ZONING BOARD OF APPEALS
ACCEPTED INTO EVIDENCE
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Date 8/18/21

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TECHNICAL MEMORANDUM

TO: John Sullivan and Matt D'Amico
Cabot, Cabot & Forbes
185 Dartmouth Street
Boston, MA 02116

FROM: RKG Associates, Inc.

DATE: July 20, 2021

SUBJECT: Economic Impact Analysis – 200 Quannapowitt Parkway Project

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Introduction

RKG Associates, Inc. (RKG) was retained by Cabot, Cabot & Forbes (Client) to offer an independent estimate of the likely purchasing power of new households that could result from the Clients proposed residential project at 200 Quannapowitt Parkway in Wakefield, Massachusetts. The scope of this study was formulated in partnership with the Town's Economic Development Director who was consulted throughout the analysis.

Figure 1 – Preliminary Concept Rendering

RKG analyzed potential spending patterns across a broad set of retail categories with the end goal of establishing an estimate of spending and economic impact on Downtown Wakefield. The proximity of the proposed project to Downtown, existing pedestrian, bicycle, and pedestrian connectivity to Downtown, and the unique mix of retailers and food and beverage establishments makes Downtown an appealing destination and a likely location to attract additional household spending.

As RKG understands, the proposed Project is a mixed-use development which will include 485 units of multi-family housing and a 1,100 square foot commercial space on the ground floor. The residential portion of the Project is to include a mix of market rate and affordable housing in studio, one-, two-, and three-bedroom units with nearly 70% of the units as studios and one-bedrooms.

Figure 2 – Proposed Site Layout

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Key Findings

Key Finding #1 – At full build out and occupancy, the proposed Project is projected to add approximately $17.6 million annually (in 2021 dollars) to the consumer retail spending demand represented by Wakefield households. Although unquantified in this analysis, some portion of this annual spending demand will likely be captured across a broad base of existing retail merchants within the larger capture area. Some retail spending will be syphoned off to other areas and will not be captured exclusively by Downtown Wakefield. It is important to consider Downtown Wakefield's unique attributes as a walkable town center with a diverse mix of specialty foods, specialty retailers, personal services, and dining and drinking establishments. This mix of uses and the overall downtown look and feel will attract this new household spending across specific retail and dining categories.

Key Finding #2 – At full build-out and occupancy, the proposed Project is projected to add approximately $3.5 million annually (in 2021 dollars) to the retail marketplace of Downtown Wakefield. A 2016 analysis of Downtown Wakefield[1] indicated approximately 143,600 SF (rounded) of retail in the broad categories as identified in Table 2, and the estimated $3.5 million in additional consumer spending in RKG's analysis would represent an addition of approximately $24.00 per square foot (SF) in sales to this baseline. While it is unknown what the current average sales per SF is among the downtown merchants, if we were to assume an average of $250 per SF, this represents a 9.6% increase in sales.

[1] Market Assessment & Business District Composition Analysis – Downtown Wakefield, prepared by FinePoint Associates, LLC in 2016.

Research and Analysis

To estimate potential spending from the proposed Project, RKG first established a baseline of household spending demand across several retail sectors for Wakefield households. This information is provided by ESRI Business Analyst, a leading vendor of socioeconomic data and proprietary modeling. The baseline spending across categories, as shown Table 1, indicates the average annual demand per household (across all household types and tenures) in Wakefield is approximately $36,210 or $386.2 million for all households annually.[2]

