

Fiscal Impact Analysis

**433 Chestnut Street
Needham, MA**

**Applicant: JAG Development Company
July 11, 2018**

**Prepared By
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1. Introduction

Fougere Planning and Development, Inc. has been engaged by JAG Development Company to undertake this Fiscal Impact Analysis in order to outline the potential financial impacts to the Town of Needham from the development of a 148 unit apartment complex located on a 3.64 acre site (consisting of the existing office property and adjoining MBTA 1.33 acre property). The subject site is located in a mixed use area and is surrounded on three sides by railroad tracks and is currently occupied by an office building. The proposed five story apartment building will include a structured parking garage and a small number of surface spaces. The apartment building will include both one bedroom and two bedroom units, with 10% of the units set aside as affordable; Table One. The high percentage of one bedroom units will reduce the number of school age children that may reside within the proposed complex. In addition, the mixed use nature of the neighborhood will also tend to reduce the likelihood that families will reside at this location.

Table One
Housing Unit Breakdown

Unit Type	# Units
One Bed Market	66
One Bed Affordable	7
Two Bed Market	67
Two Bed Affordable	8
Total	148

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2. Local Trends

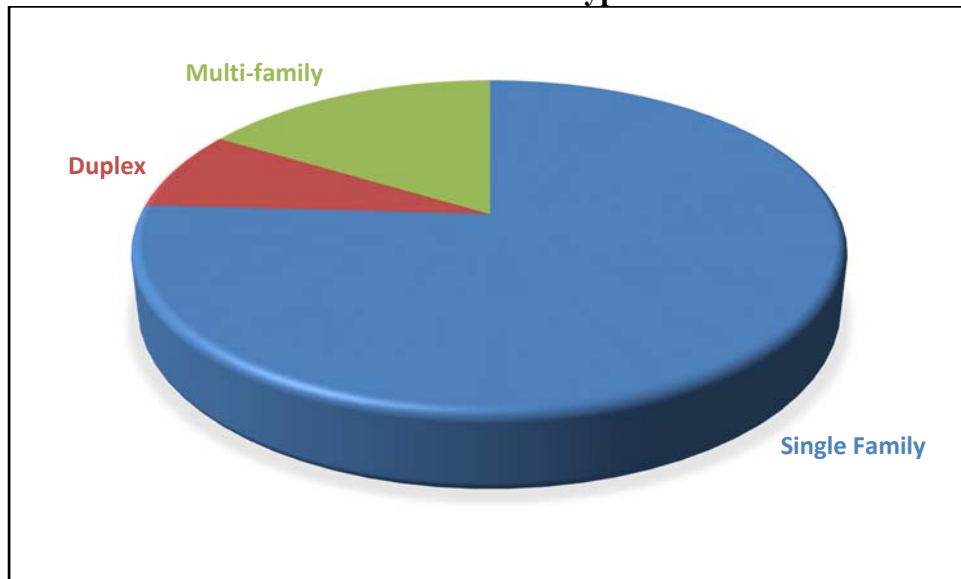
Population

Needham's population has seen only modest population growth over the last 15 years. Census¹ figures report that from 2000 to 2016 Needham's population increased from 28,911 to 30,167 representing a 4.3% growth rate over the 15-year census period.

Housing

Single family homes are the dominate residential land use in the community, accounting for 75.9% of the housing; Figure One.

