

Fiscal Impact Overview

Route 3 Development Parcel

Burlington, Massachusetts

August 11, 2008

1.0 Overview

The following Fiscal Impact Overview has been prepared in order to assist the Town of Burlington with its initial evaluation of a proposal to sell a parcel of Town owned land along the Route 3 corridor for private development purposes. The site is located along the western side of Route 3 abutting the Town of Bedford and parallel to the Northwest Industrial Park in Burlington. The site is currently open landlocked property owned by the Town of Burlington.

The primary objective 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 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, as appropriate. Accordingly, fiscal estimates at this initial stage are purposefully constructed to be conservative in order to provide Burlington with prudent initial assessment of the likely fiscal benefits. As such, we feel confident that the fiscal profile presented of the overall proposal and each of its component parts is reasonable, prudent and achievable within the estimated time frame used in this overview.

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 that 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 2008-2020

Residential Components	Number of Units
Independent Elderly Housing	2,500
Workforce Housing, apartments	300
Professional Component	Square Feet
Life Science Facilities	2,000,000

The development program outlined above could be completed 10 years to 12 years from start of construction depending on market condition, but for the purposes of this overview we have assumed project stabilization in the year 2023.

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 three years into site development; the potential workforce housing will come on line at approximately five years into the development program to compliment the life science component.

Finally, the smallest development component, workforce housing, is primarily intended to provide on-site, travel-efficient workforce housing. Ten percent (10%) of the housing units will be set aside to meet affordable housing requirements of Burlington. The proposed unit mix is 50 percent one-bedroom and 50 percent two-bedroom residences; and rents of the affordable component will reflect the state requirement of 80% of the area median income.

As a consequence of the unit mix and overall location, there will be very few school-aged children. Using slightly higher estimates than what was developed for the recent Northwest Park zoning amendment, we estimate that only seven to eight school-aged children will be generated from the workforce housing component. As the study progresses we will provide appropriate school children generation data from various appropriate comparables, including data from Burlington's most recent multi-family developments and its multi-family housing supply in general.

2.0 Summary of Findings

- The proposal will have a positive service cost-to-revenue ratio of 0.20 at completion. Further, during all phases of construction the proposal will have a highly positive cost to revenue ratio; the proposal will never generate a net fiscal negative.
- At stabilization in 2023, the *net* annual fiscal benefit will be approximately \$12,100,000 and have an assessed value of approximately \$900,000,000.
- Additionally, over the course of development the Town will receive approximately \$10.6 million in building permit fees.
- By 2023, the total net benefit that will have accrued to the Town will be approximately \$82,000,000, plus the initial land sale payment. Based on 2000 census figures, this would exceed \$10,000 per household.
- The workforce housing component will likely generate up to eight additional school-aged children.
- The applicant will insure that the Town will receive at least \$1 million 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.
- 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.

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 throughout the Commonwealth. In addition, we have recently completed a number of fiscal studies relative to senior housing (all types) in Sharon, Braintree, Dedham and Danvers, Massachusetts. In a comprehensive fiscal report, all factors and assumptions

will be re-examined and made current; 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 Estimated Fiscal Benefit

Table 2 below illustrates the concept development program noted in Section 1.0. Table 2 assumes that project stabilization will occur by 2023. It is possible that the full development will occur sooner but for the purposes of this overview we are assuming a 12 year construction period commencing in 2010.

Table 2 is based on the following assumptions:

- Property taxes receipts expand at a 2.5% annual average (numbers are rounded)
- Building permit fees include plumbing and electrical fees and are based on estimates of future construction value but using the current fee structure.
- The applicant will insure that the Town receives \$1 million per year in addition to permit fee revenues until the property tax yield exceeds \$1 million per year. (see “other” column)
- The term “property tax” is the gross real estate tax and it includes land and buildings.
- The assessed total value of Independent Elderly Housing (land, buildings amenities and improvements) is \$202,000 per unit.
- Based on current valuations, the aggregate assessed value of life science uses with accessory office space is \$140 per foot.
- The workforce housing component will generate an average tax of \$1,500 per unit (market rate and affordable units combined).
- The cost to revenue ratio for life science uses is 0.1 based on recent fiscal studies.
- The estimated cost to revenue ratio for workforce housing with no three bedroom units is 0.60.
- The estimated cost to revenue ratio for Independent Elderly Housing (Erickson) is 0.20.

