

## **Executive Summary**

# **Fiscal Impact Analysis**

## **Northland Newton Development**

**Newton, MA**

**August 31, 2018**

**Prepared For  
Northland Development, LLC**

**Prepared By  
Fougere Planning & Development, Inc.**

**FOUGERE PLANNING & DEVELOPMENT, Inc.**

**Mark J. Fougere, AICP**  
phone: 603-315-1288  
email: Fougereplanning@comcast.net

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**FISCAL IMPACT ANALYSIS  
Comparative Analysis**

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**I. Introduction**

**Northland Newton Development**

Northland Development, LLC is proposing a new mixed-use development (the “Development”) on a 22.6-acre site situated between Needham Street, Oak Street and Tower Road in Newton Upper Falls (“Site”). The Site will be converted to a mixed-use development including housing, retail, and office space. Table One outlines the Development program.

**Table One  
Development Program**

<b>Program</b>	<b>Square Feet</b>
Small Retail	155,200
Medium Retail	30,000
<b>Total Retail Sq. Ft.</b>	<b>185,200</b>
<b>Office</b>	
Renovated - Oak Street	<b>180,000</b>
<b>Housing</b>	
Studio - Three Bedroom	<b>822 Units</b>

Fifteen percent (15%) of the 822 housing units (123) will be affordable. All proposed new access drives and interior roadways will be privately owned and maintained by the owner, and trash disposal, snow removal and utility connections will be privately contracted. Public water and sewer will be provided to the site through municipal services.

## City Budget

The City of Newton's total operating budget for Fiscal Year 2019 is \$412,513,389. Newton Public Schools account for 55% of the budget. Other key departments potentially impacted by the Development include Police, Fire, Public Works, Health/Human Services and Parks & Recreation.

## II. Methodology

Fougere Planning met with both City and School personnel in preparation of this report. In particular, a series of meetings were held with the Newton Public Schools to discuss estimated "no build" enrollment projections, potential school assignments and the status of School Department capital projects.

Although the Development will take five to seven years to build out, this report assumes that the Development is completed, and occupancy is stabilized for all uses. All revenues and costs are reported in current dollars. The 2018 City Tax Rate is being utilized as the 2019 rate has not been set. City costs are based on the 2019 Budget. Property values and rents are based upon current market conditions.

## III. Local Revenues from Development

### A) Property Taxes

The current assessments for the Site and the 2018 tax rate yields +/- \$990,898 in yearly property tax assessments. Based on the redevelopment proposal, annual property tax payments will increase substantially to +/- \$4,513,797. See Table Two.

**Table Two**  
**Estimated Yearly Property Taxes**

<b>Program</b>	<b>Square Feet</b>	<b>Est. Sq. Ft. Value</b>	<b>Est. Assess. Value</b>		
Retail - small	155,200	\$265	\$41,128,000		
Retail - medium	30,000	\$245	\$7,350,000		
<b>Total Retail Sq. Ft.</b>	<b>185,200</b>				
<b>Office</b>					
Renovated - Oak Street	<b>180,000</b>	\$180	\$32,400,000		
<b>Total Value Non-Residential</b>			<b>\$80,878,000</b>	Taxes @ \$20.62	\$1,667,704
<b>Housing</b>					
Studio - Three Bedroom	<b>822 Units</b>	\$320,000 / Unit	\$263,040,000	Taxes @ \$10.82	\$2,846,093
				<b>Total Est. Taxes</b>	<b>\$4,513,797</b>

B) Community Preservation Surcharge

Table Three estimates the CPA surcharge based upon the projected taxes.

**Table Three  
Community Preservation Surcharge**

Property Taxes	% CPA Surcharge	Surcharge
\$4,513,797	1%	\$45,138

C) Other Tax Revenues

- i. *Motor Vehicle Excise Tax* - Table Four outlines the projected vehicle excise taxes for registered motor vehicles.