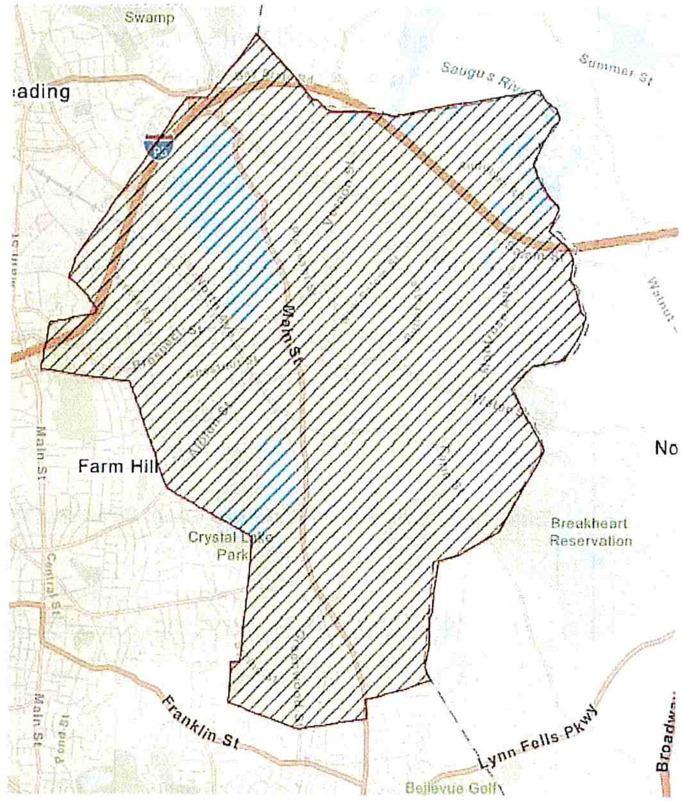

Figure 1 – Town of Wakefield Retail Baseline Area

As indicated, this annual spending demand per household varies from a high of approximately $7,650 for groceries and $4,725 for dining out (restaurants) to less than $200 per household for other categories such as used merchandise or florists. Nonetheless, applying this average consumer demand against the proposed 485-units at the Project results in an approximate $17.6 million in demand across all retail categories.[3]

It is reasonable to assume that some portion of this demand from new households would be captured by existing retail establishments across a three- to five-mile radius, which is commonly referred to as a primary trade area (PTA).[4] This reflects the fact that most consumers prefer to shop close to home provided that the desired retail goods and services are available and are competitively priced. RKG notes that it is unlikely that the existing retailers in the PTA could capture all this demand, as consumers may shop close to where they work, while they are away from home, and via e-commerce.

[2] Alternatively, the estimated consumer spending demand is approximately $14,375 per capita. As the household is generally considered to be the "consumption unit" RKG has opted to refer to it throughout this analysis.

[3] Average annual household demand (rounded) of $36,209 per household X 485 new households at the proposed Project = $17,561,425 in total demand from the new households.

[4] A PTA is considered to be that geographic area from which many retailers derive 65% to 75% of their sales volume.

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Table 1 – Estimated Annual Household Spending Demand – Wakefield, MA

		Town of Wakefield, MA	
Retail Demand Analysis - Wakefield, MA - Proposed 200 Quannapowitt Parkway Project	**NAICS Code**	**Demand/HH**	**Potential TOTAL Demand - Project**
TOTAL		**$36,209**	**$ 17,561,425**
Furniture & Home Furnishings Stores	**442**	**$1,336**	**$ 648,129**
Furniture Stores	4421	$708	$ 343,621
Home Furnishings Stores	4422	$628	$ 304,508
Electronics & Appliance Stores	**443**	**$1,963**	**$ 952,185**
Bldg Materials, Garden Equip. & Supply Stores	**444**	**$2,997**	**$ 1,453,464**
Bldg Material & Supplies Dealers	4441	$2,764	$ 1,340,680
Lawn & Garden Equip & Supply Stores	4442	$233	$ 112,784
Food & Beverage Stores	**445**	**$8,985**	**$ 4,357,586**
Grocery Stores	4451	$7,647	$ 3,708,757
Specialty Food Stores	4452	$337	$ 163,271
Beer, Wine & Liquor Stores	4453	$1.001	$ 485,558
Health & Personal Care Stores	**446,4461**	**$2,946**	**$ 1,428,896**
Clothing & Clothing Accessories Stores	**448**	**$3,477**	**$ 1,686,152**
Clothing Stores	4481	$2,439	$ 1,182,673
Shoe Stores	4482	$412	$ 199,838
Jewelry, Luggage & Leather Goods Stores	4483	$626	$ 303,641
Sporting Goods, Hobby, Book & Music Stores	**451**	**$1,802**	**$ 874,006**
Sporting Goods/Hobby/Musical Instr Stores	4511	$1,581	$ 766,870
Book, Periodical & Music Stores	4512	$221	$ 107,136
General Merchandise Stores	**452**	**$5,685**	**$ 2,757,383**
Department Stores Excluding Leased Depts.	4521	$4,060	$ 1,969,228
Other General Merchandise Stores	4529	$1,625	$ 788,156
Miscellaneous Store Retailers	**453**	**$1,813**	**$ 879,208**
Florists	4531	$158	$ 76,593
Office Supplies, Stationery & Gift Stores	4532	$610	$ 295,876
Used Merchandise Stores	4533	$148	$ 71,594
Other Miscellaneous Store Retailers	4539	$897	$ 435,145
Food Services & Drinking Places	**722**	**$5,205**	**$ 2,524,415**
Restaurants	7221	$4,725	$ 2,291,832
Special Food Services	7223	$192	$ 92,992
Drinking Places - Alcoholic Beverages	7224	$288	$ 139,591

