over time and key drivers of change and provides a baseline understanding of Wenham's fiscal landscape as the town considers future development options.

Wenham's annual revenues increased steadily in recent years, growing from \$17.7 million in 2017 to \$21.0 million in 2020 (see figure below). As is typical in residential suburban towns, most of these revenues (about 80 percent) come from real estate and property taxes. These property tax revenues have been increasing over time, totaling \$16.7 million in 2020. Meanwhile, expenses are mainly driven by education (about 50 percent) and public safety (about 20 percent). While expenses related to education increased by about \$1.9 million between 2017 and 2020, public safety expenditures decreased by \$1.1 million.

Overall, Wenham ended in a net negative fiscal position in 2017 and 2019. In those years, the town incurred costs of \$2.9 million and \$1.3 million more than it generated in revenues, respectively. Despite these deficits, the town recovered to net positive positions in the subsequent years. In 2018 and 2020, Wenham earned more than it spent by \$32,000 and \$870,000, respectively.

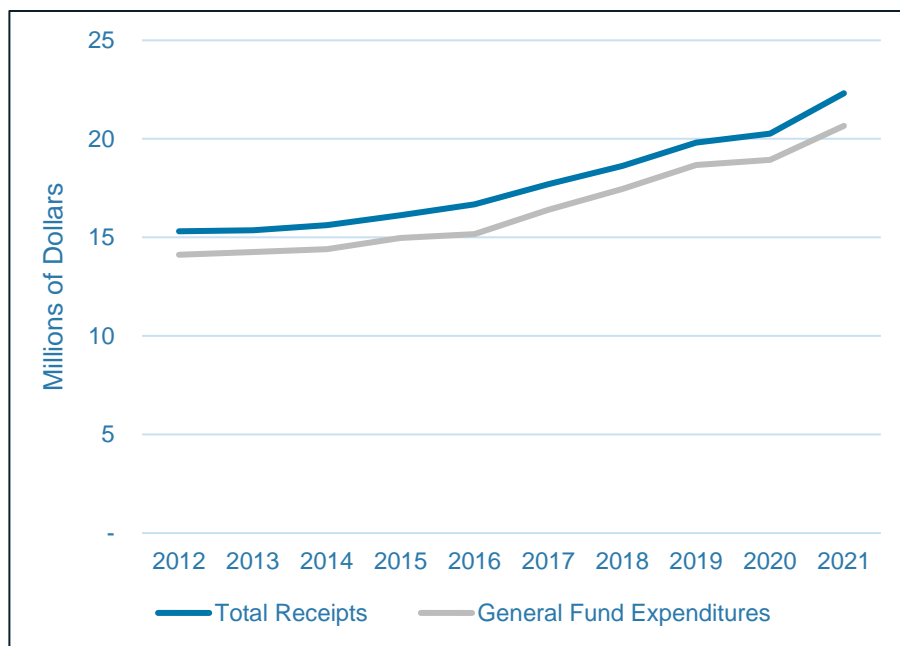
WENHAM TOWN REVENUES INCREASED STEADILY AND EXPENSES VARIED YEAR TO YEAR



Source: Wenham Financial Documents | Annual Audits

As seen in the figure below, town receipts increased from about \$15 million in 2012 to \$22 million in 2021. Over that time period, Wenham’s expenditures also increased, from \$14 million to \$21 million. Receipts and expenditures moved in parallel over the 10-year period, with general fund expenditures between \$1.1 and \$1.7 million less than receipts each year.

