

Fiscal Impact Analysis

Prepared By
Fougere Planning & Development, Inc.

and

Economic Impact Analysis

Prepared By
Landwise Advisors

Northland Newton Development

Newton, MA

August 31, 2018

FOUGERE PLANNING & DEVELOPMENT, Inc.

Mark J. Fougere, AICP

phone: 603-315-1288

email: Fougereplanning@comcast.net



phone: 857-228-0210

101 Walnut St. Watertown, MA 02472

**Prepared For
Northland Development, LLC**

TABLE OF CONTENTS

FISCAL IMPACT ANALYSIS

I.	Introduction.....	page 3
II.	Methodology.....	page 6
III.	Local Revenues from Development.....	page 7
IV.	Municipal Services Cost.....	page 10
V.	One-time Revenue Benefits.....	page 21
VI.	Summary of Findings.....	page 22

ECONOMIC IMPACT ANALYSIS

I.	Introduction.....	page 24
II.	Methodology & The Inputs.....	page 24
III.	The Impacts.....	page 26
IV.	Conclusion.....	page 27

Fiscal Impact Analysis

Prepared By
Fougere Planning & Development, Inc.

August 31, 2018

FOUGERE PLANNING & DEVELOPMENT, Inc.
Mark J. Fougere, AICP
phone: 603-315-1288
email: Fougereplanning@comcast.net

Prepared For
Northland Development, LLC

FOUGERE PLANNING & DEVELOPMENT, Inc.

Mark J. Fougere, AICP

phone: 603-315-1288

email: Fougereplanning@comcast.net

Northland Newton Development Newton, MA

FISCAL IMPACT ANALYSIS Comparative Analysis

August 31, 2018

I. Introduction

Northland Newton Development

Northland Development, LLC is proposing a new mixed-use development (the “Development”) on Needham Street, Oak Street and Tower Road in Newton Upper Falls. The 22.6 acre-site, which lies at the northwestern corner of Needham and Oak Streets, will be converted to a mixed-use development including housing, retail, and office space. A majority of the mid-rise residential buildings will contain first-floor retail uses and a total of 822 housing units are proposed ranging from studio to three-bedroom units. Fifteen percent of all housing units (123) will be set aside as affordable as required by Newton’s inclusionary housing ordinance. Buildings within the Development will range from three to seven stories with residential parking under buildings and a central commercial parking structure. Existing retail/industrial space on the Development site will be demolished, and the existing historic Saco Pettee Mill office building at 156 Oak Street will be restored with upgrades planned to interior and exterior elements. This fiscal impact report analyzes potential revenue streams from the proposed residential and commercial development together with fiscal impacts to individual City departments. Given the size and complexity of the Development program, the buildout will occur over a five to seven-year period starting in FY 2020. For the purposes of this report, all figures are shown at full buildout. Table One outlines the Development program.

**Table One
Development Program**

Program	Square Feet
Small Retail	155,200
Medium Retail	30,000
Total Retail Sq. Ft.	185,200
Office	
Renovated – 156 Oak Street	180,000
Housing	
Studio - Three Bedroom	822 Units

Fifteen percent (15%) of the 822 housing units (123) will be affordable, which will make the Development the largest development of inclusionary units in the City of Newton. 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.

Local Trends

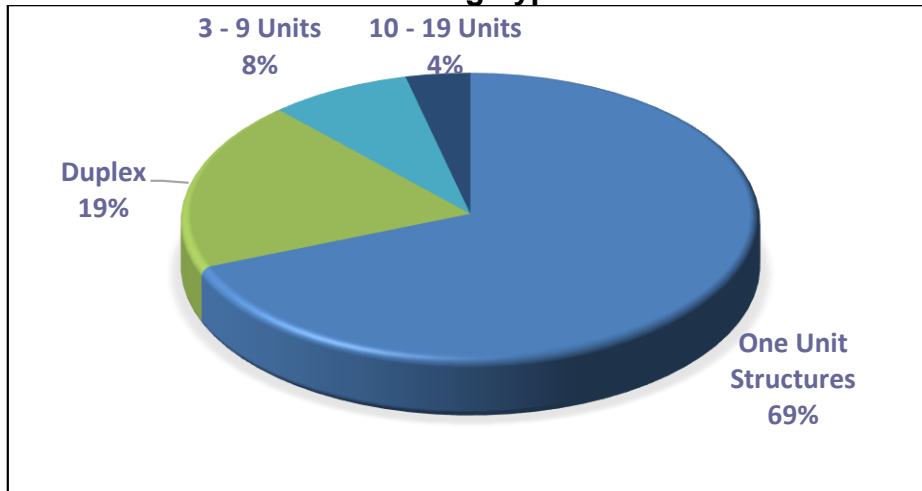
Census figures report that from 2000 to 2010 Newton’s population increased from 83,829 to 85,146, a population growth rate of 1.57% over 10 years. The most recent population estimates from the US Census Bureau¹ report a population of 89,045. This increase in population can be found predominately in two ages groups, 5 – 19 (+2,507) and those over the age of 65 (+1,681). The City of Newton’s Demographic Report² notes that the average Household size has decreased from 2.77 in 1980 to 2.5 in 2010. In addition, the 25-44 age cohort has declined by 19.5% during this same period.

