
Fiscal Impact Analysis

Villages on the Common

Littleton Massachusetts

July 15, 2005

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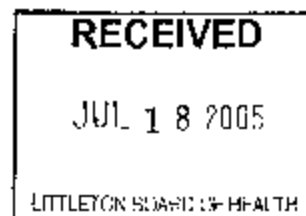


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Fiscal Impact Analysis Villages on the Common Littleton Massachusetts

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1.0 Overview

At the request of GPI Partners, Connery Associates has prepared a Fiscal Impact Analysis for the proposed Villages on the Common, a 92 unit residential condominium community located in Littleton Massachusetts. The overall objective of this study is to determine the annual fiscal profile of the proposed residential community, as summarized in Table 1 below. Fiscal Year 2006 data for both expenditures as published by the Town of Littleton has been employed for this study. For purposes of clarity and ease of reading, the larger values have been rounded to the nearest \$1,000.

The proposed condominium development will have a total of 92 condominium homes. Of the total number of homes, 23 or twenty five percent (25%) of the total are proposed to be provided as affordable housing consistent with the Commonwealth of Massachusetts affordable housing regulations.

Table 1 below summarizes the proposed condominium development program. The unit mix is comprised of 68 two bedroom units (74%) and 24 three bedroom units (26%). The required affordable units are equally distributed over all unit types.

Table 1. Residential Mix

Residence Type	Number
Two bedroom , Market Rate	51
Two bedroom Affordable Rate	17
Three bedroom, Market Rate	18
Three bedroom Affordable rate	6
Total Homes	92

1.1 Summary of Methodology

The analysis divides municipal residential service cost into two broad categories school costs and general service costs (all other non-school costs). For each cost category an

examination of the incremental or as appropriate, average, cost was undertaken. For example, after estimating the number of school aged children that would most likely be generated we developed an incremental cost per new student. Specifically, we examined the cost of instruction (with all associated employment benefits), special education costs, the cost of supplies and materials per student, and anticipated transportation costs. The estimated incremental cost was then applied to the total number of the estimated additional students.

The general service costs were computed on a per capita basis since there is a direct relationship between numbers of people and general service demands. However, to determine the total cost it was necessary to examine the proposals impact on a department by department basis. Obviously, full service costs for items like police, fire, dispatching services were included as well as all human service costs such as libraries, recreation, elections, and other general government cost items. However, since the proposal includes private service responsibilities such as internal road maintenance, trash collection, lighting, and snow plowing, we made adjustments and reduced public works costs accordingly. Importantly, there are departments or budget line items that will not be impacted by the proposal. Obvious examples are the existing town debt service, and the existing light and water department existing debt. Further, we did not add all costs relative to general government (Town Boards and Town Manager) since no measurable costs were apparent.

After determining the per capita costs for the impacted departments we applied said value to the estimated population of the proposal to generate the total general service cost. As with the total school costs, we derived an estimated cost per unit for general service costs, and by combining both cost types we arrived at a total service cost.

Determination of municipal service cost relative to residential development represents only one part of the fiscal equation. To estimate net fiscal profile we examined the revenue stream to be produced by the proposal. In this instance we employed the full and fair market value approach to determine assessed value since we are proposing a for sale product. We also examined the value of automotive excise taxes and Chapter 70 foundation school aid. We combined all revenue sources to determine a gross revenue stream. Relating the total costs to total revenue generates the fiscal profile of the proposal.

2.0 Summary of Findings

- The proposal will generate a net fiscal benefit of approximately \$137,000 per year.
- The proposal has a positive cost to revenue ratio of 0.65. Specifically, for every revenue dollar collected it will cost Littleton 65 cents to provide all related school and general service costs.
- The proposal will generate 22 additional students, of which 12 will be elementary students enrolled in various grades from K-5.
- The proposal will generate at least \$100,000 in permit fees payable during the construction period.
- The proposal will add \$33 million to total assessed valuation and during the initial year said value can be taxed as new growth revenues.
- ♦ The proposal will generate at least 1 million dollars in additional retail sales within the Town of Littleton.

