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LEICESTER WORKFORCE HOUSING REPORT

PREPARED BY THE CENTRAL MASSACHUSETTS REGIONAL PLANNING COMMISSION
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1.0 PROJECT BACKGROUND

This Workforce Housing Market Analysis was conducted by the Central Massachusetts Regional Planning Commission (CMRPC), with funding from a District Local Technical Assistance (DLTA) Grant. In winter of 2017, the Town of Leicester approached CMRPC to discuss a research project looking into the local housing market. The Town was interested in identifying possible causes for a recently observed down-turn in housing development of all types. At that time, the Town had reported only one building permit application had been received in the past several months.

The Town applied for and was subsequently granted, a technical assistance grant under the DLTA program. The following report outlines the background, process, methodology, findings and recommendations which arose from this research.

COMMUNITY PROFILE

Incorporated in 1714, the Town of Leicester is situated near the center of Worcester County and borders the City of Worcester and Auburn on the east, Oxford and Charlton on the south, Spencer on the west, and Paxton on the north. The Town is measures just shy of 25 square miles in size (24.86) of which 23.4 square miles are land mass. The remaining 1.3 square miles are water. Leicester is home to 10,970 residents. These residents make up 4,021 households (U.S. Census Bureaus, 2010 Census), and slightly less than ninety-five percent (94.2%) of housing units in Leicester are occupied. Nearly eighty percent (79.4%) of housing units in Leicester are owner occupied.

Leicester's proximity to a number of water sources allowed it to emerge as a dominant industrial hub in central Massachusetts, and many mills stayed active well past World War II. Leicester's oldest operating mill, the Worcester Spinning and Finishing Mill, did not close its doors until 1991. Since 1940, Leicester has seen a significant transition towards suburbanization. This change has resulted in changes in residential and commercial growth in town, necessitating a number of changes to the Town's zoning bylaws. These changes resulted in water resource protection zones and the establishment of several neighborhood districts. However, since a resurgence of industrial activity in the early 1900s, the Town has been experiencing a general decline in economic activity. Today, the historical legacy of mills and associated mill housing are evident in Leicester.

OVERVIEW OF A HOUSING MARKET STUDY

There are many reasons to conduct a housing market analysis. Many towns do this to understanding the growth patterns in the housing supply, as a first step to implementing growth controls or otherwise planning for growth. Home builders might conduct a similar study to better understand a market they wish to enter. In the case of Leicester, this study was undertaken to help gain a better understanding of why housing production appears to have slowed in recent years.

The simplest form of housing market analysis is a study of supply and demand. Demand in this context is not limited simply to homebuyers. While, the number of people moving into Leicester or looking to upgrade their existing homes is certainly a measure of demand, it can also refer to demand from builders; from the people and companies who build the homes residents want to buy. For the purposes of this study, CMRPC looked at demand in two ways: first by measuring the movement of people into Leicester; second, by measuring the sales price and volume of recent sales activity.,

By supply the authors of this report are referring to the amount and type of existing housing, and the speed and volume at which new housing is being built. The project team looked into trends in home building both locally and regionally.

METHODOLOGY, APPROACH

To begin this study, CMRPC examined many comparable studies and sources, including Real Estate Market Analysis, (Brett and Schmittz, Urban Land Institute, 2009); Amherst Housing Market Study (RKG Associates, 2015); Conway Senior Housing Supply and Demand Analysis (LDS Associates, 2015), among others. These sources provided the base methodology for this report.

RESEARCH QUESTIONS

The first, most obvious question this report needed to answer is whether the Town's concerns around the rate of growth are a genuine phenomenon or a perceived one. Many factors can play into the perception that housing growth has stalled and it is important to establish that the trend is supported by data. To answer the project team focused on the following research questions;

- Has the rate of new housing development slowed when compared to the Town's past performance?
- How does this rate compare to other communities?
- Has the rate of population growth been slower than other communities?

Once we have established that lack of housing production is genuine phenomenon, the next step is to identify the possible factors that are impeding its growth.

TASK 1 - DEFINE MARKET AREA

The first task in this study was to define a market area for comparison. Guidance from the Urban Land Institute (ULI) recommended dividing communities into comparison groupings based on shared characteristics. This report focused on towns that (a) composed the closest parts of the western periphery of Worcester; (b) were along a major state highway similar to Route 9; (c) were characterized as existing or emerging suburbs; (d) were more likely to be economically oriented to Worcester than another urban-economic center; Figure 1 shows the areas selected as part of the comparison group. These towns are:

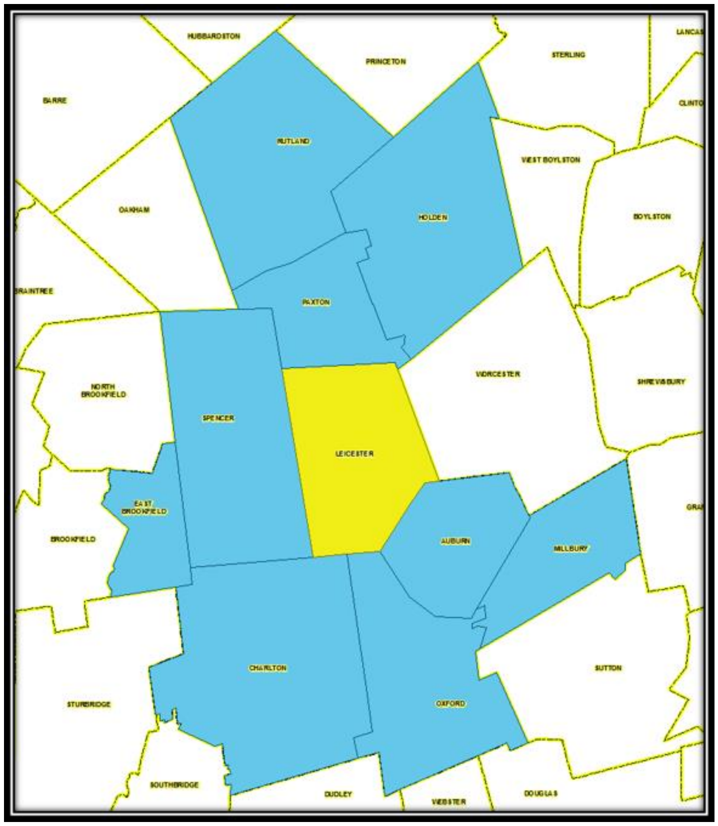

Figure 1 - Study Area

- Leicester
- Auburn
- Charlton
- East Brookfield
- Holden
- Millbury
- Oxford
- Rutland
- Spencerw

The western-most towns along the Worcester border were selected because they are all located outside of the Metrowest region[1]. This increases the likelihood that they would be more economically oriented toward Worcester than Boston. They are all likewise, characterized either as rural-suburban, or as true suburban communities of the Worcester metro. Finally, like Leicester, most of the towns are dependent on state highways to access the major highway network. The exceptions to this are Charlton, Oxford, Auburn and Millbury, all of which have more or less direct access to one or more interstates. These towns were included to help assess whether direct access to the interstate network might be a contributing factor to growth.

TASK 2 - DEMAND ANALYSIS

Once the study area has been established, the next step is to analyze demand indicators. CMRPC examined local and regional population growth

[1] The MetroWest Economic Research Center at Framingham State University defines MetroWest as the nine towns of Ashland, Framingham, Holliston, Hopkinton, Natick, Sherborn, Southborough, Sudbury, and Wayland.

patterns, as well as patterns in working age, versus other age cohorts. Data was collected on local and regional demographic trends to analyze growth patterns in Leicester and the market study area.

TASK 3 - HOUSING MARKET ANALYSIS

The third task was to identify and analyze key indicators of market health in the Town. The project team looked at housing price, volume over a 10-year period utilizing data from the Warren group, a firm that specializes in housing market data. Rates of housing production were likewise compared over time. CMRPC looked at tenure and vacancy rate for the study area and attempted to ascertain an estimate of the extant local and regional demand and whether or not Leicester is sufficiently capturing it.