As shown in Figure One, a majority of Newton’s housing stock consists of one-unit structures (69%), which includes single-family homes (62%) and one-unit attached homes (7%). The 2015 US Census data reporting 20,273 one-unit structures out of a total housing stock of 32,665 units. Of the 31,077 occupied housing units, 69.4% are owner occupied and 30.5% are renter occupied.

¹ 2016 American Factfinder

² Demographic Trends and Housing in the City of Newton, Ma, Bluestone 2014.

**Figure One
Housing Types**

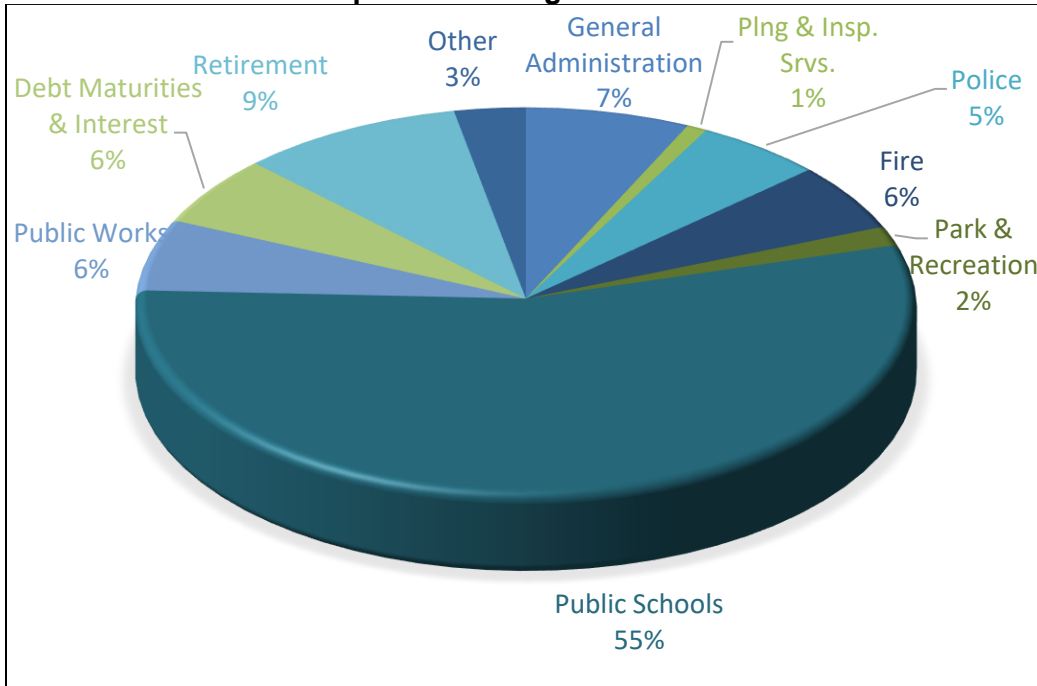


City Budget

The City of Newton's total operating budget for Fiscal Year 2019 is \$412,513,389. Newton Public Schools account for 56% of the budget. Other key departments include Police, Fire, Public Works, Health/Human Services and Parks & Recreation. Figure Two outlines the budget percentage for each department, as well as other budget categories.

Public Schools, Police, Fire and to some degree, Health & Human Services, will experience the most direct measurable impact from the Development. In addition, these departments have large budgetary impacts on the community and therefore they are the primary focus of this Report.

**Figure Two
Department Budget Allocation**



II. Methodology

Several methodologies are commonly used to estimate the fiscal impacts of proposed developments. The Per Capita Multiplier Method is sometimes used to determine municipal cost allocation. This method is the classic “average” costing method for projecting the impact of population growth on local spending patterns and is used to establish the costs of providing services for new development. This method assumes that current revenue/cost ratios per person and per unit are a measure of future revenue/cost impacts occasioned by growth. The advantage of this approach is its simplicity of implementation; however, its disadvantage is that it calculates the “average” cost as being the expected cost. This is often not the case, and costs may be overstated, in some cases significantly. A more accurate method is the Marginal Cost Approach methodology which is the primary methodology utilized in this report. The Marginal Cost Approach allocates fiscal impact on a case by case analysis of additional costs generated specifically by the Development. In reviewing exclusively those City departments which may realize a measurable impact from the proposed development, a truer picture of anticipated costs impacts can be determined. For most new land uses, many department budgets are not measurably impacted.