3.0 Municipal Expenditure for Residential Uses

To estimate the fiscal impact associated with the proposed unit mix described in Section 1.1 above we have divided municipal expenditures into two broad categories: one, school expenditures by which is meant the incremental cost of adding new school age children to the public school system, and two, non-school costs (general service costs) which represents all other forms of municipal service costs i.e. public safety, cultural, recreation, and other public services.

3.1 General Service Costs

For Littleton, total operating expenses budgeted for non school costs FY 2006 will be approximately \$6.12 million. The method employed to determine general service costs associated with the proposal begins with an estimate of municipal service cost associated with non-residential uses i.e. commercial and industrial uses since not all municipal service costs are generated by residential land use. The proportional valuation method as detailed in Chapter 6 of the widely employed *Fiscal Impact Handbook by Burchell and Listokin* was used to generate an estimated annual non-residential service cost. We estimated that approximately \$125,000 million dollars per year is required to provide services to non-residential uses, or 2% of the total departmental operating budgets. Therefore, for the purposes of this analysis we are assuming that the residential service costs assigned to Town departmental operating budgets is 6 million dollars.

In terms of long term public works costs the proposal shifts a significant fiscal burden to the private developer. However, to be conservative (high) in calculating general service costs we still assigned half of the public works budget regardless of the fact that the internal roadways of the proposed condominium development will be privately maintained, plowed, and lighted and trash collection will also be private service. Further, the proposed residential community will pay water fees on a usage basis as do all residential structures in Littleton thus the associated cost for said utilities will be covered by annual fees. Therefore, for the purposes of service cost analysis we have reduced the impacted departmental budgets; in this instance to 5.25 million dollars.

General service costs are essentially driven by population and per capita assignment of cost is a typical manner in which said costs are expressed. The 92 proposed condominiums of the Villages on the Common have estimated population of not more than 1.7 people per household, as compared to 2.7 for the community as a whole. Therefore, we anticipate a total population of 154 people. Given Littleton's estimated 2005 population of 8,500, the total municipal service cost for the above noted impacted departmental budgets is \$617 per person. Therefore, the estimated 154 people will generate a general service cost of \$95,000 or a general service cost of \$1,032 per unit.

3.2 School Enrollment Trends and Education Costs

For Littleton, as in most communities, education is the single most expensive residential municipal service cost. In FY2006, the total school costs for the Littleton Public Schools and Nashoba Tech were \$17.11 million or approximately \$11,039 per pupil for each of the approximately 1,550 students.

However, in large measure the cost of adding new students is not an application of the cost per pupil times the number of new students because administrative, physical plant and certain operational costs are not always impacted. Additional school costs vary from community to community but in general they are a function of the physical capacity / condition of the existing system, local enrollment trends, and the underlying growth rate of the community. If a school system has considerable or moderate physical plant capacity, a stable to slow student enrollment growth pattern, and a low community population growth rate, the incremental cost associated with the addition of new students is usually considerably less than the average per student cost. However, if the overall school system is experiencing rapid enrollment gains, and community wide population growth rates are high and projected to remain high, it is likely that any additional students may generate an increase in staff, redistricting or in more extreme cases additions to the physical plant.

For Littleton, state and regional planning agency (MAPC) build-out studies indicate moderate residential development rates for the foreseeable future. Littleton is characterized by both state and regional agencies as a suburb with additional residential growth potential given current regulations. Our review of state and regional build-out projections indicates that Littleton could add up to 2,500 single family residential units in the coming twenty years and an additional 1,300 students. However, our experience with state build-out data for Eastern Massachusetts indicates that the state projections are usually high and at times by a factor of 50% for mature communities. In this instance, regardless of the state projections, we believe the most salient aspect of regional and state build-out data is the finding that Littleton is a desirable suburb with significant residential development capacity and that school enrollment will continue to expand at a low to moderate pace. Within the next 20 years it is probable that the Town of Littleton will generate between 2,000 to 2,500 students. There can be little doubt that in the coming 20 years Littleton will see school population growth resulting from new single family housing and that said potential will, at a minimum, generate school district redistricting but more likely require an expansion of building space. The growth and changes in the Littleton school system will occur regardless of the Villages on the Common proposal, and will be at a significantly higher rate per dwelling unit than the two bedroom condominiums that are proposed.