**Table Four  
Motor Vehicle Excise Tax**

# Cars <sup>1</sup>	Value	Total Value
797	\$18,000	\$14,346,000
\$7,173,000 <sup>2</sup> /1,000		\$7,173
\$25 x \$7,123		<b>\$178,075</b>

- ii. *Local Meals Tax* – Table Five outlines estimated meals taxes allocable to the City from the programmed restaurants.

**Table Five  
Estimated Restaurant Tax Revenue**

Restaurant Tax Estimate	
Needham Street Plan	
Large Restaurant (10ksf avg. size)	30,000sf
Small Restaurant (3ksf avg. size)	20,000sf
<b>Total</b>	50,000sf
Large Restaurant Gross Revenue	\$600/sf
Small Restaurant Gross Revenue	\$400/sf
Total Gross Revenue	\$26,000,000
<b>Tax Revenue To Newton</b>	<b>\$195,000</b>

- iii. *Personal Property Taxes*

The Development program estimates 50,000 square feet of restaurant space, which will generate an estimated \$21,589 in personal property tax revenue, the renovated office building will generate \$9,000 per year, for a total estimated annual personal property tax revenue of **\$30,589**.

<sup>1</sup> Estimated 1 vehicle per unit, with 3% vacancy.

<sup>2</sup> Value is reduced by 50% to account for value fluctuation.

D) Total Estimated Yearly Revenues from The Development

The Development is estimated to generate \$4,962,599 in yearly revenues from property taxes, CPA surcharge, vehicle excise taxes, local Meal taxes and Personnel Property taxes as shown in Table Six:

**Table Six  
Estimated Yearly Revenue**

Commercial/Residential Property Tax	\$4,513,797
CPA Surcharge	\$45,138
Excise Taxes	\$178,075
Local Meal Taxes	\$195,000
Personnel Property Taxes	\$30,589
<b>Total Revenue</b>	<b>\$4,962,599</b>

Additional one-time payment revenues will also be realized as part of the development, these will be detailed further below.

**IV. Municipal Service Costs**

Fougere Planning and Development has analyzed the likely foreseeable cost to key City departments.

**School Department**

The City of Newton public schools presently have an enrollment<sup>2</sup> of 12,750 students, with overall enrollment expected to increase very minimally in the coming five years. Elementary enrollment is projected to decline, with increases expected for the Middle School and High School levels.

Table Seven contains the School Department Enrollment projections.

**Table Seven  
Enrollment Projections**

Grade Level	Actual 2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	% Change
<b>Elementary</b>	<b>5,824</b>	5,816	5,740	5,673	5,657	5,627	-3.3%
<b>Middle</b>	<b>2,868</b>	2,852	2,910	3,009	3,011	2,992	+4.3%
<b>High School</b>	<b>4,058</b>	4,112	4,150	4,143	4,181	4,204	+3.5%
<b>Total</b>	<b>12,750</b>	12,780	12,800	12,825	12,849	12,823	+0.5%

<sup>2</sup> Enrollment Analysis Report, 2017-18, Newton Public Schools.

## Projected School Enrollment

In estimating the potential number of school children who may reside within a housing development, we have considered the unit mix and affordability factors. Table Eight provides a breakdown of unit types for the proposed 822 housing units, including 123 affordable units.

**Table Eight  
Unit Mix Breakdown**

Type	Total	Affordable 15%	Market	Overall %
Studios	82	12	70	10%
One Beds	371	56	315	45%
Two Beds	329	49	279	40%
Three Beds	40	6	35	5%
<b>Totals</b>	<b>822</b>	<b>123</b>	<b>699</b>	<b>100%</b>

The Newton Public Schools Enrollment Analysis Report tracks the number of school age children (SAC) residing in a number of key housing complexes that contain affordable housing units, including Avalon at Newton Highlands and Avalon at Chestnut Hill. We noted that these housing complexes have a higher percentage of two/three-bedroom units<sup>3</sup> (68.8%) compared to the proposed Development (44.9%), which will increase the number of students per unit when compared to the Development. Based upon the actual enrollments at the Avalon developments, the School Department has developed per unit SAC ratios based on the average number of students residing in two-bedroom units (market rate and affordable) and three-bedroom units (market rate and affordable). Applying those ratios to the Northland Newton Development derives an estimate of 120 school age children.

