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Barney Heath
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MEMORANDUM

DATE: June 9, 2017
MEETING DATE: June 19, 2017
TO: City Council
FROM: Barney Heath, Director of Planning and Development
James Freas, Deputy Director of Planning and Development
Neil Cronin, Senior Planner
CC: Petitioner

PETITION #95-17 & #96-17

NW corner of Washington and Walnut Streets

Request for a change of zone to Mixed Use 4 and for special permits to construct a mixed-use development consisting of three buildings with heights up to 60 feet and 5-stories incorporating 160 residential units, approximately 43,860 square feet of commercial space and 344 parking spaces.

At its public hearing on Tuesday, May 30th, the Land Use Committee (the "Committee") asked staff to review the fiscal impact analysis for Washington Place (the "Project") regarding the estimated number of school aged children expected to reside on site. Specifically, the Committee asked staff to review the numbers and methodology employed by a resident which revealed a larger number of school aged children than estimated by the petitioner's consultant.

Petitioner's Methodology

The petitioner retained John Connery, of Connery Associates, to conduct a fiscal impact analysis, which included generating an estimate of the number of school aged children expected to reside at the project. Mr. Connery submitted an initial report on June 1, 2016 which estimated the number of school aged children to reside at the project to be 24 with a net fiscal benefit of \$206,163. **(Attachment A)**. This figure was based on Mr. Connery's professional experience, including the number and type of units. This initial figure was based on 171 units, with 15% (23 units) deed restricted to households earning between 50% and 80% of Area Median Income (AMI), and no 3-bedroom units.

Mr. Connery provided a revised fiscal analysis on January 25, 2017 which included the revisions to the project. Specifically, the project was reduced from 171 to 160, but included six 3-bedroom units, and included 10% of the total units (16 units) to be deed restricted to households earning between 80% and 120% of AMI. Taking these changes into consideration, Mr. Connery estimated the number of school aged children to be 26 with a net fiscal benefit of \$160,989 (**Attachment B**).

Resident's Methodology

At the May 30th public hearing, a Newton resident raised concern that the number of school aged children was underestimated because neither analysis included "plus" rooms as bedrooms. Plus rooms are additional rooms provided in a unit that are intended to be used as offices, dens, etc. The resident stated that the fiscal analysis prepared for the Austin Street development counted these plus rooms as bedrooms and stated that Washington Place should treat the plus rooms the same. Washington Place has 23 one-bedroom plus units and three 2-bedroom plus units. Therefore, taking this updated unit mix into account, the resident believes the project will produce a minimum of 33 school aged children. The petitioner states that these plus rooms are not intended to be used as bedrooms because they are approximately half the size of an average bedroom in the project, do not have closets, and may not have natural light.

In addition, the resident noted that the ratios for the three bedroom units used by Mr. Connery in both reports to determine the number of children are lower than the ratios used by Newton Public Schools. In turn, Mr. Connery provided a memorandum outlining his reasoning for the ratios in his analyses; nonetheless, Mr. Connery updated the ratios to those used by Newton Public Schools in the Annual Enrollment Analysis Reports. As a result, Mr. Connery notes the estimated number of school aged children increases to 31 which results in a revised net fiscal benefit of \$87,608 (**Attachment C**).

Summary

The Planning Department has reviewed the fiscal impact analyses for both the Austin Street and Riverside developments. Neither report states that plus rooms should be treated as bedrooms. Additionally, the fiscal impact analysis associated with the Riverside development was peer reviewed, and the peer reviewer did not state that plus units should be treated as bedrooms to estimate the number of school aged children.

ATTACHMENTS:

- Attachment A:** Fiscal Impact Analysis, Washington Place, dated June 1, 2016
- Attachment B:** Memorandum from John Connery to the Land Use Committee, dated January 25, 2017
- Attachment C:** Letter from John Connery to the Land Use Committee, dated June 7, 2017

Attachment A

**Fiscal Impact Analysis
Washington Place
Washington and Walnut Streets
Newton, Massachusetts**

June 1, 2016

**Prepared by
Connery Associates
Melrose, Massachusetts**

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Fiscal Impact Analysis Washington Place Washington and Walnut Streets Newton, Massachusetts

June 1, 2016

1.0 Preface

Mark Newtonville, LLC of Wellesley, Massachusetts is proposing to construct a mixed-use development of 171 luxury rental apartments and 39,745 square feet of ground level commercial space at the intersection of Walnut and Washington Streets in Newton, Massachusetts (the “Project”). The Project will set aside 15% of the total number of units for affordable housing purposes consistent with the inclusionary zoning by-law for the City of Newton. The units will be created in such a way as to count towards Newton’s subsidized housing inventory, consistent with the affordable housing guidelines of the Massachusetts Department of Housing and Community Development (DHCD). The average income for the affordable units will be 65% of HUD BCQ Market Area Median Income.

