

# Fiscal Impact Analysis

## The Sanctuary at Manchester by the Sea



# FOUGERE PLANNING & DEVELOPMENT, Inc.

Mark J. Fougere, AICP

Phone: 603-315-1288 Email: Fougereplanning@comcast.net

## FISCAL IMPACT ANALYSIS

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### I. Introduction

Fougere Planning and Development has been engaged by SLV School Street, LLC to undertake a Fiscal Impact Analysis to estimate new revenue the Town may realize as well as to evaluate the potential increased service demand costs that may occur from the development of a 157 unit apartment community proposed on School Street, Lot 18. As a 40B development, twenty-five percent of the residences will be designated as Affordable and restricted to households earning up to 80% of the area median income. The 23.2 acre site is currently vacant and predominantly woodlands.

The development features a single four story building ranging with a total of 192,948 gross square feet. The building will feature two courtyards and associated exterior and interior amenity spaces. A divided main driveway will provide access to the site along with below grade parking for 226 vehicles. The site will be serviced by public water and onsite septic. All on-site parking areas and trash pickup will be privately managed and maintained. Table One outlines the proposed apartment unit mix.

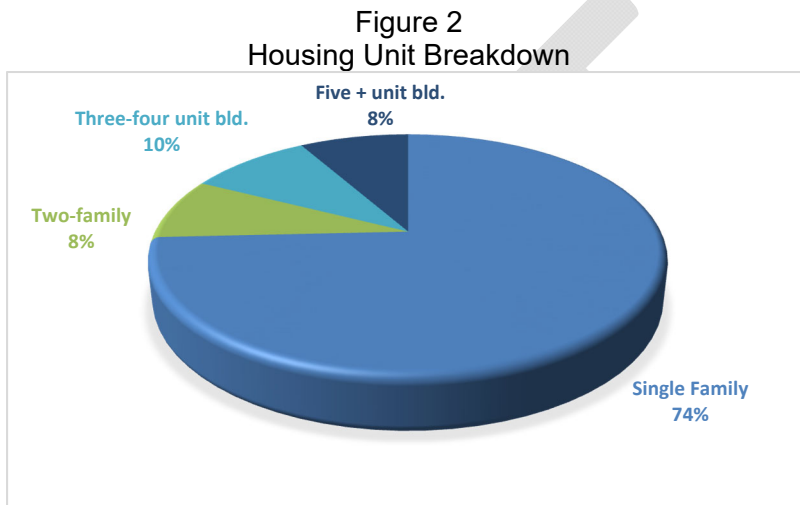
Table One  
Residential Unit Types

Unit Type	Market	Affordable	Totals
One Bed	60	20	80
Two Beds	46	15	61
Three Beds	12	4	16
	118	39	157

## II. Local Trends

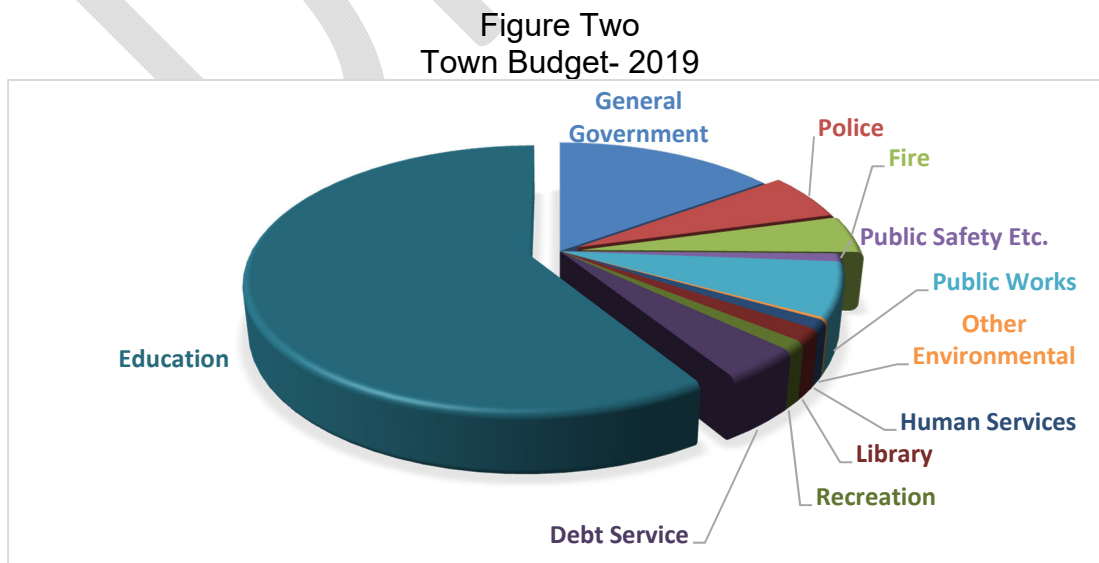
Census figures report that from 2000 to 2010 Manchester by the Sea's population decreased from 5,228 to 5,136 representing a 1.7% decline over the 10 - year period. The Census Bureau estimates the 2018 population to be 5,434.