Fougere Planning met with a number of City department heads and officials during the preparation of this Report. The purpose of these meetings was to review and establish the fiscal impact approach, as well as to discuss with local officials their concerns about present service capacity and how the Development may impact department and municipal infrastructure. In particular, a series of meetings were held with Ms. Julie Kirrane of the Newton Public Schools to discuss estimated “no build”

enrollment projections, potential school assignments/enrollment impacts of the Development, the status of School Department capital projects, and potential school costs of the Development.

- A number of key assumptions underlie the findings outlined in this Report: Although the Development will take five to seven years to build out, we make the assumption 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

Local property taxation provides the majority of revenues for the City of Newton, totaling 82.9% of all revenues to the General Fund³. Newton's 2018 Tax Rate consists of a Residential Rate of \$10.82 per \$1,000 valuation and a Commercial Rate of \$20.62. In order to estimate future property tax revenue from the proposed Development, thirteen comparable commercial properties were reviewed⁴. In addition, a meeting was held with the Board of Assessors to gain an understanding of local market conditions. Three housing complexes⁵ within Newton were used as comparable properties to arrive at an estimated residential value.

Locational considerations within the Development site were taken into account with increased valuations for the commercial buildings located in high visibility locations compared to space located in less visible areas of the site.

The current assessments of the property and the 2018 tax rate yields +/- \$995,000) in yearly property tax assessments. Based on the redevelopment proposal, annual property tax payments will increase substantially to +/- \$4,513,797, as shown in Table Two

³ Fiscal Year 2017.

⁴ A full list of comparable properties is shown in the Appendix.

⁵ Avalon Highlands, Avalon Chestnut Hill, Woodland Station.

**Table Two
Estimated Yearly Property Taxes**

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

B) Community Preservation Surcharge

The City of Newton has adopted the Community Preservation Act allowing the community to impose a 1% surcharge on property taxes. Based upon the projected taxes previously outlined in Table Two, Table Three shows an estimated CPA surcharge of \$45,138.

**Table Three
Community Preservation Surcharge**

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

C) Miscellaneous Yearly Revenues

- i. *Motor Vehicle Excise Tax* - Another revenue source for the community is motor vehicle excise taxes. In FY 2019 the City of Newton is expected to receive a total of \$13,500,000⁶ from this revenue source. To estimate excise taxes generated by the Development, an estimated average vehicle value of \$18,000 was used. Given the proposed housing use and the affordable housing component, the estimated vehicle value was then reduced⁷ by 50%. Table Four outlines the projected vehicle excise taxes for the proposed Development for registered motor vehicles based on a current excise tax rate of \$25 per \$1,000 of vehicle value.

⁶FY 2019 Budget estimate.

⁷ This analysis was developed through discussions with a number of town clerks to arrive at a conservative estimate of vehicle excise taxes. Cars are discounted by 50% to account for value variations of those who own cars.

**Table Four
Motor Vehicle Excise Tax**

# Cars⁸	Value	Total Value
797	\$18,000	\$14,346,000
\$7,173,000/1,000 (50% reduction)		\$7,173
\$25 x \$7,123		\$178,075

ii. *Local Meals Tax* – In addition to the State imposed 6.25% meals tax, the City of Newton collects a .75% as a local revenue source. Based upon area sale comparables for small and large restaurants, it is estimated that the Development will generate \$195,000 per year from this revenue source; Table Five outlines estimated meals taxes from the programmed restaurants.

**Table Five
Estimated Restaurant Tax Revenue**

Restaurant Tax Estimate	
Large Restaurant (10k Avg.)	30,000/SF
Small Restaurant (3k Avg.)	20,000/SF
Total	50,000
Large Restaurant Gross Revenue	\$600/SF
Small Restaurant Gross Revenue	\$400/SF
Total Gross Revenue	\$26,000,000
Tax Revenue To Newton	\$195,000

D) Personal Property Taxes

Personal property taxes will be collected from a number of businesses that will reside within the Development area, specifically the proposed restaurants and office tenants. Based upon information supplied by the Board of Assessors, an average assessed value of restaurant personal property was calculated at \$20.94 per square foot. The Development program includes 50,000 square feet of restaurant space, which will generate an estimated \$21,589 in personal property tax revenue. It is estimated that the renovated office building will generate \$9,000 a year, for a total estimated annual personal property tax revenue of **\$30,589**.

E) Total Estimated Yearly Development Revenues

Per Table Six, the Development is estimated to generate \$4,962,599 in yearly revenues from property taxes, CPA surcharge, vehicle excise taxes, local Meal taxes and Personal Property taxes;

⁸ Estimated 1 vehicles per unit, with 3% vacancy.

**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
Total Revenue	\$4,962,599

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 enrollment⁹ of 12,750 students housed in twenty-one schools (fifteen elementary, four middle, and two high schools). The 2019 School budget is \$227,560,263. Overall enrollment expected to increase very minimally in the coming five years, growing at roughly one-half of a percentage point over the next five years with elementary school enrollment actually projected to decline and with short term increases expected for the Middle and High School levels only. Major capital investments have been made to numerous school buildings, including the construction of three new elementary schools, and the School Department has developed a detailed long-range plan to address building needs (renovations and/or expansions) throughout the system.