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	388,000	250,000	618,000	1,000,000	0.20	75,000	925,000	2,925,000
2012	400 Erickson 200,000 s.f. Life science	780,000 736,000	260,000 550,000	0	1,276,000	0.20	255,000	1,021,000	3,946,000
2013	600 Erickson 400,000 s.f. life science	1,175,000 1,490,000	280,000 550,000	0	2,665,000	0.14	373,000	2,292,000	6,238,000
2014	800 Erickson 600,000 s.f. life science 150 Apts.	1,588,000 2,267,000 200,000	300,000 560,000 190,000	0	4,055,000	0.20	811,000	3,244,000	9,482,000
2015	1,000 Erickson 800,000 sf life science 300 Apts	2,010,000 3,084,000 400,000	320,000 565,000 190,000	0	5,494,000	0.20	1,100,000	4,394,000	13,876,000
2016	1,200 Erickson 1,000,000 sf life science 300 Apts.	2,450,000 3,911,000 400,000	340,000 570,000	0	6,661,000	0.20	1,350,000	5,400,000	19,176,000
2017	1,400 Erickson 1,200,000 sf life science 300 Apts.	2,900,000 4,769,000 410,000	360,000 575,000	0	8,079,000	0.20	1,620,000	6,459,000	25,635,000
2018	1,600 Erickson 1,400,000 sf life science 300 Apts.	3,320,000 5,653,000 415,000	380,000 580,000	0	9,388,000	0.20	1,700,000	6,800,000	29,920,000
2019	1,800 Erickson 1,600,000 sf life science 300 Apts.	3,823,000 6,559,000 420,000	400,000 585,000	0	9,896,000	0.20	1,200,000	7,796,000	37,700,000
2020	2,000 Erickson 1,800,000 sf life science 300 Apts.	4,338,000 7,473,000 425,000	420,000 590,000	0	12,236,000	0.20	2,500,000	9,730,000	47,400,000
2021	2,200 Erickson 2,000,000 sf life science 300 Apts.	4,872,000 8,450,000 425,000	425,000 595,000	0	13,700,000	0.20	2,750,000	10,900,000	58,300,000
2022	2,500 Erickson 2,000,000 sf life science 300 Apts.	5,994,000 8,700,000 430,000	500,000		15,124,000	0.20	3,100,000	12,025,000	70,300,000
2023 stabilize	2,500 Erickson 2,000,000 sf life science 300 Apts.	6,000,000 8,800,000 435,000	0		15,235,000	0.20	3,100,000	12,100,000	82,400,000
Totals			10,585,000						82,400,000

(1) Property tax only, not including permit fees

As shown above, the proposed development has the potential of becoming the largest tax paying land use in the community and significantly augmenting Burlington's position as a center for emerging and high-tech, globally oriented businesses. Further, the proposal would have a highly positive overall cost to revenue ratio of approximately 0.20, and said positive fiscal profile would be sustainable for the long term.

Further, at all points in time the proposal would generate a net fiscal benefit to the community. In 2023 the proposal will generate a net fiscal benefit of approximately \$12.1 million, and from construction start-up to stabilization the proposal will generate a cumulative net fiscal benefit of over \$82 million.

5.0 New Growth Tax Benefits

Consistent with State regulations, the taxes generated by new growth may be collected and used as a revenue source for one year before becoming part of total assessed valuation and subject to mandated levy limitations. This feature of municipal finance was designed to provide municipalities with budgetary flexibility and to encourage new growth. As the project is constructed, the appropriate tax year value will be calculated as new growth revenues. The proposal will add at least \$900,000,000 to the total assessed valuation of the community by the time of project stabilization and possibly as high as \$1,000,000,000.

About the Author

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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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