TASK 4 – CONTRAINTS ANALYSIS

The fourth task for this report was to examine the various factors that might be be inhibiting the growth of new housing in the Town. The project focused on key factors that were within the Town's ability to control. Other factors that were outside of the town's control (e.g. national or state law), were not directly considered. The factors examined in this report are:

- Zoning
- Infrastructure
- Market perception
- Local productive capacity

TASK 5 – RECOMMENDATIONS

Finally, this report offers a series of recommendations based on the identified constraints. The project team looked at areas where regulatory hurdles could be modified, minimized or simplified. This includes information about timeframes, responsible parties, and potential fiscal impact so far as it can be known in advance.

2.0 FINDINGS

DEMAND ANALYSIS: POPULATION TRENDS IN LEICESTER

Since 1940, the population of the Town of Leicester has grown steadily, from around 4,800 in 1940 to more than 10,000 by 2010. Figure 2 illustrates this growth pattern. Like many communities in Central Massachusetts, Leicester saw a dramatic upswing in population in the decades following World War II, followed by a leveling off through the seventies and eighties. This population growth has slowed dramatically in the last two decades however.

Population projections provided by the Data Services Department at the Metropolitan Area Planning Commission (MAPC) show that, should trends from 2015 persist, the Town of Leicester will begin to lose population by 2030.

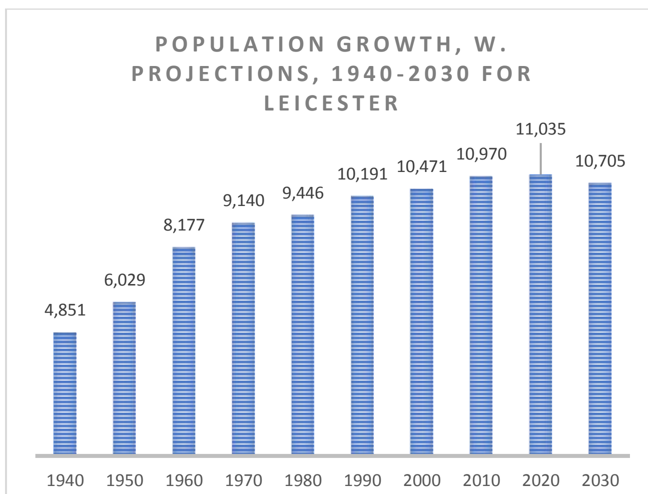

Figure 2 - Population Growth with Projections, MAPC Data Services Dept., US Census Bureau

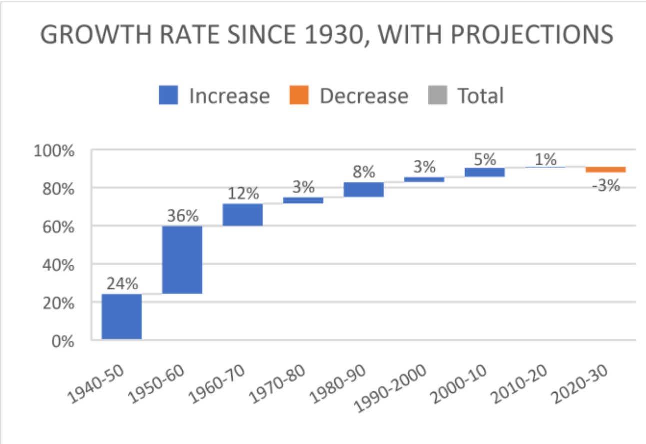

Figure 3 Growth Rates with Projections, MAPC Data Services Dept.; US Census Bureau

Figure 3 shows this in terms of a rate of growth by decade. The most rapid period for growth for Leicester came between 1940 and 1960. This was followed by a sharp decrease in the growth rate from 1960 through the early 2000's. Projections produced by MAPC show this growth is anticipated to contract further to around 1% by 2020 and for the Town to begin losing population by 2030.

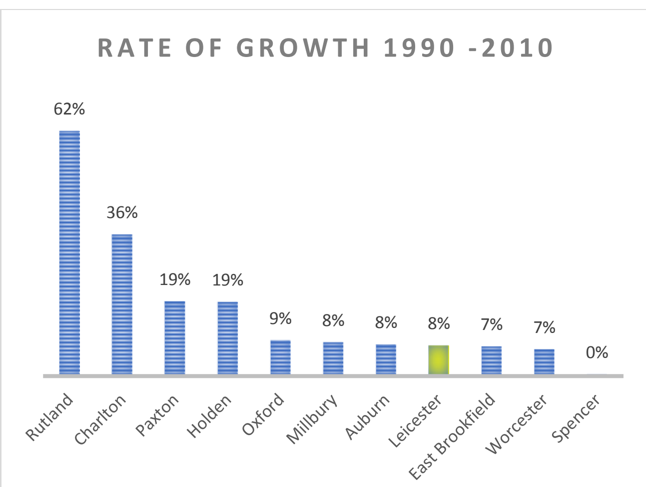

Figure 4 - Regional Rate of Growth, 1990-2010; MAPC Data Services Dept.; US Census Bureau

This growth rate is more dramatic when compared to the towns in the study area. Between 1990 and 2010, Leicester's population grew about 8% compared to an average rate of 17% for the region. As shown in Figure 4, this rate is heavily skewed by the rapid growth of Rutland and Charlton which together account for nearly a quarter of the total growth in this period. However, when we control for this by considering the average growth rate for only the remaining towns, we still find that Leicester's growth for this period was below the average growth rate of around 10%. When projections are considered, we see four towns are anticipated to capture the majority of the regional growth capacity. Figure 5 shows that Rutland, Charlton, Holden and Paxton are anticipated to grow by an average of 34% between 2010-2030, while Leicester's population is anticipated to contract by 2% during the same period.

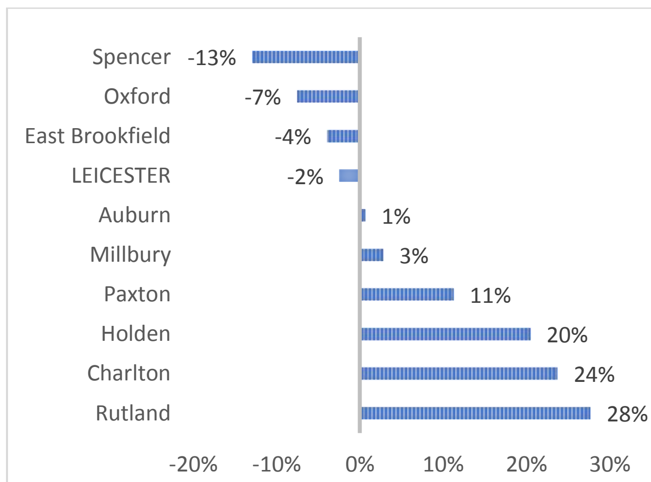

Figure 5 - Regional Projected Growth Rate, 2010-2030; MAPC Data Services Dept.; US Census Bureau

POPULATION AGE PROFILE

Another area the project team sought to analyze was how this growth breaks down by age cohort. One of the key questions of this study, is what impact the slowdown in housing production may be having on the working age population. To this, the project team focused on growth patterns in three principal cohorts:

- 20 to 34 years old
- 35 to 64 years old
- 65 and older

The first and second cohorts represent the principal working age cohorts, while the third represents the prime retirement age cohort. Our findings show that Leicester has seen a severe drop in young professional population with a corresponding steep rises in middle-aged workers and retirement age residents.