WENHAM TOWN RECEIPTS AND GENERAL FUND EXPENDITURES INCREASE AT THE SAME RATE



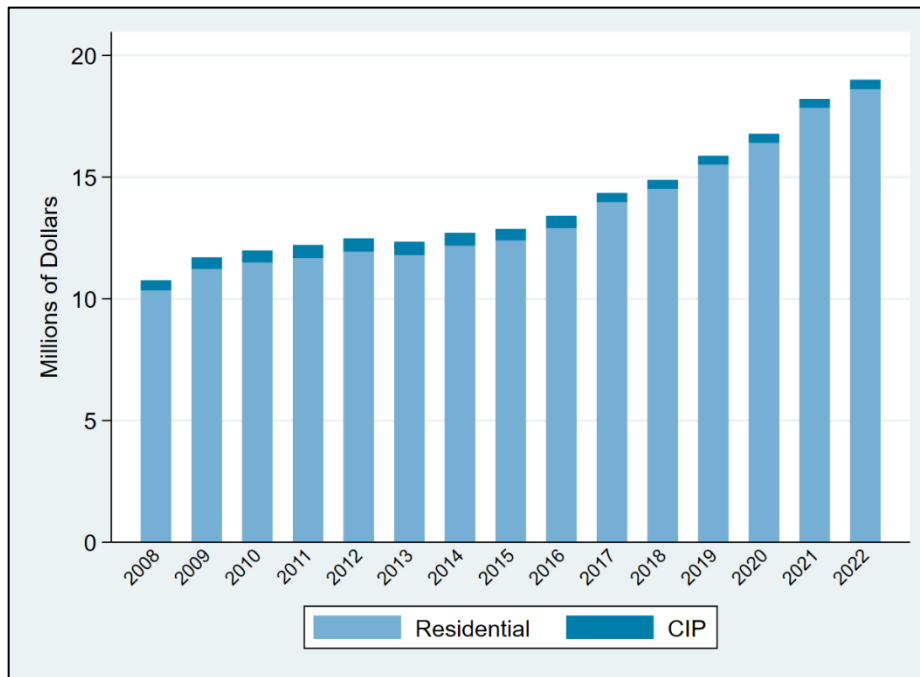
Source: DLS Municipal Finance Trend Dashboard, 2022

REVENUES

Real Estate & Property

As discussed above, each year, about 80 percent of Wenham’s revenues come from real estate and property. Within that category, 98 percent of property tax revenues are generated from residential properties (see figure below). As such, residential levies were the main driver of tax revenue growth in the last 15 years, increasing from about \$10.3 million to \$18.6 million. The rate of growth in the total tax levy increased in the late 2010s, from about -1 to 3 percent year-to-year between 2009 and 2015 to 4 to 9 percent each year after 2016. Only about one percent of the town’s annual property tax revenues are generated by commercial and industrial property taxes and the remaining one percent is earned through the personal property levy (together labeled “CIP”) which partly reflects business equipment. In 2022 residential property taxes totaled \$18.6 million and the town’s total levies grossed \$19.0 million (*DLS Municipal Finance Trend Dashboard, 2022*).

TOTAL TAX LEVY IN WENHAM INCREASED SUBSTANTIALLY BETWEEN 2008 AND 2022



Source: DLS Municipal Finance Trend Dashboard, 2022

To generate these revenues, the town levies a tax rate of \$19.58 per \$1,000 of assessed property value (a single rate consistent all categories of property). This rate represents the 23rd highest of the 350 municipalities in Massachusetts and the highest of the comparison areas shown in the table below (*DLS Municipal Finance Trend Dashboard, 2022*). The average rate among all municipalities in the state is \$5 less than Wenham's, at about \$14.32. As a result of Wenham's relatively high tax rate combined with high housing values, the average single family tax bill in the town totaled \$14,265 in 2022, more than double the state average of \$6,724.

The property tax rate in Massachusetts is capped at 2.5 percent of the value of all taxable property in the municipality. Given Wenham's current rate of about 2 percent, the town is limited in its ability to raise additional revenues by increasing the tax rate. At the same time, Wenham depends on property tax revenues to provide services to its residents such as public education and safety.

Wenham generates little revenue from commercial and industrial properties due to the small number of businesses in the town. Of the comparison towns in the table below, Wenham is the most dependent on residential property taxes. Wenham earns 98 percent of its property tax revenues from the residential levy whereas share of revenues from residential taxes in comparison towns ranges from 91 percent in the town of Essex to 97 percent in West Newbury.