**Table Ten  
Estimated School Age Children – Local Data**

Type	Units	SAC Ratios	Total SAC
Studio Market	70	0.000	0.00
Studio Affordable	12	0.000	0.00
1 Bed Market	315	0.000	0.00
1 Bed Affordable	56	0.000	0.00
2 Bed Market	279	0.192	53.57
2 Bed Affordable	49	0.918	44.98
3 Bed Market	35	0.735	25.72
3 Bed Affordable	6	2.563	15.38
<b>Total</b>	<b>822</b>		<b>140</b>
<b>Total Includes 14% Private School</b>			<b>-20</b>
<b>Total Estimated Public School Children</b>			<b>120</b>

<sup>3</sup> Of a total of 678 units, 467 are two and three bedrooms.

## Locational Factors

The SAC multipliers relied upon by the School Department do not reflect locational impacts characteristic of mixed-use developments, which tend to be less family oriented. Comparing the proposed Northland Newton Development's gross per unit SAC multiplier (based on Newton School District's data) to other mixed-use projects in the area provides a clear indication that unit mix and locational considerations play a role in the number of school children that may reside within a housing complex; Table Eleven.

**Table Eleven**  
**Area Mixed Use Housing Complexes**

Regional Projects	Town	Total Units	Total SAC	Studio/One Beds	Two Beds	Three Beds	SAC Ratio/ Total Units	Total Affordable Units
Charles River Landing	Needham	350	28	245	105	0	<b>0.08</b>	88
University Station	Westwood	350	32	210	140	0	<b>0.09</b>	88
Proposed Development	Newton	822	120	453	329	40	<b>0.14</b>	123

It is not expected that all of the potential students will appear in the school system immediately. Based on construction and lease-up periods, there will be a lag between construction and full occupancy of the Development. It is anticipated that the first phase of the Development will not be completed until 2022 and the entire Development will take five to seven years to fully complete. This construction timing coincides with the anticipated decrease in enrollments for the elementary grade levels.

## Estimated School Costs

### Average Per Pupil Cost Approach

Based upon the most recent available information from the Massachusetts Department of Education, Newton's Actual Net School Spending in 2015 was \$15,951 per student. Taking into consideration 2015 Chapter 70 Aid payments (\$1,568/student), the average cost per student is reduced to \$14,383. This translates into a total school cost impact of \$1,725,960 based on applying average cost to the number of expected students; Table Thirteen

**Table Thirteen**  
**Average Per Pupil Cost Approach**

Total SAC	Cost/Student	Total Cost
120	\$14,383	\$1,725,960

## Marginal Cost Approach

More typically, we review expense considerations from a marginal cost approach including estimating the number of new teachers that may be needed using the School Department's teacher/student ratio guidelines<sup>4</sup>, and reviewing potential special educations costs, new bus costs, and supplies. Based upon the estimated number of school children, by grade level, we estimate an anticipated marginal cost total \$1,209,000. We recognize that the annual marginal cost analysis does not allocate any facility, administration or system-wide costs to the Development's students.

**Table Fourteen**  
**Marginal Cost Approach**

<b>Cost Element</b>	<b>Cost</b>	<b>#</b>	<b>Total</b>
Teachers <sup>5</sup>	\$75,000	5	\$375,000
Special Ed.	\$22,620	24 Students	\$542,880
Busing	\$93,000	3	\$279,000
Supplies	\$101	120	\$12,120
			<b>\$1,209,000</b>

Based upon these two cost approaches, estimated yearly school related expenses could range from \$1,209,000 (marginal cost analysis) to \$1,725,960 (average cost analysis), and some estimate between those approaches would be appropriate.