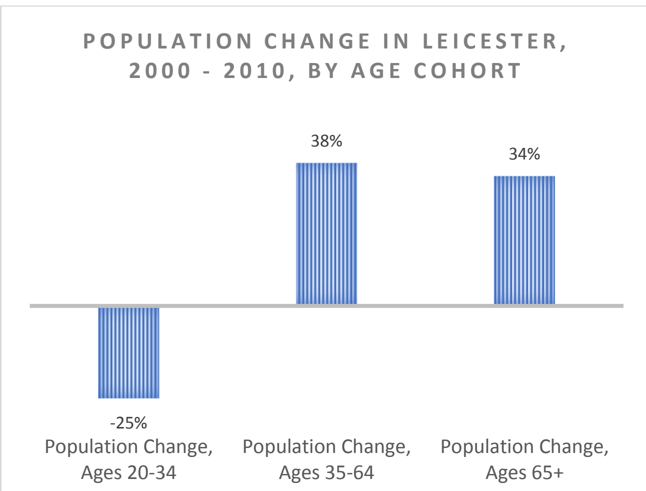

Figure 6 - Population Change in Leicester, 2000 - 2010, by Age Cohort; MAPC Data Services Dept.; US Census Bureau

Figure 6 shows the rate of growth of residents in different age cohorts. As the figure illustrates, the 20-34 age cohort has contracted by about 25%, between 2000 and 2010, while the 35-64 age cohort grew by around 38%. The most likely explanation for this observation is that residents who were in the 20-34 age cohort in 2000 either aged into the 34-64 cohort or left town by 2015 with no corresponding in-migration to replace them. This may suggest that existing housing, economic or other opportunities in Leicester were not attracting significant numbers of under 35-year-old's to off-set the contraction in this age group during this period. Given the findings regarding housing production during this period (see below), it is reasonable to conclude that a lack of housing choices was a significant contributing factor.

NEW HOUSING DEVELOPMENT

New housing permit data is reported to HUD and made available in its SOCDS database. This data can be collated by year and by town to allow us to manipulate it in a variety of ways. Figure 7 shows the total number of single family units in Leicester compared to the average number for the study area. From 2006 to 2011, Leicester recorded more single-family housing permits than the regional average. However, in most years since then, the number of permits recorded in Leicester has dropped below regional averages. Since 2012, Leicester posted a greater than average number of permits in only one of the subsequent four years.

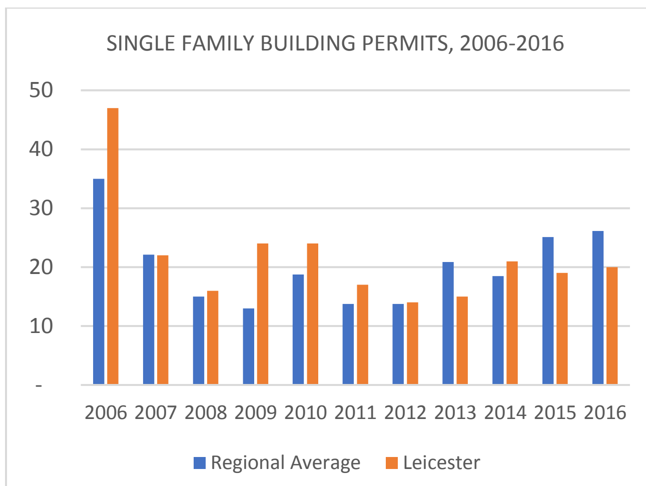

Figure 7 - Single Family Building Permits, 2006-2016; Department of Housing and Urban Development, 2017

One of the goals of this study is determine if local housing controls either through zoning or some other means, is having a detrimental impact on new housing development. However, many factors can

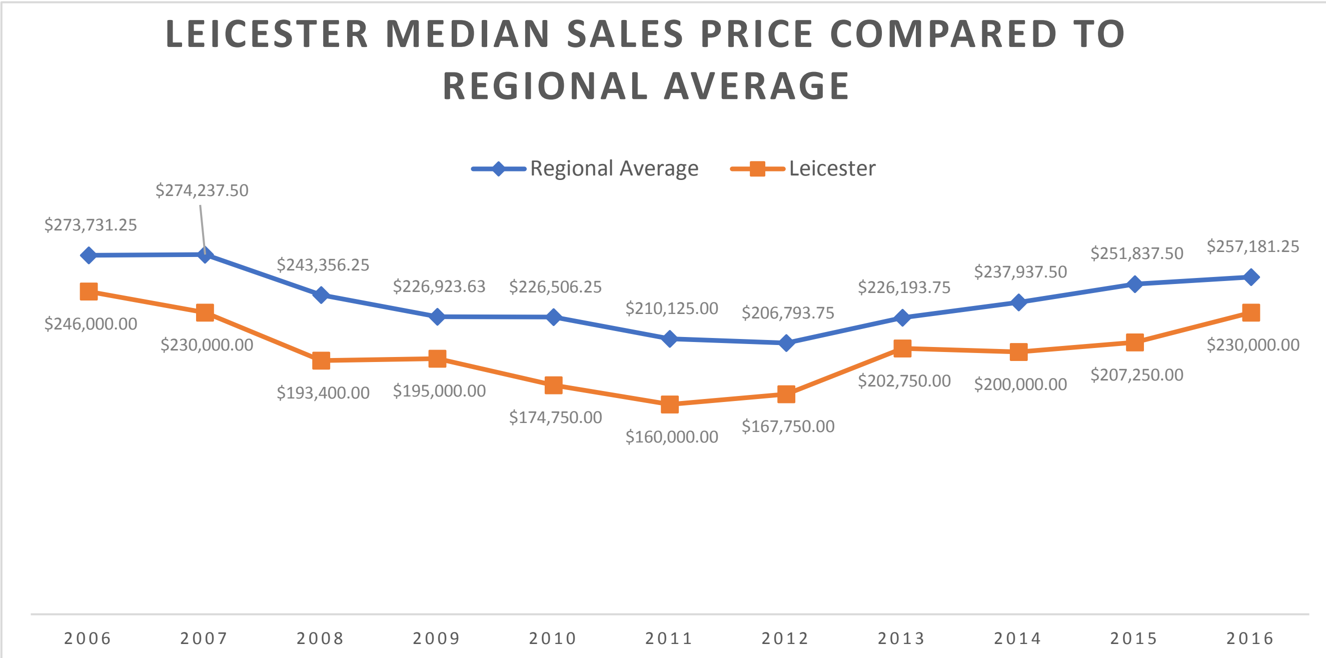

Figure 8 - Median Single-Family Home Sale Price, 2006-2016; Warren Group, 2017

play into when and how new housing is developed. To establish how town regulations may or may not be affecting development, the effects of market forces need to be assessed. The following section reviews local market trends and attempts to ascertain what affect they may have on local and regional demand and how that may play into the development of housing in Leicester.

LOCAL MARKET TRENDS

Market trends can be a good way of identifying the forces which can be acting as a constraint on housing production. CMRPC analyzed data from the Warren Group for housing transactions between 2006 – 2016. This data contains detailed information on sales volume, price and production for a wide range of housing types. Housing prices in this data set denote the median sales price for the year unless otherwise indicated.

This analysis of housing prices and sales volumes show a robust market both locally and within the comparison region. Demand for housing units, especially single-family homes was high and, in general, the homes sold were generating significant value. While these trends in Leicester were slightly lower than regional averages, the Town nevertheless saw strong demand and moderate value throughout the study period. There is no evidence to suggest a causal relationship between the market trends and the number of housing units produced.

SINGLE FAMILY HOME PRICES

Median prices for the Town of Leicester indicate that demand remains strong in the Town, though lower than the regional market. Housing prices in Leicester benefited greatly from the pricing boom that peaked around 2006 to 2007. The median sales price for this period was close to $250,000 for a single-family home. This price dropped sharply however in the recession period. Median prices in 2008 was about

80% of the 2006 high point. Figure 8 shows that this trend has continued into 2016. Within the study area, single family homes managed to reach around 85% of their 2006 value through 2008 - 2016. Leicester, on the other hand, retained slightly more than 70% of the 2006 value on average during this same period.

SALES VOLUME

Figure 9 shows two numbers: the total number of housing units sold by year in the Town of Leicester and the average number of housing units sold in all other towns in the study area. According to our analysis of the Warren Group data, the number of housing units sold in the study area has recovered to almost exactly where it was in 2006. Leicester, on the other hand, actually increased the average sales volume by more than 30 units on average.

This number represents all units sold in this period. If we look only at sales volume or single-family homes, we see an even sharper contrast. Figure 10 shows the same data, only filtered for single family home sales only. This chart shows that in 2006, Leicester was selling fewer homes but generating more value. In 2016, significantly more homes were sold, but with less value being generated. This suggests that demand for lower cost single family housing is still very high in Leicester.