Figure One
Residential Unit Types

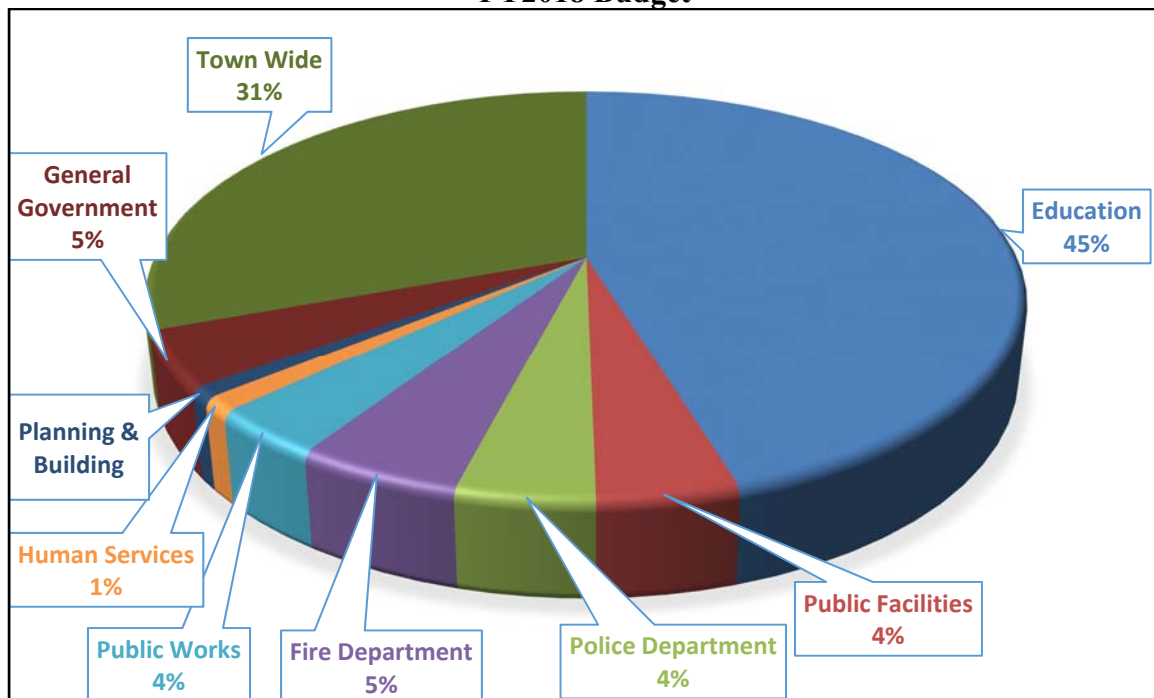


¹ 2000 Census figures and 2014 American Community Survey.

3. Budget

Needham’s total operating budget for 2018 was \$152,704,148. Education, Public Buildings and Public Safety Departments have some of the largest budgets, followed closely behind by DPW; Figure Two.

**Figure Two
FY2018 Budget**



4. Fiscal Methodology

Generally, the definition of a fiscal impact analysis is “A projection of the direct, current, public costs and revenues associated with residential or nonresidential growth to the local jurisdiction(s) in which growth is taking place”². There are a number of methodologies that are used to estimate fiscal impacts of proposed development projects. The Per Capita Multiplier Method is the most often used analysis for residential developments to determine municipal cost allocation. This approach applies the classic “average” costing method for projecting the impact of population growth on local spending patterns and is

² Burchell, Listokin & Dophin.

used to establish the costs of existing services for the new development. The basic premise of this method is that current revenue/cost ratios per person and or assessed value is a potential indicator of future revenue/cost impacts occasioned by growth. The advantage of this approach is its simplicity of implementation; however, the downside of this approach is that the methodology calculates the “average” cost as being the expected cost, which is often not the case, and costs can be exaggerated—in some cases significantly. For most new land uses, many department budgets are not measurably impacted in any long term way. In reviewing exclusively those town departments that will realize a measurable impact, a truer picture of anticipated costs impacts can be determined. It should be noted that all revenues and costs are based upon today’s dollars and assumes a full buildout of the proposed project.

The proposed development is replacing an existing office building and is not creating a new service area that could impact responses by the police or fire departments. All onsite roads will be maintained by the site owner and all trash will be disposed of privately; sewer and water costs will be addressed through user fees.

5. Revenues

Property Tax Revenue

Local property taxes provide the bulk of General Fund revenue³ for the Town, with 2018 figures showing that 79.7% came from this revenue source, the remaining income being received from State Aid, Local Receipts, and Other Revenue Sources. The 2018 Residential Real Estate Tax Rate is \$11.89 per \$1,000 of a property’s assessed valuation.

To estimate the value of the proposed project, the comparable apartment project at Charles River Landing was utilized. The apartment complex presently has an average per unit assessed value of \$239,017. Applying this assessment to proposed 148 unit complex arrives at an estimated project value of \$35,374,537. This value would generate **\$420,603** in yearly property tax payments. The existing office building site generates

³ Needham FY2018 Budget Document.

\$40,691 in yearly property taxes. The new development will create a \$380,000 premium in annual revenue increases to the Town Of Needham.

Excise Tax Revenue

Another major revenue source for the community is motor vehicle excise taxes. In fiscal year 2017 the Town of Needham received a total of \$4,400,000 from this revenue source. Given the proposed apartment use and the affordable housing component, the estimated car values are discounted⁴ by 50%. Table Two outlines the projected vehicle excise tax of \$46,750 for the proposed project.

**Table Two
Motor Vehicle Excise Tax**

# Cars	Value	Total Value
185	\$20,000	\$3,700,000
50% x \$3,740,000/1,000		\$1,850
\$25 x \$1,870		\$46,750

Community Preservation Surcharge

The Town of Needham has adopted the Community Preservation Act allowing the community to impose a 2% surcharge on property taxes. Based upon the estimated taxes outlined above, an estimated CPA surcharge of \$8,412 was calculated; Table Three.

