

MEMORANDUM

To: Tim Sheehan, Susan Sweitzer
Norwalk Redevelopment Agency

From: Dick Paik, Sarah Woodworth, W-ZHA, LLC

Re: Impacts of Norwalk Urban Redevelopment Projects

Date: April 6, 2016

I. INTRODUCTION and SUMMARY

A. DOCUMENT SCOPE AND PURPOSE

This document addresses the fiscal and economic impacts on the City of Norwalk of recent redevelopment projects (the “Redevelopment Projects”) in Norwalk’s core urban areas.

The findings of the analysis are intended to inform the Norwalk Redevelopment Agency and other City decision-makers regarding the economic implications of urban redevelopment.

B. PROJECTS IN SCOPE

In assessing impacts, the scope of this analysis encompasses the following Redevelopment Projects:¹

¹ The analysis excludes the impacts of twelve different projects that are not available for occupancy as of November, 2015. Such projects are in various phases of permitting or construction, and are expected to comprise more than 1,100 additional dwelling units and 200,000 square feet of commercial space.



TABLE 1

Redevelopment Projects

<u>Residential Components</u>	<u>Dwelling Units</u>	<u>Yr. Built</u>
Avalon Norwalk	314	2010
Ironworks	114	2013
Sheffield (Maritime Yards)	141	2007
Waypointe	464	2013
West Ave. Townhouses	5	2010
Maritime Yards	71	2004-07
<u>SoNo Lofts</u>	<u>40</u>	2004
TOTAL	1,149	
<u>Commercial Space</u>	<u>Sq. Ft.</u>	<u>Yr. Built</u>
Lock Bldg	100,000	2002
Maritime Yards	40,000	2004-07
Waypointe	60,000	2013
<u>Other</u>	<u>50,000</u>	2010-13
TOTAL	250,000	

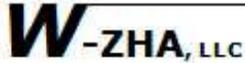
* Current assessor records reflect 390 units, of which 382 are occupied. In calculating tax revenues as well as resident impacts, however, all 464 units are included herein. Dwelling units include offsite affordable units as well.

Source : Norwalk Assessor's Office; Norwalk Redevelopment Agency; W-ZHA Field Survey.

C. SUMMARY OF KEY FINDINGS

The major findings of this analysis include the following:

- The Redevelopment Projects have generated net new annual property tax levies of \$4.64 million. Over the ten-year span from 2005 through 2014, these have amounted to a cumulative total of approximately \$21.3 million.



- These new revenues have been partly offset by new public service burdens, which amount to roughly \$965,000 in annual expenses, and a ten-year cumulative total of \$3.17 million.
- Combining these revenues and expenses, the City can attribute to the Redevelopment Projects a current net benefit of \$3.68 million annually and a ten-year cumulative total of \$18.12 million.
- A net gain of 995 new jobs can reasonably be attributed the Redevelopment Projects. These include 625 jobs generated by new commercial space, as well as 370 new jobs derived from new consumer spending. New compensation associated with these jobs amounts to a total of \$84.1 million per year, or \$84,600 per job.

The remaining body of this document sets forth the underlying processes and support for these findings.

II. FISCAL IMPACTS

This section estimates changes in revenues and expenses generated by the Redevelopment Projects.

A. METHODOLOGY, KEY ASSUMPTIONS, AND DEFINITIONS

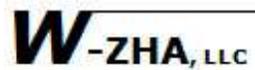
In this fiscal analysis, the following shall apply:

Time Frame: This analysis targets a ten-year time frame, and relies upon trends over time spans of approximately ten years. Due to the availability and format of public records, however, there is some inconsistency regarding the identification of “base year,” “most recent year” and other such markers.

Service Burdens vs. Expenses: In theory, public service expenses vary in accordance with new inputs such as new road-miles, new population, new public school students, etc. In reality, the City’s budget processes do not necessarily allocate expenses commensurate with the incremental changes in service burdens. Notwithstanding this reality, this analysis seeks to quantify changes in *service burdens* – rather than actual historical expenditures – since such incremental increases eventually reach thresholds triggering new expenses.

Scope: Revenue Impacts: Revenue impacts within the scope of this document are limited to new property tax levies; they exclude without limitation new “user fees,” development fees, fines, personal property taxes, conveyance taxes, or taxes levied during construction periods. If considered, these revenues would further enhance the positive economic contributions of the Redevelopment Projects.

Scope: de Minimis Impacts: This analysis excludes new revenues or expenses that fall within a *de minimis* range, which are exceeded by common fluctuations caused by unusual weather, macro-economic conditions, isolated external events, etc.

**B. ANNUAL REVENUE IMPACTS**

The Redevelopment Projects' contributions to the City's property tax base are based on appraised and assessed values. The following table shows these values, which amount to a total of \$284 million in appraised value, and – applying the state-mandated 70 percent assessment ratio -- \$199 million in assessed value.



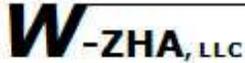
TABLE 2

Redevelopment Project Valuations

	<u>Appraised</u>	<u>Assessed</u>
Avalon 26 Belden Ave.	\$62,124,270	\$43,486,989
Waypointe 515 West Ave.	\$64,777,648	\$45,344,354
Ironworks 1 North Water	\$22,987,150	\$16,091,005
Maritime Yards 11 North Water/25 Marshall	\$17,681,815	\$12,377,271
Sheffield 55 North Water	\$45,423,420	\$31,796,394
Maritime Yards 33 North Water	\$35,583,340	\$24,908,338
Lock Bldg 18 Marshall St.	\$20,105,190	\$14,073,633
SoNo Lofts 10 Ann St.	\$13,657,200	\$9,560,040
West Ave. Townhouses 1-3 Pine St.	\$1,900,000	\$1,330,000
TOTAL	\$284,240,033	\$198,968,023

Source: Norwalk Assessor's Office

From these figures, pre-Redevelopment values are subtracted to calculate the net property value increase created by the Redevelopment Projects. These pre-Redevelopment values amounted to a total



of \$18.2 million.² These values are then inflated to current year dollars,³ which amount to a total of roughly \$23.2 million.