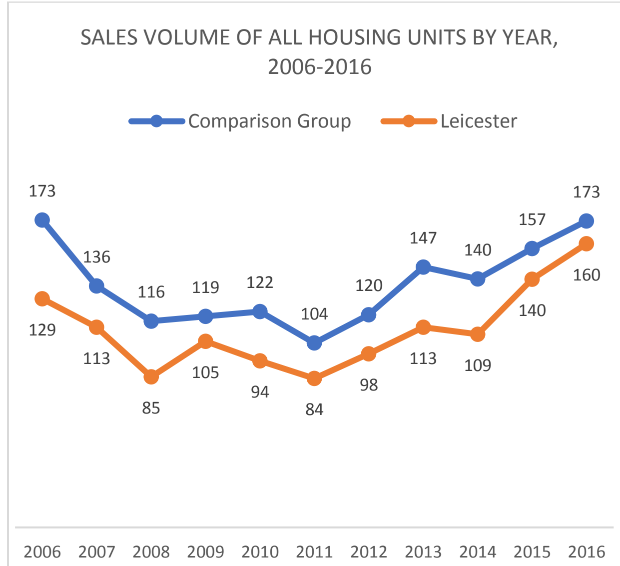

Figure 9 - Sales Volume of all Housing Unit Types, 2006-2016; Warren Group, 2017

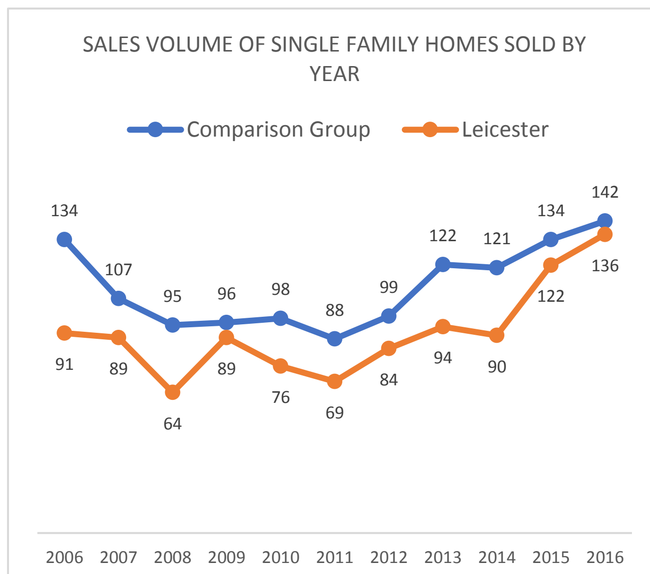

Figure 10 - Average sales of single family homes, 2006 - 2016; Warren Group, 2016

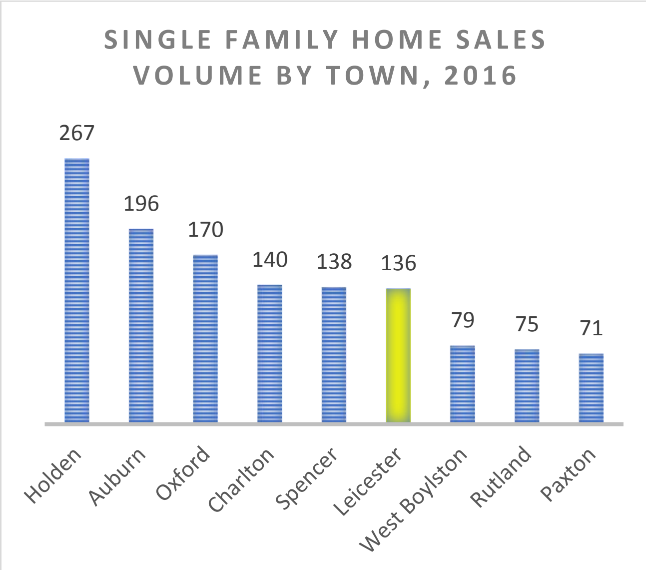

Figure 11 - Growth rates in single family homes by town, 2016; Warren Group, 2017

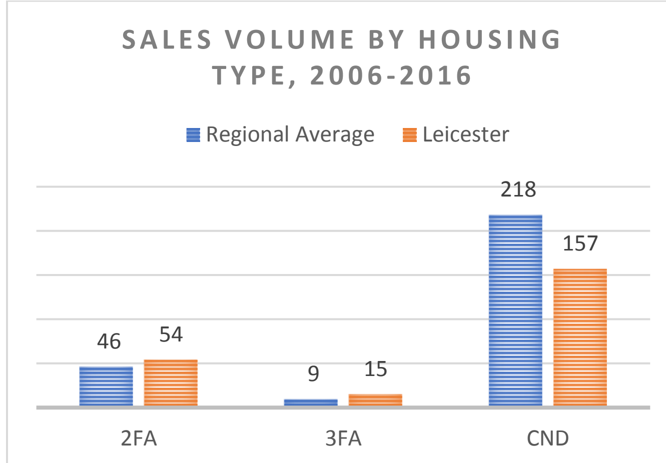

Figure 12 - Sales Volume by Housing Type - 2006-2016; Warren Group, 2016

When compared to the study area, we found that Leicester has maintained a robust market for single-family homes. The volume of single-family homes sold in 2016 averaged about 20% below the top four towns in the study area for the 2016 period. However, it was significantly above two of the towns with the fastest growth rates (see Figure 11). In terms of sales of other types of homes, again, Leicester compares fairly well with the study area towns. Figure 12 shows the average sales of other types of housing units; two-family (2FA), three-family (3FA) and condominium units (CND). Sales of two and three-unit developments were slightly above regional averages for the 2006-2016 period. Only sales of condominiums lagged.

DISCUSSION

This analysis of sales volume and market price shows that demand for all housing types is still strong in Leicester, despite the failure of the local market to recapture much of the value lost to the housing crisis of 2007 - 2009. Purchases of single family homes in particular were much higher in 2016 than in 2006. Similarly, our data has demonstrated that sales of all types of housing have remained high through this period. It is reasonable then to conclude that the observed slowdown in population growth is likely not the result of depressed demand.

To better understand this apparent contradiction, the project team made two comparisons. First, the number of permits issued per year was compared to sales volume during the same period. Figure 13 compares the rate of single-family housing production in Leicester to annual sales volume. As this chart demonstrates, housing unit production has risen and fallen in response to demand generally. Yet these numbers have not tracked consistently. From 2014 to 2015, sales volume of single family houses rose consistently year-on-year from a low of around 100 units to a high of 160. At the same time, permits for new housing fell. From 21 new units in 2014 to around 20 in 2016.

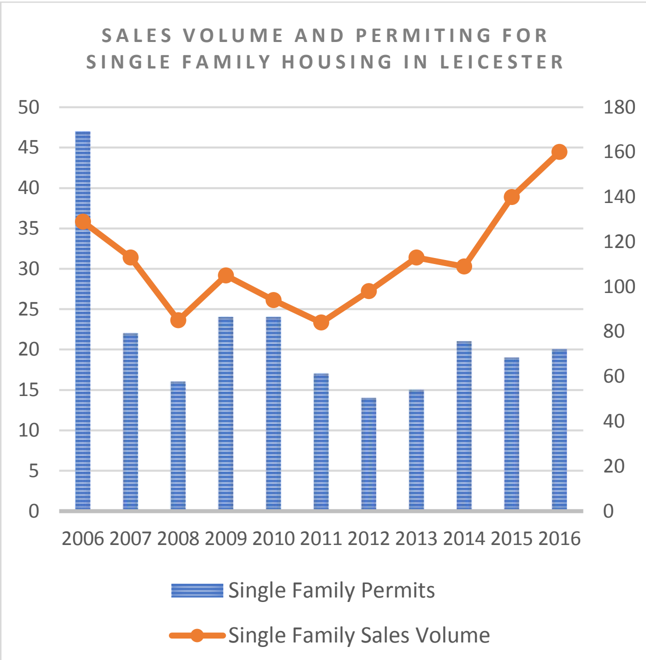

Figure 13 - Comparison of Sales Volume and Permits, 2000 - 2016; Warren Group, 2017; Dept. of Housing and Urban Development, 2017

Second, the observed slow-down in housing development was compared to median single-family home prices to see what effect home value may have had on this pattern. Figure 14 shows permits compared to median sales price for single-family housing. Our analysis found that there was no observable correlation between the drop in new housing permits and the median price of homes. Indeed, the two patterns were strikingly similar. For all but one of the ten years in the data set, new housing permits rose with the value of homes sold. Again, as the value of single-family homes rose from 2014 to 2016, permits fell.

