

## Memorandum

October 9, 2015

To: Devra Balin, Economic Development Director

Fr: John Connery

Re: Adjustment to the number of school aged children relative to the proposed Mixed-Use Overlay.

The following information is offered to clarify and substantiate my representations regarding the number of school aged children estimated for a 250 unit residential development constructed using the proposed mixed use overlay.

In a document dated March 9, 2015 submitted to the Council of Economic Advisors (CEA) I prepared a fiscal review of a CEA preferred development alternative i.e. 250 total units. The tested unit mix included 50% one bedroom, 40% two bedroom and 10% three bedroom and a 12.5% affordable component. Subsequent to the currently proposed overlay district, the mandatory three bedroom regulation has been clarified by the Commonwealth. Essentially, private development having no state funding is not subject to a three bedroom 10% requirement. Further, the zoning proposal coming before the Town Meeting has also reduced the percent of required affordable units from 12.5% 10%.

The changes noted above will reduce the number of school aged children noted in my March 9<sup>th</sup> memorandum to the CEA. The tested scenario in March of 2015 generated estimated the number of school aged children at thirty three (33). I refer the reader to Table 4 of my March 9<sup>th</sup> memorandum. In said table the reader will find school aged children (SAC) generation rates were assigned to specific unit types i.e. one, two and three bedroom and further each type was further divided into market and affordable units.

Consistent with the regional and Needham experience one bedroom units (market and affordable) will not generate any measurable or sustainable number of school aged children. The two bedroom value of 0.12 students per unit is derived from Needham's experience with Charles River Landing (CRL) and regional developments sharing the same location values. It should be noted that the two bedroom aggregate SAC at CRL is 0.226 given a 25% affordable component whereas the proposal tested was for 12.5% affordable. Accordingly, using the lower affordable requirement the two bedroom component would generate approximately 15 school aged children, given the current zoning proposal.

The three bedroom values for the March scenario were derived from the experience of nearby Avalon Highlands in Newton and similar high end developments in the 128 corridor. To be conservative, the March memo used the high end of the three bedroom SAC rate i.e. 0.65 for the market rate units and 1.3 for the affordable units. At said rates the 10% three bedroom component (25 units) generated 18 additional students

My comments on October 7<sup>th</sup> to the Finance Committee indicated that given the criteria contained proposed zoning overlay, the number of school aged students would be approximately 17. The following was the basis for my comment.

- Assuming the minimum requirement of 40% one bedroom units (10% lower than the tested scenario in March) the 150 two bedroom units (60% of 250 units) would generate 18 additional students given the current proposal.
- There would be no students from the remaining 90 one bedroom units. Note: if a project has more than 40% one bedroom (as allowed in the proposed zoning) the number of students would obviously decline from the 18 indicated above.
- The reduction in the affordable component from 12.5% to 10% would reduce the number of affordable two bedroom units by 6 units (from 31 to 25). Staying consistent with the same aggregate value of 0.12 per two bedroom unit, and applying said value to six units generates a value of 0.72 less students. However, since the 6 units are all affordable and the regional average for affordable units is approximately 0.40 per unit, one could argue there will be a decline of 2.4 students. I split the difference in a conservative manner and estimate a decline of one (1), it can easily be two but I kept my estimate of student decline conservative and reduced the 18 students from the two bedroom component by only one (1) to 17.
- The estimate of seventeen (17) additional students should be considered as a long term annual average. Most likely the student population will fluctuate between 13 and 20 in any given year.

Given the revised estimate of 17 additional students based on my experience in the region approximately 60% of the new students or 10 students will enter the various K-6 grade levels and the remainder will be enrolled in various grade levels from grade 7 to 12.

If the Mixed Use Overlay were to engender a proposal in 2016 it would likely take until the school year 2020/21 to reach the full student generation level. Given parcel assembly issues it is likely that any enrollment will occur after 2021.

In terms of cost to revenue ratio, the March scenario that included three bedroom units generated a positive 0.76 ratio. The 0.76 cost to revenue indicates that even in periods of significant economic downturn it would be unlikely that the development would generate a fiscal loss

However, the removal 10% of three bedroom component removes approximately \$230,000 in annual school cos. Further, the reduction of six (6) in affordable units removes units assessed at below market rates, therefore improving the revenue element of the analysis. The two aforementioned changes are counterbalanced by the loss twenty five (25) higher assessed value the three bedroom units.

Accordingly, my best estimate is that the zoning proposal before you will improve the cost to revenue ratio from the 0.76 noted in the March memo to approximately 0.60; a stronger positive fiscal outcome. In annual dollar terms (current dollars) the zoning proposal improves annual fiscal benefit, at stabilization, from approximately \$189,000 to approximately \$350,000 (current dollars).

In short, the zoning proposal as currently drafted significantly improves the fiscal profile of any housing proposal as compared to the tested scenario in March of 2015. The exact nature of the improvement will depend on the nature of any proposal given the flexible unit mix guidelines of the proposal i.e. on bedroom minimum of 40% and a maximum of 70%).