When this pre-Redevelopment value is subtracted from \$284 million in new appraised value, the result is a net value increase of \$261 million.

TABLE 3

**Annual Net Property Tax Revenue Gain
from Redevelopment Properties***

Current Appraised Value		\$284,240,033
Pre-Redevelopment (Base Yr.) Values		\$18,200,170
<u>Pre-Redevelopment Values (Current Yr. \$)</u>		<u>\$23,238,762</u>
Net Value Gain		\$261,001,271
Gain in Assessed Value	70%	\$182,700,889
Gain in Levied Taxes	0.025371	\$4,635,304

* Both base-year and current values exclude those derived from 6 affordable units located offsite from these properties.

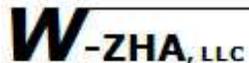
Source: City of Norwalk; W-ZHA, LLC

Applying the 70 percent assessment rate to this figure, the net increase in assessed value amounts to \$182.7 million.

Then, applying the prevailing 25.371/\$1,000 millage rate for Districts 1 and 2, this net increase produces new tax levies of \$4.6 million per year.

² These values reflect pre-redevelopment conditions. They exclude values for property underlying the Maritime Yards redevelopment, as this was owned by the State of Connecticut and not subject to municipal taxation.

³ Pre-existing values for the various properties are inflated from their pre-redevelopment "base years" at 2.6 percent annually, reflecting the annualized CPI change over the last ten years. This value inflation is not necessarily correlated to changes in property values, but is necessary to reflect current dollar values.



C. ANNUAL EXPENSE IMPACTS

In addition to increased property tax revenues, new development places new demands on public services. In assessing the costs incurred by these demands, the approach in this analysis is as follows:

- **Budget Analysis:** The initial step is to gain an understanding of the City’s operating costs and the extent to which it has changed over time.
- **Variable Cost Analysis:** The second step in this process is to identify the general “variable costs” within the budget that would be most likely to change as a result of the new tenants introduced in the Redevelopment Projects.
- **Redevelopment Cost Allocation:** Working with the findings derived in the preceding steps, the analysis concludes with an estimate of the increased burdens on City budgets that can be reasonably attributed to the Redevelopment Projects.

1. Budget Analysis Over Time

a. Overview

The current operating budget for the City of Norwalk amounts to approximately \$327 million. Of this total, the largest share – 52 percent -- is consumed by the Board of Education, with a budget of \$171 million.

The next-largest operating category, comprising 21.5 percent of the current budget, is the “Operating Charges” category, which includes obligations for expenses such as debt service, pension contributions, and employee benefits.⁴

The third-largest budget category is the “protection of persons/property” category, of which the police and fire departments comprise the largest subcategories.⁵

As shown in Table 4 below, over the last eleven years, Operating Charges and “General Government” expenses have increased most rapidly (6 percent and 4.6 percent per year, respectively). The other major budget categories have increased at rates ranging from roughly zero to four percent annually.

⁴ Costs for debt service, employee benefits and pensions increased at annualized rates of 5.8 percent, 6.2 percent, and 17.4 percent respectively. Over eleven years, increases in these categories amounted to more than \$37 million. These were attributable to issues encompassing City debt issuances, investment returns, health care costs, and others, and bear no direct relation to Redevelopment Project impacts.

⁵ This category also includes the Department of Planning and Zoning, Code Enforcement, and Dispatch and Emergency Planning.

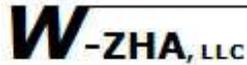


TABLE 4

Change in Approved City Budgets

Department	FY 2004-05		FY 2015-16		Change	
	Amount (\$)	Share	Amount (\$)	Share	Amount (\$)	Avg. Annual
General Government	\$3,425,597	1.5%	\$5,600,204	1.7%	\$2,174,607	4.6%
Finance	\$2,768,058	1.2%	\$3,709,408	1.1%	\$941,350	2.7%
Health and Welfare	\$1,928,309	0.9%	\$2,109,452	0.6%	\$181,143	0.8%
Protection of Persons/Property	\$29,673,897	13.3%	\$45,054,666	13.8%	\$15,380,769	3.9%
Public Works/Bldg Mgt.	\$14,312,928	6.4%	\$18,507,173	5.7%	\$4,194,245	2.4%
Recreation, Arts, Culture	\$6,210,877	2.8%	\$8,373,220	2.6%	\$2,162,343	2.8%
Grants	\$2,498,862	1.1%	\$2,346,662	0.7%	-\$152,200	-0.6%
Operating Charges	\$37,009,541	16.6%	\$70,300,967	21.5%	\$33,291,426	6.0%
Education	\$124,829,934	56.1%	\$170,987,857	52.3%	\$46,157,923	2.9%
TOTALS	\$222,658,003	100.0%	\$326,989,609	100.0%	\$104,331,606	3.6%

Source: City of Norwalk Finance Dept.; W-ZHA, LLC

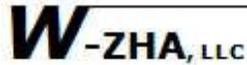
Table 5 below is similar to Table 4 but shows actual rather than budgeted operating costs. The patterns, however, are similar: the fastest increases have occurred in Operating Charges and General Government, with moderate rates of increase – generally 1.5 percent to 2.5 percent -- in most other departments.