TAX RATE AND AVERAGE SINGLE FAMILY TAX BILL IN WENHAM ARE HIGHER THAN COMPARISON AREAS

Area	Tax Rate	Average Single Family Tax Bill	Percent of Property Tax Revenues from Residential Properties
Wenham	19.58	\$14,265	98.0%
Boxford	15.22	\$11,242	96.8%
Essex	15.70	\$10,441	91.1%
Hamilton	17.88	\$11,249	95.8%
Middleton13.25\$9,130 Topsfield	16.65	\$11,398	92.7%
West Newbury	13.01	\$8,754	97.1%
Massachusetts	14.32	\$6,724	N/A

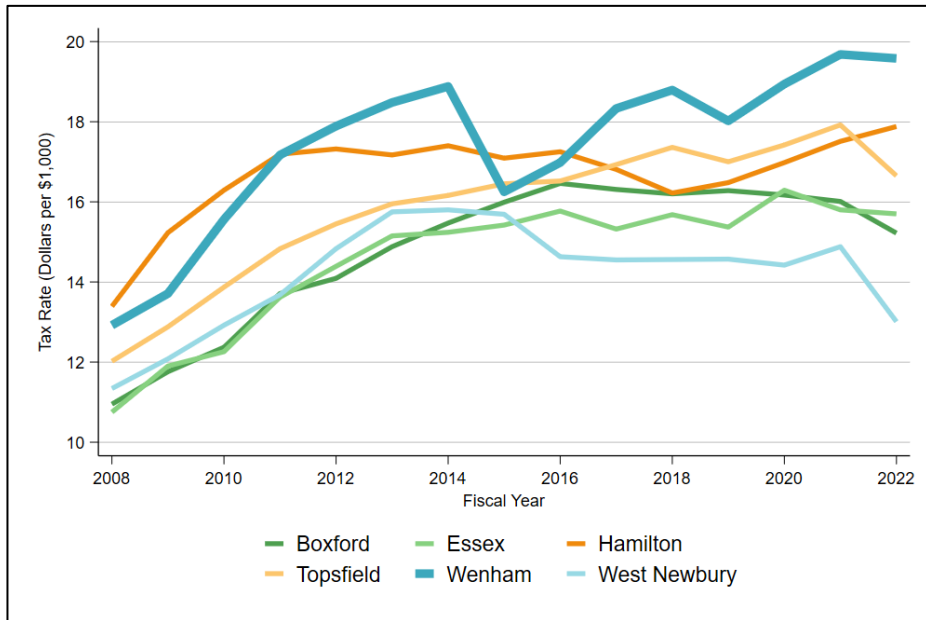
Note: The six towns in this table have a single tax rate in 2022 for residential, commercial, industrial, and personal property. The rate for Massachusetts is the average residential tax rate among municipalities (not weighted). The average single family tax bill is also dependent on municipal housing values.

Sources: DLS Massachusetts Average Single Family Tax, 2022; DLS Municipal Finance Trend Dashboard, 2022

As noted above, Wenham charges the same rate (\$19.58 per \$1,000 value) for commercial and industrial properties and personal property. This tax rate is somewhat high relative to other municipalities in the state, where the average is \$17.53 per \$1,000.⁷ As seen in the figure below, Wenham's tax rate has been higher than comparison towns for most of the last 15 years. Since 2016, the tax rate in Wenham has been higher than all other comparison town, and between 2017 and 2022 that difference was over \$1.40 per \$1,000.

⁷ Cities that have a split tax rate sometimes have commercial and industrial property tax rates that exceed \$30 per \$1,000. It's unlikely that the tax rate plays a significant role in limiting business and economic development in Wenham as other factors tend to be more important.

