

**ECONOMIC AND FISCAL IMPACT ANALYSIS
OF THE PROPOSED RIVERSIDE STATION
TRANSIT ORIENTED DEVELOPMENT**

NEWTON, MASSACHUSETTS

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I. EXECUTIVE SUMMARY

RKG Associates, Inc. (RKG) was retained by BH Normandy Riverside LLC in co-operation with Normandy Real Estate Partners, to prepare an economic and fiscal impact analysis of the proposed Riverside Station Transit Oriented Development (TOD) in Newton, Massachusetts. The intent of this analysis is to assist the developer with the planning and permitting of the project by providing an estimate of the likely economic and fiscal costs and benefits associated with redevelopment of the Riverside Station TOD (or the TOD). With respect to economic analyses, such impacts include changes in employment, wages and state income tax; changes in the school-age population; and changes in retail sales and sales tax. From a fiscal perspective, this analysis considers the costs incurred by the City for providing municipal services to the businesses and residents of the proposed development. Additionally, to the extent that there are school-age children, this analysis estimates their impact, if any, on the City's capacity to absorb additional students. Weighed against these estimated costs is the estimated municipal revenue, primarily represented by real property taxes, to be paid to the City of Newton.

A. Location and Site

The Riverside Station TOD is an approximate 25-acre parcel (in total) at 327 Grove Street in Newton, Massachusetts. The site is in close proximity to the Massachusetts Turnpike and Interstate-95 (Route 128), with ramp access (exit 22) from the latter. The site is bounded by the interstate, railroad, and wooded area (abutting the Charles River), as presented in Map 1. Adjacent to the Riverside Station TOD is the Indigo Hotel, at 399 Grove Street. This property is improved with a 190+ room hotel situated on an approximate 2.7-acre site. Across the street from this there are residential condominiums at 406-416 Grove Street and the Woodland Golf Club. Also adjacent to the TOD, at 269-287 Grove Street, is an approximate 569,000 square foot (SF) office on 11.2-acres of land. Across the street from this, at 264-290 Grove Street is an apartment complex totaling nearly 63,100 SF on 7±-acres.



Map 1 – Aerial view of Site of Proposed Riverside Station TOD in Newton, MA

1. Development Plan and Phasing

The Riverside Station TOD site, as improved, includes the Riverside “T” station, an MBTA carhouse and maintenance facility, a train storage yard and a bus terminal building. There are approximately 960-surface parking spaces at present. Therefore, the site is primarily impervious parking. It is anticipated that all of these uses will remain as part of the Riverside Station TOD, although some may relocate internally on the site. Additionally, the surface parking will be replaced by an approximate 1,000-car parking structure and the adjacent Indigo Hotel parcel may be subdivided to provide for the assemblage of a 0.7-acre parcel to the Riverside Station TOD (a preliminary master plan rendering appears below).



Current development plans¹ for the Riverside Station TOD are presented in Table 1 and include office and retail space, as well as residential development of approximately 290 rental units (with 15% as affordable). At this time it is assumed that Phase 1 construction would be the parking garage and on-site roadway and infrastructure improvements, requiring around 15-months to complete. It should be noted that this Phase 1 development will include replacing the 960-surface parking spaces with an approximately 1,000-space parking garage.

This construction would be followed by an approximate two-year construction period for the residential and office/retail components, with completion projected for mid-2015. In summary, the proposed Riverside Station TOD includes 225,000 SF of office space; 20,000 SF of community retail space (with an additional 2,800 SF of retail within the MBTA garage); and a mix of 290-units of rental housing (around 319,300 SF) and approximately

¹ Development of these components (not directly related to the MBTA or its garage) may occur on approximately 9.4 acres of the overall 25-acre site.

8,000 SF of use as community space (unspecified at this time and not included in this analysis as it is assumed to be tax-exempt).

In addition, in order to serve this development an approximate 998-space parking garage and 19-surface parking spaces will be developed (excluding the 1,000-space MBTA garage).

Table 1 – Proposed Riverside Station TOD

Proposed Development			Construction Phasing		
Riverside Station	SF	Units	Spaces	Time	Complete
Phase 1					
MBTA Garage and Structured Parking			1,000	15-mos.	mid-2013
Phase 2					
Office Space	225,000	NA	563	24 mos.	mid-2015
Retail (1)	22,800	NA	19	24 mos.	mid-2015
Residential	319,315	290	435	24 mos.	mid-2015
Estimated Mix market		Affordable			
Studio	14		2		
1-BR	133		24		
2-BR	89		16		
3-BR	10		2		
Totals	246	44	567,115	290	2,017

Source : Walsh Company, LLC and RKG Associates, Inc.

Note : Parking total includes MBTA garage with 1000-spaces.

(1) Includes 20,000 SF of local retail and 2,800 SF of retail within MBTA parking garage

B. Key Findings

The key findings are summarized next and presented in detail in other chapters of this report².

1. Fiscal Impacts

The estimated fiscal impacts refer to the costs and revenues to the City of Newton, Massachusetts arising from the costs of various municipal services and activities provided to Riverside Station TOD. The estimated taxable real property assessment value of the TOD is \$108.4 million, resulting in the following:

- Total real property taxes to the City of Newton, prior to any adjustments, from the TOD are estimated to be slightly more than \$1.9 million annually.
- The estimated cost to provide municipal services to the TOD is \$816,500 and the estimated education costs are \$624,800.
- As a result of these two adjustments, the estimated annual real estate property taxes to the City of Newton are a net positive benefit of \$482,700 annually.
- As noted above, the estimated education costs are \$624,800, based on an estimated 44 students and the FY2011 per capita costs for education (from the general fund). The estimate of 44 students was developed, in part, on the average experiences from a sample of other existing apartment complexes in Newton (please refer to Table 11 elsewhere in this report). It should be noted that these other complexes all have a 25% affordability mix of apartments, while the proposed TOD is to have a 15%

² Throughout most of the written narrative dollar amounts have been rounded for ease to the reader. The unrounded amounts appear in the tables and spreadsheets in this report.

affordability mix. Also, the other complexes have fewer one-bedroom units when compared to the proposed TOD. As a result, the number of potential students residing at the TOD may be lower than the estimate in this analysis, however, given the assumptions and inputs used in this analysis, RKG considers 44 students a reasonable estimate for the TOD.

- Finally, based on data and information provided by representatives of the Newton Public Schools, the three schools likely to be recipients of any students residing at the Riverside Station TOD have excess capacity for FY2016, coincidental with the projected completion of the residential component of the TOD.
- There is a 1% Community Preservation Act (CPA)³ property tax surcharge, which equates to an estimated \$19,000 annually from the TOD.
- Estimated personal property taxes are \$93,500.
- Other selected fees and revenues, including motor vehicle excise tax, lottery and Chapter 70 School Aid, add another potential \$200,800 in annual, ongoing revenues.