A majority of Manchester by the Sea's housing stock consists of single family homes. The most recent Census data (2018) reports that out of a total of 2,303 housing units in the community, 1,658 are single family as outlined in Figure 2.



## Budget

Schools, along with the fire and police departments will realize the most direct and measurable increase in service demands from the proposed project. These departments, as detailed in Figure Two, are some of the largest cost centers in the community and therefore will be the focus of this analysis.



### III. Per Capita Methodology & Marginal Cost Approach

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 to determine municipal cost allocation. This method is the classic “average” costing method for projecting the impact of population growth on local spending patterns and is used to establish the costs of existing services for a new development. The basic premise of this method is that current revenue/cost ratios per person and per unit is a potential indicator of future revenue/cost impacts occasioned by growth. New capital expenditures required for provision of services to a development are not added to current costs; instead, the present debt service for previous improvements is included to represent ongoing capital projects. The advantage of this approach is its simplicity of implementation and its wide acceptance by both consultants and local officials. 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 understated or exaggerated; significantly in some instances. If one student is added to a school system, limited cost impacts will occur; however based on an “average” cost to educate one student the cost would be noted as \$18,000/year which includes such costs as existing debt, building maintenance, administrative and other factors, all of which will be minimally impacted by the addition of one student. The “true cost” could be significantly less, especially in those communities with declining enrollment.

The Marginal Cost Approach is a more realistic methodology that can be used to estimate and measure developmental impacts based on actual costs that occur in the community. At this time, a “level of service” exists in Manchester by the Sea to serve the community. This existing service level, for the most part, addresses the needs of the community through existing tax collections. As new development occurs, pressures are placed on some departments to address increased demands, while other departments see negligible, if any impacts. In reviewing the potentially impacted town departments specifically, a truer picture of anticipated cost impacts can be determined.

Given the nature of the proposed development project, as will be shown by the analysis below, few significant impacts will be felt by Town Departments. Any required off-site road improvements will be addressed during the approval process. Solid waste generated by this project will be removed by a private hauler. Any public water expenses will be offset through user fees. All on-site improvements will be private and all maintenance expenses will be paid for by this project owner. This report does not intend to infer that no costs will

occur as a result of this project. Measurable impacts will certainly be felt by a few Town departments, most notably the School Department along with the Police and Fire Departments. Other Town agencies will see little or no measurable impacts.

#### IV. Local Revenues From Development

##### 1) Revenue

Local property taxes provide the bulk of General Fund Revenue for the Town, with Fiscal 2019 figures showing that 81.7% will be generated from this revenue source, with the remaining income being received from State Aid, Enterprise funds, Local Receipts and others. The 2020 Tax Rate is \$11.70.

Based on a review of area market conditions and preliminary rent levels, it is estimated that the proposed apartment development will have an estimated assessed value of \$44,211,000. As outlined in Table Two, annual property revenues are anticipated to equal \$517,268. This assessment estimate will raise total property values by 1.8%.

Table Two  
Anticipated Property Tax Revenue

Value	Tax Rate	Property Taxes
\$44,211,000	\$11.70	\$517,268

##### 2) Miscellaneous Yearly Revenues

Another major revenue source for the community is from motor vehicle excise taxes. In fiscal year 2019, the Town received a total of \$1,000,000<sup>1</sup> from this revenue source. Table Three outlines the projected excise tax revenue stream for the proposed project, which is estimated to be \$98,000 annually.