TABLE 5

Change in Actual City Operating Expenses

Department	FY 2005-06		FY 2013-14		Change	
	Amount (\$)	Share	Amount (\$)	Share	Amount (\$)	Avg. Annual
General Government	\$3,831,956	1.6%	\$5,147,146	1.7%	\$1,315,190	3.8%
Finance	\$2,944,461	1.2%	\$3,806,713	1.2%	\$862,252	3.3%
Health and Welfare	\$1,996,937	0.8%	\$1,967,440	0.6%	-\$29,497	-0.2%
Protection of Persons/Property	\$36,525,435	15.2%	\$41,758,267	13.6%	\$5,232,832	1.7%
Public Works/Bldg Mgt.	\$15,419,913	6.4%	\$17,721,078	5.8%	\$2,301,165	1.8%
Recreation, Arts, Culture	\$6,812,951	2.8%	\$7,683,887	2.5%	\$870,936	1.5%
Grants	\$2,513,665	1.0%	\$1,746,663	0.6%	-\$767,002	-4.4%
Operating Charges	\$36,505,650	15.2%	\$67,027,895	21.8%	\$30,522,245	7.9%
Education	\$133,181,658	55.6%	\$161,243,578	52.3%	\$28,061,920	2.4%
TOTALS	\$239,732,626	100.0%	\$308,102,667	100.0%	\$68,370,041	3.2%

Source: City of Norwalk Finance Dept.; W-ZHA, LLC



b. Budget Factors

The City's operating costs vary in accordance with a wide range of issues. In explaining the cost increases described above, it should be noted as an initial matter that over the last eleven years, City-wide employment has actually declined – and has not increased substantially in *any* city department.

TABLE 6

City of Norwalk Employment Trends

Fiscal Year:	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Change
General Gov't.	45	48	49	47	48	45	45	47	47	47	47	48	3
Finance	34	34	35	35	35	34	34	34	35	35	34	34	0
Health & Welfare	21	21	21	21	21	16	16	16	16	16	16	16	-5
Police (Civilian)	17	17	17	17	17	16	16	16	16	16	16	16	-1
Fire (Civilian)	4	4	4	5	5	5	5	5	4	4	5	5	1
Other Protection	42	43	45	45	45	43	43	43	43	43	43	43	1
Public Works/Bldg Mgt	114	107	107	107	107	100	100	100	88	88	87	88	-26
Recreation/Arts/Culture	54	54	54	54	55	51	51	51	49	50	49	50	-4
Subtotal	331	328	332	331	333	310	310	312	298	299	297	300	-31
Police (Sworn)	179	179	182	182	182	182	182	181	181	181	181	181	2
Fire (Sworn)	139	139	139	139	141	140	141	141	141	143	142	142	3
Subtotal	318	318	321	321	323	322	323	322	322	324	323	323	5
Education	1,304	1,320	1,353	1,384	1,343	1,331	1,329	1,310	1,236	1,259	1,189	1,225	-79
General Fund Total	1,953	1,966	2,006	2,036	1,999	1,963	1,962	1,944	1,856	1,882	1,809	1,848	-105

Source: City of Norwalk Finance Dept.

This pattern of declining employment (which accounts for about two-thirds of all expenses when Grants and Operating Charges are excluded) has occurred during a period in which the city's estimated population has grown by more than 3,600, from 84,170 to 87,776; this increase of 3,606 represents an annualized growth rate of 0.4 percent. This employment trend indicates that staff cost increases have been driven not by increased hiring but rather by factors such as inflation, promotions and step salary raises.

In Norwalk, an overall inflation factor over a ten-year span would fall within a general range of 2.5 to 3.0 per year. The following table presents a range of relevant cost indices that could be used as proxies for inflation.



TABLE 7

Inflation Indices: 2004-2015

	<u>2004</u>	<u>2015</u>	<u>C.A.G.R.*</u>
Consumer Price Index NY Metro (1984=100)	204.8	260.6	2.2%
National Employment Cost Index			
All State/local gov't workers	95.4	127.0	2.6%
Mgt/professional occupations	95.5	126.0	2.6%
Office/admin support	95.6	128.8	2.7%
Education	95.5	125.9	2.5%
Public Administration	95.1	128.5	2.8%
Norwalk Salaries (Budgeted)**			
Avg. Police Patrol Officer	\$55,233	\$73,752	2.7%
Avg. Firefighter	\$50,018	\$74,071	3.6%
Avg. DPW Maintainer II	\$44,299	\$60,518	2.9%

* "C.A.G.R." = compounded annual growth rate.

** These reflect seniority and longevity issues as well as changes in compensation levels for specific positions.

Source: City of Norwalk Dept. of Finance; W-ZHA, LLC.

Over the last ten years, only the "Finance," "General Government," and "Operating Charges" budgets have increased faster than most of these inflation indices. These activity categories are largely fixed and bear little relation to operational burdens imposed by new population. The sub-inflationary rate of most budget item increases, combined with the knowledge that city-wide employment has declined, suggest that inflation, step salary increases, and other issues unrelated to the Redevelopment Projects account for most of the ten-year growth in Norwalk's operating budgets.

2. Variable Costs and Theoretical Cost Burdens

The foregoing suggests that few if any budget increases have been brought about by the Redevelopment Projects. Still, while incremental additions to the City's population, road mileage, employment, or school enrollment do not, in and of themselves – incur new staff hirings, new equipment purchases, new patrol missions, or staff training seminars, over time the cumulative effect of incremental growth gradually increase staff responsibilities as well as physical wear and tear on infrastructure and equipment. In the absence of discernible evidence that the Redevelopment Projects have increased actual City expenses, this analysis nonetheless attempts to assess an appropriate



incremental increase in *service burdens* that, as cumulative thresholds are met, could eventually result in actual City cost increases.

The following discussions quantify these increased burdens for the police department, fire department, and board of education. These are the major operating departments that are most likely to assume increased burdens as development adds new tenants and responsibilities to the City.

a. Police Department

The Norwalk police department's approved budget for FY 2015-16 amounts to \$22.1 million. As shown below, more than half of this budget is allocated to Patrol Operations, which comprises the primary division responsible for day-to-day field operations. Investigative services comprises the second-largest portion of the budget, followed by support services, which involves a range of administrative services involving building maintenance, fleet support, community services, etc.

TABLE 8

City of Norwalk Police Department Approved Budget, FY 2015-16

Administration	\$920,137
Patrol Operations	\$11,772,712
Investigative Services	\$4,201,991
Professional Standards	\$1,112,540
Support Services	\$3,115,920
<u>Administrative Services</u>	<u>\$997,059</u>
Total	\$22,120,359

Source: City of Norwalk Finance Dept.