The objective of this report is to identify the key fiscal characteristics of the Project in order to estimate its long term fiscal profile. Therefore, this report generates an estimated cost-to-revenue ratio at the stabilization of the Project and an estimate of the annual **fiscal benefit** expressed in current dollars that will be generated from the Project. These findings are designed to provide the City of Newton with an understanding of how the Project will impact the local tax base over the long term. Because the Project proposes to replace existing commercial and residential buildings, it is also important to understand the fiscal benefit currently being generated from the site. Therefore, this report calculates an estimated fiscal benefit of the existing properties and arrives at the **net annual fiscal benefit**, i.e., the net estimated gain in fiscal benefit to the City of Newton by the Project. *

The departmental costs used herein are intended to estimate the annual financial impact on municipal services (“general service cost”) that are expected to be affected by the Project. This report recognizes that the application of current and future municipal revenues and levels of service is within the purview of the local officials. Therefore, it should be noted that these cost estimates are not intended as budget recommendations for an individual department. Further, the estimated fiscal profile and individual cost/revenue components may fluctuate annually depending on future local, regional, or national economic background conditions.

**It should be noted that the net fiscal benefit is expressed at the time of estimated Project stabilization. Over time, a non-improved site will likely increase in value at a rate considerably below the rate of value increase for a new development. Therefore, moving away from the estimated stabilization date, the net fiscal benefit derived from a revitalized site will most likely be greater than what is shown in this report.*

Projected public school student enrollments and associated costs (“education service cost”) are a major component of any proposed residential development. This report generates an estimated education service cost based on a projection of additional school age children (SAC) using current data provided by the Newton School Department. To fine tune estimated school enrollment and corresponding costs, this report focuses on the data provided for comparable developments in Newton in terms of project size and rent levels and the current actual net school spending per pupil (ANSS) provided by the Massachusetts Department of Education. Similar to municipal service cost estimates, education service costs are not designed as budgetary or policy recommendations. Rather, the enrollment and cost projections should be considered as information to be used in conjunction with other School Department studies, plans and policies designed to meet future educational demographic trends, and school department objectives.

The education service cost estimates used in this report are intended to provide an estimate of the long- term cost per student. In the near term, school costs, approximately one to three years after a project is completed, are most likely to be lower. However, this report takes the position that the measurement of education costs, like the Project in general, should be estimated over the long term and allocates school costs to the present time frame on the basis of estimated annual cost per student at stabilization.

2.0 Project Description

Residential Component

The Project will include 171 residential units on four levels located above the ground floor commercial space. As shown in Table 1, the proposed unit mix is purposefully oriented towards non-family housing, given that 100% of the units are studio, one-bedroom, and two-bedroom designs, with zero three bedroom units. More specifically, 56% of the total units are studio and one bedroom units, which do not generate any measurable or sustainable level of school aged children. Table 1, below, provides a detailed summary of the proposed unit mix and the breakdown of units identified as affordable and market rate.

Table 1: Residential Unit Mix

Residential Component	#/Units	Percent of Total (rounded)
Market Rate		
Studio market rate	13	8%
1-bedroom market rate	69	40%
2-bedroom market rate	63	37%
Subtotal Market Rate	145	85%
Affordable Rate		
Studio affordable rate	3	1%
1-bedroom affordable rate	12	7%
2-bedroom affordable rate	11	7%
Subtotal Affordable Rate	26	15%
Total	171	100%

Commercial Component

In addition to the residential component outlined above, the Project will include approximately 39,745 square feet of ground level commercial space. At this point in time, the exact nature of the tenancy for the commercial space is not certain, but it is anticipated to be comprised of a mix of retail, restaurant, professional services, medical office and/or fitness space. The proposed mixed-use development is vertical in nature, meaning a development that features residences located above commercial street floor uses. This development concept is consistent with traditional community development patterns which provide housing and commercial uses that operate primarily as neighborhood commercial centers.

3.0 Summary of Methodology

In considering the fiscal impacts of the Project, this report divides municipal service costs into two broad categories: general service costs (i.e. all non-education costs) and education service costs. As will be discussed in further detail below, this report includes those service categories most likely to exhibit a measurable additional cost once the Project is completed, which are police and fire/EMS. The departmental cost estimates discussed in this report are based on current fiscal year operating budgets and operational data provided by the Newton Police and Fire Departments.

Consistent with any residential or mixed-use development, in addition to the general service costs generated from any new development, a project will create incremental educational service costs to a city. Not surprisingly, education service costs represent the large majority of the total estimated costs from a project. To account for this cost, the Project's annual student generation rate has been estimated by examining multi-family developments in Newton that have comparable unit types, i.e. the percentage of one bedroom, two bedroom and three bedroom apartments and corresponding monthly rents. These two factors have a direct correlation to the number of school age children (SAC) that a project will generate.

Education cost estimates are driven by the assumed number of net additional school-aged children to be enrolled in the Newton Public School System. The basic formula for determining the local education cost estimate is Actual Net School Spending per pupil (ANSS) as reported by the Massachusetts Department of Education, minus State chapter 70 aid, which is considered a revenue source.

As will be explained in more detail in this report, the regional experience has been that studio, one bedroom and two bedroom units over commercial space in neighborhood locations generate significantly fewer school aged children per unit type than regional or city wide averages. However, because of a lack of comparable developments in Newton, this report uses a higher average student per unit ratio from the existing non-mixed use developments. Accordingly, the student generation rates and costs included in this report should be considered at the high (conservative) end of the range.

