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August 4, 2020

Steven Kleppin
Director Planning & Zoning
City of Norwalk
125 East Avenue
Room 223
Norwalk, CT 06856

Re: North 7 Application – Goman+York Report

Dear Mr. Kleppin:

I write this letter as follow-up and respons to staff comments provided regarding the Goman+York *Planning and Municipal Fiscal Impact Analysis* report for the North 7 development project. We appreciate staff review and the opportunity to respond to questions and comments. The following are our responses to comments and questions raised by staff as part of the application review process:

Staff Comment: *We will pursue verification of the number of school aged kids. I think they took some generous assumptions with the projected number in their final analysis. We will also verify per pupil spending with BoE.*

Answer: I/we have conducted over three-dozen of these enrollments assessment—for both developers and municipalizies—in more than two-dozen Connecticut communities. Over the course of these assignments, I have yet to encounter a community that does not assume we are *generous in our assumptions*. It is for this reason that we make sure our data on enrollments were sourced from the Norwalk Board of Education and State Department of Education *EdSight* school district data site. The enrollment numbers sourced from *EdSight* are from local School District reports filed with the State Department of Education and enrollement numbers are as of October 1 of each school year.

In calculating our enrollment projections for the proposed development, we utilize multipliers from the Rutgers University, *Center for Urban Policy Research “Residential Demographic Multipliers - Connecticut”* (2006) report. While this study is older, it is the most comprehensive analysis of residential development and school enrollments. Most important, we cross-check the Rutgers finding against demographic trends between the time of the study and today. In doing so, what we find is that fertility rates and family-households continue to contract and single person households continue to increase. These demographic trends inform us that the 2006 Rutgers findings on enrollments per unit are likely higher than they would be today.

In addition, we cross-check the Rutgers findings and demographic tends again our own research and findings and other related to studies to determine reasonable projections for the proposed development. While I recognize why municipalities are often skeptical of our projections—concerns over costs, historical enrollements, or assumed bias in favor of the developers—I am confident in our methods, integety, and have base our work and approach on the abundance of data related to school



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enrollments. For example, the following are few samples of studies I/we have conducted and the associated findings related to school enrollments, specifically enrollments from multi-family developments:

- South Windsor – A Study of Enrollments from 21 Existing Multi-Family Developments with 2020 Owner and Renter Occupied Units:
 - School district enrollments totaled 515 or 0.25 per unit.
 - Multi-family attached units totaled 1,608 and enrollments totaled 328 or 0.20 per unit.
 - Single family attached units totaled 412 and enrollments total 201 or 0.49 per unit.
- Ellington – Multi-Family Enrollment Study as Part of POCD Update:
 - Study included 18 existing multi-family developments (80.6% of all multi-family dwellings) totaling 1,862 units.
 - The bedroom mix was: 1-br = 1,015 units or 54%, 2-br = 700 units or 37%, 3-br = 142 units or 7%, 4-br = 15 units or 1%].
 - Total enrollments were 294 or 0.158 enrollments per unit.
 - The Ellington findings are consistent with recent studies conducted by the South Windsor Board of Education that found newly constructed multi-family rental units are generating 0.16 enrollments per unit.
- Wethersfield Ridge Road Apartments – Representing the developer, I projected 9 enrollments (0.13/unit) from 70 units. The built and occupied developed has a total of 62 two-bedroom units and nearly two years after 100% leasing/occupancy, the development had 3 total children and 2 school district enrollments (0.03/unit).
 - During this study we evaluated a neighboring apartment development, the Village Apartments, with 294 units. The Wethersfield Superintendent of Schools Office confirmed the apartments had 18 enrollments or 0.06 per unit.
- Avon School District: Utilizing my ‘Allocated Expenditures’ approach, I estimated \$11,704 in per pupil spending. Questioned by the PZC, the Avon Board of Education was asked to provide their own estimates of cost per pupil new enrollments.
 - Avon BoE estimates = \$8,079 per new pupil or \$3,625 less than my per pupil estimates.

Based on my years of experience in doing this work and analysis, I am confident in the projections we provide for the North 7 development.

Staff Comment: Page 30 of the G+Y Report, if there are more school age children than estimated that will significantly lower the indicated increased revenue.

Answer: Yes, higher than projected enrollments will result in a lower increase in revenue. However, as noted in the response above, I/we are confident in our conservative estimates and do not believe the enrollments will be higher than projected. That said, the positive fiscal impacts are estimated at



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\$3,278,392 and the projected education costs for the 91 new-to-district enrollments are estimated at \$1,296,386.

- Enrollments would need to increase from the projected 91 to over 227 for the proposed development to become fiscally negative—an increase of 136 enrollments.