In comparison to the above, the police budget in FY 2004 amounted to \$14.6 million. This 11-year, \$7.5 million increase represents an annualized growth rate of 3.8 percent. Table 9 shows a breakdown of the expense increases in various major groups.⁶

⁶ Table 9 breaks down the budget by "major group" rather than by "activity" – e.g., patrol operations, administration, etc. – because the "activity" breakdown categories changed between FY 2004 and the present.



TABLE 9

Norwalk Police Dept. Operating Budget Change

	<u>FY 2004-05</u>	<u>FY 2015-16</u>	<u>C.A.G.R.*</u>	<u>% of change</u>
Personnel	\$12,717,844	\$18,191,453	3.3%	72.8%
Contractual Services	\$569,706	\$1,127,416	6.4%	7.4%
Supplies & Materials	\$99,889	\$163,262	4.6%	0.8%
Fixed Charges	\$957,031	\$2,184,708	7.8%	16.3%
Grants & Donations	\$10,700	\$26,700	8.7%	0.2%
<u>Capital Outlay</u>	<u>\$249,661</u>	<u>\$426,820</u>	<u>5.0%</u>	<u>2.4%</u>
Total	\$14,604,831	\$22,120,359	3.8%	100.0%

* "CAGR" = Compounded annual growth rate

Source: Norwalk Finance Dept.

Personnel accounts for roughly 82 percent of the overall department budget, and 73 percent of the overall 11-year budget increase. Given the negligible change in staff positions, (from 196 to 197 jobs) these expenses are most likely attributable to inflation and other salary increases involving step salary increases or union contract negotiations.

In seeking, however, to identify new burdens – as opposed to actual costs -- the key steps in this process are to identify (1) the costs that would vary in response to new service burdens; and (2) an appropriate allocation of burdens attributable to the Redevelopment Projects.

Allocation factor: Population and Employment Growth: In measuring the latter issue – the extent of the change in department burdens -- it is reasonable to use combined population and employment growth as a proxy for the extent of such increases. The population attributable to the Redevelopment Projects can be estimated by first calculating the number of new units contained in the projects, and then multiplying this unit count by assumed population/dwelling unit ratios. As shown in Table 10, estimated population attributable to the Redevelopment Projects amounts to 1,910 persons.

TABLE 10**Dwelling Units and Population Growth**

New Units	1,149
Occupancy @ 95%	1,092
BR/Du*	1.50
Persons/1 BR du	1.50
Persons/2 BR du	2.00
Persons/Du	1.75
New Population	1,910

* A review of assessor's data as well as field work research indicates that the Redevelopment Projects' unit mix closely approximates a 50/50 mix of 1 Br and 2Br units.

In addition to population, employment in the Redevelopment Projects' commercial components also accounts for a share of the City's public service burdens. The discussion in Section III.A below estimates employment attributable to the Redevelopment Projects at 625. This figure is then adjusted to eliminate the likely portion of this employment already counted in the City population figure. Applying a 75.2 percent ratio (U.S. Census figure for Norwalk), we estimate that 470 workers can be attributed to the Redevelopment Projects. These calculations are shown in Table 11.



TABLE 11

**Share of Public Service Burdens Attributable
to Redevelopment Projects**

	<u>City</u>	<u>Redev. Projects</u>
Population	87,776	1,910
Workers ¹	47,137	625
Non-resident workers @ 75.2% ²	35,447	470
Combined Resident + Daytime Pop.	123,223	2,380
Share Attributable to Redev. Projects		1.93%

¹ City estimate provided by U.S. Census for 2013. Redevelopment Project estimate is derived in Section III, and shown in Table 26 below.

² 75.2 percent ratio provided by U.S. Census. This ratio is applied to avoid double-counting workers who are also residents.

Source: U.S. Census, City of Norwalk, W-ZHA, LLC.

The Redevelopment Projects' combined population and employment, as estimated in Table 11, amount to 2,380. This figure accounts for 1.93 percent of the City's total combined population (87,776) and employment (47,137), which amounts to 123,223. Accordingly, this analysis applies the assumption that the public service needs attributable to in the Redevelopment Projects account for 1.93 percent of the variable costs.

Variable Costs: New population introduced by the Redevelopment Projects (and other developments) would generate increased numbers of crimes, personal injuries, disturbances, and other issues requiring police attention. Therefore, the budget items that are most likely to vary in accordance with new population fall on staff within the department's "patrol operations" and "investigative services" divisions. Other cost items – e.g., executive and administrative expenses – may vary in accordance with a wide range of factors, but are not directly affected by increased population. While other costs for items such as conferences, uniforms, or gasoline may also change, as a response to the Redevelopment Projects, they most likely fall below a "de minimis" level.



Variable cost budget items are highlighted in the table below; the right-hand column shows the 1.93 percent public service share attributable to the Redevelopment Projects.

TABLE 12

**City of Norwalk Police Dept.
Variable Cost Items and Change Attributable to Redevelopment Projects**

	FY 2015-16 Budget <u>Expense</u>	Redev. Project Share @ <u>1.93%</u>
Patrol Operations		
Personnel (excl. overtime, differential, PTE)	\$9,387,520	
Police Lieutenant	\$290,549	
Sergeant	\$1,647,984	\$31,833
Police Officer	\$7,448,987	\$143,887
Other (overtime, differential, PTE)	\$1,747,183	\$33,749
Investigative Services		
Personnel	\$3,493,782	
Police Lieutenant	\$387,532	
Detective	\$1,447,029	\$27,951
Sergeant	\$458,090	
Police Officer	\$1,143,581	\$22,090
Admin/Support II	\$57,550	
Other	\$437,279	\$8,447
Total	\$13,872,043	\$267,956
Share of Total Police Dept. Budget	62.7%	1.2%

Source: City of Norwalk Finance Dept.; W-ZHA, LLC.

Increased Service Burden: Applying the 1.93 Redevelopment Project share factor to these variable cost items, as shown above, it can be estimated that new public service burdens attributable to the Redevelopment Projects amount to **\$268,000**, or 1.2 percent of the total department budget.

b. Fire Department

The Norwalk fire department budget current amounts to \$18.5 million, as summarized in Table 13.