Table Three  
Motor Vehicle Excise Taxes

Avg. Car Value	\$20,000
Total Cars <sup>2</sup>	196
Total Value	\$3,920,000
Excise Rate	\$25/\$1,000
<b>Est. Excise Taxes</b>	<b>\$98,000</b>

<sup>1</sup> Fin. Comm. 2020 Annual Report

<sup>2</sup> 1.25 cars per unit.

### 3) Community Preservation Surcharge

In 2010 the Town increased the Massachusetts Community Preservation Act (CPA), surcharge to 1.5% on the total property taxes paid. Based on the estimated taxes from the proposed redevelopment, the CPA surcharge revenue is estimated to be \$7,759 annually as outlined in Table Four.

Table Four  
Estimated CPA Revenue

CPA	Property Taxes	Estimated CPA Revenue
1.5%	\$517,268	\$7,759

### 4) Total Project Revenues

The proposed development is expected to generate \$623,017 in annual tax revenue from both property tax and vehicle permit fees, see Table Five.

Table Five  
Estimated Gross Revenue

Estimated Property Tax Revenue	\$517,268
Estimated Excise Taxes	\$98,000
CPA Revenue	\$7,759
<b>Total Est. Revenue</b>	<b>\$623,017</b>

Other income sources were reviewed for this analysis but were not included in the income figures. The town receives state aid from a number of sources based upon the town's population and school enrollments. The anticipated new residents will create demand for local services, thereby creating a positive impact on the local economy. In addition, one-time building permit fees will be paid to the Town, and the construction economy will be enhanced from this new development project.

## V. Department Impacts

As noted above, the Police, Fire and School Departments account for a significant percentage of the Town's operating expenses. These Departments employ the largest number of personnel and have the most dramatic impact on the town's budget. Given the large budgetary impact these Departments have on the Town, they are closely analyzed in this Report.

## Police & Fire

Both the Police and Fire Departments will see an increase in activity from the proposed residential community, with increased demand for services being attributed to the new project. To gain a firm understanding of the degree of impact this project may have on these departments, over 2,900 40B apartment units were analyzed as to the emergency call volume generated by these land uses. The data was calculated to arrive at an average emergency call ratio 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 Departments call volume. Table Six outlines the findings from this research.

Table Six  
Estimated Annual Police-Fire-Ambulance Emergency Calls<sup>3</sup>

Agency	Avg. Call Per Unit	Proposed Apts.	Estimated Calls
Police	0.377	157	59
Fire	0.068	157	11
Ambulance	0.105	157	16

### Police Department

Police Department calls are estimated to increase by 59 calls annually or 1.13 calls per week. To put the call volume into perspective, the Department received approximately 3,739 calls<sup>4</sup> in 2019 (71 per week). The Police Department's Fiscal Year 2019 Budget was \$1,767,172.

To gain an understanding of the impact of this project on the Police Department, we met with Police Chief Todd Fitzgerald. The Chief noted that his staff is down three officers at this time and that it would be critical that a strong management team be in place to properly manage prospective tenants. Proactive oversight of tenants can address a lot of issues before they escalate to requiring police intervention<sup>5</sup>. The Chief noted that the full cost of an officer is approximately \$100,000 a year.

In order to account for some cost related to the new use, a number of options were reviewed including department cost per capita and per housing unit. As emergency calls are a reliable metric that provides a more realistic measure of demand for service, we will

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<sup>3</sup> Complete list of emergency calls to apartment complexes located in Appendix.

<sup>4</sup> 2019 Town Report, Calls for Service

<sup>5</sup> A strong management team will be in place overseeing tenant selection including background checks.

use this average costing method to allocate costs to the apartment use. Dividing the Police Budget by annual calls generates a cost per call. This cost is then multiplied by the estimated calls from the apartment neighborhood, resulting in an estimated cost of \$27,907 as outlined in Table Seven.

Table Seven  
Estimated Police Department Costs

Budget	Police Calls	Cost Per Call	Est. Calls	Est. Cost
\$1,767,172	3,738	\$473	59	\$27,907

## Fire Department

A much more modest call volume increase is anticipated for the Fire Department, with 11 fire calls and 16 ambulance calls projected, for a total of 27 calls per year (.51 calls per week). In 2019 the Department responded to 1,293 incidents (25 calls per week), with 547 being noted as EMS. The Departments 2019 operating Budget is \$1,416,792.