The findings above suggest that neither demand for single-family houses nor the value being derived from them appear to be strongly influencing the rate of new housing development in Leicester. Rather, the data suggests that demand is strong for single-family homes. Further, regional demand analysis shows that there is market demand that Leicester is failing to capture.

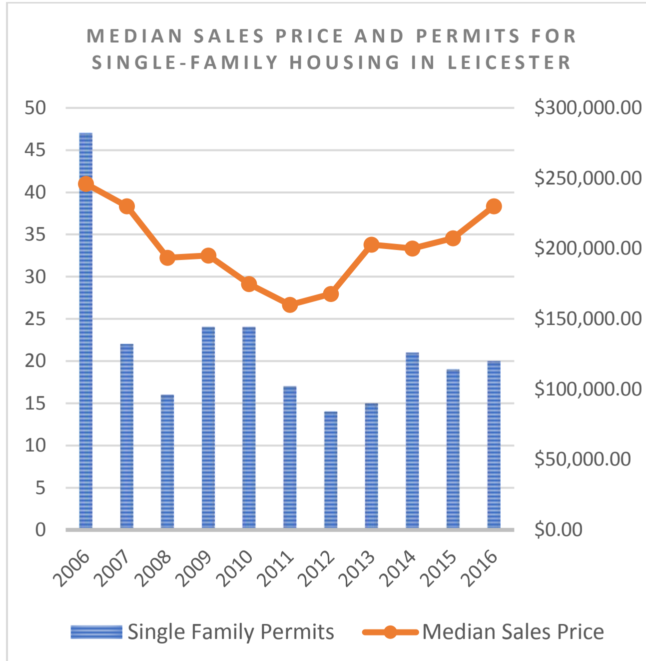

Figure 14 - Comparison of Sales Price and Permits, 2000 - 2016; Warren Group, 2017; Dept. of Housing and Urban Development, 2017

3.0 CONSTRAINTS ASSESSMENT

INTRODUCTION

CMRPC next researched other non-market factors that may be acting as a constraint to new housing development in Leicester. Broadly speaking, CMRPC identified the following three major constraints to development:

- Water and Sewer: Leicester has four separate water and sewer districts. This jurisdictional duplication could be contributing to uncertainty for developers and buyers. The districts also have limited capacity for absorbing new housing units.

- Zoning: Leicester has the largest minimum lot sizes of any town in the study area. At the same time, it has the smallest maximum lot coverages in any zone. Finally, all types of multi-family housing in Leicester requires a special permit. Only single-family housing is allowed by right.
- Market Perception: success in the market is largely a matter of perception. The reputation of the town regarding its relationship with developers, the quality of the school system and other factors could be limiting the development potential of the housing sector
- Local Productive Capacity: many towns in the CMRPC region are growing rapidly at least in part to home-grown industry. The presence or absence of a developer with local knowledge and a well cultivated network in finance, construction and other areas of development could be a crucial difference.

INFRASTRUCTURE

Leicester has multiple water/sewer districts. These districts, are the Cherry Valley Sewer District Water & Sewer, Hillcrest Water District Water & Sewer, Leicester Water Supply District Water & Sewer, and the Oxford Rochdale Sewer District Sewer. Each district is possessed of its own governance structures, can negotiate supply and purchasing, and set its own rates. Any developer who wishes to build housing in Town must be prepared to work with any one of these entities. This kind of arrangement can cause confusion, and inject uncertainty into the market.

At the same time, having multiple governance structures means there is little to no standardization between the processes and record keeping of these organizations. Discussions with the Town suggest it is difficult to gain an accurate assessment of the overall system capacity, since there is no consistent system-wide data. This makes planning for housing much more difficult at the town level. Finally, access to water and sewer is limited in much of the town.

SEWER AND WATER LINES

Figures 15 and 16 show the major water and sewer lines in Town. As the map shows, 44% of town parcels have access to water lines. Only 15% of town parcels have direct access to sewer lines. This lack of sewer and water access can seriously limit the development of multi-family housing, though, under the current zoning regulations, it may not be as much of a constraint for single-family housing. Single-family lots generally need at least an acre to maintain the proper separation between well and septic systems. Currently, more than 10,000 acres of land are in the Suburban-Agricultural (SA) district, which requires twice that amount. Having said this, such large minimum lot sizes could be acting as a constraint on their own.

MAJOR WATER AND SEWER CORRIDORS

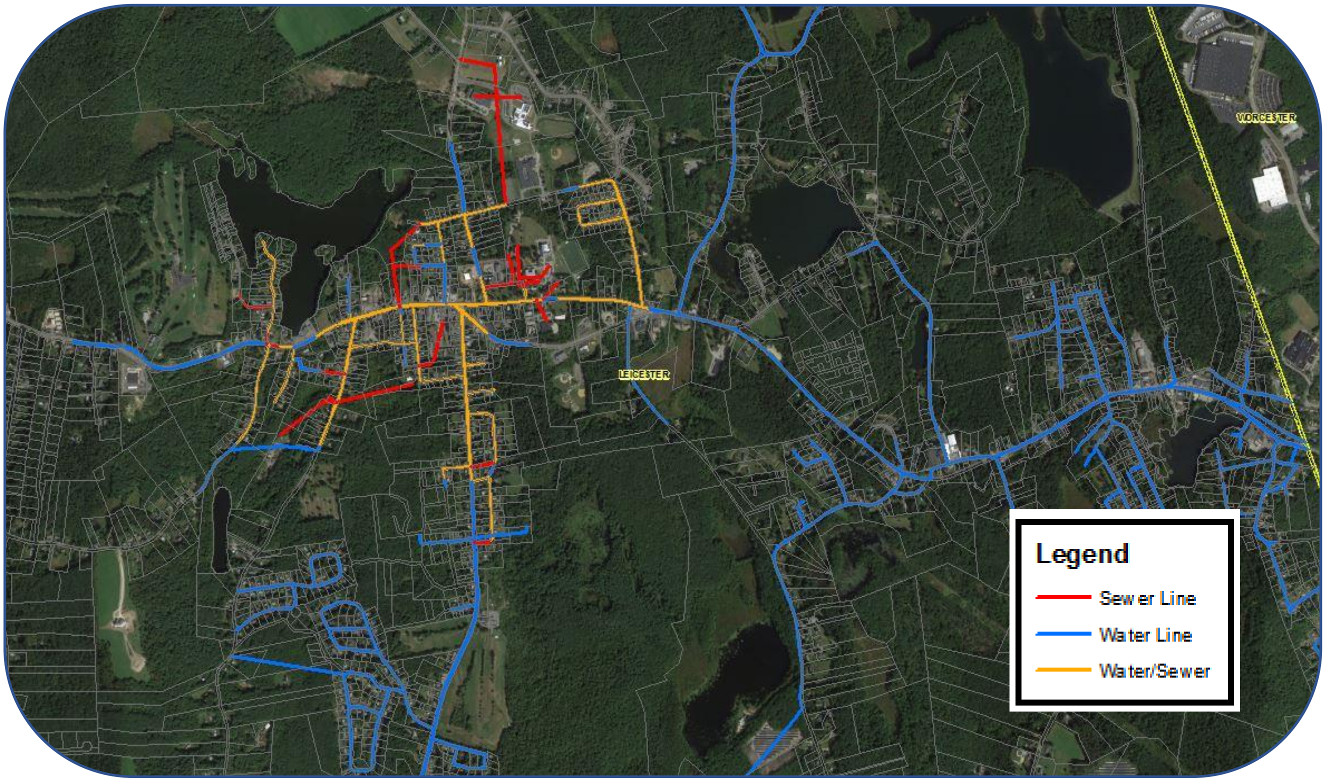

Figure 15 - Water, Sewer Lines, Cherry Valley, Leicester Town Center, MassGIS, 2017