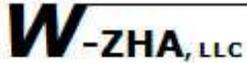


TABLE 13

City of Norwalk Fire Dept. Approved Budget, 2015-16

	<u>FY 2015-16</u>
Administration	\$615,526
Firefighting	\$15,822,618
Prevention	\$627,576
Fire Training	\$326,604
Stations & Buildings	\$983,424
<u>Emergency Preparedness</u>	<u>\$127,496</u>
TOTAL	\$18,503,244

Source: City of Norwalk Finance Dept.

In comparison, the corresponding budget in 2004-05 amounted to \$12 million; this \$6.4 million increase has occurred at an annualized rate of 4.0 percent. Table 14 presents a breakdown of expense increases by department activity.

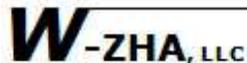
TABLE 14

Norwalk Fire Dept. Operating Budget Change

	<u>FY 2004-05</u>	<u>FY 2015-16</u>	<u>Change</u>	<u>C.A.G.R</u>
Administration	\$572,577	\$615,526	\$42,949	0.7%
Firefighting	\$10,284,634	\$15,822,618	\$5,537,984	4.0%
Prevention	\$500,107	\$627,576	\$127,469	2.1%
Fire Training	\$138,463	\$326,604	\$188,141	8.1%
Stations & Buildings	\$565,361	\$983,424	\$418,063	5.2%
<u>Emergency Preparedness</u>	<u>n/a</u>	<u>\$127,496</u>	<u>n/a</u>	<u>7.6%</u>
TOTAL	\$12,061,142	\$18,503,244	\$6,442,102	4.0%

* This function was not included in Fire Dept. operations for a number of years, before reappearing in 2007-08, with an approved budget of \$71,150. "C.A.G.R" for this item is calculated over the 8-yr. period from 2007-08 to 2015-16.

Source: City of Norwalk Finance Dept.



For several reasons it is difficult to attribute substantial portions of this increase to the Redevelopment Projects:

- Fire stations and staff allocation decisions are driven by geography and response times relative to residential locations. Where new developments are situated within urbanized areas, additional staff or equipment may not be required. Moreover, it should be noted that, through the rehabilitation of aging or neglected properties, such activity actually lessens department responsibilities.⁷
- While fire department staff has increased slightly -- from 139 to 142 -- over ten years, the department staff would typically grow in units defined by truck crew-shifts, as opposed to smaller increments that match increases in service demands. Therefore, this increase in staff probably does not represent a response to incremental population/employment growth.
- Department staff indicate that incidents of medical calls, building fires and other such demands have not changed significantly over long-term periods.

Notwithstanding these points, substantial population or employment increases can incur increases in fire department calls, and will eventually exceed the thresholds that drive corresponding expense increases.

As in the preceding analysis of police department increases, this process first identifies key variable department expense categories, and then allocates 1.93 percent of this -- the share attributable to the Redevelopment Projects -- to these variable expenses.

As highlighted in Table 15, the fire department's major variable expenses involve firefighting and fire prevention staff. These items amount to \$13.5 million, 73 percent of the total department budget.

Applying the 1.93 percent share to these fire department expenses, the share of service burdens attributable to the Redevelopment Projects amounts to a total of roughly **\$261,000** per year.

⁷ Fire Dept. statistics show a decline in structure fires, from 199 in 2004-05 to 159 in 2013-14.



TABLE 15

**City of Norwalk Fire Dept.
Variable Cost Items and Change Attributable to Redevelopment Projects**

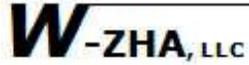
	FY 2015-16 Budget <u>Expense</u>	Redev. Project Share @ <u>1.93%</u>
Firefighting		
Personnel	\$10,561,534	
Deputy Fire Chief	\$439,344	
Fire Captain	\$1,102,112	
Fire Lieutenant	\$1,909,257	\$36,880
Firefighter	\$7,110,821	\$137,355
Other	\$3,566,408	\$68,890
Prevention		
Personnel	\$569,396	\$10,999
Contractual	\$10,246	\$198
Supplies & Materials	\$5,040	\$97
Fire Training	\$326,604	\$6,309
TOTALS	\$13,497,772	\$260,727
Share of Total Fire Dept. Budget	72.9%	1.4%

Source: City of Norwalk Finance Dept.; W-ZHA, LLC.

c. Board of Education

Budget Overview: As noted previously, the Norwalk public school budget comprises 52 percent of the City's overall expenses. This budget has increased from \$124.8 million in 2004-05 to \$171 million in the current budget, at an annualized rate of 2.9 percent.

Table 16 shows a summary breakdown of the Board of Education budget by activity, as well as growth since 2004-05.

**TABLE 16****Norwalk Board of Education: Operating Budget Change**

	FY 2004-05		FY 2015-16		CAGR
	<u>Amount</u>	<u>Share</u>	<u>Amount</u>	<u>Share</u>	
TOTAL	\$124,829,934	100.0%	\$170,987,857	100.0%	2.9%
Personnel	\$82,782,391	66.3%	\$109,916,428	64.3%	2.6%
Contractual Services	\$12,484,069	10.0%	\$21,868,695	12.8%	5.2%
Supplies and Materials	\$4,602,015	3.7%	\$6,185,941	3.6%	2.7%
Fixed Charges (incl. benefits)	\$24,651,255	19.7%	\$32,873,610	19.2%	2.7%
Grants & Donations	\$83,376	0.1%	\$143,183	0.1%	5.0%
Capital Outlay	\$226,828	0.2%	--	--	n/a

Source: Norwalk Finance Dept.