Source: ESRI, ULI, ICSC and RKG (2021)

*Total Demand for the Project in Table 1 is calculated by multiplying the Demand/HH column by the 485 households in the proposed Project. This provides an estimate of potential spending across all households in the proposed Project across retail categories.

RKG next considered, and quantified, the projected consumer spending demand that may be captured by existing venues in Downtown Wakefield. There are numerous retail establishments in the Downtown, many independently owned and operated and with a sizeable concentration of dining options. This includes casual sit-down, specialty shops (such as ice cream, bakery and candy), and carry-out. There is also a broad range of food and beverage places representing many cultural cuisines. Other venues include, but are not limited to, hardware, antiques and consignment, as well as pharmacy and package stores.

A comprehensive inventory of these stores was beyond the scope of this analysis, but many have been noted in a previous study conducted of Downtown in 2016.[5] In RKG's analysis, we reviewed the more detailed retail categories from the 2016 study and highlighted those which may be most representative of the Downtown retail mix.

RKG also considered varying capture rates, by retail category, of the spending demand represented by the proposed 485-units at the Project. These estimated rates reflect that all new households will be renter-occupied, typically with differing spending demands, needs and capacities, and further that the Project is predominantly comprised of studio and one-bedroom units. While the average population per household is likely to be less when compared to owner-households, RKG assumes that these households will also be of a younger demographic and likely to spend more in such categories as dining, drinking and specialty foods and potentially less in other categories.

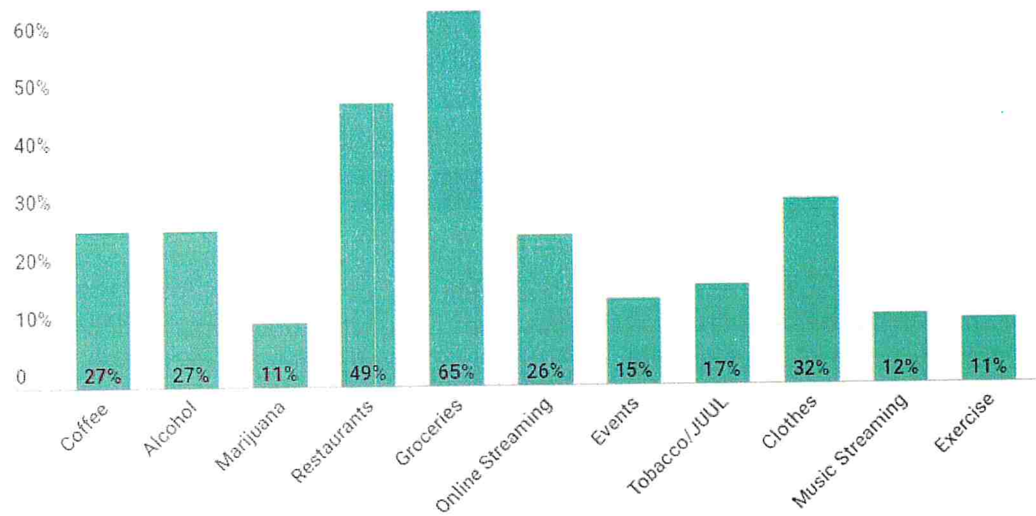
For example, a recent survey of 1,000 persons aged 22 to 37 conducted by LendEDU[6] found that many spend more each month on selected retail goods and services than other household types. There is a greater focus on goods and services that may be more likely to locate in a downtown or town center (refer to Figure 4).