Currently Littleton has approximately 1,550 students or 0.48 students per dwelling unit, a ratio higher than the statewide average of 0.35 students per residential unit. However, said value represents the town average and cannot be used to project new students from new housing units. Table 2 below illustrates the values used to estimate school aged children by unit type that have been used in the estimation of education costs. The total number of school aged children (SAC) represents an "average year", over a 10 year period it should be anticipated that the actual number of students may fluctuate on an annual basis by five to ten percent. As part of this report we are submitting a copy of Housing the Commonwealth's School Aged Children prepared in 2003, Appendix 1. The report was prepared for the Citizens Housing and Planning Association (CHAPA) and Connery Associates was a co-author. The report is the most detailed survey of student generation by housing types in Massachusetts. It should be noted that among its findings

building type as well as number of bedrooms was determined to play a significant role in student generation rates. Units with less than two or less bedrooms per unit were found to generate relatively few school aged children and buildings with elevators generate very few school aged children. Further, for the same space apartments will generate more students per unit type than condominiums because condominiums have a considerably higher, all in, cost per month than apartments, and as a result both market and affordable condominiums have fewer school aged children.

Table 2. School Age Children by Unit Type

Apartment Type	Number of Units	Students Per Unit	Total Students
2 bedroom market	51	0.10	5.10
2 bedroom affordable	17	0.30	5.10
3 bedroom market	18	0.50	9.00
3 bedroom affordable	3	1.20	3.60
Total	92		22.80
Total with 5% private			21.66

Based on our projections we anticipate that, on average, the proposal will generate 22 additional school aged children and of that number approximately 12 students will attend various grades from K through five; 5 students will attend the middle school grades, and 5 students will attend high school in any given year.

The estimated 22 additional school aged children per year (SAC) should be viewed as an annual average. Our experience indicates that the actual number of school age children varies on an annual basis by approximately 10% in either direction. Therefore, in any one year Littleton could anticipate as many as 25 students or as few as 19 students from the proposed development.

To determine the education costs associated with the average of 22 additional students we have employed the following estimates in the preparation of Table 3 below: for each additional new teacher we have allotted \$65,000 dollars for salary and benefits and we have assumed that since the new enrollment will be spread among 12 grades the only one additional full time teaching equivalent will be required. To cover services, supplies, and equipment costs we have assigned 12% of total budget or \$1,200 per student. To account for special needs cost, we have assigned \$15,000 per special education student, and assumed 2 special needs students. Additionally, we assumed that additions to existing bus routes may be needed new bus route may be needed and assigned a \$40,000 dollar cost per year. As indicated by Table 2 below the sum of the aforementioned costs represent the total incremental education costs.

Table 2 Estimated Annual Education Costs

Number of Students	Number of Teachers (FTE)	Cost of Instruction	Service and Supply (1)	Special Needs Cost (2)	Bus Route Cost (3)	Total Education Cost
22	1.0	\$65,000	\$24,000	\$30,000	\$40,000	\$159,000

- (1) The services and supplies costs are calculated for 20 traditional students. Special needs costs are calculated and added into the total cost separately.
- (2) 2 special need students at \$15,000 per student.
- (3) Assumes added cost / time to an existing bus route.

Based on the total costs indicated in Table 3 we can determine that the education cost per new residence will be \$1,728 dollars (\$159,000 divided by 92 total residences) and that the incremental cost per new student is \$7,227 (\$159,000 of total education cost divided by 22 new students).

Table 3 below combines the derived school and general service cost to estimate total annual service cost.

Table 3 Projected Municipal Service Costs

Number of Residences	Education Cost per Unit	Non-education Cost per Unit	Total Service Cost per Unit	Annual Service Cost
92	\$1,728	\$1,032	\$2,760	\$253,920

As shown in Table 3 the average service cost per condominium is \$2,760 per unit and the total annual service cost is \$253,920.