**Table Three
Community Preservation Surcharge**

Property Taxes	% CPA Surcharge	Surcharge
\$420,603	2%	\$8,412

Estimated Yearly Project Revenues

The proposed Chestnut Street apartment development is estimated to generate \$475,765 in yearly revenues from property tax, excise taxes and CPA Surcharge; Table Four.

⁴ This analysis was development through discussions with a number of town clerks to arrive at a conservative estimate of vehicle excise taxes.

Table Four
Estimated Yearly Revenue

Estimated Taxes	
Apartment Blg.	\$420,603
Excise Tax	\$46,750
CPA	\$8,412
Total Revenue	\$475,765

Additional one-time payment revenues will also be realized as part of the development, these will be detailed further below.

6. Municipal Service Costs

Given the nature of the proposed development project, as will be seen in the analysis below, only a few town departments will realize measurable increases in service demands. All onsite maintenance will be addressed by the property owner, including on site repairs and trash removal.

Police & Fire

The Police and Fire Departments will experience some increased demand for services from the proposed project. For fiscal year 2018 the Police Department’s budget is \$6,617,576 and Fire Department’s budget is \$7,935,850. To assess the degree of impact this project would have on these departments, comparable apartment complexes were analyzed. Fougere Planning maintains an extensive database of emergency call data from over 1,582 apartment housing units that include affordable housing residents. Three years of data was collected and averaged to determine the annual numbers of calls per unit. These ratios were then totaled to derive an average call volume per unit, which was then used to generate projected emergency calls for each Department.

Extrapolating from the comparable call data, slight increases are projected in the Town’s Police and Fire Department call volume. Annual Police calls are projected to increase by 71 calls⁵ (1.3 calls per week), annual fire/ambulance calls are projected to increase by 36 calls⁶ (.69 calls per week), creating marginal operational impacts.

⁵ Police calls ratio: .48 calls per unit.

⁶ Fire/Ems calls ratio is: .24 calls per unit.

Fire Department

To assign some cost as a result of the increased demand for services, a number of options were reviewed including cost per call and cost per capita. Since calls for service provides a clearer measure of impact on the Department, this approach was used and results in an estimated gross annual impact of \$75,800; Table Five.

Table Five
Gross Fire Department Fiscal Impact

Fire Department	FY2018 Budget	2016 Calls	Cost/Call	Est. Calls	Estimated Cost
	\$7,935,850	3,769	\$2,105	36	\$75,800

The Fire Department receives revenue from most ambulance calls and in FY16 collected \$632,684. In discussions with the Fire Chief, approximately 1,900 EMS runs transports occurred in 2016. It is his expectation that demand for EMS services will continue to increase as the community grows. Taking into account estimated ambulance income from a projected 22 EMS calls results in a Fire Department impact of \$68,474; Table Six

Table Six
Net Fire Department Impact

Fire Department	FY2018 Budget	2016 Calls	Cost/Call	Est. Calls	Estimated Cost
	\$7,935,850	3,769	\$2,105	36	\$75,800
EMS ⁷	Income	Calls			Est. Revenue
FY2016	\$632,684	1,900	\$333	22	\$7,326
Net Fire Dept. Cost					\$68,474

Police Department

As with the Fire Department, to account for some impact from the proposed development, a cost per call ratio was used which provides an estimated annual cost of \$13,703; Table Seven.

⁷ Estimated .148 EMS calls per unit.

**Table Seven
Police Department Fiscal Impact**

Police Department	FY2018 Budget	2016 Calls	Cost/Call	Est. Calls	Estimated Cost
	\$6,617,576	34,368	\$193	71	\$13,703

Other Town Departments/Revenues:

Building

Building Department costs were not included in this analysis because they are not permanent annual impacts and will be offset by building permit fees which are estimated to range from \$175 - \$225,000.

Public Works

All site improvements within the development will be private and maintained by the apartment complex operator. Solid waste will be handled by a private contractor with no expense incurred by the Town.

Other Departments

It is not anticipated that measurable impacts will occur to other town departments and therefore no other costs were analyzed. To be conservative, a \$5,000 cost will be carried to account for potential other impacts.

School Department

Needham's schools have seen a rise in enrollments over the last 10 years and over the last five years has averaged a 2% increase per year; for 2017/2018 school enrollment was 5,666 students.