2. Economic Impacts

The economic impacts of the proposed Riverside Station TOD include employment, wages and associated taxes (both state income and sales tax). These include short-term impacts from the construction and construction related activity (estimated to be three to four years in total) and from the ongoing impacts associated with the on-site office and retail development.

a) Short-Term

The short-term employment includes 1,297 direct jobs and 1,225 indirect/induced jobs. The wages from these positions are \$77.5 million (direct) and \$68.0 million (indirect/induced) with resulting state income tax of \$3.3 million (direct) and \$2.8 million (indirect/induced). Massachusetts sales tax from locally purchased construction materials adds \$3.1 million⁴. The one-time building permit fees payable to the City of Newton are \$3.5 million. Short-term direct impacts would include the direct construction labor and employment. The indirect short-term impacts would include the economic activity among building materials and suppliers, as an example, which are required to support the direct impacts. The induced impacts are an estimate of the direct wages re-circulating through the economy, for example, construction workers purchasing meals and other incidentals.

b) Ongoing

The ongoing employment includes 935 direct jobs and 1,158 indirect/induced jobs. The annual wages from this employment amounts to \$72.4 million (direct) and \$79.6 million (indirect/induced) with resulting state income tax of \$3 million (direct) and \$3.3 million (indirect/induced). Massachusetts sales tax from retail sales on-site is \$320,600 annually. Ongoing direct impacts would include the direct office and retail employment. The indirect

³ The CPA allows communities to create a local fund for open space protection, historic preservation and the provision of affordable housing by raising money through a surcharge of up to 3% of the real estate tax levy on real property.

⁴ Approximately 75% of construction materials (excluding those purchased for tax exempt development such as for the MBTA garage) are assumed to be purchased locally, or with Massachusetts as the point of transfer – therefore subject to Massachusetts sales tax.

ongoing impacts would include the economic activity among businesses that support the direct impacts, such as office supply companies. The induced impacts are an estimate of the direct wages re-circulating through the economy, for example, office and retail workers purchasing meals and other incidentals.

Table 2 summarizes the economic and fiscal impacts of the proposed TOD. In conclusion, the net annual revenues, after municipal and school expenses, to the City of Newton are projected to be nearly \$778,300⁵ from the TOD. This includes a net real property tax of \$482,700; personal property tax of \$94,800; and, other fees and revenues of \$200,800. In addition to this ongoing net revenue stream, there is a one-time estimated payment of more than \$3.5 million in building permit fees.

Table 2 – Summary Economic and Fiscal Impacts of the Riverside Station TOD

SUMMARY IMPACTS		
Riverside Station TOD	Short-Term	Ongoing
ECONOMIC		
Employment	2,522	2,093
Direct	1,297	935
Indirect/Induced	1,225	1,158
Wages	\$145,453,243	\$151,932,403
Direct	\$77,484,148	\$72,362,361
Indirect/Induced	\$67,969,095	\$79,570,042
Income/Payroll Tax	\$6,051,296	\$6,386,207
Direct	\$3,259,004	\$3,039,003
Indirect/Induced	\$2,792,291	\$3,347,204
MA Sales Tax	\$3,096,573	\$320,625
FISCAL		
Building Permit Fees	\$3,510,629	
Real Estate Property Taxes		\$1,923,981
less Service Costs		(\$816,471)
Less Education Costs		(\$624,800)
Net Real Estate Property Taxes		\$482,710
CPA Tax		\$19,240
Personal Property Tax		\$94,775
Other Fees and Revenues		\$200,836
Excise Tax		\$84,718
Lottery		\$30,697
Licenses & Permits		\$33,981
Chapter 70 School Aid		\$51,439

SOURCE : RKG Associates, Inc. and City of Newton, MA

⁵ This excludes and estimated \$19,000 annually as the Community Preservation act surcharge, which are typically funds to be used for historic preservation, open space and affordable housing, rather than go into the City of Newton general fund.

3. Summary Impacts for Massachusetts and for Newton

The estimated economic and fiscal impacts, to be realized by Massachusetts and Newton, are summarized in the following Table 3, indicating the following:

- **Massachusetts** – Direct *short-term* employment of 1,297, with wages of \$77.5 million, income/payroll taxes of \$3.3 million and sales tax receipts totaling \$3.1 million. Direct *ongoing* employment of 935, with wages of \$72.4 million, income/payroll taxes of \$3 million and annual sales tax receipts totaling \$320,600.
- **Newton** – *One-time* building permit fees of \$3.5 million. *Annual and ongoing net* property tax of \$482,700; personal property tax of \$93,500; other revenues (including motor vehicle excise tax, lottery and Chapter 70 School Aid) of \$200,800; and a 1% Community Preservation Act property tax surcharge of \$19,000 annually, for a total net ongoing revenue, from these sources, of \$797,600 for the City of Newton.

Table 3 – Riverside TOD Summary Economic and Fiscal Impacts – Massachusetts and Newton

SUMMARY IMPACTS		
Riverside Station TOD	MASSACHUSETTS	NEWTON
Short-Term or One Time		
Direct Employment	1,297	NA
Direct Wages	\$77,484,148	NA
Income/Payroll Tax	\$3,259,004	NA
Sales Tax	\$3,096,573	NA
Building Permit Fee(s)	NA	\$3,510,629
Ongoing and Annual		
Direct Employment	935	NA
Direct Wages	\$72,362,361	NA
Income/Payroll Tax	\$3,039,003	NA
Sales Tax	\$320,625	NA
Net Property Tax	NA	\$482,710
Personal Property Tax	NA	\$94,775
Excise Tax	NA	\$84,718
Lottery Revenue	NA	\$30,697
Licenses & Permits	NA	\$33,981
Chapter 70 School Aid	NA	\$51,439
CPA Tax	NA	\$19,240
Total Ongoing Revenue(s)	\$3,359,628	\$797,560

SOURCE : RKG Associates, Inc. and City of Newton, MA

II. ECONOMIC IMPACTS

This chapter presents an analysis of the estimated economic impacts (short-term and ongoing) associated with the proposed Riverside Station TOD in Newton, MA.

A. Short-Term Impacts (Construction Period)

The direct short-term employment and wage impacts are a reflection of the construction activity and the associated wages. The construction activity typically varies from project to project, but is not considered as an ongoing (meaning year in and year out) activity.

1. Direct Impacts

The inputs and assumptions utilized in estimating employment impacts are presented at the bottom of Table 6 and include:

- Construction costs and other off-site and on-site roadway and infrastructure improvements were provided by the Walsh Company, LLC. The labor costs are estimated to represent approximately 60% of total construction costs and of this approximately 50% are direct wages.
- Construction jobs are calculated as the total estimated wages divided by the estimated annual average construction wage for Massachusetts (through the third quarter of 2010 – similar to Table 4). This statewide average weekly wage is \$1,150 or about \$120 less than that specifically for the City of Newton at \$1,270. The average wage for the construction industry is the basis for an annual wage per worker. This wage is then multiplied by the effective state income tax rate provided by the Massachusetts Department of Revenue in order to estimate state income taxes.