While actual capture rates, and resulting sales, may vary from these estimates, RKG's considers them to represent a reasonable assumption. It is possible that capture rates, and sustainable sales, could be improved with some targeted marketing and outreach to these new households from the existing merchant base e.g., flyers, promotional brochures or other offers to new residents. RKG notes that from discussions with the developer of 200 Quannapowitt Parkway that the Project is proposing to incorporate a shuttle bus which will drive residents from the Project directly to Downtown. The Project is also proposing on-site marketing measures such as a perk program and on-site advertising for Downtown businesses. It is expected that these measures, in conjunction with general proximity, will make shopping in Downtown Wakefield the most convenient option for residents of the Project.

[5] Market Assessment & Business District Composition Analysis – Downtown Wakefield, prepared by FinePoint Associates, LLC in 2016.

[6] An independent research firm that has been tracking, among other endeavors, the personal financing and spending of students and young people since 2014.

Figure 2 – Percent of Respondents - Monthly Spending Patterns



Key Finding #2 – At full build-out and occupancy, the proposed Project is projected to add approximately $3.5 million annually (rounded and in 2021 dollars) to the retail market place of Downtown Wakefield. A 2016 analysis of Downtown Wakefield[7] indicated approximately 143,600 SF (rounded) of retail in the broad categories as identified in Table 2, and the estimated $3.5 million in additional consumer spending in RKG's analysis would represent an addition of approximately $24.00 per square foot (SF) in sales to this baseline. While it is unknown what the current average sales per SF is among the downtown merchants, if we were to assume an average of $250 per SF, this represents a 9.6% increase in sales.

[7] Market Assessment & Business District Composition Analysis – Downtown Wakefield, prepared by FinePoint Associates, LLC in 2016.

Table 2 – Estimated Retail Spending Demand and Potential Downtown Wakefield Capture

Estimated Household Retail Spending Demand and Downtown Wakefield Potential	Estimated Demand Project Households	Estimated Capture Rate /1	Estimated Captured Sales
Hardware and Home Supply Stores	$ 1,340,680	10%	$ 134,068
Grocery Stores	$ 3,708,757	30%	$ 1,112,627
Specialty Food Stores	$ 163,271	25%	$ 40,818
Beer, Wine & Liquor Stores	$ 485,558	30%	$ 145,667
Health & Personal Care Stores	$ 1,428,896	50%	$ 714,448
Clothing Stores	$ 1,182,673	15%	$ 177,401
Shoe Stores	$ 199,838	10%	$ 19,984
Florists	$ 76,593	25%	$ 19,148
Restaurants	$ 2,291,832	40%	$ 916,733
Special Food Services	$ 92,992	35%	$ 32,547
Drinking Places - Alcoholic Beverages	$ 139,591	40%	$ 55,837
Used Merchandise Stores	$ 71,594	25%	$ 17,898
Other Miscellaneous Store Retailers	$ 435,145	15%	$ 65,272
TOTAL	**$ 11,617,421**	**30%**	**$ 3,452,448**

Source: ESRI, ULI, ICSC and RKG (2021)

/1 Considers the mix of rental units as 70% studio and one-bedroom units.