Enrollment Attributable to Redevelopment Projects: In assessing the extent to which this expense growth can be attributed to the Redevelopment Projects, Table 17 shows a juxtaposition of relevant trends:

TABLE 17

**Norwalk Board of Education
Change Indices**

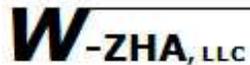
	<u>Population</u>	<u>Enrollment</u>	<u>Staff</u>
2004	84,170		
2005	84,412	11,080	1,304
2006	84,437	10,923	1,320
2007	84,344	10,782	1,353
2008	83,456	10,616	1,343
2009	84,877	10,748	1,343
2010	83,802	10,883	1,331
2011	85,653	11,065	1,325
2012	86,460	10,881	1,310
2013	87,190	10,840	1,236
2014	87,776	11,078	1,259
2015		11,294	1,225
<u>10-yr. Change</u>			
#	3,606	214	1,225
CAGR	0.42%	0.19%	-0.62%

Source: Norwalk Finance Dept.

Notable among these figures are the following:

- The City's population growth rate of .42 percent per year has been well in excess of the .19 percent per year enrollment increase during this time frame. This trend is consistent with the generally accepted understanding that market-rate multi-family dwelling units target (and attract) small 1- and 2-person households with few school-age children.
- As population has grown, the board of education staff has decreased substantially, from 1,304 to 1,225.

Notwithstanding the historical *negative* correlation between population growth and school staff, it is likely that *some* enrollment -- and use of resources -- is attributable to tenancies at the Redevelopment Projects.



In estimating the extent of such attribution, this analysis first estimates increased enrollment attributable to the Redevelopment Projects, and then applies the extent of this increase to the Board of Education's variable costs.

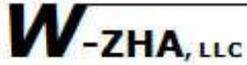
New Enrollment: As of January, 2016, the Board of Education reports a total of 25 students at the Redevelopment Projects (a ratio of .0236 public school students per dwelling unit). These students comprise 0.22 percent of the Board of Education's current enrollment of 11,294.

Variable Costs: Public education costs that would vary in accordance with enrollment changes are shown below. These amount to \$135.8 million, accounting for 79 percent of the overall board of education budget.

**Table 18****Norwalk Board of Education: Variable Costs**

	FY 2015-16 <u>Budget</u>	% of Total <u>Budget</u>
Personnel		
Teachers	\$69,750,718	40.8%
Substitutes	\$960,720	0.6%
Other Certified	\$7,363,629	4.3%
Aide	\$7,929,680	4.6%
Salaries-Workshops	\$39,136	0.0%
Salaries-Extra-curricular	\$639,931	0.4%
Benefits		
Fringe Benefits	\$26,672,362	15.6%
Retirement Benefits	\$1,639,290	1.0%
Social Security	\$3,259,115	1.9%
Unemployment Comp	\$80,000	0.0%
Contractual Services		
Student Transportation Services	\$7,562,879	4.4%
Student Trans	\$296,397	0.2%
Student Trans Ind Arts	\$44,131	0.0%
Special Ed	\$7,075,500	4.1%
Travel	\$130,252	0.1%
Supplies & Materials		
Supplies	\$116,984	0.1%
General Supplies	\$307,500	0.2%
Instructional Supplies	\$726,862	0.4%
Textbooks (hard cover)	\$146,391	0.1%
Consumables/Workbooks	\$108,477	0.1%
Textbooks (soft cover)	\$146,236	0.1%
Bookbinding	\$3,700	0.0%
Other Supplies & Materials	\$196,937	0.1%
Instructional Equipment	\$290,437	0.2%
Instructional Software	\$280,525	0.2%
Non-instructional equipment	\$38,049	0.0%
Variable Cost Subtotal	\$135,805,838	79.4%

Source: Norwalk Finance Dept.



Multiplying this variable expense figure by the Redevelopment Projects' 0.22 percent share of total enrollment, the expense variation attributable to the Redevelopment Projects amounts to **\$300,000**.

TABLE 19

**Board of Education: Expense Increases
Attributable to Redevelopment Projects**

Variable Costs	\$135,805,838
Redevelopment Enrollment Share	0.22%
Variation Attributable to Redevelopment	\$300,615

Source: W-ZHA, LLC

d. Other Operating Increases

In addition to the foregoing, other – smaller -- budget items are likely to vary in accordance with the Norwalk population. Added burdens for these services would be incremental in all cases; some would fall well below *de minimis* thresholds. Without engaging in interviews with all of Norwalk's department heads, Table 20 presents a list of service burdens that in W-ZHA's judgment would increase incrementally as development occurs, along with the 1.93 percent Redevelopment Project shares (derived previously in Table 11).

As shown, these additional "other" expenses amount to an additional **\$136,000** in operating costs that can be reasonably attributed to the Redevelopment Projects.

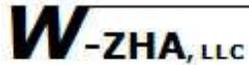


TABLE 20

Other Expenses Attributable to Redevelopment Projects

	FY 2015-16	
	Budget	1.93%
	<u>Amount</u>	<u>Share</u>
General Government		
Town Clerk	\$364,882	\$7,048
Human Relations & Fair Rent	\$291,934	\$5,639
Youth Services	\$285,182	\$5,509
Registrar of Voters	\$441,285	\$8,524
Finance		
Tax Assessor	\$752,943	\$14,544
Tax Collector	\$598,044	\$11,552
Health and Welfare		
Housing Inspector	\$240,055	\$4,637
DPW		
Waste Programs	\$82,509	\$1,594
Maintainer II	\$1,210,360	\$23,380
Maintainer III	\$857,790	\$16,569
Customer service ctr.	\$209,948	\$4,055
Rec/Arts/Culture		
Recreation Staff	\$375,602	\$7,255
Park Maintainer III	\$133,434	\$2,577
Park Maintainer II	\$415,916	\$8,034
Park Maintainer I	\$230,512	\$4,453
Park Maint. Supplies	\$216,269	\$4,178
Park Maint. Contractual	\$337,988	\$6,529
TOTAL	\$7,044,653	\$136,077

Source: City of Norwalk Finance Dept., W-ZHA, LLC.