4.0 Revenue Sources and Cost to Revenue Ratio

Since Villages on the Common is a for sale product the tax assessment will be based on sale price. Table 4 indicates the projected sale price per unit, but does not include sale price if specific buyers request additional finishes or features. Therefore, it is conceivable that the total sales value will be somewhat higher than what is being presented here for analysis purposes.

Table 4 Estimated Taxable Value by Unit Type

Unit Type	Sale Price	Number of units	Taxable Value
2 bedroom market	\$420,000	51	\$21,420,000
2 bedroom affordable	\$160,000	17	\$2,720,000
3 bedroom market	\$435,000-	18	\$7,830,000
3 bedroom affordable	\$184,000	6	\$1,104,000
Total Value			\$33,070,000

Using the current residential tax rate of \$11.35 a total assessed value of 33.07 million dollars will yield \$375,345 in annual property taxes or \$4,080 per unit.

Table 5 below, compares the revenues that will be generated: property taxes, excise taxes/local receipts, and Chapter 70 foundation education state aid to the total service cost (see table 3 above). The far right column of Table 5 indicates the cost to revenue ratio for the average condominium and the proposal as a whole. This ratio represents the average annual fiscal profile and the percentage of every revenue dollar received that is needed to cover all service costs.

TABLE 5 SERVICE COST TO REVENUE RATIO

Proposal	Property Tax per average unit	State Aid(1)	Excise Taxes(2)	Average Total Revenue per Unit	Gross Service Cost per Unit	Cost to Revenue Ratio
92 Residences	\$4,080	\$0	\$167	\$4,247	\$2,760	0.65

1. We determined that for the additional 29 students the nature of the state aid formula will generate no additional Chapter 70 education aid.

2. Assumes 1.6 vehicles per unit or 147 vehicles registered on site, an average excise tax of \$105 per vehicle, \$15,435 dollars or \$167 per unit. Additional revenue from local receipts such as fees, fines, and licenses will likely occur per unit and therefore improve annual revenues. However, it is a relatively small amount of revenue, difficult to assign on an annual basis and has minimal bearing estimated fiscal profile, therefore, not included.

The residential component has a positive revenue ratio of 0.65 and generates a net positive fiscal return of \$136,800 (\$137,000) per year (\$4,247 dollars of revenue per unit minus \$2,760 dollars in cost multiplied by 92 units).

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. At completion the proposal will have added approximately 33 million dollars to total assessed valuation of the community.

6.0 Construction Permit Revenue and Utility Connection Fees

In addition to property taxes and excise taxes the proposed residences will generate building permit, electrical, and plumbing fees. We estimate that the proposal will generate at least \$100,000 dollars in additional fees for the general fund during the project build-out period. Said fees will be one time fees but will constitute a short term immediate fiscal benefit to the community.

7.0 Economic Impact

Based on the anticipated sales values we estimate that the average new household income will be at least \$100,000. The total disposable income (including food and clothing purchases) will be approximately 25% of gross income. Therefore, each household will have approximately \$25,000 of annual disposable income. Given the relative variety and amount of retail and service establishments in the immediate environs outside of Littleton it is conceivable that sales in the primary market area will capture not more than 20% of available disposable income. At said rate, each residential unit will expend up to \$5,000 within Littleton for a total of \$460,000 dollars annually. Using the traditional retail multiplier of 2.2, total retail sales will reach \$1.01million dollars per year within the Town of Littleton. The increase in local sales volume will, at a minimum, help to maintain the taxable value of existing retail and personal service businesses in the community and, therefore, generate a secondary but additional fiscal benefit.

Appendices

Appendix 1: Housing the Commonwealth's School Aged Children Citizens Housing and Planning Association (CHAPA)

Due to the size and format of the above noted study, a copy has been submitted as an attachment with this report. Please note the range of student generation rates by apartment type and the factors impacting student generation as provided in the summary introduction.