3.1 General Service Cost Estimates

There are two approaches to analyzing the impact on general service costs by a new development. The first methodology is the proportional share cost allocation methodology. This approach allocates costs for each department by an estimated proportional share. Recognizing that there are

economies of scale associated with on-going government operations and that the introduction of new households and commercial operations will impact certain departments more than others, an additional efficiency factor is included to estimate the incremental cost. The second methodology looks at each department and attempts to analyze the manner in which they are impacted. For example, “pay as you go” services such as water and sewer are not deemed appropriate to include as an incremental cost generated by a project. Building Department costs, which are covered through fees generated by the respective project, would also not be included. In the case of Washington Place, because this project is located on public ways and all internal roadways will be privately maintained, Public Works responsibilities, such as road maintenance and plowing of existing public roadways, would also be excluded. In short, having analyzed the specifics of the proposed Project, the measurable additional general service costs will be associated with police and fire/EMS service. The report combines the individual estimated costs of both departments to generate a total general service cost estimate.

3.2 Revenue Projection

General service and educational service costs represent only one part of the fiscal equation. In order to appropriately estimate the annual fiscal impact of Washington Place, the estimated annual revenue stream (total tax revenues accruing to the Town) must also be determined. Based on conversations with the City’s Assessor, this report has employed two approaches to estimate the value of the residential component once completed. The first approach is the **stabilized income method**, which is consistent with current practices for residential multi-family assessment, and the second is the **comparable value method**, based on existing developments with similar assessed valuation per unit.

For the ground floor commercial component, given that the exact nature of the tenancy cannot be determined at this time, an estimate based on similar first floor commercial development in the area has been employed. This approach provides an estimate of the Project’s assessed value based on the value per square foot of comparable developments in the area.

4.0 Summary of Findings

Since the objective of the report is to provide Newton with an understanding of the long-term fiscal implications of the Project, the most important finding presented by this report is the **net fiscal benefit created by the project**. Below is a summary that highlights the findings of this report.

Table 2: Summary of Findings

Fiscal Summary	Current	Project	Net Change (Net Fiscal Benefit)
Assessed Value	\$13,330,000	\$62,763,000	\$49,433,000
Tax Revenue	\$ 257,000	\$ 861,000	\$ 604,000
Service Costs (General/Education)	\$ 107,663	\$ 505,500	\$ 397,837
Annual Benefit	\$ 149,337	\$ 355,500	\$ 206,163
Cost to Revenue	0.42	0.58	

Key Findings

- The Project will have an estimated annual revenue stream of \$861,000 and an estimated annual service cost of \$505,500 generating an annual fiscal benefit of \$355,500 (current dollars) at stabilization.
- The Net Fiscal Benefit (fiscal benefit of current use vs proposed use) is estimated at \$206,163 per year (current dollars).
- Accordingly, the Project generates a strong, positive, long term annual cost-to-revenue ratio of approximately 0.58. By component, a cost to revenue ratio of 0.75 for the residential component and 0.2 for the commercial component.
- The total site assessed value will increase by approximately by \$49,433,000.
- One-time building permit fees are estimated to be approximately \$1,000,000, payable at receipt of building permits.
- The estimated annual average number of school-aged children is estimated at not more than 24 students. The full enrollment level may be attained as early as the 2020/21 school year.

5.0. General Service Costs

This report uses the Town’s FY2016 operating budget and information provided by applicable City Departments to estimate annual departmental costs associated with the Project.

5.1 Police Department

This report employs a conservative (high cost) approach to estimating police service costs. Specifically, we equate the most traditional and visible police activity, i.e., calls for service, to the total annual police budget. We understand that there are other components to the police budget such as building maintenance, communications, training, and equipment beyond the labor costs derived from service calls. However, it is the intention of this report to address the wide fluctuations in police service calls and related costs that may occur at specific locations over time by equating the annual budget to calls for service. Further, by employing an analysis of service calls at comparable multi-family developments, we intend to provide the means to compare the intensity of service demand as expressed by service calls at existing comparable developments to the Project.

5.2 Estimated Residential Cost – Police Department Service Calls

The FY2016 police budget is approximately \$20,037,000. Based on information received from the Newton Police Department Records Division in May of 2016, total police service calls were approximately 46,000 in 2015. If we assume a similar number of calls in 2016, then the cost per service call would equate to approximately \$435. Table 3 below provides a summary of the cost per service call estimate.

Table 3. Estimated Police Costs per Service Call

Department	Current Police Budget	Newton Total Service Calls	Cost Per Service Call
Police	\$20,037,000	46,000	\$435

To arrive at a an incremental cost estimate to the police department that will be generated by the Project, we next examined the number of police service calls from the three most comparable multi-family developments in Newton. The three projects that were selected for this study are Avalon at Newton Highlands, Avalon at Chestnut Hill and Arborpoint at Woodland Station. By analyzing the number of calls made over a 3-year period from these developments, we are able to arrive at the estimated police service cost that will be generated by the Project. Table 4 below illustrates police call data from 2012, 2013 and 2014 for the three comparable developments noted above.