3. Fiscal Impact Summary

Summarizing the foregoing, the overall increases in public service burdens that can be attributed to the Redevelopment Projects are quantified and summarized as follows:

TABLE 21

**Summary of Expenses Attributable to
Redevelopment Projects**

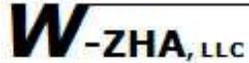
Police	\$267,956
Fire	\$260,727
Education	\$300,615
<u>Other</u>	<u>\$136,077</u>
TOTAL	\$965,375

As shown, these amount to roughly **\$965,000** dollars annually, partially offsetting the Redevelopment Projects' annual revenue impacts of **\$4.64 million**. Overall, the Redevelopment Projects have affected a net fiscal gain of **\$3.67 million** per year.

D. CUMULATIVE 10-YR. IMPACT

Over a ten-year time frame, the Redevelopment Projects' year-by-year and cumulative revenue impacts are calculated in Table 22.

In this table, all values are shown in current-year dollar values. Appraised property values are phased in in accordance with the year of completion of each Redevelopment Project. From these appraised values, the preexisting appraised values of the Redevelopment Project sites ("base year" values) are subtracted. The prevailing assessment ratio and levy rate are then applied to the net value gains created by the Redevelopment Projects. As shown in the table, the cumulative impact of the Redevelopment Project amounts to roughly **\$21.29 million**.

**TABLE 22****Redevelopment Projects' Cumulative Benefits to Norwalk: 2005-14**

<u>Year</u>	<u>% Value Built</u>	<u>Appraised</u>	<u>Base Yr</u>	<u>Net gain</u>	<u>@ 70% Assessed</u>	<u>0.025371 Levy</u>	<u>Cumulative</u>
2005	19%	\$53,365,935	\$23,238,762	\$30,127,173	\$21,089,021	\$535,050	\$535,050
2006	19%	\$53,365,935	\$23,238,762	\$30,127,173	\$21,089,021	\$535,050	\$1,070,099
2007	19%	\$53,365,935	\$23,238,762	\$30,127,173	\$21,089,021	\$535,050	\$1,605,149
2008	47%	\$132,450,965	\$23,238,762	\$109,212,203	\$76,448,542	\$1,939,576	\$3,544,725
2009	47%	\$132,450,965	\$23,238,762	\$109,212,203	\$76,448,542	\$1,939,576	\$5,484,301
2010	47%	\$132,450,965	\$23,238,762	\$109,212,203	\$76,448,542	\$1,939,576	\$7,423,877
2011	69%	\$196,475,235	\$23,238,762	\$173,236,473	\$121,265,531	\$3,076,628	\$10,500,504
2012	69%	\$196,475,235	\$23,238,762	\$173,236,473	\$121,265,531	\$3,076,628	\$13,577,132
2013	69%	\$196,475,235	\$23,238,762	\$173,236,473	\$121,265,531	\$3,076,628	\$16,653,760
2014	100%	\$284,240,033	\$23,238,762	\$261,001,271	\$182,700,889	\$4,635,304	\$21,289,064
CUMULATIVE TOTAL:						\$21,289,064	

Corresponding calculations of cumulative expense impacts are shown in Table 23. In this table, values again reflect current-year dollar values. For each year, overall annual expense impacts are phased in in accordance with the estimated population gain associated with each project. The overall ten-year cumulative expense impact amounts to roughly **\$3.17 million**.

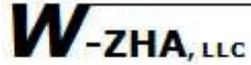


TABLE 23

Redevelopment Projects' Cumulative Expense Impacts

<u>Year</u>	<u>Pop. Gain</u>	<u>Operating Impact</u>	<u>Cumulative</u>
2005	4%	\$42,009	\$42,009
2006	4%	\$42,009	\$84,019
2007	4%	\$42,009	\$126,028
2008	22%	\$211,727	\$337,755
2009	22%	\$211,727	\$549,482
2010	22%	\$211,727	\$761,210
2011	50%	\$479,747	\$1,240,957
2012	50%	\$479,747	\$1,720,703
2013	50%	\$479,747	\$2,200,450
2014	100%	\$965,375	\$3,165,825
Cumulative Total:		\$3,165,825	

Combining these cumulative revenues and expenses, over the last ten years the Redevelopment Projects have exerted a net fiscal benefit of **\$18.12 million**.



TABLE 24

Cumulative Net Fiscal Impact

<u>Year</u>	Increase		<u>Gain/(Loss)</u>	<u>Cumulative</u>
	<u>Levies</u>	<u>Services</u>		
2005	\$535,050	\$42,009	\$493,040	\$493,040
2006	\$535,050	\$42,009	\$493,040	\$986,080
2007	\$535,050	\$42,009	\$493,040	\$1,479,121
2008	\$1,939,576	\$211,727	\$1,727,849	\$3,206,969
2009	\$1,939,576	\$211,727	\$1,727,849	\$4,934,818
2010	\$1,939,576	\$211,727	\$1,727,849	\$6,662,667
2011	\$3,076,628	\$479,747	\$2,596,881	\$9,259,548
2012	\$3,076,628	\$479,747	\$2,596,881	\$11,856,429
2013	\$3,076,628	\$479,747	\$2,596,881	\$14,453,310
2014	\$4,635,304	\$965,375	\$3,669,929	\$18,123,239

Cumulative Total: \$18,123,239

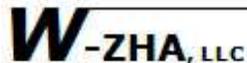
III. ECONOMIC IMPACTS

This section estimates the employment and compensation (including benefits) that can reasonably be attributed to the Redevelopment Projects.

While economists can identify an extensive range of impacts, this analysis focuses two ongoing benefits:⁸

- Commercial: New employment and compensation attributable to commercial tenants in the Redevelopment Projects. The discussed herein is limited to the “direct impacts,” which is to exclude the “indirect” and “induced impacts” that spring from economic multipliers based on expenditures made by new businesses and newly hired workers.
- Residential: New employment and compensation generated by spending by new residents in the Redevelopment Projects. These impacts can be defined as the “induced” impacts of new residential growth.

⁸ “Construction phase” impacts generated by one-time construction activity are not within the scope of this document, which addresses only the annual “operating phase” impacts of the Redevelopment Projects.



A. COMMERCIAL EMPLOYMENT IMPACTS

The commercial space components of the Redevelopment Projects contain businesses that contribute direct employment impacts to the City of Norwalk.

