

Connery Associates

Fiscal Impact Overview Route 3 Land Locked Parcel Burlington, Massachusetts

August 11, 2008

1.0 Overview

The following Fiscal Impact Overview has been prepared in response to the Landlocked Parcel Committee meeting of August 11th. It reflects a development concept with two types of uses i.e. Independent Living/Continuing Care senior housing and a life science campus; the work force housing component has been removed. The objective of this exercise is to provide the Committee with a general overview of the most likely fiscal outcome of the proposal in order to assist the Committee with its deliberations.

The primary focus of this overview is to provide an initial estimate of the annual net fiscal impact of the proposed development during each year of project build out and at project stabilization and further to provide an understanding of the likely fiscal profile of the proposed development. Burlington's fiscal year 2008 data for revenues and operational expenditures has served as the basis for this overview but due to the preliminary nature of this report, interviews with local department heads and officials has not occurred as of this writing. *If Burlington decides to actively consider the proposal, interviews with department heads and public review meetings will become a central feature of a comprehensive fiscal impact analysis designed to detail the service impact on a municipal department by department basis.*

In addition to the ongoing revenue stream, the Town will also receive a land sale payment which will not be less than the acquisition price plus a negotiated premium reflecting a commercially reasonable price. The sale price will be negotiated by the Board of Selectman and approved by Town Meeting. The sale price will represent a considerable one-time payment to the Town and the use of said funds is strictly the purview of the Town. However, it should be noted and we have not calculated the additional fiscal benefit of the sale price revenues into any of our estimates outlined below.

Table 1 illustrates the mixed use development concept used in the preparation of this fiscal overview.

Table 1. Development Program 2008-2023

Components	Concept
Independent Elderly Housing	2,500 residences
Life Science Campus	2,000,000 sq. ft.

The development program outlined above assumes project stabilization by 2023 but depending on market conditions and an approved development program it could be completed sooner or later than the example of 2023 used in this overview.

It is anticipated that the independent elderly housing component will add approximately 200 residences per year until build out is attained. This component of the concept plan will commence construction as soon as site access and preparation conditions permit. The independent elderly housing component should be considered as a development component with immediate development potential. The life science component which will include some accessory office space within the life science buildings will likely come on line 3 years into site development.

2.0 Summary of Findings

- At stabilization in 2023 the *net* annual fiscal benefit will be approximately \$11,200,000 and have an assessed value of approximately \$850,000,000.
- Additionally, over the course of development the Town will receive approximately 10 million dollars in building permit fees.
- By 2023 the total net benefit that will have accrued to the Town will be approximately be \$79,600,000, in addition to the initial land sale payment. Based on 2000 census figures by 2023 this would be approximately \$5,000 per household and 2.66 million dollars per year in commercial tax relief.
- The applicant will insure that the Town will receive at least \$1,000,000 per year in revenue, in addition to building and related permit fees, until such time that the property tax yield from the site exceeds 1 million dollars.
- The Town will receive payment for the land in addition to the on-going fiscal benefits. The land sale price will not be less than the acquisition price plus a negotiated premium reflecting a commercially reasonable price. The sale price will be negotiated by the Selectman and approved by Town Meeting.
- By any measure or assumptions the proposal generates a large and sustainable fiscal benefit for Burlington. Using a property value variation of 20% the estimated net cumulative fiscal benefit ranges from 64 to 95 million dollars at stabilization. The annual fiscal benefit at stabilization has a range of 9 to 13.5 million dollars per year.

3.0 Summary of Methodology

Traditional fiscal analysis divides municipal service costs into two broad categories; general service costs (all non-school costs) and education costs. In this instance, there will be relatively minor school costs given the nature of the development program. The majority of service costs will accrue to the non-school sector of municipal service cost and consistent with the project development schedule, the general service costs will accrete over time.

In the recent months, we have developed fiscal studies that involved similar types of uses through-out the Commonwealth. In addition, we have recently completed a number of fiscal studies relative to similar senior housing in Sharon, Braintree, Dedham and Danvers, Massachusetts, and commercial developments in Westwood and Waltham, Massachusetts. In a comprehensive fiscal report, all factors and assumptions will be re-examined and made current to conditions in Burlington; but for the purposes of this overview, we are assuming that the commercial cost to revenue ratio derived for the more recent Burlington and regionally similar developments are appropriate as a source of initial fiscal data in this overview report.

Determination of service cost represents only one part of the fiscal equation. To appropriately estimate the net annual fiscal profile the estimated revenue stream must also be considered (income from real estate assessments, excise taxes, and permit fees). In this instance we have employed the current tax rates and assessed valuation by development type. At this juncture it is impossible to estimate the added personal property revenue, if any, that may be associated with life science development since a considerable portion of the life sciences equipment will likely qualify for a manufacturing personal property exemption.