To gain an understanding of this community's potential school related fiscal impact, the anticipated number of school children that may be generated by the proposed apartment project needs to be analyzed. The number of bedrooms in each housing unit plays a significant role in impacting local school systems, with one bedroom units generally not generating school age children and three bedroom units having a much higher population of students. The location of a project also plays a role in how many children live within a residential development and given the proposed site's location in a mixed use area

adjoining three rail lines and major utility complexes, the location will dampen the site’s attractiveness for families.

To estimate the number of school age children that could be expected from the proposed development, the Consultant relied upon its database of four apartment complexes totaling 416 units, including affordable housing units. The data is specific enough to know how many School Age Children (SAC) reside in market rate units and affordable units. Using these figures we estimate that an average of 15 school age children will reside within the proposed complex during any given year; Table Eight. To account for enrollment fluctuations over time, a range of 15 to 20 students may be realized. It should be noted that 70% of the affordable units will be made available to families with local preference who presently live or work in Needham or already attend the Needham public schools.

**Table Eight
Estimated School Age Children⁸**

Unit Type	# Units	SAC/Unit	SAC
One Bed Market	66	0	0
One Bed Affordable	7	0	0
Two Bed Market	67	0.161	10.787
Two Bed Affordable	8	0.578	4.624
Total	148		15

Based upon the breakdown in grade levels commonly seen in apartment complexes, Table Nine outlines the anticipated grade disbursement.

**Table Nine
School Grade Levels**

Grades K - 5	8 - 11
Grades 6 - 8	3 - 4
Grades 9 - 12	4 - 5

The Massachusetts Department of Elementary and Secondary Education tracks the per pupil costs of students by District, including operation/maintenance costs and benefits. Tracking these costs for all communities allows for a direct comparison on per child spending across the state. Based upon Actual Net School Spending data reported to the

⁸ Charles River Landing has 28 SAC living in 105 two-bedroom units.

State, in 2016 Needham spent on average \$15,619 per student⁹ to educate its children. Removing Chapter 70 aid provides a clearer picture of the community’s actual costs. The average per student Chapter 70 aid in 2016 was \$1,498 which, if deducted from the gross per student cost, results in a net cost of \$14,120. This is an extremely conservative number and includes administrative and overhead costs that may not be actually attributable to the addition of new students, but will be used in this exercise to provide an estimated educational cost range of \$211,800 - \$282,400 for the proposed apartment project; Table Ten.

**Table Ten
Estimated School Costs**

Per Student Cost		
\$14,120	15 - 20	\$211,800 - \$282,400

7. Summary

Based upon the estimated revenues sources associated with the proposed project and related costs, the proposed apartment development will generate a positive yearly fiscal impact range of **\$106,188 to \$176,788**; Table 11. The development will have minimal impact of emergency services. Fifteen to twenty school age children are anticipated to reside within the development. This cost estimate is not inferring the Town’s budget will increase as a result of the proposed development, but assigns a “cost” to account for this new land use in the community. Increasing budgets involves from many community leaders, municipal officials and local citizens.

**Table 11
Estimated Project Cost and Revenues**

Projected Property Taxes, Auto Excise & CPA Revenue	\$475,765
Projected Municipal Costs	
Fire	-\$68,474
Police	-\$13,703
Other Costs	-\$5,000
School	-\$211,800 to \$282,400
Total Costs	-\$298,977 to \$369,577
Yearly Positive Fiscal Impact	+\$106,188 to \$176,788

⁹ Mass. Dept. of Education figure, most recent data is from 2016.

Summary of Findings

- The proposed development project will result in a net annual positive fiscal impact range of \$106,188 to \$176,788; anticipated cost range of \$298,977 to \$369,577.
- The proposed apartment complex anticipates setting aside 10% of the housing units as affordable, increasing the affordable housing stock in the community.
- Manageable increased emergency call volume will occur to emergency service departments, with police calls increasing 1.1 calls per week and fire department calls increasing by .6 per week.
- A range of 15 – 20 school age children may reside within the development. The location of a project will play a role in how many children live within the residential development. Given the proposed site's location in a mixed use area adjoining three rail lines and major utility complexes, the location will dampen the site's attractiveness for families. In addition, 70% of the affordable units will be made available to families with local preference who presently live or work in Needham or already attend the Needham public schools.
- Limited measurable impacts are foreseen to other town departments.
- The properties assessed value will increase by **1,939%**, increasing from \$1,734,500 to \$35,374,537.
- Estimated property taxes will increase by **855%**, increasing from \$42,691 to \$420,603.
- Analysis does not take into account intangible economic benefit of creating additional affordable and market rate housing units in the community.
- Other economic benefits are projected as a result of the proposed addition new residents living in the community, including additional meals taxes, the creation of temporary construction jobs and general local economic growth associated with the new land use.