The most recent Newton School Department enrollment projections indicate a slower pace of enrollment growth will occur district wide over the next five years (0.6% total growth) along with a continuing decline in elementary enrollment of 3.4%, 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
Elementary	5,824	5,816	5,740	5,673	5,657	5,627	-3.4%
Middle	2,868	2,852	2,910	3,009	3,011	2,992	+4.3%
High School	4,058	4,112	4,150	4,143	4,181	4,204	+3.5%
Total	12,750	12,780	12,800	12,825	12,849	12,823	+0.6%

⁹ Enrollment Analysis Report, 2017-18, Newton Public Schools.

Projected School Enrollment

In reviewing the potential number of school children who may reside within a housing development, a number of factors are considered. These include the number of bedrooms per unit, as studio and one-bedroom units typically do not house school age children and two/three-bedroom units generally produce a higher rate of children per unit. Affordability also plays a role as can be seen with Newton School District enrollment reporting data. 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%
Totals	822	123	699	100%

The Newton Public Schools staff track enrollment trends very carefully. Each year the School Department produces an Enrollment Analysis Report which details enrollment by individual schools, reviews development trends and estimates future enrollment. In addition, the Report tracks the number of school age children (SAC) residing in a number of key housing complexes that contain affordable housing units. The findings from the annual Enrollment Analysis Report will be the basis for the School Department’s evaluation of the number of school children that may reside in the Development. The three principal housing complexes that are tracked include: Avalon at Newton Highlands, Avalon at Chestnut Hill and Arborpoint at Woodland Station . We noted that these housing complexes have a higher percentage of two/three-bedroom units¹⁰ (68.8%), compared to the proposed Development (44.9%). This higher percentage will increase the number of students per unit when compared to the proposed development. In addition, both Avalon complexes have more three-bedroom units (Newton Highlands - 60 units and Chestnut Hill – 46 units) than the proposed Development (40 units).

In our discussions with Ms. Kirrane we reviewed and discussed enrollment estimates, trends, capital programs and the neighborhood schools that will service the Development. After discussing the three specific housing complexes tracked by the Department, it was agreed to rely upon data solely from the two Avalon projects as their unit mixes are more closely aligned to the Development’s unit mix. The current enrollment breakdown for Avalon Highlands and Chestnut Hill housing developments is outlined in Table Nine.

¹⁰ Of a total of 678 units, 467 are two and three bedrooms.

**Table Nine
School Enrollment 2017-18
Avalon Highlands & Chestnut Hill¹¹**

School	Avalon at Newton Highlands (294 Units)	Avalon at Chestnut Hill (204 Units)
Angier Elementary	5	
Bowen Elementary		7
Countryside Elementary	27	1
Memorial-Spaulling Elem.		25
Zervas Elementary	25	
<i>Total Elementary</i>	<i>57</i>	<i>33</i>
Brown Middle	17	
Day Middle	2	
Oak Hill Middle		22
Newton North	1	1
Newton South	31	24
<i>Total Secondary</i>	<i>51</i>	<i>47</i>
Total All Schools	108	80

The School Department develops SAC (school age children) ratios for a given complex by measuring the number of school children within the complex and dividing it by the number of two- and three-bedroom units in the complex. For example, if 9 school age children lived within a complex containing 46 two- and three-bedroom units, the SAC ratio calculation would be 0.195. Based on these ratios, the number of school aged children in the Development is projected to be 120¹². Table Ten shows the calculation of school age children at the Development based on the combined Avalon SAC ratios.

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

Type	Units	SAC Ratios	Total SAC
Studio Market	70	0.000	0.000
Studio Affordable	12	0.000	0.000
1 Bed Market	315	0.000	0.000
1 Bed Affordable	56	0.000	0.000
2 Bed Market	279	0.192	53.568
2 Bed Affordable	49	0.918	44.982
3 Bed Market	35	0.735	25.725
3 Bed Affordable	6	2.563	15.378
Total	822		140
Total Includes 14% Private School			-20
Total Estimated Public School Children			120

¹¹ School Department Data.

¹² Newton Council on Aging & Newton Dept. of Sen. Services document, Nov.2015.

Locational Factors

While local developments are used in this analysis, it should be noted that these projects are not true mixed-use centers like the proposed Development, with housing located above retail spaces and shared with office buildings. Mixed-use developments with substantial commercial uses are potentially less attractive to families. The SAC ratios developed by the Newton School Department do not make an adjustment for mixed use centers. Comparing the proposed Development's SAC ratio (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 do play a role in the number of school children that may reside within a housing complex. Table Eleven compares SAC ratios of the Development to other mixed-use housing complexes.