Table 4 – Newton, MA – Employment and Wages (2010 thru 3rd quarter)

Newton, Massachusetts thru the 3 rd Quarter of 2010	# of Firms	Avg. Mo. Employment	Avg Wkly Wage
Total, All Industries	3,664	53,235	\$1,114
23 - Construction	175	1,689	\$1,269
31-33 - Manufacturing	53	788	\$1,792
DUR - Durable Goods Manufacturing	26	611	\$2,078
NONDUR - Non-Durable Goods Manufacturing	27	176	\$804
42 - Wholesale Trade	147	1,189	\$2,393
44-45 - Retail Trade	334	4,903	\$616
48-49 - Transportation and Warehousing	45	476	\$854
51 - Information	91	1,837	\$1,854
52 - Finance and Insurance	210	1,884	\$2,110
53 - Real Estate and Rental and Leasing	151	1,106	\$3,564
54 - Professional and Technical Services	731	4,999	\$1,616
55 - Management of Companies and Enterprises	33	955	\$2,446
56 - Administrative and Waste Services	187	7,895	\$623
61 - Educational Services	92	9,185	\$1,107
62 - Health Care and Social Assistance	392	8,634	\$992
71 - Arts, Entertainment, and Recreation	64	918	\$586
72 - Accommodation and Food Services	182	3,730	\$439
81 - Other Services, Ex. Public Admin	765	2,235	\$602

Source : Massachusetts Executive Office of Labor and Workforce Development

a) Indirect and Induced Impacts

The inputs and assumptions utilized in estimating these short-term impacts are presented at the bottom of Table 6 and include:

- Direct construction employment is increased via multipliers developed by the U.S. Department of Commerce, using RIMS II modeling (Table 5) which is specific to the industry sector, to arrive at estimated total indirect/induced short-term employment (across a multitude of industry sectors) for Massachusetts as a whole.
- Direct wages for construction form the basis for estimating indirect wages, which are increased via RIMS II multipliers to arrive at estimated total indirect and induced short-term wages (across a multitude of industry sectors) for Massachusetts as whole.

Table 5 – RIMS II Multipliers for Select Industries - Massachusetts

RIMS II Multipliers (2002/2007) - Type II		
State of Massachusetts by NAICS Code	Indirect and Induced	
	Earnings	Employ
Construction	0.8772	0.9441
Retail	0.7720	0.4784
Office		
Insurance	1.3019	1.9112
Real Estate	1.9866	1.0656
Professional	0.7392	1.2877
Management	0.8479	1.9092
Administrative	0.7008	0.4064
Average	1.1153	1.3160

Source: RIMS II - U.S. Bureau of Economic Analysis

- The average wage per indirect/induced worker is calculated and this wage is then multiplied by the effective state income tax rate provided by the Massachusetts Department of Revenue in order to estimate state income taxes.

For purposes of estimating sales tax, it is assumed that 75% of construction material purchases (excluding those for tax exempt development/construction) are local (in Massachusetts or with Massachusetts as the point of transfer) and taxable at a 6.25% tax rate.

2. Findings of Short-Term Impacts

Table 6 presents estimated short-term impacts for direct and indirect/induced, indicating:

- Direct construction jobs at 1,297 with an estimated total wage of \$77.5 million, resulting in estimated state income tax receipts of \$3.3 million.
- The direct construction jobs are multiplied by the employment RIMS II multiplier as follows $1,297 \times 0.9441 = 1,225$, to derive indirect/induced employment. Similarly, direct construction wages of \$77.5 million are multiplied by RIMS II to estimate \$68 million in indirect/induced wages, resulting in \$2.8 million in state income receipts.
- Construction costs for materials are \$83.4 million in total. However, it is assumed that \$17.4 million in materials purchases are for building and site improvements that are tax-exempt. Of the \$66.1 million subject to sales tax, is assumed that 75% or \$49.5 million is purchased locally resulting in \$3.1 million in sales tax receipts.
- Building permit fees to the City of Newton, at a rate of \$18.60 per \$1,000 in construction valuation, result in an estimated \$3.5 million (excluding the construction considered to be for a tax-exempt use⁶).

⁶ Discussions with representatives of the Newton Inspectional Services indicated that if the MBTA owned portions of the site were maintained and inspected by MBTA and/or state officials, the City would likely not charge a building permit fee.

Table 6 – Estimated Short-Term Economic Impacts – Riverside Station TOD – Newton, MA

Inputs & Assumptions	Proposed Riverside Station TOD - Newton, MA				TOTAL
	Office	Retail	Residential	Other & Commuter	
Property Use or Proposed Development					
Square Feet (SF) of Development	225,000	22,800	319,315		567,115
Number of Units			290		290
Number of Parking Spaces	563	19	435	1,000	2,017
Estimated Stabilized Occupancy (SF)	213,750	20,520	303,349		537,619
SHORT TERM IMPACTS					
Construction Costs - LABOR					
Commuter Garage (1,000 spaces) (tax-exempt)				\$20,222,971	\$20,222,971
Roadway/Paving and Bus Turnaround (tax-exempt)				\$1,012,050	\$1,012,050
Onsite Roadwork (tax-exempt)				\$1,625,000	\$1,625,000
Relocate Water Line/Culvert (tax-exempt)				\$1,625,000	\$1,625,000
Grove Street Entry (tax-exempt)				\$1,300,000	\$1,300,000
Grove Street Roundabouts/Highway Access (tax-exempt)				\$6,500,000	\$6,500,000
Site Work	\$942,500		\$455,000		\$1,397,500
Retail Building		\$5,014,425			\$5,014,425
Office Building	\$51,701,000				\$51,701,000
Office Parking	\$15,772,250				\$15,772,250
Residential Building			\$41,895,100		\$41,895,100
Residential Parking			\$6,903,000		\$6,903,000
Total LABOR Investment	\$68,415,750	\$5,014,425	\$49,253,100	\$32,285,021	\$154,968,296
<i>less estimated Exempt</i>					\$122,683,275
Short Term Direct Employment Impacts					
Constructions Wages 50.00%					\$77,484,148
Employment (FTE's)					1,297
State Income/Payroll Tax					\$3,259,004
Short Term Indirect/Induced Employment Impacts					
Wages					\$67,969,095
Employment					1,225
State Income/Payroll Tax					\$2,792,291
Construction Costs - MATERIALS					
Commuter Garage (tax-exempt)				\$10,889,292	\$10,889,292
Roadway/Paving and Bus Turnaround (tax-exempt)				\$544,950	\$544,950
Onsite Roadwork (tax-exempt)				\$875,000	\$875,000
Relocate Water Line/Culvert (tax-exempt)				\$875,000	\$875,000
Grove Street Entry (tax-exempt)				\$700,000	\$700,000
Grove Street Roundabouts/Highway Access (tax-exempt)				\$3,500,000	\$3,500,000
Site Work	\$507,500		\$245,000		\$752,500
Retail Building		\$2,700,075			\$2,700,075
Office Building	\$27,839,000				\$27,839,000
Office Parking	\$8,492,750				\$8,492,750
Residential Building			\$22,558,900		\$22,558,900
Residential Parking			\$3,717,000		\$3,717,000
Total MATERIALS Investment	\$36,839,250	\$2,700,075	\$26,520,900	\$17,384,242	\$83,444,467
<i>less estimated Exempt</i>					\$66,060,225
Short Term Sales Tax & Permit Fee Impacts					
Estimated Materials Purchased Locally 75.00%	\$27,629,438	\$2,025,056	\$19,890,675	\$0	\$49,545,169
Sales Tax from Local Purchase 6.25%	\$1,726,840	\$126,566	\$1,243,167	\$0	\$3,096,573
Building Permit Fees - City of Newton \$0.0186	\$1,957,743	\$143,490	\$1,409,396		\$3,510,629
Other Inputs and Assumptions	Office	Retail	Residential	Other & Commuter	Construction
Direct Employees / SF or UNIT	250	300	0.04	NA	NA
Indirect/Induced Employee Multiplier	1.3160	0.4784	NA	NA	0.9441
Direct Annual Wage (FTEs)	\$81,596	\$33,384	\$27,083	NA	\$59,731
Indirect/Induced Wage Multiplier	1.1153	0.7720	NA	NA	0.8772
Sales / SF	NA	\$250	NA	NA	NA
Effective State Income Tax Rate	4.21%	4.11%	3.31%		4.21%
Estimated Assessment Value per SF	\$250	\$150	\$175		
Newton Property Tax (per \$000's)	\$0.02089	\$0.02089	\$0.01090		
Stabilized Occupancy	95.00%	90.00%	95.00%		