Table 4. Annual Police Service Calls by Comparable Development

Residential Community	# of Units	Calls 2012	Calls 2013	Calls 2014	Calls to Date (Sept. 8, 2015)	Three Year Average (1)	Calls per Unit Avg.
Avalon Newton Highlands	294	92	69	88	40	83	0.282
Avalon Chestnut Hill	204	135	102	55	55	97	0.475
Arborpoint at Woodland	180	73	82	72	39	76	0.422
Total	678	300	253	215	134	256	0.378

(1) Note: average is for 2012 -2014 only.
 Source: Michael Bozio Newton Crime Analysis Unit

As noted above, for the 678 comparable units there was a three-year average of 256 calls, or **0.378 calls per unit**. Applying the rate of 0.378 to 171 proposed units generates an average of 65 calls per year.

As shown in Table 4, annual calls at the comparable developments can fluctuate from the average, either higher or lower. Therefore, to take into account the annual fluctuations in service calls at any one location, rather than apply the average rate, we have increased the call estimate by 30% essentially reflecting the difference between the 215 annual calls in 2014 versus the 300 that were made in 2012. Therefore, this report assumes 85 residential service calls per year are made from to the Project.

At a cost of \$435 per service call, the estimated annual police service cost is approximately \$37,000 (\$435 X 85).

5.3 Estimated Residential Cost – Fire Department Service Calls/Runs

This report uses a similar methodology for calculating the incremental cost to the Fire Department by estimating the number of service calls (“runs”) that will be generated by the Project once completed. Rather than parse out the minor costs not tied to service runs, we deploy a similar (conservative) approach by assuming the entire fire department budget is attributable to service runs. Based on information received from the Newton Fire Chief’s office, approximately 9,745 service runs were made in 2015. Given the current fire department budget of \$19,425,000, dividing the annual call rate by the budget generates an average cost per call of \$2,050. Table 5 provides a summary of the cost per service call estimate.

Table 5. Estimated Fire Department Cost per Call

Department	Current Fire Budget	Newton Total Service Calls	Cost Per Service Call
Fire	\$19,425,000	9,475	\$2,050

By studying the same set of development projects that were identified in the police department analysis, we are able to generate an average number of calls per unit which can be applied to the Project. As indicated below, the comparable developments generate on average a fire service call rate of **0.067 per unit** for comparable multi-family developments. Accordingly, applying said average rate of 0.067 per unit to 171 proposed units generates an estimate of 11 fire service calls (non-emergency service) per year for the Project. To address potential annual fluctuation, similar to the approach taken with the police service calls, this report increases the number of service calls for cost estimation purposes by 30% from 11 to 15.

Assuming up to 15 additional annual fire service calls to the site and a cost per call of \$2,050, the estimated fire service cost would be \$30,750 (\$2,050 x 15 calls).

Table 6. Fire Service Calls (Fire Service)

Residential Comparable	Number of Units	Three Year Total 2012-2014	Average Per year.	Average per unit per year
Avalon Newton Highlands	294	68	23	0.078
Avalon Chestnut Hill	204	32	11	0.054
Arborpoint at Woodland	180	37	13	0.072
Total (678 units)	678	137	46	0.067

5.4 Estimated Residential Cost - EMS Service Calls

It is important to note that the above estimate does not take into account Fire Department Emergency Service (EMS) calls. Newton contracts its ambulance service to a third party and this report does not have access to the private service average cost per run. Although the fire department does not provide an ambulance service, it does respond by providing fire apparatus support to the large majority of calls. Therefore, it is important when studying the fire department costs to include EMS service calls. Table 7 below captures the service calls made from the comparable developments over a three-year period.

Table 7. EMS Calls for Service by Comparable Development

Residential Comparable	Number of Units	Three Year Total 2012-2014	Average Per year.	Average per unit per year
Avalon Newton Highlands	294	84	28	0.095
Avalon Chestnut Hill	204	28	10	0.049
Arborpoint at Woodland	180	19	7	0.038
Total (678 units)	678	131	45	0.066

As highlighted above, Table 7 indicates an average three-year call per unit rate of **0.066**. At said rate, the proposed 171 residential units would generate an additional 11 ambulance service calls per year. In most cases, the 11 additional ambulance runs per year will generate some level of reimbursement to the City. However, to be conservative, we will assume that no insurance reimbursement is forthcoming.

Further, to address the likelihood that for some years the EMS calls for service will exceed the average of EMS calls for the comparable developments, this report increases the number of EMS service calls for cost estimation purposes by 30% from 11 to 15.

Accordingly, this report adds an EMS contingency cost of \$30,750 based on an estimated cost service calls per year of \$2,050 for 15 additional ambulance calls (non-reimbursed). Combining the EMS and Fire service costs noted above generates a total fire service cost of \$61,500 per year for the residential component.

5.5 Estimated Commercial Service Cost - Police and Fire

The proposed commercial component has yet to be defined, but it has been our experience that the cost-to-revenue ratio for first floor commercial space in urban settings can range from 0.05 to 0.20 depending on the commercial mix. This cost-to-revenue ratio accounts for the police, fire and EMS service costs that will be generated by the commercial tenants. Unlike the residential component of the project, there will not be incremental costs to the school system from the commercial tenants.

