

FOUGERE PLANNING & DEVELOPMENT, Inc.

Mark J. Fougere, AICP

TO: Northland Development, LLC

FROM: Mark J. Fougere, AICP

DATE: February 13, 2019

RE: Project Revisions and Response to RKG Peer Review Comments, Fiscal Impact Analysis

In response to the Peer Review Report dated December 3, 2018 from RKG, this Memo addresses and updates the following relative to the Northland Development Fiscal Impact Analysis:

- Update estimated values based on new program.
- Provide supporting assessment data for office and apartment values.
- Updates tax revenue (2019) and other income streams.
- Updates School Age Children (SAC) estimates based on 800 apartment units along with applying Newton School Department's new SAC methodologies.
- Updates school costs based upon revised SAC estimates and School Department cost estimates.
- Updates Summary Table of estimated revenues and costs.

Revised Program

- 800 residential units (decrease from 822 units)
 - Studios: 80 (68 market – 12 affordable)
 - 1-Bdrms: 360 (303 market – 57 affordable)
 - 2-Bdrms: 320 (272 market – 48 affordable)
 - 3-Bdrms: 40 (34 market – 6 affordable)
- Retail: 115,000 net sq. ft. (decrease from 185,000 net sq. ft)
- Office: 180,000 sq. ft.

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Values and Assessments

Office Space:

RKG Comment: Office space value should be \$155/square foot, not \$180.

Response: The existing 180,000 square foot office building will be renovated into Class A space to compete in the Newton marketplace. The current local office market assessed values range from \$148 - \$265 a square foot (Table One Appendix). The weighted average of these properties is \$204 a square foot. In addition, a very comparable office property located at 1210 Washington Street is presently assessed for \$188 a square foot. Given these updated assessments, we believe the estimated assessed value \$180 per square foot originally assigned to the renovated office space is supportable based upon Town of Newton assessment data.

Apartments:

RKG Comment: Apartment value should be \$291,100 per unit not \$320,000.

Response: Reviewing 2019 assessments of three comparable apartment complexes, we found an average per unit value of \$312,962 (Appendix - Table Two). This is value is slightly less than that reported in the Fiscal Analysis, but reflects the current apartment market in Newton.

Revenue Estimates

Based upon the updated program and assessments in Table One, and now using the FY 2019 tax rate established in December 2018 the estimated property taxes including CPA surcharges will be \$4,068,393 annually.

Table One

Program	Square Feet	Est. Sq. Ft. Value	Est. Total Value		
Retail					
Total Retail Sq. Ft.	115,000	\$245	\$28,175,000		
Office					
Renovated - Oak Street	180,000	\$180	\$32,400,000		
Total Value Non-Residential			\$60,575,000	Taxes @ \$19.94	\$1,207,866
Apartments					
Studio - Three Bedroom	800 Units	\$312,000 / Unit	\$269,880,000	Taxes @ \$10.45	\$2,820,246
				Total Est. Taxes	\$4,028,112
				CPA Surcharge	1% \$40,281
				Total Taxes	\$4,068,393

Updated Motor Vehicle Excise Tax Revenue

# Cars ¹	Value	Total Value
776	\$18,000	\$13,968,000

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

\$6,984,000/1,000 (50% reduction)	\$6,984
\$25 x \$6,984	\$174,600

Updated Local Meals Tax

Restaurant Tax Estimate	
Large Restaurant (10k Avg.)	30,000/SF
Small Restaurant (3k Avg.)	10,000/SF
Total	40,000/SF
Large Restaurant Gross Revenue	\$600/SF
Small Restaurant Gross Revenue	\$400/SF
Total Gross Revenue	\$22,000,000
Tax Revenue To Newton²	\$165,000

Updated 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 \$.431 per square foot. The Development program includes 40,000 square feet of restaurant space, which will generate an estimated \$17,240 in personal property tax revenue. It is estimated that the renovated office building will generate \$9,000 a year (\$.05 per square foot), for a total estimated annual personal property tax revenue of **\$26,240**.

Updated Estimated Yearly Revenue

Table Two summarizes the revised estimated revenues from property taxes, CPA surcharges, vehicle excise taxes, local meal taxes and personal property taxes total \$4,434,233.

Table Two

Commercial/Residential Property Tax	\$4,028,112
CPA Surcharge	\$40,281
Excise Taxes	\$174,600
Local Meal Taxes	\$165,000
Personnel Property Taxes	\$26,240
Total Revenue	\$4,434,233

Schools

As the result of new school aged children (“SAC”) methodologies³ developed by Newton Public Schools, SAC estimates are revised from 142 to 138. In addition, the School Department

² Local meal tax rate .0075%

³ Ms. Kirrane, Director of Business and Planning for the Newton School System was consulted relative to the application of the three SAC Methodologies.

developed a new per student marginal cost estimate of \$14,383 which the School Department agreed was appropriate at the public hearing on November 13, 2018.