We met with Fire Chief Jason Cleary to discuss the proposed project. The Chief expressed concern about his current staffing levels and that he believes the Department needs an additional eight fire fighters. He also noted that mutual aid may be needed if staff are tied up at the subject site or on another call.

As with the Police Department, in order to account for some cost impacts, we calculated the cost per Fire Department call to arrive at a gross operational cost as outlined in Table Eight.

Table Eight  
Estimated Gross Fire Department Costs

Budget	Fire Calls	Cost Per Call	Est. Calls	Est. Cost
\$1,416,792	1,293	\$1,096	27	\$29,592

Ambulance income is a major source of revenue generating \$224,195 in 2019, or \$409 per call. As outlined above, the new apartment complex is estimated to generate 16 annual EMS calls, resulting in \$6,544 in revenue. Deducting these funds from the gross estimated cost, results in a net Fire Department expense of **\$23,048**.



## Other Town Departments

Given the minimal impacts associated with the proposed apartment complex on other Town Departments; few financial impacts are expected. All trash and snow removal will be privately maintained. Building permit fees are estimated to be \$260,000 which will more than offset cost impacts to the Building Department. To assign some costs to miscellaneous expenses that may incur to the Town, we have allocated a general government impact of \$10,000 for this project.

## School Department

The School Department's budget is the largest in the Town, with a Fiscal 2020 budget of \$16,106,078 representing 46.5% of the total Town budget. As previously outlined, the proposed apartment complex will total 157 units, with 50.9% consisting of one bedroom units, Table Nine.

Table Nine  
Residential Unit Types

Unit Type	Market	Affordable	Totals
One Bed	60	20	80
Two Beds	46	15	61
Three Beds	12	4	16
	118	39	157

## Schools and Enrollment

Manchester by the Sea's schools are a part of a regional school district with the Town of Essex<sup>6</sup>. Both communities have local elementary schools and the two towns share middle and high school facilities. Manchester's Memorial Elementary School is presently being rebuilt, with expected completion scheduled for the fall of 2021. Table Ten and Figure Three illustrate enrollment trends over the last five years. Enrollments have been declining within two of the three grade segments, with the Memorial elementary school showing the largest decline of 17.2% (67 students). Enrollments have declined 7.03% (27 students) in the District's middle school while enrollments at the District's High school have increased 11.8% (51 students).

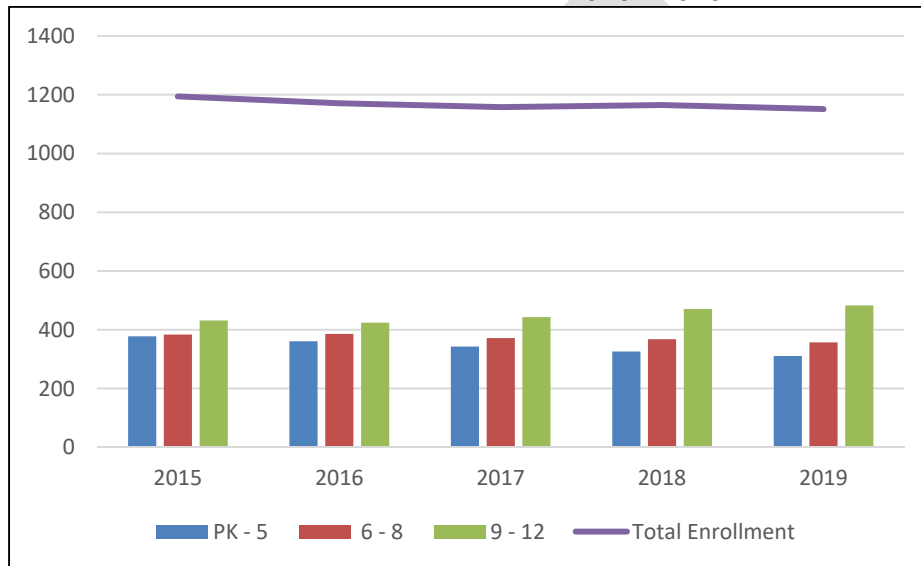
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<sup>6</sup> Manchester Essex Regional School District