SOURCE : RKG Associates, Inc., Normandy Real Estate Partners, Walsh Company, LLC and City of Newton, MA

B. Ongoing Impacts

The ongoing impacts are a reflection of the ongoing and on-site activity represented by the proposed retail and office developments.

1. Direct Impacts

The inputs and assumptions utilized in estimating ongoing employment impacts are presented at the bottom of Table 7 and include:

- The SF of build-out by type of use was provided by the Walsh Company, LLC.
- The direct ongoing employment is a function of the size of the development, such as 20,000 SF (and the 2,800 SF of retail within the MBTA garage)⁷ of retail development divided by industry standards⁸ reflecting the average SF per employee, in this example 300 SF/employee (also assumes all jobs are new). For residential property management, the standard applied is 0.04 employees per unit, reflecting the developer's experience at other similar apartment/residential complexes.
- This employment is adjusted to reflect an estimated stabilized occupancy for each type of use, in other words a vacancy factor is considered for office⁹, at 5%, and an estimated 10% for retail uses.
- The average wage for employment in office sector and retail sector industries is provided by the Massachusetts Executive Office of Labor and Workforce Development. The average wage (excluding benefits) for residential/property management represents the experiences of the developer at similar properties. These wages are multiplied by the effective state income tax rate provided by the Massachusetts Department of Revenue in order to estimate state income taxes.

a) Indirect and Induced Impacts

The inputs and assumptions utilized in estimating these impacts are presented at the bottom of Table 7 and include:

- Direct office and retail employment are increased via RIMS II multipliers. By way of example, the blended or average office employment multiplier of 1.3160 is applied against the estimated direct office employment to derive the estimated indirect/induced employment. Similarly, the retail employment multiplier of 0.4784 is applied against the estimated direct retail employment.
- Direct wages for office and retail form the basis for estimating indirect wages, which are also increased via RIMS II multiplier. By way of example, the blended or average office wage multiplier of 1.1153 is applied against the estimated direct office wage to derive the estimated indirect/induced wages. Similarly, the retail wage multiplier of 0.7720 is applied against the estimated direct retail wage.
- RKG has not applied a multiplier to the residential/property management employees, considering that some may be residents of the TOD, and their spin-off as demand and spending may already be reflected in the estimated on-site retail activity.
- Similarly, it is possible that the nearby Indigo Hotel could realize increased occupancy considering the increased employment and economic activity at the TOD, such as business travel related to the 225,000 SF of new office development. If so,

⁷ Discussions with the developer indicate that the retail component of this project is likely to be smaller, service and convenience stores supportive of neighborhood uses (rather than destination drive to retail). Additionally, retail within the MBTA garage is likely to be "targeted" to and for the ease of the commuter, such as a coffee shop, dry cleaners and the like.

⁸ The Urban Land Institute (ULI)

⁹ Discussions with the developer indicate that much of the proposed office development will be build-to-suit, implying that there are tenants in hand. As a result, RKG has applied a 5% vacancy factor, indicating that full-occupancy would be 95%.

this in turn could result in increased hotel sales and occupancy tax, although not measured in this analysis.

For purposes of estimating sales tax impacts, although specific tenants are unknown at this time, it is assumed that 100% of the retail sales occurring on-site are both taxable and net new sales and that these are taxable at a 6.25% sales tax rate. The dollar amount of retail sales reflects an estimated average of \$250 per SF for the stabilized occupancy.

2. Findings of Ongoing Impacts

Table 7 presents estimated ongoing impacts (both direct and indirect/induced) indicating:

- Direct (and stabilized) office employment of 855 positions with annual wages of \$69.8 million resulting in \$2.9 million in state income tax receipts.
- Direct retail employment of 68 positions, with an annual wage of \$2.3 million and nearly \$94,000 in state income tax receipts.
- On-site residential/property management employment of 12 positions with \$314,200 in wages and \$10,400 in state income taxes.
- Total indirect and induced employment of 1,158 positions, across a variety of industry sectors and throughout Massachusetts, with an estimated annual payroll of \$79.6 million, resulting in approximately \$3.3 million in state income taxes.
- Retail sales (inclusive of the 2,800 SF of retail within the MBTA garage) of \$5.1 million resulting in approximately \$320,600 in state sales tax.

Table 7 – Estimated Ongoing Economic Impacts – Riverside Station TOD – Newton, MA

Inputs & Assumptions	Proposed Riverside Station TOD - Newton, MA					TOTAL
	Office	Retail	Residential	Other & Commuter		
Property Use or Proposed Development						
Square Feet (SF) of Development	225,000	22,800	319,315			567,115
Number of Units			290			290
Number of Parking Spaces	563	19	435	1,000		2,017
Estimated Stabilized Occupancy (SF)	213,750	20,520	303,349			537,619
ONGOING IMPACTS						
Estimated Direct Employment	855	68	12	0		935
Estimated Indirect/Induced Employment	1,125	33	0	0		1,158
Total Employment	1,980	101	0	0		2,081
Estimated Direct Annual Wages	\$69,764,729	\$2,283,466	\$314,167	\$0		\$72,362,361
Estimated Indirect/Induced Annual Wages	\$77,807,207	\$1,762,835	\$0	\$0		\$79,570,042
Total Wages	\$147,571,935	\$4,046,301	\$314,167	\$0		\$151,932,403
Ongoing State Income/Payroll Tax						
from Direct Wages	\$2,934,324	\$93,809	\$10,404	\$467		\$3,039,003
from Indirect/Induced Wages	\$3,272,592	\$74,145	\$0	\$467		\$3,347,204
Total Income Tax	\$6,206,916	\$167,954	\$10,404	\$933		\$6,386,207
Estimated Retail Sales and Sales Tax						
Annual Retail Sales		\$5,130,000				\$5,130,000
Annual Retail Sales Tax	6.25%	\$320,625				\$320,625
Other Inputs and Assumptions						
Direct Employees / SF or UNIT	250	300	0.04	NA		NA
Indirect/Induced Employee Multiplier	1.3160	0.4784	NA	NA		0.9441
Direct Annual Wage (FTEs)	\$81,596	\$33,384	\$27,083	NA		\$59,731
Indirect/Induced Wage Multiplier	1.1153	0.7720	NA	NA		0.8772
Sales / SF	NA	\$250	NA	NA		NA
Effective State Income Tax Rate	4.21%	4.11%	3.31%			4.21%
Estimated Assessment Value per SF	\$250	\$150	\$175			
Newton Property Tax (per \$000's)	\$0.02089	\$0.02089	\$0.01090			
Stabilized Occupancy	95.00%	90.00%	95.00%			