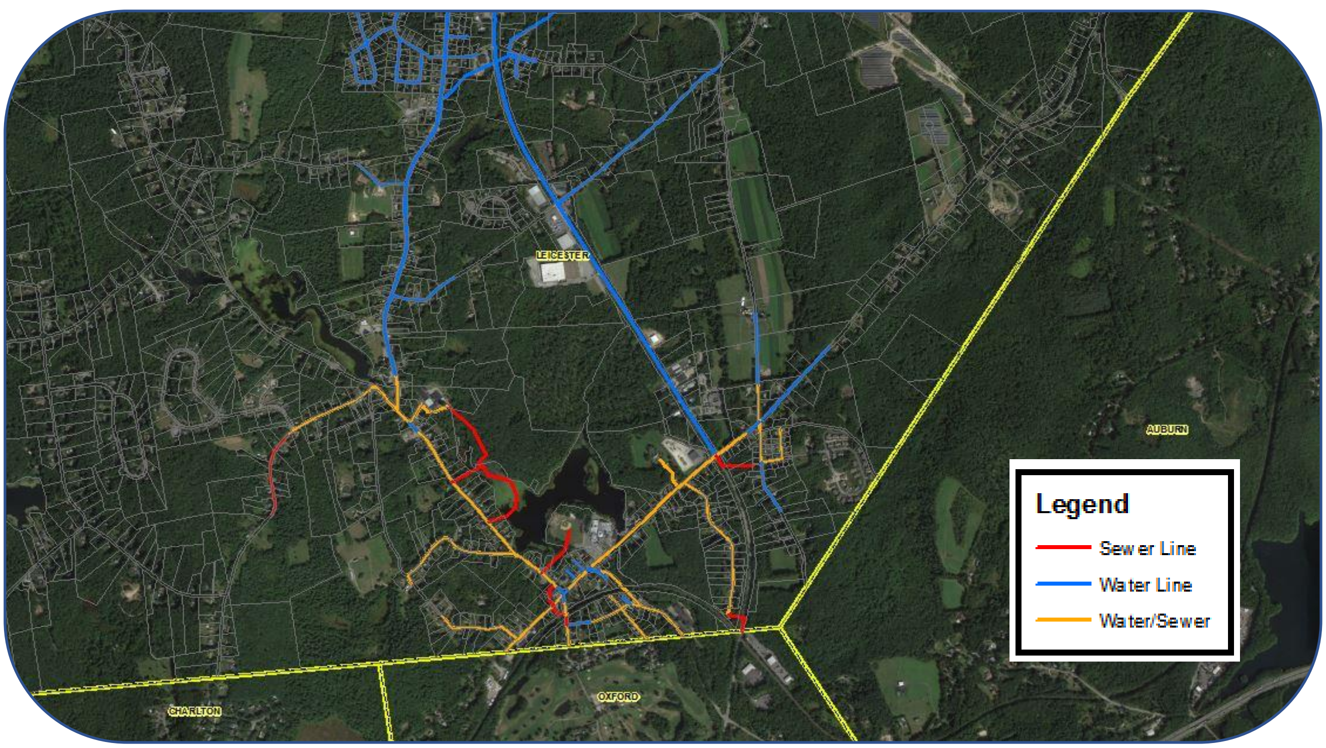

Figure 16 - Water and Sewer lines, Rochdale Oxford; MassGIS, 2017

HIGHWAYS AND TRANSIT

Leicester sits at the crossroads of two major state highway routes: Routes 9 running east to west, and Route 56, running north to south. Access to major highways are through Worcester via Route 9 and Oxford via Route 56. Leicester is also serviced by the Worcester Regional Transit Authority via bus routes 19 and 33 which run along Route 9.

Discussions held with residents and real-estate professionals as part of the contextual analysis (see "Market Perception" section) raised the possibility that lack of direct interstate access may act as a growth constraint. However, our data suggests this is likely more perception than reality. As our analysis of growth patterns shows, there is no apparent correlation between major highway access and the rate of growth. Of the towns with the fastest rates of growth, only Charlton is serviced directly by a major highway. All of the other towns with the highest growth rates have similar or less direct access to major highways. In the opinion of this report, the lack of convenient highway access is at most a perceptive constraint. At the same time, the presence of two major bus routes traveling along Route 9 could be an advantage the Town could leverage.

ZONING/REGULATORY

CMRPC analyzed the zoning requirements for the areas where residential development was an allowed use. The Town of Leicester has the following base zones:

- Business
- Business Industrial-A
- Business Residential-1
- Central Business
- Greenville Village Neighborhood Business
- Highway Business-Industrial 1
- Highway Business-Industrial 2
- Industrial
- Residential 1
- Residential 2
- Residential Industrial Business
- Suburban-Agricultural

Table 1 shows total acreage of the Town by zoning area. The largest zoned area by total acreage is the Suburban Agricultural (SA) zone. This zone has a minimum lot size of 80,000 sf or almost two acres.

In each of these districts, single-family housing is an allowed use by-right. In the Business, Central Business, Residential 2, and Residential Industrial Business, 2-family and multi-family housing is allowed by special permit.

ZONE_NAME	Total Acres
Business	326.65
Business Industrial-A	74.89
Business Residential-1	952.13
Central Business	42.23
Greenville Village Neighborhood Business	72.42
Highway Business-Industrial 1	773.62
Highway Business-Industrial 2	259.04
Industrial	57.82
Residential 1	1,583.92
Residential 2	777.91
Residential Industrial Business	67.81
Suburban-Agricultural	10,780.25

Table 1 - Zoning Districts with Acreages

COMPARISON APPROACH

Zoning regulations can vary widely from town to town. This makes comparisons between them extremely difficult. In order to simplify these regulations for comparative purposes, CMRPC selected a handful of common characteristics. The largest and smallest minimum lot sizes for base residential zones were compared between Leicester and the comparison towns. Figure 17 shows the median difference between largest and smallest lot sizes. Our analysis shows large differences between what Leicester allows and what other towns allow. No communities in the comparison region have a maximum lot size of 80,000 sf, the minimum lot size for the SA district. The closest town in terms of square footage was Rutland with a minimum square footage of 65,000 sf in the R-60 district. Again, for the purposes of comparison, no overlay districts (e.g. wetland, village center, etc) were considered in this analysis.

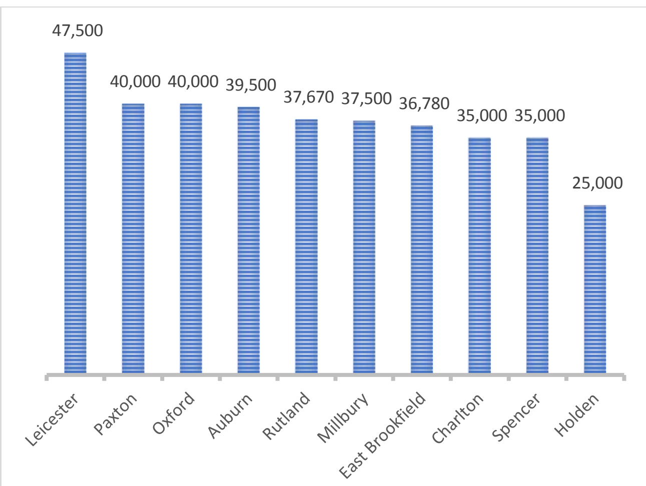

Figure 17 - Median between largest and smallest minimum lot sizes, in feet squared; Leicester Zoning ByLaw

OTHER REGULATORY CONSTRAINTS

Maximum Building Coverage: Maximum building coverages could not be directly compared as too few of the towns in the study area utilized them in their bylaws. However, the current maximum building coverage of 30%-50% in Leicester is a potential growth constraint and should be considered for revision. This is especially true in denser C and CB districts. Minimum lot size in these districts are set at 15,000 sf. Our analysis showed that more than 40% of all lots in these districts were below this minimum lot size threshold. The average lot size in CB districts is around 12,000 sf. Under existing zoning, a building in a 12,000 sf lot would be limited to a building with a footprint no larger than 3,600 sf. This is before other restrictions such as parking minimums are taken into account.