Table Ten  
School Enrollments

	2015	2016	2017	2018	2019	% Change
<b>PK - 5</b>	378	361	343	326	311	-17.72%
<b>6 - 8</b>	384	386	372	368	357	-7.03%
<b>9 - 12</b>	432	424	443	471	483	11.81%
	1,194	1,171	1,158	1,165	1,151	-3.60%

Figure Three  
School Enrollment Trends 2015 - 2019



The proposed four story garden style development will consist of a mix of one, two and three bedroom apartment units, with 25% set aside as affordable (as required by 40B provisions). Based on our database of over 2,600 40B apartment units in the region, we are estimating that the proposed development will generate an average of 29.5 (30) school age children (SAC) annually. This is calculated by using the number of two and three bedroom units that exist within the noted projects outlined in Table Eleven (proposed 77 two/three bedroom units x .383 SAC ratio). One bedroom units are excluded from the calculation as they rarely generate children. Based on apartment enrollment profiles, it is anticipated that approximately 60% or more of the students will be of elementary age.

Table Eleven  
Estimated School Age Children

	<b>Units</b>	<b>Two/Three Beds</b>	<b>SAC</b>	<b>SAC Ratio</b>
Concord Mews	350	176	85	0.483
Newton (Three Complexes)	678	467	239	0.512
Charles River Landing (Needham)	350	105	28	0.267
Cirrus Apartments Ashland	398	249	40	0.381
Westwood Gables	350	140	43	0.307
Lincoln Woods	125	85	34	0.400
Lynnfield Commons/Market Street	380	172	65	0.765
<b>Total Averages</b>	<b>2,631</b>	<b>1,394</b>	<b>534</b>	<b>0.383</b>
<b>Proposed 18 School Street</b>	<b>157</b>	<b>77</b>	<b>29.50</b>	

To obtain a full understanding of potential school system impacts, the Consultant discussed the project’s program and findings with Superintendent Pam Beaudoin and Director of Finance Avi Urbas. Capacity issues were not expressed relative to the anticipated new students. New costs may be incurred depending on the grade level impact of new students in the elementary schools, which may trigger the need to hire a new teacher. Special education costs were also raised as a concern. It was suggested that potential costs be reviewed from a “direct cost” potential, as well as average pupil costs.

A teacher in the District costs approximately \$110,000 annual. Special education costs average \$18,000 per student, with approximately 18% of the total student body receiving some form of assistance. Applying this percentage to the estimated school enrollment increase results in 6 (5.4) students who may require special educational services, resulting in an estimated cost of \$108,000. Total estimated costs total \$218,000.

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 (NSS) data reported to the State, in 2018 the Regional District spent on average \$16,469 per student<sup>7</sup>. Removing Chapter 70 aid provides a clearer picture of the community’s actual costs. The

<sup>7</sup> Mass. Dept. of Education figure, most recent data is from 2018.

average per student Chapter 70 aid reported<sup>8</sup> in 2018 was \$2,141 which, when deducted from the gross per student cost, results in a net cost of \$14,328. This is an extremely conservative number and includes administrative and overhead costs that may not actually be attributable to the addition of new students, but will be used in this exercise to provide an estimated “upper range” educational cost range of \$429,840 as outlined in Table Twelve.

Table Twelve  
Average Estimated School Costs

Per Student Cost	Students	
\$14,328	30	\$429,840

Based on these two cost methodologies, estimated school costs may range from \$218,000 to \$429,840. Given the declining enrollments seen at both the elementary and middle school levels, it is unlikely such cost estimates will be realized.

<sup>8</sup> FY2021 Operating Budget documents, Revenue.

## SUMMARY

As outlined in Table Thirteen, this fiscal impact analysis indicates that there will be a net positive impact related to construction of the proposed development.