**Table Eleven
Area Mixed Use Housing Complexes**

Regional Projects	Town	Total Units	Total SAC	Studio/One Beds	Two Beds	Three Beds	SAC Ratio	Total Affordable Units
Charles River Landing	Needham	350	28	245	105	0	0.08	88
University Station	Westwood	350	32	210	140	0	0.09	88
Proposed Development	Newton	822	120	453	329	40	.145	123

Given the unique qualities and the mixed-use nature of the proposed Development, we believe that a younger and older demographic are more likely to be attracted to the Development. Younger professionals and empty nesters, both with active lifestyles, are attracted to day and evening activities of a mixed-use development. These demographic groups are not in their prime family years which is reflected in the lower SAC ratios in Table 11.

The Newton Council on Aging¹³ has reported the growing housing demand for seniors over the age of 60, with the population in the community expected to reach over 22,000 by the year 2020. The Council has estimated a future need for senior housing options ranging between 1,000 to 2,000 housing units. With this increasing senior population, the need for alternative housing options to accommodate those who wish to downsize their living arrangements and remain in the community will continue to grow. Large, multi-story homes are not conducive to older populations. These structures have many barriers for those contending with physical limitations, along with the ongoing maintenance attention required to upkeep these homes.

¹³ Newton Council on Aging & Newton Dept. of Sen. Services document, Nov.2015.

The proposed mixed-use neighborhood will create a non-traditional environment that typically generates fewer school age children¹⁴. Key factors associated in non-traditional housing environments include:

- *Multi-family residential development located above commercial uses.*
- *Multi-family residences accessed primarily by elevators such as high-rise development.*
- *Multi-family properties located within mixed-use developments or are visually and operationally a part of general locations developed primarily for commercial / industrial use and major employment centers.*
- *Multi-family developments that are within or in close proximity to high intensity commercial or mixed-use developments.*
- *Multi-family developments located on local high traffic ways or where primary access is via a highway interchange or a major collector roadway leading to close by highway access.*

As a result, the Development is likely to experience high demand by seniors and young professionals, which in turn will generate a lower SAC ratio and school children estimate than either Avalon Newton Highlands or Avalon Chestnut Hill. It is our professional opinion that the proposed Development’s unique characteristics will influence the demographic groups who will reside within the Development. Based on the findings outlined above, the estimated 120 SAC could be reduced by up to 25 – 30%. However, to be conservative and recognizing the attractiveness of the City’s school system, this analysis will rely upon the local data to estimate school age children and use the estimated 120 students from Table Ten.

Grade Breakdown

Reviewing the grade profile of the two Avalon housing complexes relied upon to estimate the number of school age children in the Development, Table Twelve outlines the anticipated grade breakdown of students in the proposed Development.

**Table Twelve
Estimated School Age Children – By Grade**

Grades K - 5	61 Students
Grades 6 – 8	27 Students
Grades 9 - 12	32 Students

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

¹⁴ As reported by John Connery & Associates, along with findings researched by Fougere Planning.

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), average cost per student is reduced to \$14,383 which 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
Estimated School Costs

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 which provides a more realistic assessment of potential school related costs including. Key cost considerations that can be evaluated include: estimating the number of new teachers that may be needed using the School Department's teacher/student ratio guidelines¹⁵, and estimating potential incremental special educations costs, new bus costs, and supplies. Based upon the estimated number of school children, by grade level, we anticipate that five additional teachers may need to be hired at a cost of approximately \$75,000 per teacher per year to support the proposed development. Approximately 20% of the student population in Newton receives special education assistance, with a gross average cost of \$22,620 per student¹⁶. In speaking with School Department Staff, three additional buses could be needed to serve the new Development, noting that the annual cost is \$93,000 each. Material and textbooks costs average \$101 per pupil. Summarizing these costs factors, we estimate an anticipated marginal cost impact of \$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.

¹⁵ 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.

¹⁶ A majority of students that require SPED assistance are provided a low level of aid; some however require major services.

**Table Fourteen
Alternative School Cost Approach**

Cost Element	Cost	#	Total
Teachers ¹⁷	\$75,000	5	\$375,000
Special Ed.	\$22,620	24 Students	\$542,880
Busing	\$93,000	3	\$279,000
Supplies	\$101	120	\$12,120
			\$1,209,000

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. As outlined in Table Nine, it is possible that students living at the Development could attend different schools. At the elementary level, three schools will be under consideration for residents of the Development: Angier, Zervas and Countryside. Countryside is expected to experience moderately declining enrollment over the next several years, and while it may eventually be the primary receiving school for the subject site, renovations are scheduled to be completed at the school by FY24, but we are not aware of any plans to expand classroom space. Eight additional classrooms have been added in construction of the new Zervas School, and the new Angier School was recently completed adding three new classrooms. It should be noted that 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. School Department Staff indicated that both Brown Middle School and Newton South High School will accommodate the expected enrollment increases. Brown Middle School presently has two modular classrooms, and Newton South High School, given its more fluid schedule, has a greater ability accommodate increased enrollments. With students from the Development not expected to begin to enroll in the school system until the 2022 school year school at the earliest, officials will determine at that time the appropriate elementary school location for the students who reside within the Development. 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 about 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.