Staff Comment: *Did their final analysis on projected annual tax revenue back out the existing tax revenue on those properties and for the properties that had commercial buildings that were demolished, did it look at those when there were operating businesses there?*

Answer: Yes, we did calculate it. Page 41 of the report provides the tax information for the project parcels. The assessed value of the subject properties today is \$29,370,805 and the tax value is approximately \$684,780 per year. Based on the project future value, once the redevelopment is complete, we estimate real property tax revenue of \$4,159,653 and personal property (motor vehicles) tax revenue of \$415,125, a combined total of \$4,574,778.

The real property tax revenue for the existing parcels equals approximately \$684,780. Therefore, the new new real property tax revenue will be approximately \$3,889,998 more. Adjusted for the fiscal impact of municipal and education services, the net positive real and personal property tax revenues will be approximately \$2,593,612.

As to the question, *did we look at the properties before certain buildings were demolished or when there were operating businesses in those buildings*, the answer is no. Regardless of prior tax value from the demolished buildings, older properties depreciate with age and functional obsolescence—loss of utility and desirability. Past utilization or past value tell us little about present market demand or value. The demolished buildings and remaining buildings peaked in value many years ago, all have passed their prime competitiveness and value. Therefore, doing such a comparison does not provide much insight. For example, let me explain this through a metaphor of new cars. In 1986, the base model of Ford Taurus sold for approximately \$10,000 (\$23,500 today adjusted for inflation). Today, the 2020 Ford Taurus base model sells for approximately \$29,000. What does this comparison tell us? Very little in terms of value, other than the cost of new cars have increased at a rate greater than inflation. However, what really matters is that 1986 and 2020 Taurus are very different vehicles from a design and technology perspective. Therefore, the 1986 Taurus cannot compete in today's new car buying market, it is functionally obsolete. The same is true of real property, especially commercial property, as a commodity. Past product, marginal and obsolete, cannot compete (compare to) with modern product.

Staff Comment: I have an overarching concern about the loss of commercial space to residential use. I understand the present crisis does not strengthen my argument for more office space, but I think losing office space solely for residential is not healthy for the City.

Answer: Present crisis aside, like it or not, the Connecticut market today (and over the past decade or more) favors residential development over commercial development. Demand drivers (i.e. jobs/employment growth and population growth) have been stagnant in Connecticut for three decades, while our utilization of commercial space (employee per square foot) has continually declined. This has resulted in a soft- to weak- commercial real estate market that is oversupplied.



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Demand drivers for residential development, while also harmed by stagnant job/employment growth, have benefited from changes in demographic structure and continued household formations. Specifically, declining household size, increases in single-person households, and fewer family-households have created modest and continued demand for multi-family rental housing. The oversupply of functionally obsolete buildings (residential, commercial, or industrial) constrain market health and growth (also constrain grand list growth and value through depreciation). Removing and replacing marginal and functionally obsolete product/properties with new, modern, and competitive product grows market and grand list value. In addition, increased housing units and households creates new demand for commercial space.

Staff Comment: Page 32, where are the jobs and what type?

Answer: Labor/job markets are organized at the metropolitan scale. Therefore, it difficult to spatially target job creation at the municipal scale. Jobs created and sustained by this development will be realized across the metro-region with a moderate percentage in Norwalk. The construction jobs include the commodity and supply chain—the wholesale, retail, trades, and professional service jobs—associated with the construction materials and process. Therefore, such jobs are spatially stretched. The permanent jobs will include a mix of retail, personal service, and professional service employment that will benefit from servicing the needs and wants of the new households. For example, such jobs will include the coffee shop clerk, hair dresser, certified public accountant, and others.

Staff Comment: Does the analysis look at whether this is the best use of this land? The properties contained former manufacturing businesses, much lower on traffic demand. What are tax impacts?

Answer: The existing properties, as discussed above, are past their prime, marginal, and nearly functionally obsolescent by today's standards. If they were still competitive, worthy of large investment, and economically viable, the properties would not be the subject of a redevelopment proposal/project.

Best use, as stated in the staff comment, is a subjective term that is not well defined. *Highest and best use* is a technical and defined real estate appraisal term that is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. Such a determination of *highest and best use* includes consideration for existing zoning—*physically possible*—and cannot consider alternative uses dependent on a zone change. Therefore, *highest and best use* analysis, in the context of planning and land use, is often not helpful when conceptualizing alternative uses and developments that require a zone change or conditional land use approvals.

From a planning and land use perspective, *best use* is subjective because it can be whatever a community determines it be. So while *highest and best use* may be to narrow a lens, *best use* from a planning and land use perspective may be too broad a lens, if the subjectivity is not constrained by site characteristics, relative location, spatial organization of labor market, and market demand.