Table Thirteen  
Fiscal Summary

Gross Projected Revenues	\$623,027	
Total Municipal Costs		
Police	-\$27,907	
Fire	-\$23,048	
Schools	-\$218,00	-\$429,840
Other General Fund Impacts	-\$10,000	
Total Costs	-\$278,955	-\$490,795
<b>Net Positive Fiscal Impact Range</b>	<b>+\$344,072</b>	<b>+\$132,232</b>

Key findings supporting this development include:

- ✚ The proposed apartment complex will generate approximately \$623,027 in gross taxes per year. Taking into consideration estimated municipal costs; the proposed project will yield a positive net tax revenues ranging from \$132,232 to \$344,072.
- ✚ The site's assessed value will increase substantially from \$1,284,800 to \$44,211,000. Residential property values will increase by 1.8%.
- ✚ All on-site maintenance and trash collection will be private.
- ✚ Calls to the Police Department are projected to increase by 59, compared with an annual Town wide call volume of 3,739.
- ✚ The Fire Department is expected to receive approximately 27 calls a year from the proposed apartment complex, adding to the 1,293 calls a year that are presently received by the Department.
- ✚ It is estimated that 30 school age children will live at the apartment complex;
- ✚ Both short-term and long-term positive economic benefits are anticipated to occur, with construction related jobs being created and local business activity enhanced with new residents living in the community.

## Appendix

### Estimated Annual Police Calls

Project	Town	Units	Avg. Police Call Per Year	Avg. Call Per Unit	Projected Yearly Calls
Arlington 360	Arlington	274	62	0.226	
Brigham Square	Arlington	119	24	0.202	
Lynnfield Commons	Lynnfield	200	73	0.365	
The Lodge	Foxborough	250	74	0.296	
Union Place	Franklin	297	73	0.247	
Fairfield Green	Mansfield	200	146	0.728	
Pembroke Woods	Pembroke	240	92	0.385	
Blue Hills	Randolph	274	148	0.540	
Avalon Newton Highlands	Newton	294	153	0.520	
Avalon Chestnut Hill	Newton	204	67	0.328	
Arborpoint Woodland	Newton	180	22	0.120	
Cloverleaf	Natick	183	82	0.448	
The Gables	Westwood	350	155	0.442	
Hastings Village	Wellesley	52	3	0.058	
<b>Totals</b>		3,117	1,174	<b>0.377</b>	
<b>18 School Street</b>	<b>Man. By Sea</b>	<b>157</b>			<b>59</b>

## Estimated Annual Fire/EMS Calls

Project	Town	Units	Avg. Fire Calls Per Year	Avg. Call Per Unit	Estimated Yearly Calls
Arlington 360	Arlington	274	12	0.044	
Brigham Square	Arlington	119	6	0.050	
The Lodge	Foxborough	250	26	0.105	
Union Place	Franklin	297	19	0.063	
Fairfield Green	Mansfield	200	43	0.213	
Pembroke Woods	Pembroke	240	9	0.036	
Blue Hills	Randolph	274	10	0.035	
Avalon Newton Highlands	Newton	294	26	0.088	
Avalon Chestnut Hill	Newton	204	11	0.053	
Arborpoint Woodland	Newton	180	12	0.064	
Cloverleaf	Natick	183	7	0.038	
The Gables	Westwood	350	17	0.049	
Hastings Village	Wellesley	52	2	0.031	
<b>Totals</b>		2,917	198	<b>0.068</b>	
<b>18 School Street</b>	Man. By Sea	157			<b>11</b>

Project	Town	Units	Avg. EMS Calls Per Year	Avg. Call Per Unit	Estimated Yearly Calls
Arlington 360	Arlington	274	14	0.051	
Brigham Square	Arlington	119	8	0.067	
The Lodge	Foxborough	250	24	0.096	
Union Place	Franklin	297	44	0.148	
Fairfield Green	Mansfield	200	25	0.123	
Pembroke Woods	Pembroke	240	70	0.293	
Blue Hills	Randolph	274	28	0.101	
Avalon Newton Highlands	Newton	294	26	0.088	
Avalon Chestnut Hill	Newton	204	9	0.044	
Arborpoint Woodland	Newton	180	7	0.036	
Cloverleaf	Natick	183	24	0.131	
The Gables	Westwood	350	26	0.074	
Hastings Village	Wellesley	52	2	0.038	
<b>Totals</b>		2,917	306	<b>0.105</b>	
<b>18 School Street</b>	Man. By Sea	157			<b>16</b>