Similar to the Austin Street Project, we have assumed the high end of the range and used a 0.2 cost-revenue ratio of the total commercial revenue generated. As noted in section 7.4, the commercial taxes estimated from the new Project are \$261,000 per year. Accordingly, at a service cost of 0.20, the annual service cost of the commercial component will be **\$52,000 (\$261,000 x 0.20)**.

5.6 Summary of General Service Costs

As noted earlier, the methodology used in this report analyzes departments where specific incremental costs will be attributable to the Project, while excluding those costs that will be covered by fees or costs borne by the Project itself. For example, water and sewer costs for the Project will be addressed by enterprise fees established by the City of Newton that the developer will be required to pay. Similarly, building department costs will be covered by the required building permit fees that will be due upon filing for the permit. The additional population should not generate additional staffing requirements for general government services such as Town Clerk, Treasurer, Tax Assessor or Controller, and for discretionary services such as libraries or recreation. The roadways bordering the site will be maintained whether or not the Project proceeds.

Based on our experience, the municipal departments that will experience measurable additional costs from the Project will be the Police and Fire Departments. Table 8 below, summarizes the total estimated annual general service costs (current dollars) associated with the Project for both the residential and commercial components.

Table 8. Summary of General Service Costs – Washington Place

Department		Annual Cost
Police	(Residential)	\$37,000
Fire/EMS	(Residential)	\$61,500
Police/Fire/EMS	(Commercial)	\$52,000
Total		\$150,500

6.0 Education Service Costs

6.1 School Aged Children

Similar to the Austin Street Project, this report utilizes the same methodology employed by the Newton Public Schools Office in the 2013 Enrollment Analysis Report to estimate the number of students that would be generated by the Riverside Housing Development. In this 2013 report, the Newton Public Schools office analyzed the 2013-14 enrollment data for the same comparable development projects that have been used throughout this report, to arrive at a ratio of school aged children generated based on unit type and rent level. Table 9, applies these same ratios to Washington Place, to arrive at an average of 24 school aged children for the Project. Unlike the Austin Street Project, this analysis does not adjust for the number of SAC that are expected to attend public vs. private school and therefore has assumed all SAC will attend Newton public schools

Table 9. SAC Rate for Two Bedroom Units in Comparable Development.

Unit Type	Units	Avalon Newton Highlands	SAC	Avalon at Chestnut Hill	Arborpoint at Woodland	Ratio 3	SAC
Market							
One Bed	69	0.000	0	0.000	0	0.000	0
Two Bed	63	0.192	12	0.193	12	0.258	16
Affordable							
One Bed	12	0.000	0	0.000	0	0.000	0
Two Bed	11	0.914	10	0.922	10	1.219	13
Total			22		22		29

Average Number of School Aged Children (24)

Based on information received from the Massachusetts Department of Education, the Actual Net Spending per Student (ANSS) for Newton FY 2016 is **\$16,395 per student**. When you deduct the **State aid of \$1,591** per student that Newton receives, the cost per student to the city of Newton is reduced to **\$14,804 (\$14,800)**.

SAC Summary	# of Students	Cost Per Student	Total Education Cost
Washington Place	24	\$14,800 (net of State Aid)	\$355,000

Based on experience in Newton and the region with multifamily development, approximately 60% or fourteen (14) of the twenty-four (24) additional students will likely enroll in various elementary grades and ten (10) will enroll in the various middle and high school grades. Depending on physical capacity issues by the 2020/21 school year, the 14 additional elementary students will most likely be assigned either the Franklin Elementary School or Cabot Elementary School.

6.2 Location Factors

It has been our consistent experience that apartment locations that are operationally and visually integrated into commercial settings or are located above commercial street level uses have student generation rates per unit type considerably below residential locations that are more residentially oriented apartment locations. The emerging live/work or mixed use locations in the region all share this characteristic such as Charles River Landing in Needham, Avalon at the Hingham Shipyard, Station 250 at Legacy Place in Dedham, Cronin’s Landing, The Merc, and Currents on the Charles, all new residential over commercial mixed-use developments located in suburban locations.

An important key factor in estimating the generation of school aged children for any multi-family development concerns the issue of traditional neighborhood location versus a non-neighborhood location. For example, if a site is perceived to be different from a “traditional” neighborhood in terms of scale, or if the site is a stand-alone location without easy pedestrian links to surrounding traditional neighborhoods, or if it lacks significant secure private play space, is visually or operationally part of a mixed use or commercial setting, or is clearly identified with highway or major roadway access, or is designed as residential over commercial use, then the number of school aged children per unit type is likely to decline by at least 50% per unit type with the exceptions being low and very low income housing developments.

The following are a list of factors that identify non-neighborhood residential locations. The key characteristics include operational isolation from traditional residential areas, location over a commercial ground floor, visual and operational integration into commercial/industrial areas (mixed use), and primary access provided from nearby major highway or artery. The italicized items are applicable to the Project.

- Multi-family locations that are not physically or easily connected by pedestrian access to surrounding established residential neighborhoods, or are set off from traditional neighborhoods.