SOURCE : RKG Associates, Inc., Normandy Real Estate Partners, Walsh Company, LLC and City of Newton, MA

III. FISCAL IMPACTS

In the past several years, local governments have become increasingly concerned about the impacts of new developments on municipal budgets. Local residents and officials want to know if a proposed development would provide an increase in taxes and other revenues that would cover the costs of any increases in municipal services. In order to understand this relationship, local officials have used fiscal impact analysis to compare future municipal revenues and expenditures associated with a proposed development. Fiscal impact analysis has been defined as “a projection of the direct current public costs and revenues associated with residential or nonresidential growth to the local jurisdiction in which the growth is taking place”¹⁰. This chapter presents an analysis of the likely fiscal impacts associated with the proposed Riverside Station TOD.

A. General Approach

There are several different techniques available for determining the fiscal impact of the proposed Riverside Station TOD. All of these techniques are based on the same general assumptions. First, it is assumed that current municipal operating costs and revenues are the best basis for determining future costs and revenues. A second assumption is that the proposed development comes “on line” all at once. This assumption allows a comparison of the financial effect of the entire project on municipal costs and revenues. In reality, many projects are constructed over a period of greater than one year; however, since municipal costs and revenues generally occur in equal proportions, this steady-state approach does not detract from the appropriateness or accuracy of this method. It should also be noted that fiscal impact analysis is only concerned with local public costs and expenditures.

1. Methodology and Assumptions

Fiscal impact analysis, as applied in this report, encompasses the identification and comparison of both municipal service costs (and school costs where applicable) related to the proposed project, and the potential public revenues resulting from the development. Overall, the methodology and assumptions for estimating the net fiscal impacts are as follows:

- The proposed project is developed under current market conditions and in constant 2011 dollars (in regards to assessed values and market conditions, etc.).
- Municipal service costs were estimated from historic City budgets using an average service cost per employee approach for non-residential uses and per housing unit basis for residential uses. This cost factor was applied to projected levels of new (direct) ongoing employment, as well as the new housing units.
- The cost analysis assumes that the proposed project will fund its own trash removal, snow plowing, on-site maintenance, and provide on-site security.

¹⁰ Robert W. Burchell, et al. *The New Practitioner's Guide to Fiscal Analysis*. Center for Urban Policy Research, Rutgers University, 1985.

- Municipal revenues were based on an estimate of future real property taxes from the proposed project for building improvements only. Real property values were estimated in co-operation with the City of Newton Assessor¹¹. These values were then multiplied by the FY2011 tax rate of \$20.89/\$1,000 (commercial) and \$10.90/\$1,000 (residential), in order to estimate real property taxes for the project.
- It is anticipated that the one-time fees/payments, such as building permit fees charged by the City of Newton, would offset any costs incurred by the City during the construction period. These fees are calculated per the City of Newton schedule of \$18.60 per \$1,000 of total estimated construction costs (excluding tax-exempt materials).
- Other fees and revenues could include personal property taxes from businesses, both individual and corporate, as well as possible motor vehicle excise fees, licenses and permits, and Chapter 70 School Aid, which are presented in more detail in Table 14.

B. Estimated Municipal Costs

A review of the City of Newton actual and budgeted expenditures (the latter for FY2011) indicates specific expenses for municipal departments and other costs as shown in Table 8. Certain of these costs are considered variable and would be impacted by new private-sector development including education (from the residential component); public safety; public works and so on. Other of these costs, such as debt service, and retiree costs, are not likely to be incrementally impacted by additional private sector development, unless for example the City of Newton were to obligate public monies to the private development. It is the consultants' understanding that this is not the case with this proposed development.

As indicated in Table 8, the estimated annual "cost to run" the City of Newton, averaged over the last several years, is \$282.7 million, with slightly more than 56%, or \$159.3 million, applied to the public schools. However, it should be noted that not all expenses are evenly allocated to either residential or non-residential uses, and that some expenses are considered to be fixed and would not necessarily fluctuate with new development activity.

For example, with commercial development there is no consideration given to possible impacts to education services and costs. It is assumed that the office workers would be daily commuters to the site (or existing Newton residents), and as such would not generate demand for education services. While it is possible that some of the office workers may relocate to Newton, such relocation is considered nominal. In any event, to the extent that some office workers do relocate to Newton, their potential demand for education services is accounted for elsewhere in this analysis. Also, it is generally assumed that the retail shoppers would be commuters to the site or already residents of Newton. As such, the retail on-site is not considered as destination retail for shoppers' goods and services, indicating a limited trade area and/or a geographic draw coincidental with the office and transit uses on-site.

Other expenses such as debt service, interest and pensions are pre-existing and would not necessarily be impacted by the incremental commercial or residential development proposed

¹¹ While these property values were developed in co-operation with the Newton Assessor it should be noted that they represent the best estimate of value at this time, developed in part from the assumptions and inputs utilized in this analysis and a sampling of other comparable properties in the City of Newton.

for the TOD. As such, Table 8 includes the estimated “cost to run” the City for those expenditures that would most likely be impacted by new, incremental development. In this analysis these costs amount to \$241.1 million (inclusive of schools); if schools are excluded the impacted expenses total \$81.8 million.

Table 8 – Average Fiscal Year Expenditures – City of Newton, MA

Newton, MA EXPENDITURES	FY 2008 (A)	FY 2009 (A)	FY 2010 (A)	FY 2011 (B)	Average	% of Total	Estimated Costs that are Impacted
General Govt	\$12,869,213	\$12,446,465	\$13,219,766	\$13,371,258	\$12,976,676	4.59%	\$12,976,676
Public Safety	\$31,150,150	\$37,331,701	\$33,298,502	\$35,601,049	\$34,345,351	12.15%	\$34,345,351
Public Education	\$152,728,991	\$155,491,957	\$162,777,983	\$166,191,767	\$159,297,675	56.36%	\$159,297,675
Public Works	\$19,871,674	\$21,129,394	\$20,712,576	\$21,651,242	\$20,841,222	7.37%	\$20,841,222
Health & Human Svcs	\$3,486,798	\$3,652,882	\$3,764,238	\$3,803,731	\$3,676,912	1.30%	\$3,676,912
Culture & Recreation	\$10,430,886	\$10,116,160	\$10,098,384	\$9,144,762	\$9,947,548	3.52%	\$9,947,548
Debt & Interest	\$7,426,543	\$10,009,160	\$14,332,264	\$16,010,731	\$11,944,675	4.23%	\$0
Pensions & Retirees	\$19,666,614	\$20,827,227	\$21,932,507	\$23,382,339	\$21,452,172	7.59%	\$0
State & County Charges	\$5,512,027	\$5,453,169	\$5,619,317	\$5,589,086	\$5,543,400	1.96%	\$0
Budget Reserves				\$112,975	\$112,975	0.04%	\$0
Special Appropriations	\$1,787,561	\$2,373,187	\$1,771,618	\$4,162,280	\$2,523,662	0.89%	\$0
TOTALS	\$264,930,457	\$278,831,302	\$287,527,155	\$299,021,220	\$282,662,265	100.00%	\$241,085,382
<i>without Public Education</i>	<i>\$112,201,466</i>	<i>\$123,339,345</i>	<i>\$124,749,172</i>	<i>\$132,829,453</i>	<i>\$123,364,590</i>		<i>\$81,787,708</i>

Source : City of Newton, Massachusetts and RKG Associates, Inc.