## School Facilities

The neighborhood and site lie within a School Department Buffer District, which provides the School District with the flexibility to assign students to various elementary schools depending on capacity and other factors. At the Elementary level, three schools will be under consideration for residents of the Development: Angier, Zervas and Countryside. Countryside may eventually be the primary receiving school for the Development. Countryside is scheduled for extensive renovations over the next few years, and it is currently projected to experience moderately declining enrollment. The School Department has indicated that there is capacity within the system to accommodate the proposed Development, although specific school assignments will depend on future events and trends. In addition, the proposed development will take five to seven years to fully build out, slowing the introduction of students to the school system, with full enrollment impact unlikely until 2027. Tracking enrollment levels over a five to seven-year time frame will allow the School Department to address these matters in an orderly fashion.

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<sup>4</sup> Newton Public School Elementary student/teacher ratio: 21.5, Middle School 22 and High School 25. Twenty percent of the enrollment is assigned to special education costs.

<sup>5</sup> Given that the cost of 24 students is allocated to Special Education, the cost of teachers for 96 students has been calculated.

## Municipal Departments

### Police & Fire

Our analysis assumes that the Police Department and Fire Department will experience increased demand for services from the Development. Based on experience in other residential and commercial areas of the City annual police calls are projected to increase by 518 calls, annual fire/ambulance calls are projected to increase by 126 calls (64/62 calls respectively), creating marginal operational impacts.

### Police Department

Based on an average of 4,007 calls per Sector<sup>6</sup> the proposed Development will increase calls by 13% (518/4,007). Multiplying this percentage by the total police sector cost of \$434,630 arrives at an estimated increased police cost of \$56,502, as shown in Table Sixteen.

**Table Sixteen**  
**Police Department Impact**

<b>Cost Per Sector</b>	<b>Salary</b>	<b>Officers per Shift</b>	<b>Cost</b>
4.5 Officers Per Sector			
Day Shift	\$92,917	1.5	\$139,376
Night Shift	\$98,418	3	\$295,254
Total Sector Cost			\$434,630
Calls Per Sector	4,007		
<b>Estimated Calls</b>	<b>518</b>		
% Increase In Calls	13%		
<b>Estimated Costs</b>	<b>13% x \$434,630 = \$56,502</b>		

### Fire Department

Although a private ambulance service operates within Newton, the Fire Department responds to most calls.

Fougere Planning and Development met with Deputy Fire Chief Michael Smith and Captain Mark Hernandez. In order to account for some costs, the Deputy noted an average cost of a full-time fire fighter is \$100,000 per year. To be conservative, we will carry this cost figure in our analysis.

## V. One-time Revenue Benefits

**Building Permit Fees:** Based upon expected building hard costs of \$400,000,000 for the proposed Development, building fees are estimated to total \$8,000,000 over the life of the Development.

<sup>6</sup> Average three-year call volume is 36,060, divided by 9 police sectors = 4,007 calls per sector.

## FISCAL SUMMARY

Table Eighteen summarizes the fiscal impact from the proposed Development. Gross annual revenues to the City of Newton are estimated to be \$4,962,599 and estimated annual costs could range from \$1,456,230 to \$1,973,190, resulting in an estimated yearly net positive impact to the City from the Development ranging from \$2,969,409 to \$3,486,369. The net fiscal benefit to the City, accounting for the current taxes on the Site, will amount to a range of \$1,978,551 to \$2,495,471.

**Table Eighteen**  
**Estimated Annual Fiscal Impact**

Existing Development Area Taxes		<b>\$990,898</b>
Gross Rev. Taxes, CPA, Meals, Excise & Personnel Property Taxes		<b>\$4,962,599</b>
Estimated Municipal Costs		
Police	\$56,502	
Fire	\$100,000	
Health	\$85,728	
Other Departments	\$25,000	
School Costs	\$1,209,000 to \$1,725,960	
Total Costs	\$1,476,230 to \$1,993,190	
<b>Net Annual Positive Fiscal Impact from the Development</b>		<b>+\$2,969,409 to \$3,486,369</b>
<b>Net Fiscal Benefit Accounting for Current Taxes</b>		<b>+\$1,978,551 to \$2,495,471</b>