Other Potential Revenue Impacts - The Town of Wakefield has a local option meals tax (0.75%) which if applied to the estimated capture of $916,733 in restaurant sales, as a result of the new households, could add an estimated $6,875 to annual Town tax receipts, representing an approximate 2.2% increase to the reported receipts for 2020 (the Massachusetts Department of Revenue – Division of Local Services).

FIRM PROFILE

RKG Associates, Inc. is a full service economic, planning, and real estate consulting firm with offices located in Boston, MA, Alexandria, VA, Atlanta, GA, and Dallas, TX. Since our founding in 1981, the firm has successfully completed more than two thousand consulting projects regionally, nationally, and internationally, providing a comprehensive range of economic, planning, marketing and management services to governmental, business and institutional clients. The firm currently employs 9 full-time professionals, having grown to become one of the most respected economic and real estate advisory consulting firms in United States.

RKG Associates specializes in the application of economic analysis to economic development, real estate development, and financing issues toward the goal of attracting private sector investment and job creation. We have completed numerous economic development strategic plans and economic diversification strategies. Our approach is to synthesize the market, real estate, and fiscal analysis into an achievable, yet progressive, implementation strategy. Simply put, an economic development effort is only effective if it is accompanied by a detailed "road map" for the client to transition from vision to action. Our expertise transcends the location, size and scale of a community, having advised rural towns all the way to major metropolitan areas.

RKG Associates has assembled a group of highly qualified professionals who bring their own unique perspective to each assignment, and the firm's strength lies in the diversity of backgrounds and disciplines represented within the organization. The talents of staff economists, planners, financial analysts, appraisers and real estate developers are brought together in a team effort to solve client problems. RKG Associates also has access to, and works with, a wide array of affiliates and consultants who provide technical expertise in such areas as architecture, urban design, engineering, environmental science, and associated disciplines.

RKG Associates Core Service Areas

Economic Consulting Services

RKG's economic consulting services center on evaluating demographic, economic, real estate and industry-wide trends within a city, region, and/or state. This research allows us to evaluate the economic and fiscal impacts of a proposed facility or new development, create a target industry analysis, or formulate an economic development plan for an area. Economic Consulting services include:

» Fiscal and Economic Impact Analysis
» Downtown Revitalization and Urban Redevelopment
» Economic Development Strategies
» Labor Force Studies
» Target Industry Analysis

Real Estate Services

Projects grounded in a market-based approach – regardless of industry – allows our clients to maximize the potential by identifying highest and best use, defining the market factors and associated impact on outcome expectations, and targeting consumer demand. The professionals at RKG have over 30 years of experience providing market research, development feasibility and financial feasibility consulting services to both the public and private sectors on a wide variety of real estate projects. Our project experience throughout the U.S. includes:

» Real Estate Market Research
» Market Feasibility Studies
» Highest and Best Use Studies
» Financial Feasibility Analysis
» Real Estate Appraisals
» New Construction, Land Development and Adaptive Reuse

Planning Services

Sound planning positions an organization or community for success. Practical planning efforts enables agencies the ability to progressively meet their needs on an ongoing basis. Operation and organizational development focus on the people and processes that accelerate and improve growth initiatives. Simply put, focus is placed on the critical factors – the core mission and goals of the organization – so that adequate resources are allocated to the activities that provide the greatest benefit. When an organization is faced with crucial decisions that have the potential to infinitely impact all four critical elements of business – human resources, financial resources, physical resources, and capital – an impartial and factual based form of planning is required. RKG's planning professionals have special expertise in evaluating overall land use patterns, rezoning strategies to encourage new investment, project management, public process and the preparation of economic base and market studies in support of the municipal master planning process. Planning services includes:

» Brownfields Redevelopment
» Military Base Reuse
» Municipal Master Plans
» Tax Base Management Strategies
» Municipal Service Studies
» Open Space and "Smart Growth" Strategies
» Transportation Planning
» Real Estate Advisory Services