(A) = Actual and (B) = Budget

1. Allocation of Municipal Service Costs

In determining the fiscal implication of the proposed Riverside Station TOD, estimates have to be made concerning alterations the development would have on the community’s expenditures and revenues. In most instances a determination of these financial changes are benchmarked to a corresponding change in a baseline indicator, such as housing units (for residential development) and employment (for commercial development). The resulting change in municipal service costs (per housing unit or per employee) are then compared with a change in revenue (typically a change in real property tax) in order to derive a net cost or a net benefit of the proposed development. The following Table 10 presents the approach for allocating the City of Newton expenses to a type of land use, essentially residential uses and non-residential uses, as based on the City’s assessment and classification report for FY2011.

Table 9 – Allocation of Municipal Service Costs - Newton, MA

Parcel and Assessment Distribution Newton, MA (FY 2011)	Parcels	Assessment	% of Parcels	% of Assessment	Average
Residential	25,943	\$ 18,113,666,363	88.0%	89.5%	88.7%
Commercial/Industrial and Personal Property	3,548	\$ 2,119,141,737	12.0%	10.5%	11.3%
Total	29,491	\$ 20,232,808,100	100.00%	100.00%	

Source : City of Newton, Massachusetts and RKG Associates, Inc.

The underlying assumption is that the community’s parcels and its assessed value, by type of use, are proportional to expenses of providing services to the same properties.

- There are a total of 29,491 parcels in the tax base and of these 88.0% are residential, and the remaining are commercial, industrial or personal property (the other 12.0%).
- Similarly, of the total assessment value of \$20.2 million, approximately 10.5% is for non-residential parcels and the remaining 89.5% for residential.

- Averaging these distributions (parcels and assessment) indicates that residential properties are proportionately 88.7% while non-residential are 11.3%.
- Setting aside education costs (discussed elsewhere), the annual “cost to run” the City for impacted departments and budget items is \$81.8 million (Table 8) with 88.7% or \$72.6 million as residential and 11.3% or \$9.2 million as commercial (Table 10).

Table 10 – Allocation of Municipal Service Costs

Municipal Services		
Cost Allocation	Input	Costs
Total Impacted Costs		
net of School		\$81,787,708
Residential	88.7%	\$72,584,718
Commercial	11.3%	\$9,202,989
Per Household	32,000	\$2,268
Per Worker	54,230	\$170

Source : City of Newton, MA and RKG Associates, Inc.

a) Benchmarking Service Costs

There are approximately 54,230 persons working in Newton¹², which equals an estimated municipal cost per employee of \$9,202,989 (total) ÷ 54,230 = \$170 per employee. There are approximately 32,000 housing units¹³ in Newton indicating a residential municipal service cost (excluding schools) of \$72,584,718 (total) ÷ 32,000 = \$2,270 per housing unit. Utilizing these cost benchmarks, the estimated additional service costs from the proposed TOD are \$816,500 with \$158,700 (non-residential) and \$657,800 (residential). These estimates are prior to any potential additional costs that might arise from conversations with selected municipal officials, as presented next.

2. Departmental Interviews

The consultants spoke with several municipal officials and department heads regarding any issues or concerns that they may have about possible additional costs or expenses, to their budget, as a result of the proposed Riverside Station TOD, as summarized next.

a) Planning and Development

Initial discussions were held with representatives of the Planning and Development Department in order to assure that the consultants had an understanding of overall issues and concerns from the City’s point-of-view, as well as a summary recap of any of the City’s past experiences with similar studies. These discussions helped to formulate the eventual approach and work plan used by RKG in this analysis.

b) Police

Discussions with the Police Chief indicated that a concern for his department would be the increased traffic on Grove Street, resulting from a higher density development on-site and an

¹² This includes the count identified in Table 4 as well as approximately 1,000 municipal employees as identified by the City of Newton Human Resources Department.

¹³ Estimates developed by DemographicsNow, a national vendor of demographic and other proprietary modeling data.

increase in utilization of the MBTA and other transit lines given an increase in on-site parking capacity. Also, the Chief indicated that on Red Sox home game days, with riders taking public transportation to Fenway, there is an increase of local traffic. The Chief indicated that he would like to learn more about the project's proposed traffic impacts. According to the development plans (Table 6) approximately \$12.0 million in construction costs (labor and materials) is dedicated to Grove Street improvements. According to representatives of Vanasse Hangen Brustlin, Inc. (VHB), a consulting firm for the developer, roundabouts are proposed at the northbound off-ramp entrance; another at the service road leading to the southbound on-ramp on Asheville Road; and, a third inside the site, proper.

c) Fire

Discussions with the Fire Chief indicated that a proposed 300 (rounded) increase in residential units would represent less than a 1% increase in the total Newton housing inventory, which is considered to be a reasonable increase in demand that the department could absorb within existing staffing and workload. In terms of emergency calls and false alarms it was believed that most modern buildings are so designed to minimize false calls, and that since the proposed project was not primarily a retail project, the potential for human error in setting off false alarms would also be negligible. Some concern was offered regarding the possible increase in emergency and first responder calls to the site, given an increase in on-site population (workers/residents). However, there was no indication from the Chief that the potential expense of any additional work or effort from the Fire Department would exceed the likely increased real property tax contributions from the TOD.

d) Public Works – Water and Sewer

Conversations with the City of Newton Water and Sewer Department indicated that the City has enterprise accounts for water and sewer usage, and as such the proposed new development and uses at Riverside Station TOD are not likely to generate any annual fiscal "cost" to Newton that is not otherwise covered by the "pay as you use" approach. According to the representative, the City has water capacity to service the proposed development, but not sewer capacity. As a result, there will be mitigation required to remove a certain amount of flow from the system. According to the representative, there is an ongoing dialogue with representatives of VHB regarding this issue. As noted in the construction costs (Table 6), approximately \$2.5 million has been allocated for relocation of a water line.

3. Estimate of Students and Education Costs

Discussions with representatives of the Newton Public Schools indicated an average per student cost of \$14,200, which is used in this analysis as an average student cost estimate. The representative also suggested that the estimate of possible school children from the TOD may reflect the recent experiences at selected other residential complexes¹⁴. Table 11 presents apartment count/mix and student enrollment data for these three complexes comparing them with the proposed TOD.