¹⁷ 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. For fiscal year 2018, the Police Department budget was \$22,235,462 and the Fire Department budget was \$22,362,741. The Police Department responds to an average 36,000 calls for service annually, while Fire Department records indicate 9,745 calls¹⁸ annually. To assess the degree of impact this Development would have on these Departments, comparable emergency call data from similar uses was analyzed. For the proposed housing units, local data from three complexes were used, and for the retail space, comparable retail uses were used. The data was analyzed to derive an average call volume per unit, which were then used to generate projected emergency responses for each Department. Data was not obtained from the existing office space and the retail space is calculated as “net new” as impacts from these properties are already included in existing budgeting. A total of 114,447 square feet of “new” retail space was analyzed; as 70,753 square feet of commercial space presently exists within the Development area. A private ambulance company services the City, but the Fire Department responds to most calls, so this data was included in the analysis.

Extrapolating from the comparable call data, City increases are projected in the City’s Police and Fire Department call volume. Annual police calls are projected to increase by 518 calls, annual fire/ambulance calls are projected to increase by 122 calls (63/59 calls respectively), creating marginal operational impacts as shown in Tables Fifteen A-B-C.

¹⁸ Fire Department call data estimates obtained from Connery Associates Fiscal Impact Analysis for Washington Place, May 25, 2016. Police call data supplied by the Police Captain Geary.

**Table Fifteen A
Projected Police¹⁹ Emergency Service Calls**

Police Calls	Retail Use	Sq. Ft.	Avg. Call Per Year	Calls / Sq. Ft.	Total New Calls
Max 260 Needham St.		35,100	36	0.0010	
241-281 Needham St.		70,753	135	0.0019	
55 - 71 Needham St.		19,097	20	0.0011	
230-244 Needham St.		31,925	136	0.0043	
300 Needham St.		35,109	50	0.0014	
Total Average		191,984	378	0.0020	
Proposed New Retail Space		114,447	225		
Residential		# Units			
Avalon Newton Highlands		294	153	0.520	
Avalon Chestnut Hill		204	67	0.328	
Arborpoint Woodland		180	22	0.120	
Total Average		678	242	0.356	
Total New Housing Units		822	293		518

**Table Fifteen B
Projected Fire Emergency Service Calls**

Fire Calls	Retail Use	Sq. Ft.	Avg. Call Per Year	Calls Sq. Ft.	Total New Calls
260 Needham St.		35,100	4	0.0001	
241-281 Needham St.		70,753	1	0.0000	
55 - 71 Needham St.		19,097	0	0.0000	
Total Average		124,950	5	0.0000	
Proposed New Retail Space		114,447	5		
Residential Housing		# Units			
Avalon Newton Highlands		294	26	0.088	
Avalon Chestnut Hill		204	11	0.053	
Arborpoint Woodland		180	12	0.064	
Total Average		678	48	0.071	
Proposed New Housing Units		822	58		63

¹⁹ Police call data obtained from the Police Department.

**Table Fifteen C
Projected Ambulance Emergency Service Calls**

Ambulance Calls	Retail Use	Sq. Ft.	Avg. Call Per Year	Calls Sq. Ft.	Total New Calls
260 Needham St.		35,100	2	0.0001	
241-281 Needham St.		70,753	2	0.0000	
55 - 71 Needham St.		19,097	6	0.0003	
Total Average		124,950	10	0.0001	
Proposed New Retail Space		114,447	9		
Residential Housing		# Units			
Avalon Newton Highlands		294	26	0.088	
Avalon Chestnut Hill		204	9	0.044	
Arborpoint Woodland		180	7	0.036	
Total Average		678	41	0.061	
Proposed New Housing Units		822	50		59

Police Department

Fougere Planning and Development met with Captain Dennis Geary to discuss the proposed Development to review the estimated calls from the Development and their potential impact to the Department. Captain Geary believed the most appropriate way to measure cost impact was to review per sector shift costs. Each sector of the City has an average 4.5 police officers at a cost of \$434,630. Based on an average of 4,007 calls per Sector²⁰ 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**

4.5 Officers Per Sector			
Cost Per Sector	Salary	Officers per Shift	Cost
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		
Estimated Calls	518		
% Increase in Calls	13%		
Estimated Costs	13% x \$434,630 = \$56,502		

²⁰ Average three-year call volume is 36,060, divided by 9 police sectors = 4,007 calls per sector.

Fire Department

Although a private ambulance service operates within Newton, the Fire Department responds to most calls. As noted in Table 15C, these calls have been accounted for in this analysis.