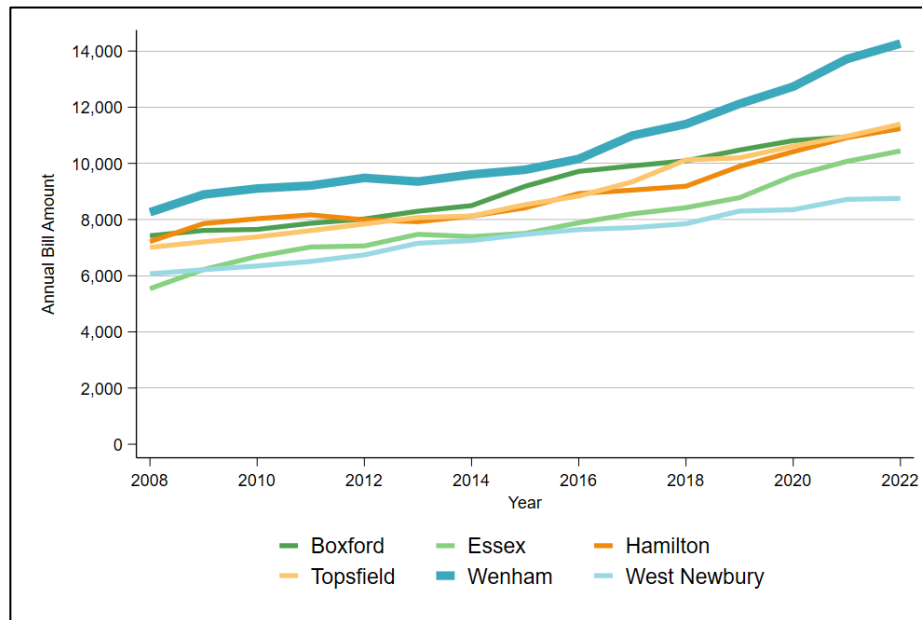
WENHAM'S TAX RATE HAS BEEN HIGHER THAN COMPARISON TOWNS SINCE 2016



Note: The six towns in this figure have a single tax rate for residential, commercial, industrial, and personal property.
Source: DLS Municipal Finance Trend Dashboard, 2022

As seen in the figure below, the tax burden for single family properties in Wenham grew substantially between 2008 and 2022, increasing by over \$6,000. The tax bill in Wenham increased particularly quickly from 2016 to 2020 when the average bill increased by 40 percent. Each year, the single-family taxpayers in Wenham on average paid more in taxes than the five other comparison areas shown in the figure.