4.0 Fiscal Profile - Potential Development Concept

Table 2 below illustrates the likely fiscal characteristics concept development program noted in Section 1.0. Table 2 assumes that project stabilization will occur by 2023 and is based on the following assumptions. Obviously, additional assumptions can be tested but we believe the assumptions noted below represent a most likely set of factors influencing growth.

- Property taxes receipts and service costs expand at a 2.5% annual average (numbers are rounded). This compounding factor is applied only to new development coming on line, a conservative approach since the completed developments would also appreciate in value but possibly at a different rate, given the 3 year reassessment cycle. Therefore to be conservative we have not created the table below with a double compounding; only the annual new growth component is increased by 2.5%. Building permit fees include plumbing and electrical fees and are based on estimates of future construction value but using the current fee structure, therefore generating a conservative building permit fee

total since it is most likely that both the fee structure and the building construction value will increase.

- The applicant will insure that the Town receives \$1,000,000 per year in addition permit fee revenues until the property tax yield exceeds \$1,000,000 per year (see “other” column). This feature is provided to insure that the Town receives a significant amount of revenue from the site while the site has no revenue generating property.
- The term “property tax” is the gross real estate tax and it includes land and buildings. For the purposes of this summary it assumes the average commercial and residential tax rates for the past 10 years. Accordingly, \$10 is used for residential rate (10 year range of \$8.10 to \$12.00) and \$26 is used for commercial rate (10 year range of 30.70 to \$22.00).
- The assessed total value of Independent Elderly Housing (land, buildings amenities and improvements is \$202,000 per unit. This value is a reflection of the current taxable values at the Erickson properties (Linden Ponds) in Hingham Massachusetts.
- Based on current valuations, the aggregate assessed value of life science uses with accessory office space is \$140 per foot. As a comparative measure general office buildings, which are considerably less complex buildings with lower taxable value than modern scientific campus buildings, have an average assessed value of approximately \$126 per foot in Burlington.
- The cost to revenue ratio (the relationship of annual municipal service cost to annual revenue) for life science uses is 0.20 based on fiscal studies in other Eastern Massachusetts communities. Please note all site improvements and traffic related improvements are in addition to the annual service cost; the cost to revenue ratio sometimes referred to as the fiscal profile represents the on-going relationship of service cost to revenue and can and does fluctuate in any given year, however, the range is usually less than 5% in either direction except for very strong economic periods and or significant national economic downturns.
- The applied a cost to revenue ratio for Independent Elderly Housing (Erickson Component) of 0.20. We have chosen to use this value because it would be a new use to Burlington but most likely the cost to revenue ratio will be considerably less (more beneficial) Therefore, our estimate for the independent elderly housing component we believe is very conservative.
- To address the sensitivity question asked by the Committee we have assumed that in poor economic times over the next 15 years values could be reduce property values by 20% and conversely, with an average economic performance property values could expand by 20% in the next 15 years. Accordingly we have provided a range of fiscal outcomes to address a question raised by the committee.

Table 2. Cost, Revenue, and Net Annual Revenue by Year

Year	Cumulative Program	Property Tax \$ (1)	Permit Fees \$	Other \$	Gross Tax Receipts/Year \$	Average Cost/Rev. Ratio	Service Cost/Year	Annual Net Revenue (1)	Cumulative Net Revenue \$
2009	Design/permits			1,000,000	1,000,000	0	0	1,000,000	1,000,000
2010	Construction		250,000	1,000,000	1,000,000	0	0	1,000,000	2,000,000
2011	200 Erickson	404,000	500,000	596,000	1,000,000	0.20	81,000	919,000	2,919,000
2012	400 Erickson 200,000 s.f. Life science	818,000 728,000	260,000 550,000	0	1,546,000	0.20	310,000	1,236,000	4,155,000
2013	600 Erickson 400,000 s.f. life science	1,230,000 1,460,000	270,000 550,000	0	2,690,000	0.20	544,000	2,176,000	6,331,000
2014	800 Erickson 600,000 s.f. life science	1,640,000 2,200,000	280,000 560,000	0	3,840,000	0.20	768,000	3,072,000	9,403,000
2015	1,000 Erickson 800,000 sf life science	2,060,000 2,750,000	290,000 575,000	0	4,810,000	0.20	962,000	3,848,000	13,251,000
2016	1,200 Erickson 1,000,000 sf life science	2,490,000 3,500,000	300,000 600,000	0	5,990,000	0.20	1,198,000	4,792,000	18,043,000
2017	1,400 Erickson 1,200,000 sf life science	2,930,000 4,350,000	310,000 625,000	0	7,280,000	0.20	1,456,000	5,824,000	23,867,000
2018	1,600 Erickson 1,400,000 sf life science	3,380,000 5,200,000	320,000 650,000	0	8,780,000	0.20	1,756,000	7,024,000	30,891,000
2019	1,800 Erickson 1,600,000 sf life science	3,850,000 6,060,000	330,000 675,000	0	9,910,000	0.20	1,982,000	7,992,000	38,819,000
2020	2,000 Erickson 1,800,000 sf life science	4,310,000 6,930,000	340,000 700,000	0	11,240,000	0.20	2,248,000	8,992,000	47,811,000
2021	2,200 Erickson 2,000,000 sf life science	4,780,000 7,810,000	350,000 725,000	0	12,590,000	0.20	2,518,000	10,072,000	57,883,000
2022	2,500 Erickson 2,000,000 sf life science.	5,250,000 8,000,000	500,000		13,250,000	0.20	2,650,000	10,600,000	68,438,000
2023 stabilize	2,500 Erickson 2,000,000 sf life science	5,500,000 8,500,000	0		14,000,000	0.20	2,800,000	11,200,000	79,638,000
Totals			Approx. 10 million						