¹⁴ *Enrollment Analysis Report 2010 – 2011 to 2015 – 2016*, Newton Public Schools, 100 Walnut Street, Newtonville, Massachusetts, 02460, issued November 2010

Table 11 – School Children at Other Newton, MA Apartments

School Enrollment Estimated Impacts	Total Units	Affordable Units #	%	1-BR or <	2-BR and 3-BR Units	FY 2010/FY 2011 Avg Enrollment	Avg per 2/3-BR Units
Avalon at Newton Highlands	294	72	25%	95	199	69	0.3467
Avalon at Chestnut Hill	204	51	25%	54	150	58	0.3867
Arborpoint at Woodland Station	180	45	25%	75	105	42	0.4000
averages	226	56	25%	75	151	56	0.3722
Riverside Station	290	44	15%	173	117	44	0.3722
Costs per Student							\$14,200
Estimated Riverside Station TOD Costs							(\$624,800)

Source : City of Newton, MA Public Schools (noted complexes) and RKG Associates, Inc.

a) Unit Mix and Count

As indicated in Table 11, the other apartment complexes range in size from 180-units to 294-units, averaging 226-units per complex, compared to 290-units at the TOD. All of the comparative complexes include 25% of their units as affordable, as compared with 15% of the units for the Riverside Station TOD. The number of affordable units at the other complexes range from 45-units to 72-units, averaging 56-units. This is nearly 30% greater than the number of affordable units at the proposed TOD. The three comparative complexes have fewer one-bedroom units when compared with the TOD, an average of 75-units versus 173-units (with studio apartments) for the TOD. These other complexes also have more two- and three-bedroom units, averaging 151 versus the proposed 117-units for the TOD. This is important to note as, according to Massachusetts Citizen’s Housing and Planning Association (CHAPA), there is a diminished likelihood for school-age children in one-bedroom apartments and an increased likelihood in two- and three-bedroom apartments. In one study¹⁵, CHAPA noted that “*compared to single-family homes, new multi-family developments almost always house fewer school-age children per dwelling unit. The probability that multi-family developments will generate school children is influenced by several factors, including:*

- *The number and percentage of dwelling units sized for family households. In virtually all cases, developments that offer three- or four-bedroom units generate more school children per unit than developments limited to one- and two-bedroom units.*
- *Large, high-density multi-family developments appear to be less attractive to families with children than low-rise, moderately dense developments with fewer units per building.*
- *Developments that offer yards, walkways and common open space typically house more children.*
- *Multi-family housing developed exclusively or primarily as affordable to low- and moderate-income families generates more children.*

¹⁵ Community Opportunities Group, Inc, and Connery Associates, *Housing the Commonwealth’s School Age Children – The Implications of Multi-Family Housing Development for Municipal and School Expenditures* (August 2003).

- *Regardless of scale, new multi-family developments with one- and two-bedroom units almost always generate enough revenue to pay for the services used by their residents.*
- *New multi-family developments often attract renters who already live in the community.”*

The one-bedroom (and studio) units at Riverside Station TOD comprise 60% of the total units, compared with an average of 33% at the comparative complexes. Conversely, two- and three-bedroom units at the TOD account for about 40% of the total units as compared with 67% for the other complexes. Essentially, the unit mix, by bedroom count, for the proposed TOD and the comparative complexes is reversed.

b) Student Enrollment

These three existing apartment complexes in Newton were reported to average 169-students in total in FY2010 and FY2011, or an average of 56-students per complex (Table 11). In light of the CHAPA study, the average number of students at the comparative complexes was 0.3722 per non one-bedroom apartment. Applying this average to the 117 two- and three-bedroom at the Riverside Station TOD, results in an estimated 44 students, also if the distribution of students at Riverside Station TOD is similar to that for the peer group, this indicates 31 elementary students; 4 middle-school students; and 9 senior-high students. RKG realizes that estimating the number of school-age children is not an exact science and that some may consider that the Riverside Station TOD, with 290-units, would have a similar number of students as observed for Avalon at Newton Highlands (294-units), although, the higher number of two- and three-bedroom units at Avalon at Newton Highlands, coupled with the greater number of overall affordable units make this unlikely in RKG’s opinion. Similarly, RKG’s relationship with other consultants, both active and familiar with Newton and its school system, suggest that the estimated school enrollment may be lower given a lesser count of affordable units at Riverside Station TOD and the lack of amenities for families. As such there is likely a range of possible students residing at the Riverside Station TOD, rather than a hard and absolute number. RKG considers the estimate of 44 additional school age children to be a conservative and reasonable estimate.

c) Student Costs

As noted previously, conversations with representatives of the Newton Public Schools indicated an average per student cost of \$14,200. A review of the Newton Public School budgets¹⁶ for FY2010, FY2011 and proposed for FY2012 confirmed this estimate. Referring back to Table 11, the estimated costs associated with these 44 students is \$624,800.

d) School Capacities

The representative of the Newton Public School expressed some concern of crowding in the elementary school(s) and the middle school(s). Given the location of the proposed Riverside Station TOD, the estimated 31 elementary students would attend the Williams school. The projected four middle school students would attend Brown and the projected nine senior high students would attend Newton South¹⁷. The following Table 12 presents the projected

¹⁶ *Newton Public Schools, Newton, Massachusetts - Superintendent’s Proposed Budget Fiscal 2012*, dated March 14, 2011.

¹⁷ Derived from conversations with representatives of the Newton Public Schools and reflecting current school jurisdictions.

FY2012 and FY2016 enrollment at these schools relative to their capacities¹⁸. Enrollments projections for the Williams school indicate a projected decline in enrollment from 308 students in FY2012 to 252 students in FY2016. As such, these enrollments reflect a student population moving from 22 over capacity to 34 under capacity. The projected completion of the residential component at the Riverside Station TOD is mid-2015, suggesting that any potential addition of elementary school students, residing at Riverside Station TOD, would come at a time when the school is under capacity. The potential addition (again after mid-2015) of four students to the middle school (Brown) and nine students to the high-school (Newton South) is not considered to present a need for additional classroom space, given the estimated capacities.

Table 12 – FY2012 and FY2016 Enrollment versus Capacity

	Estimated Capacity /1.	Projected Enroll FY '12	Over (Under)	Projected Enroll FY ' 16	Over (Under)
Williams Elementary	286	308	22	252	(34)
Brown Middle School	850	687	(163)	765	(85)
Newton South	1,875	1,699	(176)	1,843	(32)

Source : City of Newton, MA Public Schools and RKG Associates, Inc.

/1. Reflects capacities of 40 SF/student from 2006 study for Williams and Brown. Newton South 2004 study.