Off-street Parking Minimums: Off street parking is a potential constraint in areas where more dense, multi-family is allowed. For instance, to meet the minimum lot requirements of a mixed-use building with 4 units in the CB district, current regulations require a minimum lot size of 15,000 sf for the first unit plus an additional 7,500 sf for up to 5 units. This makes a total of 22,500 square feet for the residential portion. However, suppose we allowed for development on a lot closer in size to what exists in the CB district. As stated above, the median lot size in this district is around 12,000 sf. With the existing 33% building coverage, this would allow for a 3,960 sf of built area. If we imagine a building with ground-floor retail and two apartments, that would give us a minimum of 6 parking spaces (3 for the commercial and 3 for the residential). Assuming each lot is a standard 420 sf, this would give us a total of 2,520 sf devoted to parking, or roughly 21% of the total lot. While this is less of a constraint in less dense areas, devoting such a large portion of a parcel to an otherwise unproductive use such as parking can be a deterrent to investment.

MARKET PERCEPTION

In order to gain a sense of market perception, CMRPC reached out to more than a dozen individuals with knowledge of the real estate market in Leicester. These included residents and real estate brokers. Attempts were made to contact developers, however, as of this writing, none with any significant knowledge of the Leicester market had been in touch with the project team. From this limited sample size some themes did emerge.

- **Market needs**: several realtors said their recent sales experiences in Leicester were with younger families or older individuals looking for larger homes on smaller lots. Both groups are thought to be less inclined to maintain large acre lots and value living space above acreage.
- **Schools are perceived as under-performing and unsafe**: individuals in our discussions cited the schools as a possible constraint. They recalled stories about bullying and gang activity that left the impression of a dangerous school system. It should be noted however, that our efforts to corroborate these stories only led us to stories about the Town's efforts to combat bullying. The Town should work to publicize the work the schools are doing to combat this perception.
- **Working with Town can be a challenge**: respondents mentioned working with Town officials on permitting and inspections could be time consuming and challenging. Discussions elicited comments related to challenges with permitting, inspection and other processes.
- **Leicester is perceived as isolated**: some respondents felt that Leicester had a sense of isolation from the rest of region. They cited a dislike of travel on Route 9 and the distances one has to go to access the highway as contributing factors.
- **Too few businesses, amenities**: respondents also cited the lack of a central business district as a possible constraint to growth. Many people look for an active business district when choosing where to live. Working to attract more restaurants and other small businesses might positively impact the housing sector.

Again, the information contained herein was collected via a limited number of one-on-one conversation conducted by phone and in-person. This should be construed as anecdotal and not as a complete picture of the perception of the Leicester housing market. More research should be done to understand which of these perceptions are valid, which are entrenched and what can be done to combat them.

LOCAL PRODUCTIVE CAPACITY

The project team attempted to get a sense of the local productive capacity in the real estate market. Often in smaller housing markets, a small number of well-connected, active developers can make the difference between a robust and a languid housing market. Indeed, some of the more active towns in our study area have local housing developers who worked exclusively or almost exclusively in those towns. For example, in Rutland, two developers are responsible for a large number of the sub-division permits requested in town.

In order to get a sense of the local productive capacity in Leicester, CMRPC included questions about development activity in the conversations discussed above. From this limited sample we were given the sense that few if any developers are currently active in town. This lack of productive capacity could be a key reason for the decline in housing production over the last few years. The Town should take active steps to mitigate this, by realigning their zoning and approval processes to be more in line with other towns. They should also actively reach out to real estate professionals to identify strategies for attracting new developers to the area. These recommendations and others are discussed in detail in the section below.

4.0 RECOMMENDATIONS

1.0 CREATE MORE OPTIONS FOR DEVELOPMENT OF SINGLE-FAMILY HOUSING WHERE APPROPRIATE

Our analysis shows that land use controls in Leicester are significantly more restrictive than those in the comparison group. These controls were adopted at a time of rapid housing growth, but are likely now acting as a constraint to it. CMRPC recommends the Town consider the following zoning bylaw reforms:

1. ***Reduce Minimum Lot Sizes in SA Districts:*** Leicester's bylaw currently mandates the largest average minimum lot size of any other town in the comparison group. The Town has roughly 10,000 acres of land (68% percent of all zoning acres) within the SA district, which has the largest minimum lot size (80,000 sf). Reducing this to the more common size of around 60,000 square feet will make this large acreage more competitive with surrounding communities and should have a proportionally large impact related to land area in increasing the potential for housing production. The Town should take precautions to prevent the fiscal and other impacts of potential overbuilding or rapid permitting activity by encouraging different kinds of subdivisions with different unit mixes and also encourage open space subdivisions proactively.

2. ***Reduce Minimum Lot-Size Starting Point in the Open Space Bylaw:*** The Open Space Bylaw currently requires all development to adhere to the dimensional requirements of the underlying zoning. This means, for a development in the SA district, the lot sizes would need to adhere to the 80,000-sf minimum. The bylaw does provide for smaller lot sizes in certain circumstances, though this requires special approval from the planning Board. This report did not obtain qualitative information on this process and therefore cannot confidently weigh in on the impact it may have. However, reducing minimum lot sizes to an acre or less to start with, might make it a more attractive option for developers and allowing further reductions through clustering even more so. Note that appropriately developed open space subdivisions not only protect important open space resources but also result in lower development costs for the developer and maintenance costs for the Town.

Time-Frame: Medium to Long-Term
Responsible Parties: Town Planner, Planning Board, Board of Selectmen
Fiscal Impact: Some short-term costs associated with drafting reforms and education in preparation of town meeting. Technical assistance funding could be available through CMRPC and/or state sources.

2.0 MAKE THE DEVELOPMENT OF MULTI-FAMILY HOUSING ALONG APPROPRIATE CORRIDORS EASIER AND MORE ATTRACTIVE TO DEVELOPERS

In areas where there is appropriate sewer, water, and transportation infrastructure, the Town of Leicester should consider making the process of developing multi-family housing simpler and more attractive to developers. Currently, two- and three-family housing is only allowed in limited districts as a special permit use. Zoning for multi-family is even more limited and restrictive. The goal of any reforms should be to balance the need for additional unit production while retaining the Town's ability to control the type of housing that gets built.

This report identifies the corridors along Route 9 from the Village Center through Cherry Valley to the Worcester border and Route 56 South to the Oxford border as areas suitable for three-family housing or more. These routes currently have the necessary water, sewer and transportation infrastructure (see "Constraints").

ZONING FOR MULTI-FAMILY HOUSING

Multi-family housing options are at present very limited in Leicester. CMRPC recommends the following options for expanding multi-family options in the Town. This list or recommendations should be viewed more as a menu of options than as a specific course to be followed. Some of the proposed actions may overlap or even supersede each other.

1. ***Expand Mixed Use Zoning Options along Route 9, Cherry Valley***: currently a mixed-use option exists in the Central Business district; creating an overlay district or expanding the existing CB district to cover more of the route 9 corridor would create opportunities to expand multi-family housing in the district.

2. ***Consider Traditional Neighborhood Development District***: adoption of a Village Center Residential or Traditional Neighborhood Development (TND) overlay district could simplify the development of two- and three-family housing. A TND overlay covering lots which front Route 9 between Worcester and the town center could create more opportunities for multi-family and mixed-use development along this corridor, while still allowing the Town to establish clear design guidelines for such development (see Appendix for details)

3. ***Reduce Minimum Lot Sizes in B and CB Zones***: as stated above, only small percentage of existing lots fronting Route 9 in the B and CB district met the minimum 15,000 sf lot size requirement. Reducing this to a level that better reflects the existing characteristics of this corridor may make development of certain housing types more attractive. CMRPC recommends reducing the lot sizes to 10,000 sf with a maximum coverage of at least 50% in areas where such change does not conflict with the limitations of the Town's existing Water Resource Protection Overlay District.