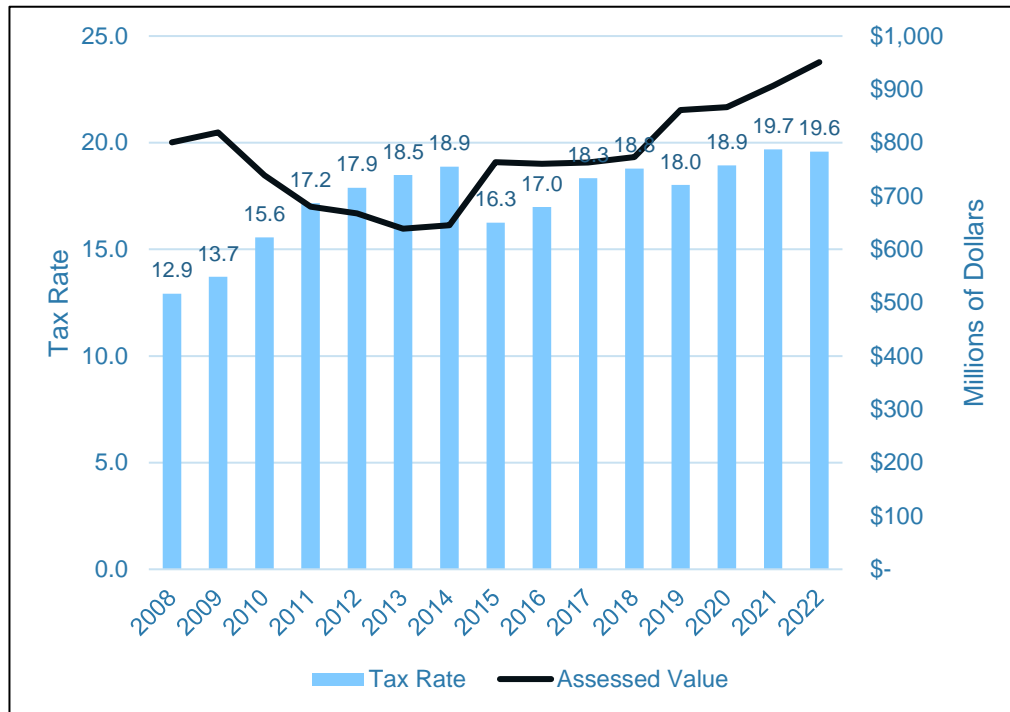
AVERAGE SINGLE FAMILY TAX BILL IS HIGHER IN WENHAM THAN COMPARISON TOWNS



Source: DLS Massachusetts Average Single Family Tax, 2022

This growth in the single-family tax bill can stem from higher tax rates over time or higher assessed values of residential properties (or both). As seen in the figure below, Wenham's tax rate has varied substantially between 2008 and 2022, but generally followed an upward trend, increasing from \$12.90 to \$19.60. At the same time, the total assessed value of residential properties in the town decreased between 2009 and 2014 before increasing between 2015 and 2022, exceeding its 2009 value in 2019. The combination of higher tax rates and higher assessed property values account for the growth in residential tax revenues in the late 2010s observed above.

WENHAM TAX RATE AND ASSESSED VALUE HAVE GENERALLY TRENDED UPWARD SINCE 2015



Source: DLS Municipal Finance Trend Dashboard, 2022

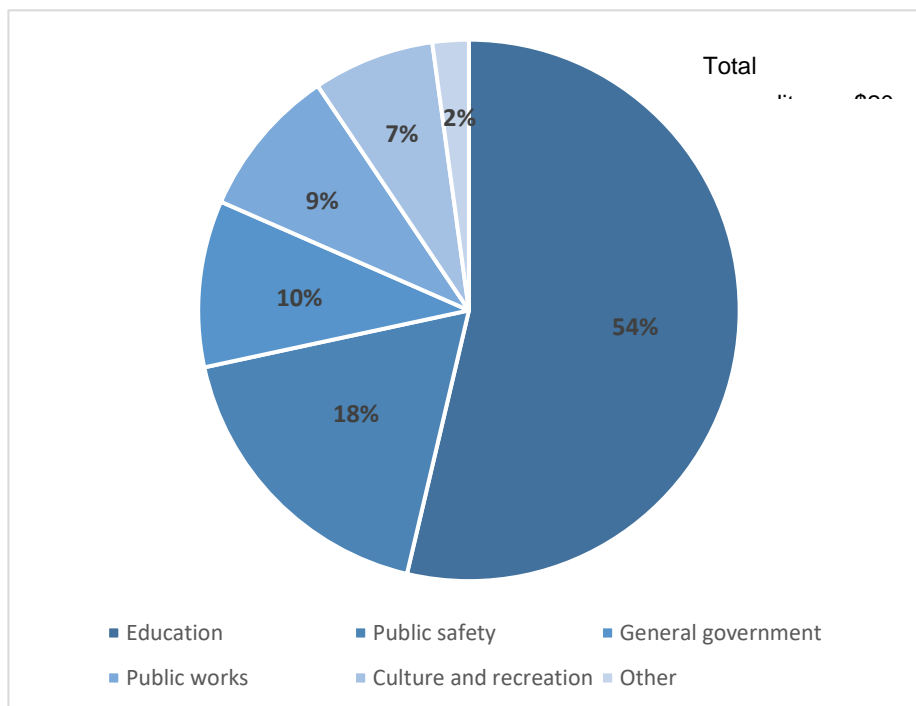
Other Revenue Sources

Charges for services make up the second largest revenue source for Wenham behind real estate and property taxes. This category earned Wenham over \$1.7 million in 2020, up from \$1.4 million in 2017. The town also brings in revenues from grants and contributions (including state and federal aid) totaling \$1.2 million in 2020. This revenue source increased from the \$900,000 in grants and contributions in 2017 but decreased from the 2018 value of \$1.5 million. The town also makes about \$700,000 every year from motor vehicle and excise taxes. Other revenue generating sources include community preservation tax and investment income.

EXPENSES

As seen in the figure below, education accounted for 54 percent of Wenham's expenditures in 2020. Public safety was the next largest expenditure for the town, accounting for 18 percent of all expenses.