Fougere Planning and Development met with Deputy Fire Chief Michael Smith and Captain Mark Hernandez. The scope of the Development was discussed, along with the projected emergency service calls outlined in Table 15B & C. Staff noted that Station 7 at Eliot Street is close to the Development and they did not believe the increased calls would significantly impact the Department. The Deputy Chief and Captain did not see a financial impact on the Department.

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.

Other Departments/Revenues:

Building

Building Department costs were not included in this analysis because they are not permanent annual impacts and will be offset by building permit fees.

Public Works

All roads within the development will be private and maintained by the complex operator. Solid waste will be handled by a private contractor with no expense incurred by the City.

Health & Human Services

The proposed development will place a demand for services on the Health and Human Services Department as a result of the new residential units, along with food related establishments that will exist within the new village.

Inspections will be required for any restaurant, coffee shop or other uses involving food. A yearly permit and fee will be required for such uses, with costs ranging from \$150 to \$300 a year. The Health & Human Services 2019 budget is \$4,159,191 consisting of administration, public health, clinical health, mental health and other services. Based upon Newton's population²¹, the per capita cost of these departments is \$47. With an estimated housing population²² of 1,824, a cost of \$85,728 has been calculated.

²¹ U.S. Census 2016, 89,045

²² U.S. Census data, 2.22 persons per renter occupied housing unit.

Other Departments

It is not anticipated that measurable impacts will occur to any other City departments and therefore no other costs were analyzed. To be conservative, a \$25,000 cost will be carried to account for potential other impacts.

V. One-time Revenue Benefits

Building Permit Fees: Based upon expected building hard costs of \$350,000,000 for the proposed Development, building fees are estimated to total \$7,000,000.

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 are could range from \$1,476,230 to \$1,993,190 with the proposed development providing an estimated yearly net positive impact to the City ranging from \$2,969,409 to \$3,486,369.

This cost estimate does not infer that the City’s budget will increase as a result of the proposed Development but assigns a “cost” to account for these new land uses in the community. Appropriate discussions with key decision makers within the City will determine if budgets need to be adjusted to address demands estimated in this Report.

**Table Eighteen
Estimated Annual Fiscal Impact**

	COSTS	REVENUE
		\$
Gross Rev. Taxes, CPA, Meals, Excise & Personnel Property Taxes		\$4,962,599
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	
Net Annual Positive Fiscal Impact		+\$2,969,409 to \$3,486,369
Net Increase in New Revenue (LESS existing tax revenue of \$990,898 per year)		+\$1,978,511 to \$2,495,471

Summary of Findings

- The proposed Needham Street Development will transform an underutilized area of the community into new neighborhood within the City of Newton, fusing together work, housing and social activities. The major fiscal findings attributable to this Development include:
- The Development will result in a **net annual positive** fiscal impact ranging from \$2,969,409 to \$3,486,369. Anticipated annual costs of the Development are estimated to be range from \$1,476,230 - \$1,993,190.
- An estimated 120 school age children are anticipated to reside within the Development.
- Yearly property tax revenue will increase 350%, rising from \$990,898 to \$4,513,797.
- The Development will take 5 – 7 years to build out, slowly adding students to the school system.
- Major renovations to Countryside Elementary School are scheduled to be completed within the next several years.
- School enrollment projections for Countryside Elementary show decreasing enrollment over the next five years.
- City wide elementary school enrollments are projected to begin declining in 2021.
- Limited measurable impacts are foreseen to other city departments.

Economic Impact Analysis

Prepared By
Landwise Advisors

August 31, 2018



phone: 857-228-0210
101 Walnut St. Watertown, MA 02472

**Prepared For
Northland Development, LLC**

date August 31, 2018

to Northland Investment Corp

from Landwise Advisors

project name Northland Newton Development

subject Summary of Economic Impact Analysis

I. INTRODUCTION

This executive summary highlights the analysis performed by Landwise Advisors to measure the economic impacts of the Northland Newton Development (“Development”), a new mixed used development proposed by Northland Development Corporation (“Northland”). For the purposes of the memo, all impacts are measured at the City of Newton (“City”) level. The 22.6-acre development site, located in Newton Upper Falls, lies at the northwestern corner of Needham and Oak Streets. The plan proposes a total of over 1.5 million square feet of residential and commercial uses and is anticipated to be completed by 2024. The Development will generate considerable construction expenditures and new employment, both of which contribute to the City’s economy.

Landwise estimated the short-term (construction phase) and long-term (recurring) economic benefits using IMPLAN. IMPLAN is nationally recognized model for determining economic impacts that accrue to subject site jurisdictions as a result of capital investment and related job creation. The model is able to measure benefits that accrue to specific geographies. The following report highlights the assumptions and methodology used to develop the IMPLAN model and provides an overview of the projected impacts in City of the Newton from the Development.