C. Estimated Municipal Revenues

In most communities, the primary source of municipal revenues is the real property tax. Thus, the major portion of revenues from a proposed development can be determined by estimating the assessed valuation of future buildings and then multiplying the estimated assessed valuation by the local tax rates. This estimated real property tax is then adjusted by subtracting what the property currently pays in taxes (if any, as some existing properties could be tax exempt), and is further adjusted to reflect estimated municipal service costs. The resulting real property tax contribution of the proposed development is its net fiscal benefit or fiscal cost. It is the consultants' understanding that the property (land) will remain under MBTA ownership, and as such remains tax exempt. However, discussions with representatives of the City indicate that the private-sector building improvements would be taxable and result in the following:

- Estimated assessment values were developed in co-operation with the City of Newton Assessor, indicating an assessment value of \$108.4 million.
- Municipal real property taxes equate to \$1.9 million inclusive of an approximate \$1.07 million for education.
- There is a 1% Community Preservation Act (CPA) property tax surcharge in Newton, which for the proposed Riverside Station TOD equates to an estimated \$19,000.

1. Other Fees and Revenues

Estimating some other fees and revenues, such as motor vehicle excise taxes, may be somewhat speculative, considering that it is difficult to know whether there will be any

¹⁸ *Enrollment Analysis Report 2010 – 2011 to 2015 – 2016*, Newton Public Schools, 100 Walnut Street, Newtonville, Massachusetts, 02460, issued November 2010 – for capacity data refer to footnote on Table 12.

relocation of existing Newton residents to the Riverside Station TOD, and, assuming that some residents may opt to live at the TOD and choose not to have a car (or fewer cars). On the other hand, estimating additional fees and revenues from potential Chapter 70 School Aid and personal property taxes are more straightforward. Each of these is presented next.

a) Personal Property Tax

According to the FY2011 summary assessment data for Newton there is slightly more than \$1.8 billion in commercial and industrial real estate property assessment. Personal property assessments for individuals (use code 501) and for corporations (use code 502) amount to \$113.8 million or approximately 6.2% of the real estate property assessment for commercial and industrial uses. As developed in co-operation with the City of Newton Assessor, the estimated assessment of the non-residential component(s) of the Riverside Station TOD is nearly \$72.2 million. Assuming that the assessment of personal property represents \$72.2 million X 6.2% = \$4.5 million in personal property value for the various non-residential components of the Riverside Station TOD. Utilizing the tax rate of \$20.89/\$1,000 then results in an estimated personal property tax of \$93,500 as in Table 13.

Table 13 – Personal Property Tax – Riverside Station TOD

FY 2011	Assessment
Total Commercial and Industrial Assessment	\$1,830,045,937
Personal Property	
Individual Business (501)	\$36,759,000
Corporate Business (502)	\$77,035,000
	\$113,794,000
as % of Total Non-Residential	6.2%
Riverside Station TOD	
Personal Property	\$4,473,650
Estimated Tax	\$93,455

Source : RKG Associates, Inc. and City of Newton, MA

b) Selected Other Fees and Revenues

These are best represented by motor vehicle excise fees, lottery distributions and licenses and permits. As indicated in Table 14, over the last several years, these have averaged \$18.2 million in Newton, or approximately \$213 on a per capita basis. Assuming an average household size of 2.5 persons for Newton, and applying this against the stabilized residential occupancy at the Riverside Station TOD (95% of 290 units) equal nearly \$149,400 in additional fees and revenues from these sources. Chapter 70 School Aid has averaged \$13.7 million over the last several years and is approximately \$1,170 per student. Applying this amount to the estimated additional 44 students residing at the proposed Riverside Station TOD, yields approximately \$51,400 in Chapter 70 School Aid.

Table 14 – Selected Other Fees & Revenues – Riverside Station TOD

SELECTED OTHER REVENUES	FY 2008 (A)	FY 2009 (A)	FY 2010 (A)	FY 2011 (B)	Average	Per Capita or Student	Riverside Station TOD
Excise Tax	\$11,008,570	\$10,239,711	\$10,110,729	\$9,900,000	\$10,314,753	\$121	\$84,718
Lottery	\$2,517,849	\$2,801,947	\$5,681,864	\$3,948,500	\$3,737,540	\$44	\$30,697
Licenses & Permits	\$4,897,247	\$4,190,689	\$4,133,581	\$3,328,023	\$4,137,385	\$49	\$33,981
Subtotal	\$18,423,666	\$17,232,347	\$19,926,174	\$17,176,523	\$18,189,678	\$213	\$149,397
Chapter 70 School Aid	\$12,754,101	\$14,460,608	\$14,171,395	\$13,343,503	\$13,682,402	\$1,169	\$51,439

Source : City of Newton, Massachusetts and RKG Associates, Inc.

(A) = Actual and (B) = Budget

D. Reconciliation of Revenues and Costs

The following Table 15 presents the reconciliation of estimated revenues and costs for the proposed Riverside Station TOD (expressed in constant 2011 dollars).

Table 15 – Reconciliation of Revenues and Costs for Riverside Station TOD – City of Newton, MA

Inputs & Assumptions	Proposed Riverside Station TOD - Newton, MA				TOTAL
	Office	Retail	Residential	Other & Commuter	
Property Use or Proposed Development					
Square Feet (SF) of Development	225,000	22,800	319,315		567,115
Number of Units			290		290
Number of Parking Spaces	563	19	435	1,000	2,017
Estimated Stabilized Occupancy (SF)	213,750	20,520	303,349		537,619
RECONCILIATION of Revenues and Expenses					
Estimated Ongoing Property Tax					\$1,923,981
<i>less Education component</i>					(\$1,084,282)
NET of Education					\$839,699
Estimated Municipal Service Costs					(\$816,471)
NET Ongoing Property Tax for General Fund					\$23,227
Estimated Education Costs for New Students					(\$624,800)
Estimated Education Property Tax					\$1,084,282
NET Ongoing Property Tax for Education					\$459,482
Ongoing CPA Tax Surcharge					\$19,240
Other Inputs and Assumptions	Office	Retail	Residential	Other & Commuter	Construction
Direct Employees / SF or UNIT	250	300	0.04	NA	NA
Indirect/Induced Employee Multiplier	1.3160	0.4784	NA	NA	0.9441
Direct Annual Wage (FTEs)	\$81,596	\$33,384	\$27,083	NA	\$59,731
Indirect/Induced Wage Multiplier	1.1153	0.7720	NA	NA	0.8772
Sales / SF	NA	\$250	NA	NA	NA
Effective State Income Tax Rate	4.21%	4.11%	3.31%		4.21%
Estimated Assessment Value per SF	\$250	\$150	\$175		
Newton Property Tax (per \$000's)	\$0.02089	\$0.02089	\$0.01090		
Stabilized Occupancy	95.00%	90.00%	95.00%		

SOURCE : RKG Associates, Inc., Normandy Real Estate Partners, Walsh Company, LLC and City of Newton, MA

- Real property taxes, net of the education portion, are nearly \$840,000, while municipal service costs are \$816,500. As such, the proposed Riverside Station TOD results in a net positive tax benefit (to the general fund and excluding schools) of \$23,200.
- Education costs are \$624,800, based on an estimated 44 students and the FY2011 per capita costs for education (from the general fund). The portion of property taxes for education is estimated to be slightly more than \$1.08 million. As a result there is an annual positive tax benefit for education, from the TOD, of \$459,500.
- As a result, the estimated net real property tax to the City of Newton (inclusive of education) is estimated to be nearly \$482,700 annually. Additionally there is an estimated annual CPA tax surcharge of \$19,200, annually.