To avoid the technical challenges of *highest and best use* and the subjectivity of planning for *best use*, I/we typically avoid these phrases and prefer the phrase *feasible use* as a means of assessing sites,



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uses, and markets. *Feasible use* not only considers location and infrastructure, it also considers the market and financial feasibility of a use at given site and moment in time. In short, can what is being proposed actually be built? Based on this site, its characteristics, location, surrounding land use, existing infrastructure, and market feasibility, I believe the proposed use feasible and suitable for this location.

Staff Comment: Page 38, why not based on the 19/20 budget?

Answer: This project has moved slowly, and the initial report was completed before the 19/20 budget was available. While considered updating the report with the 19-20 budget, the difference in the 18/19 and 19/20 budget are minimal at best. The budget document explains (page vii):

- The approved FYE 2020 Approved Budget includes \$367,533,243 of appropriations which is an expenditure increase of \$13,469,845 or 3.8% from the FYE 2019 Approved Budget amount of \$354,063,398.
- The total tax levy necessary to support the FYE 2020 Approved Budget is \$331,811,126 which is an increase of \$10,301,305 or 3.2% over the FYE 2019 Approved Budget tax levy of \$321,509,821.
- The mill rate required to satisfy the FYE 2020 Approved Budget total tax levy is 11.5% lower than the prior year due to the recent property revaluation.
 - The FYE 2020 Approved Budget mill rate fell to 23.185 from the FYE 2019 Approved Budget rate of 26.188. This was the result of a 16.6% increase in the City's grand list from \$12,276,893,154 to \$14,311,193,584 between the FYE 2019 and FYE 2020 budget periods.
- The Board of Education's budget increases \$7,997,142 or 4.2% from \$190,494,217 in FYE 2019 to \$198,491,359 in FYE 2020. This increase represents the city's investment in the improvement of its Board of Education's delivery of educational services, particularly special education and efforts to close the achievement gap.
 - Based on our calculations, the difference in per-pupil spending/costs from the 18/19 to the 19/20 BoE budget is \$282. By multiplying the \$282/pupil spending by 91 new-to-district enrollments equals \$25,662 increase in costs or less than 2% of the total project education costs.

Comments and Questions from Recent Commission Meetings:

During recent Commission meeting discussions of this application, there have been two general areas of comments or questions that I believe are worthy of attentions at this time. The following are responses to those general themes posed in the form of questions and our response.

Commission Comment: Will COVID/social distancing alter economic considerations for residential or office users? Will it affect the number of school children?



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Answer: The impacts of COVID-19 are a common question and consideration related to any and all real estate development. However, we believe it is too early to tell how COVID will ultimately impact property markets, social behavior, and real estate asset classes. Based on what we know right now, I think it is plausible that Fairfield County (and Norwalk) will experience modest increased demand for residential property as the result of those leaving higher-density New York City. While the demand for single-family residential properties is already being reported in media accounts—possibly over dramatized—I believe that new demand will also be realized for multi-family residential properties as the result of home-shoring of employees and more flexible work-from-home opportunities in the future.

It is also plausible that Fairfield County (and Norwalk) will experience modest increases in businesses—relocations from NYC. However, I am not as confident that such businesses relocations will result in much new demand for office space. For new demand for new commercial space to be realized, existing vacant space (other known/accounted vacancies and shadow space) will need to be absorbed. In addition, it is likely that the shift to home-shoring, remote working, and other hybrid work arrangements will mute the demand for new office construction.

Commission Comment: Concerns that the number of school children aren't adequately accounted for. Elementary school children will go to Silvermine, which is already near capacity. In addition to just numbers, what is the actual impact on the affected schools?

Answer: As discussed above, I am confident in the projections and impacts to the Board of Education budget. That said, it is common for commission members to raise concerns over the impact to specific schools, especial elementary schools. This is the very reason what the South Windsor Board of Educations has been engaged in ongoing studies of development (existing and new) and the distribution and impacts of enrollments on elementary schools. While it can be frustrating and challenging, we need to recognize that no community or school district remains constant over time. Change is inevitable. The fact is, residential neighborhoods are in a constant state of flux, ebbing and flowing with increases and decreases in school age children. A single-family residential neighborhood that generated dozens of school enrollments in 70s and 80s, today may only generate a handful of enrollments—this is the case with the neighborhood I grew up in. This is the very reason school district need to regularly adjust elementary school district boundaries—populations and school age children are constantly shifting within the community—to accommodate shifts in enrollments. In fact, internal shifts in district enrollments are more likely the result of existing student movements within the community than new-to-district enrollments. In addition, the sale of single-family residential homes are typically more likely to generate new-to-district enrollments than multi-family rental units.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donald J. Poland".

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