- *Multi-family residences that provide minimal safe private recreation areas for children by design.*
- *Multi-family residential development located above commercial uses.*
- Multi-family residences accessed primarily by elevators; usually buildings of 5 or more stories.
- *Multi-family locations located in the midst of commercial strips, mixed use developments, commercial nodes centers or locations that are visually and operationally a part of abutting commercial / industrial areas.*
- Multi-family developments that abut or are within close proximity to high intensity commercial developments, such as shopping or community commercial centers.
- *Multi-family developments located on local high traffic ways or where primary access is via a highway interchange or a major collector roadway.*

The author of this report believes that the location factors inherent in the Project will generate a SAC rate significantly below average for Newton multi-family development. However, to maintain consistency with a conservative approach, this report will assume 24 additional students per year for cost estimating purposes.

7.0 Total Service Cost (General Service Cost and Education Service Cost)

Table 10 below summarizes the estimated total annual municipal service cost associated with the Project. The value is expressed in current dollars.

Component	Estimated Cost
Police (Residential)	\$ 37,000
Fire/EMS (Residential)	\$ 61,500
Schools (Residential)	\$355,000
Police/ Fire (Commercial)	\$ 52,000
Total	\$505,500

Table 10. Total Residential and Commercial Service Cost Estimate

8.0 Revenue Projection

8.1 Estimated Revenue - Residential Component

For the purpose of generating a revenue estimate for the residential component, this report employs two methods. The first estimates the revenue based on the assessed value per unit of the three

comparable developments that have been analyzed throughout this report (Avalon Highlands, Avalon at Chestnut Hill, and Arborpoint at Woodland). The second studies the rents expected for the property and values the Project based on an “income method approach.” Table 11 below summarizes the comparable assessed value per unit approach.

Table 11. Comparable Assessed Values

Residential Comparable	Units	Assessed Value	Value per Unit
Avalon Newton Highlands	294	\$73,429,700	\$249,761
Avalon Chestnut Hill	204	\$57,239,500	\$280,586
Arborpoint Woodlands	180	\$48,068,400	\$267,046
Total /Averages	678	\$178,732,600	\$263,624

As Table 11 indicates, the average per unit assessed value of the 678 comparable units is **\$263,624 per unit**. If this value were applied to the Project’s 171 units, the estimated assessed value of the residential component would be **\$45,080,000 (rounded)**. To provide an additional perspective, this report will apply the rent estimates from an internal market analysis and apply said rent values to current income method metrics employed by the City.

The second methodology analysis uses the internal rents for both the market and affordable units to arrive at an assessed value (“income method approach”). Specifically, the internal market analysis has arrived a range of \$3.15 to \$3.40 per square foot for the 142 market units and \$1.15 to \$1.25 for the 26 affordable units. For the purposes of this revenue estimate, a value of **\$3.30 per sf** is used for the market rate units and **\$1.20 per sf** is used for the affordable rate units has been employed. The aggregate average size of both market and affordable units is 890 square feet.

Based on discussions with the Newton Assessors Department, this analysis applied the gross rents derived from the above noted rent schedule to the following metrics to generate an estimated assessed value for the Project’s residential component i.e. income method approach.

- 5.0% vacancy deduction
- 35.0% operation and maintenance deduction
- Capitalization rate of 6.00%

Using the income method approach, the residential component of the Project at stabilization is estimated to have an assessed value of \$55,800,000 (current dollars).

Residential Valuation	Total
Gross Annual Rent Revenue	\$5,445,000
Parking Revenue	\$135,000
Gross Potential Revenue	\$5,580,000
Less: Vacancy (5.0%)	(\$279,000)
Less: Operation & Maintenance Deduction (35%)	(\$1,953,000)
Net Operating Income (NOI)	\$3,348,000
Building Value (6.0% Capitalization Rate)	\$55,800,000

Averaging the estimated income method based on assessed value (\$55,800,000) with the assessed value derived from the comparable developments (\$45,080,000) **yields a blended estimate of \$50,440,000.**

Applying the current \$11.38 residential tax rate to the average estimated assessed value of \$50,440,000, yields an annual estimated property tax of \$574,000 at project stabilization. All values are current dollars.

Additionally, the Project will generate approximately 171 registered vehicles on site that will be subject to automobile excise taxes. The City’s average excise tax per vehicle is approximately \$150. Assuming 171 vehicles on site, the Project will generate approximately **\$25,650 (\$26,000) in annual excise tax revenue. Adding excise tax to the estimated property taxes yields an annual revenue stream estimate of \$600,000.**

8.2 Revenue Estimate - Commercial Component

The Project includes 39,745 sf of first floor commercial space. At this juncture, the specific nature of the commercial tenants is unknown. While the commercial space will be subject to market conditions, this report assumes the majority of the space will be retail oriented but with a significant percentage rented restaurant and coffee shop space.

Our general review of first floor commercial space in Newton indicates an assessed value per square foot of new retail/ restaurant space at approximately \$300. For the purposes of this report the average value of all future commercial uses will be assumed to be \$300 per square foot.