MORE THAN HALF OF EXPENDITURES IN 2020 WERE ON EDUCATION



Source: Wenham Financial Documents | Annual Audits

Education

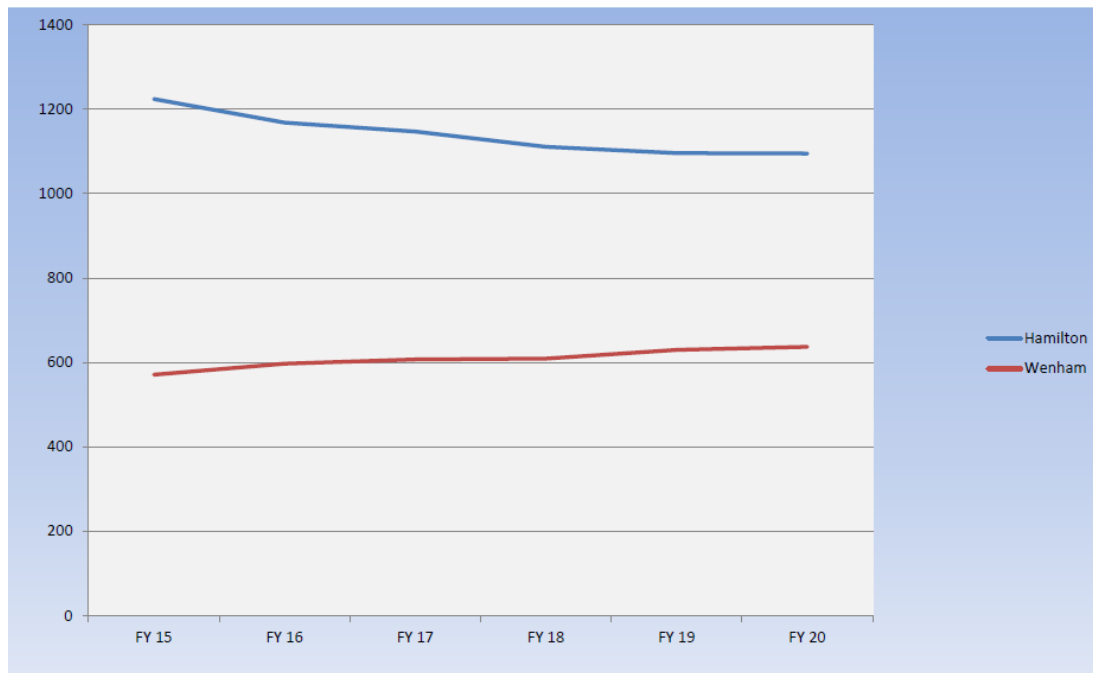
About half of Wenham's annual expenses go towards public education. The town is part of the Hamilton Wenham Regional School District (HWRSD), which includes a preschool, three elementary schools, a middle school, and a high school. In the 2017-2018 and 2018-2019 school years, these five schools served about 1,690 students and spent about \$19,732 per student each year, incurring a total of \$33.3 million in expenses (*Hamilton-Wenham School District*, 2019).

School enrollment in the school district has declined substantially over the last 10 years. Between 2012 and 2021, there was a 1 percent decrease in K-5 enrollment, a 15 percent decrease in 6-8 enrollment, and a 29 percent decline in 9-12 enrollment. Overall, the school district enrollment decreased by almost 14 percent (HWRSD, 2022). This decline is partially attributed to an increase in parents choosing to send their children to private schools rather than public. Parents are concerned about outdated learning and sports facilities. Most facilities were constructed in the 1950s and many require substantial updates to roofs, plumbing, electrical, and finishes (HWRSD, 2022).

Wenham shares educational costs with Hamilton based on the proportion of enrolled students from each town. In 2021, student enrollment from Wenham totaled 635 while Hamilton's enrollment was 1,130. As a result, Wenham was responsible for about 36 percent of the district's operating budget (*Wenham Financial Documents / Budget Documents*, 2022). The relative share of students from Wenham in the HWRSD increased between 2015 and 2020. As seen in the figure below, the number of students enrolled from Wenham increased during the five-year

period. At the same time, the number of students from Hamilton declined, thus shifting more of the funding responsibility to Wenham. This shift is a key driver of the increasing educational expenses in Wenham.