II. METHODOLOGY & THE INPUTS

IMPLAN operates as an input-output model and each input indicates a change in the economy, such as a capital project or employment expansion/contraction. The outputs, or the economic benefits, represent either one-time or recurring impacts. The Northland Newton Development will generate both one-time benefits from construction and ongoing benefits from new employment and these impacts are quantified in the subsequent paragraphs.

Landwise used Northland Investment Corporation development cost estimates as inputs to derive the one-time impacts from construction. The costs were assigned to the applicable construction sectors in the IMPLAN model following the development program provided by Northland.

DEVELOPMENT PROGRAM

- 1,510,297 Total gross square feet
 - Commercial (office & retail): 430,297 gross square feet. *This includes the rehabilitation and selective demolition of portions of the 157 Oak Street office building.*
 - Residential: 1,080,000 gross square feet
 - 1,800 structured parking spaces

The construction is expected to occur in three phases, each lasting approximately two years. Costs were allocated by the phasing schedule to more accurately represent the benefits accruing over the construction period.

PHASING

- 157 Oak St Rehabilitation
 - Begins mid-2019
 - Complete early-2021
 - Represents 10% of total development costs
- Sequence 1
 - Begins mid-2020
 - Complete mid-2022
 - Represents 55% of total development costs
- Sequence 2
 - Begins early-2022
 - Complete early-2024
 - Represents 35% of total development costs

The total development costs included in the IMPLAN model total **\$504 million (roughly 80% of the development budget)**. Landwise differentiated between new construction and rehabilitation costs as well as soft cost and hard costs. Land acquisition, project reserves, fees and interest were not included in the model, as these expenditures do not generate direct economic benefits.

To determine the recurring benefits, Landwise estimated the amount and type of employment that would be generated by each land use (retail, office, and residential). ***It is assumed that all employment is “net new” to the City of Newton.*** Each estimated employment figure represents total employment, including full time, part time, and temporary positions. The following lists the key assumptions that were used to derive the employment figures.

OFFICE EMPLOYMENT: 977 total employees

- 180,000 square feet
- 95% occupancy
- 175 square feet / employee
- Average Salary: \$96,736.
- Assumes jobs will occur in the Information, Finance and Insurance, Professional, Scientific and Technical Services, and Management of Companies and Enterprises NAICS Sectors.

RETAIL EMPLOYMENT: 494 total employees

- 185,200 square feet
- 90% occupancy
- 400 square feet/full-time equivalent (or 337 square feet/employee)
- The FTE figure was converted using IMPLAN's *FTE to Total Employment* conversion ratios.
- Assume jobs will occur in the Retail Trade NAICS sector.

RESIDENTIAL EMPLOYMENT: 24 total employees

- Figure provided by Northland

The total employment from new office, retail and residential projects totals to **1,495 total employees**.

III. THE IMPACTS

IMPLAN measures the economic benefits at three levels: Direct Employment (“1st Level”), Business to Business Spending (“2nd Level”) and Personal Spending on Local Services (“3rd Level”).

Description of impact levels for the one-time impacts

- 1st Level : includes salaries and benefits of employees involved in the construction and total economic output of those employees.
- 2nd level: includes construction related business-to business-purchases in the City of Newton and related economic output and taxes paid.
- 3rd level: includes economic output form household spending on goods and services purchased in the City of Newton.

SUMMARY OF ONE-TIME IMPACTS

Impacts from the Development are shown in 2018 dollars.

	Salaries / Benefits	Total One-Time Impact
1st Level Direct Employment	3,310 jobs / \$252M	\$486M
“Spin-Off” Impacts in the City of Newton		
2nd Level Business to Business Spending	334 jobs / \$29M	\$63M
3rd Level Personal Spending on Local Services	723 jobs / \$40M	\$97M
Total 2nd and 3rd Level Impacts in City of Newton	1,057 jobs / \$69M	\$160M

SUMMARY OF ONGOING (ANNUAL) IMPACTS

Impacts from the Development are all shown in 2018 dollars.

	Salaries / Benefits	Total Annual Impact
1st Level Direct Employment	1,495 jobs / \$152M	\$340M
“Spin-Off” Impacts in the City of Newton		
2nd Level Business to Business Spending	432 jobs / \$33M	\$80M
3rd Level Personal Spending on Local Services	477 jobs / \$26M	\$63M
Total 2nd and 3rd Level Impacts in City of Newton	900 jobs / \$59M	\$143M

IV. CONCLUSION

The economic impact analysis shows that the Development will generate substantial positive impacts in the City of Newton including one-time construction impacts and related spin-off employment; as well as ongoing annual impacts once the project is built out. The **one-time impacts** include **\$486 million of direct impact** and **\$160 million of spin-off impacts** in the City of Newton. The **on-going annual impacts** include **\$340 million of direct impact** and **\$143 million of spin-off benefits** in the City. These positive economic impacts could be an important driver for the Newton economy for the coming decade and beyond.