Accordingly, the 39,745 sf commercial component will have an estimated assessed value of \$11,923,500. Given the \$21.94 commercial tax rate, the estimated annual tax yield at stabilization will be **\$261,000 (current dollars).**

8.3 Summary of Project Revenue – Residential and Commercial

Based on the analysis of this section, Table 12 below summarizes the estimated assessed value and annual revenue stream both the residential and commercial components.

Table 12. Assessed Value and Annual Revenue- Washington Place

Project Component	Estimated Assessed Value	Property Tax (1)	Excise Tax	Annual Revenue
Residential	\$50,440,000	\$574,000	\$26,000	\$600,000
Commercial	\$12,323,000	\$261,000	NA	\$261,000
Total	\$62,763,000	\$835,000	\$26,000	\$861,000

(1) Residential tax rate \$11.38; commercial rate \$21.94

9.0 Fiscal Profile of Washington Place

Table 13 provides a summary of the Project’s estimated long term fiscal profile by combining the cost and revenue for both the residential and commercial components and illustrating the overall cost to revenue ratio or fiscal profile.

Table 13. Summary of Washington Place Fiscal Profile

Project	Annual Revenue	Annual Cost	Annual Benefit (loss)	Cost to Revenue Ratio
Residential (171 Units)	\$ 600,000	\$453,500	\$146,500	0.75
Commercial (39,745 sf)	\$261,000	\$ 52,000	\$209,000	0.20
Totals	\$861,000	\$505,500	\$355,500	0.58

The report finds that the Project generates a strong positive fiscal profile of **0.58**; essentially at stabilization approximately 42% of every revenue dollar will accrue to the City as an annual fiscal benefit.

In current dollar terms, from stabilization onward the Project will generate approximately **\$355,500 in annual fiscal benefit** to the City of Newton.

10.0 Fiscal Profile of Existing Property

10.1 Existing Revenue

A review of the 15 properties that comprise the project site indicates a variety of current uses i.e. two (2) three family houses, two (2) two family houses, (10) residential units, office use; retail

use, indoor recreation and parking lots. The total current assessed value of the existing uses (rounded value) is \$13,330,000. Approximately \$4,099,000 of current total assessed value is taxed at the residential rate (\$11.38) and \$9,231,000 at the commercial tax rate (\$21.94) for a total assessed value of \$13,330,000. Accordingly, the current total tax yield at the existing properties is \$257,000 (\$52,585 + \$204,415).

10.2 Existing Costs

Residential

By applying the same metrics that were used on the proposed Project to the existing residential properties, we can arrive at an estimated general service cost currently being generated. If the current property has 20 residential units, the general service costs for the property would be as follows:

Table 14: Existing Residential General Service Costs

Existing Residential General Service Costs	Ratio	# of Calls	Cost Per Call	Total Cost
Police	0.378	8	\$435	\$3,480
Fire	0.067	1	\$2,050	\$2,050
EMS	0.066	1	\$2,050	\$2,050
Total	-		-	\$7,580

Currently four (4) students living on the property attending Newton Public Schools. Using the same cost per student (\$14,800), the current impact on the school system equates to \$59,200.

Therefore, the total residential impact to the City is approximately \$66,780. It is worth noting that the SAC currently living at the property are based on a very low occupancy rate. It is anticipated that as the spaces are re-leased the number of school aged children would increase at the same ratio, or greater, than what it estimated to be generated by the Project.

Commercial

Similar to the proposed commercial space, this report assumes a .2 cost-to-revenue ratio for the current commercial space. **Under this assumption, it is estimated that the commercial space contributes \$40,883 (\$204,415 x .2) in overall general service costs.** Table 15 illustrates the fiscal benefit currently generated by the property, \$149,337.

Table 15: Existing Fiscal Benefit

Existing Property	Commercial	Residential	Total
Revenue	\$204,415	\$52,585	\$257,000
General Service Costs	\$40,883	\$7,580	\$48,463
Service Cost (Education)	0	\$59,200	\$59,200
Total (loss)	\$163,532	(\$14,195)	\$149,337

11.0 Net Fiscal Benefit

This report arrives at the **net fiscal benefit** created by the new Project by analyzing the existing fiscal benefit and comparing it to what is expected to occur once the Project is stabilized. Below is a summary of the findings.

Comparison	Existing	Project	Net Change Dollars
Assessed Value	\$13,330,000	\$62,763,000	\$49,433,000
Annual Revenue	\$257,000	\$861,000	\$604,000
Annual Cost	\$107,663	\$505,500	\$397,837
Fiscal Benefit	\$149,337	\$355,500	\$206,163

Summary of Findings

Based on the table above, the following comparative statements can be made:

- The Project will increase the site’s assessed value by \$49,433,000
- The Project will increase annual revenue by \$604,000 per year.
- The net fiscal benefit for the initial year; i.e. proposed annual benefit minus existing annual benefit, will be \$206,163.

It should be noted that it is most likely that the redeveloped site will increase in assessed value at a higher rate than if the site remains in the current state. Accordingly, the net fiscal benefit of the Project as compared to the current uses will improve over the initial stabilization year as estimated above.

12.0 One Time Fees

Based on the applicant’s initial estimate of construction costs for both the residential and commercial components and the current fee schedule, total building permit fees are estimated to be \$1,000,000.