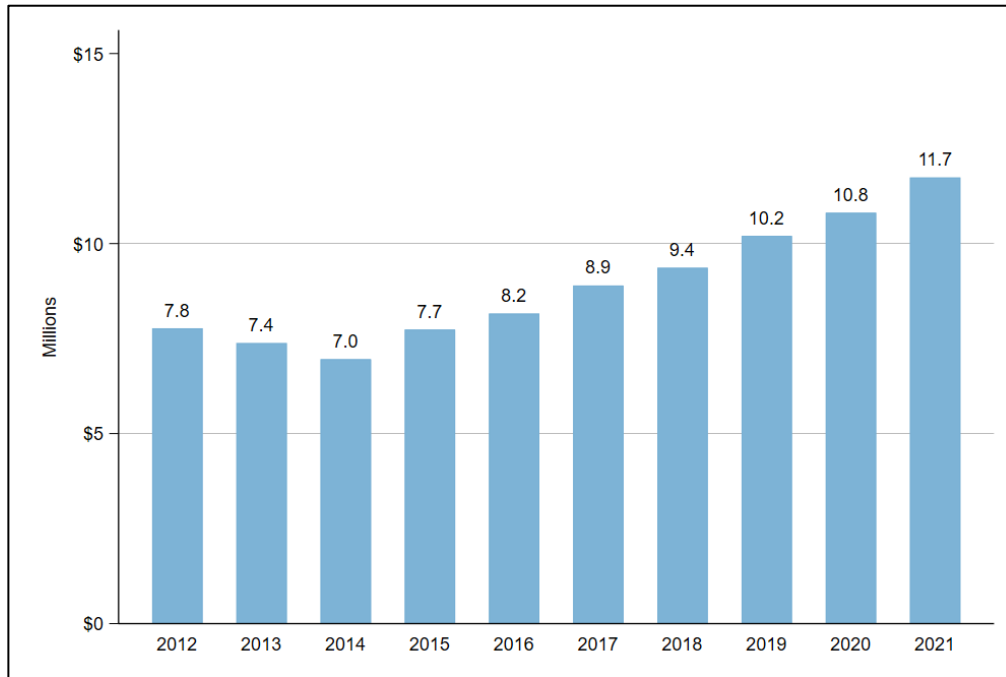
SCHOOL ENROLLMENT INCREASED MODESTLY IN WENHAM AND DECREASED IN HAMILTON



Source: Wenham Financial Documents | Budget Documents, 2022

As seen in the figure below, education expenditures have been increasing since 2014. In that year, the Town spent \$7 million on educational expenses. Seven years later, in 2021, the Town spent almost \$12 million on its schools.

SPENDING ON EDUCATION HAS INCREASED SUBSTANTIALLY



Source: DLS Municipal Finance Trend Dashboard, 2022

Public Safety

Public safety expenses account for about one-fifth of Wenham's total expenses each year. Between 2017 and 2020, public safety expenses declined from \$4.7 to \$3.6 million. About half of the money allocated to public safety each year pays salaries for Wenham Police and Fire Department staff (*Wenham Financial Documents / Budget Documents*, 2022).

Other Expenses

Other expenses in Wenham include:

- General government, totaling about \$2 million in 2017, 2018, and 2020 and about \$2.8 million in 2019
- Public works, grossing between \$1.8 to 2.3 million each year
- Culture and recreation, totaling between \$1.4 and \$1.8 million each year.

Together, these expenses make up about one-fourth to one-sixth of the town's total expenses.

REFERENCES

- DLS Massachusetts Average Single Family Tax.* (2022). Mass.Gov. <https://www.mass.gov/info-details/fy2022-massachusetts-average-single-family-tax>
- DLS Municipal Finance Trend Dashboard.* (2022). Mass.Gov. <https://www.mass.gov/service-details/municipal-finance-trend-dashboard>
- Financial Documents.* (2022). Wenhamma.Gov.
https://www.wenhamma.gov/important_documents/financial_documents.php
- Financial Documents.* (2022). Wenhamma.Gov.
https://www.wenhamma.gov/important_documents/financial_documents.php
- Hamilton-Wenham School District.* (2019). Usnews.Com.
<https://www.usnews.com/education/k12/massachusetts/districts/hamilton-wenham-108909>
- HWRSD. (2022). *State of Our School Facilities.* Google Docs.
https://drive.google.com/file/d/1VYVwpdqSXXJp_hSZhEz6RzeCO9LadP/view?usp=embed_facebook