The primary commercial Redevelopment Project is the Lock Building, which contains approximately 100,000 square feet of new office space. Ground floor commercial space at the various residential Redevelopment Projects amounts to approximately 150,000 square feet. Tenants include restaurants, service retailers and a mix of other commercial businesses.

In estimating the impact of employment in these businesses, it should be noted initially that such impact is measured by net employment growth in the city. In estimating net new employment attributable to the Redevelopment Projects, then, this process weighs the following factors:

- Current tenants and vacancies: W-ZHA has conducted a walking survey of commercial tenancies in the Redevelopment Projects.
- Generally accepted commercial space/worker ratios;
- Prevailing office-oriented employment patterns in Norwalk: W-ZHA has examined the existing industries and employment in Norwalk as provided by the Minnesota IMPLAN Group (“IMPLAN”).⁹
- Where current tenants have vacated other space in Norwalk, employment in these tenancies does not create net new employment.
- Displacement Issues: Commercial tenants – and their employees -- that serve pre-existing local clientele should also not be regarded as “net new” business to the economy, because they primarily *redirect* local spending from other businesses or locations. To the extent that they capture new spending by Redevelopment Project tenants, such impacts would be counted as “induced” impacts discussed in section B below.

Based on these considerations, direct employment impacts are reasonably estimated at 625 new workers, distributed among industry sectors as follows:

⁹ IMPLAN is a nationally recognized source for econometric models used to quantify economic impacts.

TABLE 25

**Direct Employment Impacts by Industry
Attributable to Redevelopment Projects**

<u>Industry</u>	<u>Employment</u>
Energy Distribution	30
Wholesale Trade	60
Software	60
Financial Services	80
Real Estate	30
Management Consulting	30
Advertising/PR/Marketing	30
employment Services	30
<u>Eating and Drinking</u>	<u>275</u>
TOTAL	625

The IMPLAN model estimates compensation for these new workers based on prevailing compensation levels for current employment in the specified industries in Norwalk. As shown below, the **625 new jobs** attributable to the Redevelopment Projects would contribute \$61.6 million in new labor compensation¹⁰ to the Norwalk economy, an average of approximately \$98,600 per job.

¹⁰ Includes all wages and salary, benefits and bonuses consistent with compensation in each industry as represented in Norwalk.



TABLE 26

**Direct Employment and Compensation
Attributable to Redevelopment Projects**

<u>Industry</u>	<u>Employment</u>	<u>Compensation</u>	<u>Compensation per Worker</u>
Energy Distribution	30	\$8,693,622	\$289,787
Wholesale Trade	60	\$9,104,448	\$151,741
Software	60	\$9,419,462	\$156,991
Financial Services	80	\$15,367,083	\$192,089
Real Estate	30	\$1,227,446	\$40,915
Management Consulting	30	\$3,687,478	\$122,916
Advertising/PR/Marketing	30	\$2,771,364	\$92,379
employment Services	30	\$2,140,314	\$71,344
<u>Eating and Drinking</u>	<u>275</u>	<u>\$9,236,279</u>	<u>\$33,586</u>
TOTAL	625	\$61,647,496	\$98,636

Source: Minnesota IMPLAN Group; W-ZHA, LLC.

B. INDUCED IMPACTS OF RESIDENTIAL REDEVELOPMENT

In addition to the direct employment impacts generated by commercial components, spending by new residents in the Redevelopment Projects contributes an impact in its support for Norwalk businesses. These “induced” impacts are derived from 1,086 new households (based on 95 percent occupancy of 1,143 total dwelling units). Based on rental rates – which for most units occupy a general range from about \$1,800 to \$3,000 per month -- and conversations with leasing staff, these households are apportioned into income cohorts as follows:

TABLE 27

New Household Income at Redevelopment Projects

<u>Household Income Cohort</u>	<u>Households</u>	<u>New Income</u>
\$35,000-\$49,999 (affordable dus)	54	\$2,171,700
\$50-74,999 (affordable dus)	54	\$3,257,550
\$75-\$99,999 (70% of mkt-rate dus)	684	\$61,567,695
\$100-\$149,999 (30% of mkt-rate dus)	293	\$36,647,438
Total Occupancy*	1,086	\$103,644,383

* rounded from 1,085.85

As shown in Table 28, local spending by the 1,086 households living in the Redevelopment Projects would support **370 new workers**, earning \$22.5 million per year. These new jobs would be distributed across a wide range of the City's businesses. As shown in the table, though, the highest levels of new employment generally fall within the health care, eating and drinking and general retail categories.



TABLE 28

**Employment Impacts Induced from Spending
by Residents at Redevelopment Projects**

	<u>No. Workers</u>	<u>Compensation</u>	<u>Avg. Compensation</u>
Employment	370	\$22,464,385	\$60,764
<u>Top Industries</u>			
Hospitals	32	2,836,502	\$87,720
Limited-service restaurants	19	581,011	\$29,947
Full-service restaurants	19	627,564	\$33,586
Offices of physicians	17	1,924,682	\$111,010
Retail - Grocery stores	16	603,052	\$38,901
Retail - General merch. stores	15	474,147	\$32,192
Individual and family services	14	435,121	\$31,688
Home health care services	12	639,593	\$55,377
All other food and drinking places	10	425,335	\$40,915
Real estate	10	400,379	\$38,701

Source: Minnesota IMPLAN Group; W-ZHA, LLC.

C. SUMMARY

This economic impact analysis indicates that, in addition to the fiscal impacts set forth in Section II, when direct employment and induced resident spending impacts are combined, the Redevelopment Projects would generate a total of **995 new jobs**.

Total annual compensation would amount to \$84 million, for an average annual compensation of roughly **\$84,600 per job**.

TABLE 29**Summary: Economic Impacts of Redevelopment Projects**

	<u>Employment</u>	<u>Compensation</u>	<u>Compensation per Worker</u>
Commercial Components: Direct Impacts	625	\$61,647,496	\$98,636
Residential Components: "Induced" Impacts	370	\$22,464,385	\$60,764
TOTALS	995	\$84,111,881	\$84,560