As indicated in Table 2 above, at all points in time, the proposal generates a net fiscal benefit for Burlington. In 2023 the proposal will generate a net fiscal benefit of approximately 11.2 million dollars, and from construction start-up to

stabilization in 2023 the proposal will generate a cumulative net fiscal benefit of approximately 79.6 million dollars in addition to 10 million dollars in building permit fees and whatever sum is agreed for land acquisition.

5.0 Sensitivity and Comparisons

There are likely many other ways to describe the fiscal characteristic of the proposal in comparative but to address another committee comment we have included a general sensitivity measure based on property value assumptions.

If the economic conditions over the period of the build out cause property values to decline by 20% more than the current level, the net fiscal benefit will be reduced to approximately 63.6 million dollars from the 79.6 million dollar level shown above.

Conversely, if background economic conditions cause property values to expand by 20% by 2023, the estimated cumulative net benefit will be approximately 95.5 million dollars by 2023.

In more specific terms, the Town could decide that the cumulative net benefit should be applied only to residential and commercial tax relief. It should be noted that while the total assessed value of residential property is considerably more than the assessed value of commercial property, Burlington's split tax rate essentially raises 50% of the levy from commercial users. Therefore, existing businesses could be granted approximately \$40,000,000 in tax relief. Annualized the overall commercial tax relief could total of 2.66 million dollars per year divided among the various types of businesses.

There are approximately 8,000 households in Burlington; therefore, by 2023 a total of \$40,000,000 in tax relief would be approximately \$5,000 per household over the build out period or \$375 per year on an annualized basis. If the town decided to use the entire net benefit for residential tax relief, the total would be approximately \$10,000 per household over the build out period or annualized at about \$750 per year. Further after 2023 the proposal will continue to generate approximately \$11,200,000 per year in net fiscal benefit

5.0 Total Assessed Valuation

We estimate that the proposal will have a total assessed valuation of approximately \$850,000,000 by 2023.

About the Author

John W. Connery
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Principal

Education: Master of City Planning
Ohio State University 1971
Bachelor of Arts
Boston University 1969

Experience:

Mr. Connery has 37 years of community planning experience. He has worked in the Mid West and for the past 35 years in New England. As founding principal of Connery Associates in 1980, he has had over 250 municipal and private clients. Mr. Connery has developed an expertise in municipal zoning, fiscal impact analysis, and project permitting. His professional assignments have included numerous downtown redevelopment projects, community master plans, zoning studies, and cost of development / fiscal impact studies.

Working with Goody Clancy and Associates in 2001 he completed and had adopted the Zoning Plan for Eastern Cambridge with the associated fiscal impact analysis. Mr. Connery's current private sector projects include various residential and commercial fiscal impact studies in Massachusetts including the expansion of Mashpee Commons, the Natick Mall, and life style shopping centers in Dedham, Lynnfield, Westwood and Burlington Massachusetts and recently the fiscal study for Northwest Park in Burlington. Further, Mr. Connery has also recently prepared fiscal analyses for various types of senior living facilities in Lynnfield, Braintree, Sharon and Dedham Massachusetts. He is also preparing fiscal impact studies for various 40B, 40R and traditional residential developments throughout the Commonwealth; and he is currently preparing comprehensive zoning amendments for Lynn, Watertown, Lawrence, Melrose and Malden Massachusetts.

With Judi Barrett (principal author) of Community Opportunities Group he has assisted in the development of a 42 community case study regarding the relationship of school aged children and multi-family housing and the resulting fiscal impacts. Mr. Connery has also taught one-semester courses in urban planning at the University of Massachusetts at Boston and at Boston University, and has been a guest lecturer at both Harvard and Tufts University Graduate School on a number of occasions. He has been employed as an expert land use and zoning witness before both the Land Court and Superior Court for both public and private clients. He is a past president of the Massachusetts Consulting Planners Association and an active non-professional member of the American Institute of Archaeologists.

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