4. ***Simplify Dimensional Requirements where multi-family development is allowed***: currently, multi-family housing is allowed in RiB, B and CB districts. However, the dimensional requirements are arranged in such a way that it could generate confusion and discourage development. For instance, in the B and CB districts the minimum lot size increases by 7,500 sf up to 5 units, and requires an additional 2,000 sf for each unit thereafter. CMRPC recommends reducing the variation in these districts to one or two categories.

   Time-Frame: Medium to Long-Term

   Responsible Parties: Town Planner, Planning Board, Board of Selectmen

   Fiscal Impact: Some short-term costs associated with drafting reforms and education in preparation of town meeting. Technical assistance funding could be available through CMRPC and/or state sources.

WORKFORCE HOUSING SPECIAL TAX ASSESSMENT (WH-STA) AREA

A Workforce Housing Special Tax Assessment Area (WH-STA) is a designated area of town where developers can be offered a property tax incentive to build housing affordable to middle-income residents. This incentive takes the form of tax-stabilization agreements negotiated between the Town and developers on a case-by-case basis. Tax stabilization agreements allow the Town to freeze property taxes at the existing level for a limited time. The parameters are as follows:

- Developers are allowed tax reduction for up to 5 years from
- Up 100% for during up to 2 years of construction
- In addition, they can request an addition deduction for up to 3 years after construction
- Year 3 = up to 75%
- Year 4 = up to 50%
- Year 5 = up to 25%

PROCESS

The WH-STA area is governed by Massachusetts General Law, Chapter 40, Sec. 60B[2], which was adopted as part of the Municipal Modernization act of 2016. The process for creating and using a WH-STA area are as follows:

1. ***Town Develops a WH-STA Plan***: this plan defines the geographic limits of the WH-STA area and defines:
    a. Where the units will be built
    b. Minimum number of units that must be built to qualify
    c. The process for developers to apply
    d. Maximum rental prices a developer can charge
    e. Other eligibility criteria determined necessary by the Town
2. ***Plan is Adopted at Town Meeting***: the plan must be presented and approved by town meeting or other legislative body. Once approved, the plan will remain in effect for three (3) years. Towns have the option to renew the plan at the end of this three-year cycle[3], again, with a vote by town meeting or other legislative body.
3. ***Town Negotiates Stabilization Agreements with Developers***: the WH-STA is designed to allow town officials to directly negotiate stabilization agreements directly with developers on a case-by-case basis. There is no rule that states the Town must allow the maximum tax stabilization. However, the Town cannot exceed the statutory limits set forth for years 3-5.

This process is not currently reviewed by any state administration. All agreements and guidelines established under this rule are developed and negotiated by the towns themselves.

Time-Frame: Short to medium-term
Responsible Parties: Town Planner, Planning Board, Board of Selectmen
Fiscal Impact: Negligible in the short term. Grant financing could be available for development of the WH-STA plan. Long term fiscal impact is dependent upon the number of stabilization agreements offered and the number of units developed. Fiscal

[2] MGL, Ch. 40, Sec. 60B: https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter40/Section60B

[3] One question which arose from our research into this, is whether stabilization agreements that had been entered into would be affected by a town's failure to renew the WH-STA designation at the end of the 3-year term. Our reading of the law leads us to believe that a town is granted the ability to determine the parameters of each stabilization agreement entered into, including the duration for which the reduced rents would be in effect. Further research should be conducted into this as part of subsequent phases.

impacts related to adding new units and new infrastructure would potentially offset by new revenues once the stabilization period expires. Additional impacts would need to be considered on a case-by-case basis

3.0 IMPROVE COMMUNICATION AND COORDINATION

REFORM WATER AND SEWER DISTRICTS

As discussed in the Constraints Analysis section the presence of multiple water and sewer districts in the town could be generating uncertainty and acting as a limitation on growth. CMRPC recommends the Town either seek to facilitate a restructuring or reformation of the communications and governance of the various districts to improve performance.

1. ***Consolidate the Districts:*** restructuring the districts into a single district could greatly reduce the complexity of development as well as potentially reducing costs. The Town of Charlton for instance, governs water and sewer for the entire town under a single Water/Sewer Commission.

2. ***Improve Communication and Standardization:*** short of restricting the four districts, the Town could also peruse improvements in communication and coordination between the Town and the districts, particularly related to development review and sharing data and information.

    a. *Create a formal commission with the existing supervisors:* a commission could be formed composed of the four supervisors, the town planner, and other select town officials. Such a commission could become more thoroughly integrated into the development process, reducing the time and complexity of housing and other development.

    b. *Town hosts regular meetings with all four supervisors:* simply inviting the supervisors for regular meetings (monthly to quarterly) could help better synergize their functions with those of the town planner, planning board and other officials involved in the development process.

Time Frame: Medium to Long-Term
Responsible Parties: Town planner, planning board

Fiscal Impact: Some costs associated with planner time to coordinate and organize meetings, reforms. Financial assistance may be available to providence technical assistance with strategic planning.

FACILITATE COMMUNICATION WITH BROKERS, DEVELOPERS

Regular communications with brokers, developers, and other real estate professionals is vital to encouraging a return of growth to the town. Town officials should plan regular meetings with important stakeholders to ensure regular lines of communication remain open. The Town of Southbridge has instituted a regular event they call the Broker's Breakfast. This meeting invites a collection of brokers and real estate professionals for a round-table discussion to hear about market trends, concerns, constraints, and other important information. Communities in the Blackstone Valley hold events in member communities called "Open for Business" sponsored by the Blackstone Valley Chamber of Commerce.

Time Frame: short-term, immediate

Responsible Parties: Town planner, planning board
Fiscal Impact: negligible costs associated with Town Planner and other officials' time. Some minor expenses depending on format (snacks and drinks).

COMMUNICATION AND COORDINATION WITH SCHOOL DISTRICT

Recently, CMRPC began working with the Quabbin Regional School District on a multi-faceted plan aimed at easing the long-term cost burden for their constituent communities. The project is taking a comprehensive, cooperative approach to identify potential revenue streams for the towns and improve the long-term viability of the district. This cooperative model is one that could readily be adapted to other communities in Massachusetts. CMRPC recommends Leicester consider pursuing a similar cooperative plan with the Leicester Public Schools either as a standalone project or as part of the proposed Housing Production Plan.

Time Frame: medium to long term
Responsible Parties: Town planner, planning board, Leicester Public Schools
Fiscal impact: short-term costs associated with planning and research. Could be grant funded through DLTA or other sources

4.0 PLAN FOR HOUSING

COMPREHENSIVE HOUSING PRODUCTION PLAN

A Housing Production Plan (HPP) is a valuable tool for helping a town manage the development of workforce housing. CMRPC recommends the Town use this report as a jumping off point to produce a robust HPP.

1. ***Seek Community Input on Vision and Goals:*** One limitation of this study was the limited capacity of the Project Team to obtain input on housing production goals from the wider community. The recommended HPP would include a multi-faceted outreach approach, including surveys, public meetings, and workshops. If there was a clear vision for housing in Leicester, it may provide an incentive to potential developers who could contribute to meeting aspects of the vision.

RESIDENTIAL BUILD-OUT ANALYSIS

A Residential Housing Build-Out Analysis (RHBOA) attempts to estimate the potential residential housing lot yield from available open land. CMRPC has recently completed RHBOA's for the towns of West Brookfield and Holden, and has developed a model which could be easily adapted to Leicester.

Build-Out Scenarios: utilizing the findings of the RHBOA, the Town could then model multiple zoning change scenarios to help measure the potential lot yield and impacts from the various proposed changes. This would allow Leicester to put changes in place to encourage housing production but also identify the potential impacts of these changes and put measures in place to ensure carefully considered growth that does not negatively impact Town services and facilities.

Time Frame: medium term
Responsible Parties: Town planner, planning board
Fiscal impact: short-term costs associated with planning and research. Could be grant funded through DLTA or other sources