Table Three

	SAC
Method 1	151
Method 2	176
Method 3	173
Average	167
Less Private School - 12%	20.00
Less Out-of-assigned district – 5%	8.33
Total Estimated Public School Children	138

Table Four

Enrollment Profile	Grades
Elementary 50%	69
Middle 25%	35
High 25%	35

School Cost Summary

As summarized in Table Five, the School Department updated their per student cost estimates.

Table Five

	SAC	Cost
Marginal Cost@ \$14,383	138	\$1,984,854

Since the completion of the Fiscal Impact Analysis in August/2018, new school related information germane to the proposed project has arisen. Four new classrooms have been incorporated into the proposed renovation of the Countryside Elementary School, schedule to be completed in FY2026. In addition, a draft Enrollment Planning & Class Report produced by the Newton Public Schools, indicates that future enrollments will continue to be manageable over the next 10 years. This analysis took into consideration the proposed Northland development, as well as three other planned projects.

Police

Net new retail space has decreased from 114,447 to 44,247 square feet, reducing the estimated new call volume for the Police Department from 518 to 374 calls. Table Six summarizes the revised cost to the Department.

Table Six

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	374		
% Increase in Calls	9.3%		
Estimated Costs	9.3% x \$434,630 = \$40,420		

Fiscal Summary

Table Seven summarizes the updated fiscal impact from the proposed Development. Gross annual revenues to the City of Newton are estimated to be \$4,434,233 and estimated annual costs of \$2,233,746, with the proposed development providing an estimated yearly net positive impact to the City of **\$2,200,487**.

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 Seven
Estimated Annual Fiscal Impact

	COSTS	REVENUE
Gross Rev. Taxes, CPA, Meals, Excise & Personnel Property Taxes		\$4,434,233
Estimated Municipal Costs		
Police	\$40,420	
Fire	\$100,000	
Health ⁴	\$83,472	
Other Departments	\$25,000	
School Costs	\$1,984,854	
Total Costs	\$2,233,746	
Net Annual Positive Fiscal Impact		+\$2,200,487
Net Increase in New Revenue (LESS existing tax revenue of \$990,898 per year)		\$1,209,589

⁴ 800 units with 2.22 persons per unit, 1,776 population at a per capita cost of \$47.

Appendix

Table One
Newton Office Space Assessments

Newton Office Comps					
233 Needham	Office	65,404	0.99	\$15,696,400	\$240
90 Oak Street (1238 Chestnut)	Office	145,149	2.15	\$12,934,700	\$89
1210 Washington Street	Office	96,080	1.82	\$18,028,000	\$188
2 Wells Ave	Office	132,588	10.01	\$19,500,000	\$147
1 Wells Ave	Office	85,788	7.95	\$17,432,100	\$203
7 Wells Ave	Office	119,086	7.80	\$17,652,200	\$148
75 Wells Ave	Office	263,492	12.80	\$44,989,500	\$171
275 Grove Street	Office	568,936	11.24	\$150,724,700	\$265
2150 Washington Street	Office	32,169	2.24	\$6,611,300	\$206
2310 Washington Street	Office	41,896	1.00	\$9,911,400	\$237
2221 Washington Street	Office	51,336	1.77	\$12,216,700	\$238
2223 Washington Street	Office	52,635	2.45	\$11,994,600	\$228
2227 Washington Street	Office	23,788	1.62	\$6,041,800	\$254
320 Needham Street	Office	43,500	2.24	\$7,516,800	\$173
109 Oak Street	Office	17,576	1.46	\$3,215,600	\$183

Table Two
Apartment Assessments

Newton Apartments	Units	Assess/Unit	Year Built	
109 Needham - Highland	294	\$297,692	2003	\$87,521,400
160 Boylston St. - Chestnut	204	\$339,335	2007	\$69,224,300
Woodland Station - Washington	180	\$308,017	2007	\$55,443,100
Apartment Average	678	\$312,963		\$212,188,800

School SAC Methodologies⁵

Method 1

Type	Units	SAC Ratios	Total SAC
Studios Market	68	0.000	0.000
Studios Affordable	12	0.000	0.000
1 Bed Market	303	0.000	0.000
1 Bed Affordable	57	0.000	0.000
2 Bed Market	272	0.214	58.208
2 Bed Affordable	48	1.018	48.864
3 Bed Market	34	0.800	27.200
3 Bed Affordable	6	2.792	16.752
Total	800		151

Method 2

SGR	Units	SAC
0.220	800	176

Method 3

Type	Units	SAC Ratios	Total SAC
Studios Market	68	0.062	4.21
Studios Affordable	12	0.062	0.74
1 Bed Market	303	0.038	11.51
1 Bed Affordable	57	0.038	2.16
2 Bed Market	272	0.441	119.95
2 Bed Affordable	48	0.441	21.16
3 Bed Market	34	0.338	11.49
3 Bed Affordable	6	0.338	2.02
Total	800		173

⁵ Newton School Department Enrollment Analysis Report, 2018, page 116.