Memorandum

January 25, 2017

To: Newton Land Use Committee
Fr: John Connery
Re: Fiscal Impact Study

Dear Chairman Laredo:

I have been asked by my client, Mark Newtonville LLC (the “developer”) to reevaluate the fiscal benefit of the Washington Place project in lieu of the changes made since the developer’s original filing in May of 2016. For your benefit, below is a brief synopsis of the changes:

- The number of residential units has decreased from 171 to 160.
- The residential unit mix has been revised to include six (6) 3-bedroom units; the prior submission had zero.
- The commercial square footage has been increased by 4,115 SF to 43,860 SF.
- The developer has allocated 10% of the total units for “middle income” households.

When I completed my original fiscal impact study, I concluded the project would bring a net fiscal benefit of approximately \$206,163. Taking into account the aforementioned changes, the new estimated net fiscal benefit will be \$160,989. The decrease can largely be attributed to the inclusion of 3-bedroom units and the additional middle income units.

While I feel the project is not targeted specifically towards families, the three bedroom units will generate some interest. Based on the same comparable set from my earlier report¹, the average school age child (“SAC”) per market rate 3-bedroom unit can vary from 0.40 to 0.60. A 3-bedroom inclusionary zoning unit can range between 0.90 to 1.40 per unit. For my analysis, I have been conservative and assumed 0.60 and 1.40 SAC per unit respectively, for market rate and inclusionary zoning units.

The developer’s decision to include affordable, middle income units is a first for the City of Newton. As a result, there are no real data points to try and estimate the impact on the Newton schools by this demographic. To come to a reasonable assumption, I took the average SAC ratio of a market rate unit and an inclusionary zoning unit to estimate the number of SAC generated by the middle income units. Based on this assumption, and the addition of 3-bedroom units to the project, the number of school aged children has increased from 24 to 26.

¹ Arborpoint Woodland Station, Avalon Newton Highlands and Avalon Chestnut Hill

Although the changes made since the filing have reduced the net fiscal benefit by 23%, my belief remains the same that the number of school aged children at this location is most likely going to be less than the comparable set due it's mixed-use nature and location in a village center. As I stated in my previous report it is less likely for families with SAC to reside in mixed use developments because they lack safe play areas and typically are in high traffic volume settings; families coming from cities, like Boston, with young SAC see mixed use developments in the suburbs as the transition phase before buying or renting a home. I am happy to answer any questions or discuss in further detail if you deem appropriate.

Sincerely,

John Connery

Connery Associates

June 7, 2017

Dear City Councilors,

In recent correspondence from a resident of Newton, I have been asked to address a few questions relating to the methodology used in preparing the net fiscal impact calculation for Washington Place. Below are my responses, which I am more than happy to discuss in further detail if appropriate.

Question: Why are 1+ bedroom units not treated as 2-bedroom units and 2+ bedroom units treated as 3-bedroom units for purposed of calculating school aged children (SAC)?

The additional room in a “plus” unit has a very different characteristic than a conventional bedroom. For starters, the size of the additional room in a plus unit is typically smaller in overall square footage. At Washington Place, the additional room in the plus units are approximately 75 SF in size compared to a typical bedroom at 140 SF. In addition, unlike a true bedroom, the additional room in a plus unit is not required by code to provide either natural light or closet space, and therefore does not allow the apartment to be marketed as having an additional bedroom.

Given these distinguishing characteristics, I have not seen plus units treated as having an additional bedroom for calculation of the net fiscal impact, nor do I know of any data that supports that these units are drivers of school aged children in residential buildings. Therefore, consistent with the Austin Street Fiscal Impact Report, I have not assumed the additional room in a plus unit to constitute a bedroom.

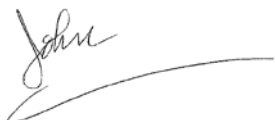
Question: If we apply the same formula used by the Planning Department for Austin Street (Appendix F of the NPS Enrollment Analysis Report) the number of school-age children jumps from 24 to 32 children. Author's Note: I believe the question is meant to reference Appendix G in the 2013 NPS Enrollment Analysis Report, not Appendix F.

I have reviewed the formulas in “Appendix G” of the 2013 NPS Enrollment Analysis Report and I would like to make the following points. First, footnote #3 states that only the physical addresses of the SAC are known and NOT the types of units (e.g., 2BR or 3BR units), so these allocations are estimates. As a matter of policy, the School Department does not disseminate information on SAC by unit type or by grade.

Second, in my many years of preparing Fiscal Impact Reports, I have never seen the ratio of school aged children for 3 BR Affordable units this high, i.e., 2.579, 2.548, and 3.25 for the three comparable projects. Based on my experience, I am more accustomed to seeing a ratio of 1.40 for 3BR Affordable Units, as noted in my revised report. That said, if I adjust the 3 BR ratios based on Appendix G, my projection of **28 SAC increases to 31 SAC**. This increase in the number of SAC would reduce my currently projected net fiscal benefit from **\$133,598 down to \$87,608**.

Please let me know if you have any further questions.

Regards,



John Connery