

Fiscal Impact Analysis

**186 Bedford St.
Lexington, MA**

**Applicant: The Philip Ciampa Family
December 18, 2018**

**Prepared By
Fougere Planning & Development, Inc.**

FOUGERE PLANNING & DEVELOPMENT, Inc.

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1. Introduction

Fougere Planning and Development, Inc. has been engaged by 186 Bedford Street, LLC to undertake a Fiscal Impact Analysis in order to outline estimated revenues and service demands to the Town of Lexington from the proposed redevelopment of 186 Bedford Street into a mixed use property. The project is being advanced under provisions of Chapter 135 of the Code of the Town of Lexington Zoning By-Law 7.3, Planned Development Districts. The project involves removing the small northern addition and constructing a two story 7,000 square foot addition. The first floor areas will become retail space (8,118 sq. ft.) and the second floor areas will consist of 13 one bedroom apartments, 10 of which will be market rate and 3 affordable. In addition, the existing rear barn (1,500 sq. ft.) will remain and will be used as office space. The existing property was previously owned by a non-profit and was therefore tax exempt, paying no property taxes.

2. Local Trends

Population

Lexington's population has seen modest growth over the last 16 years, with new residential development attracting young families along with the sale of existing housing units. Census figures¹ report that from 2000 to 2016 Lexington's population increased from 30,355 to 32,936 representing an 8.5% growth rate over the 16-year census period.

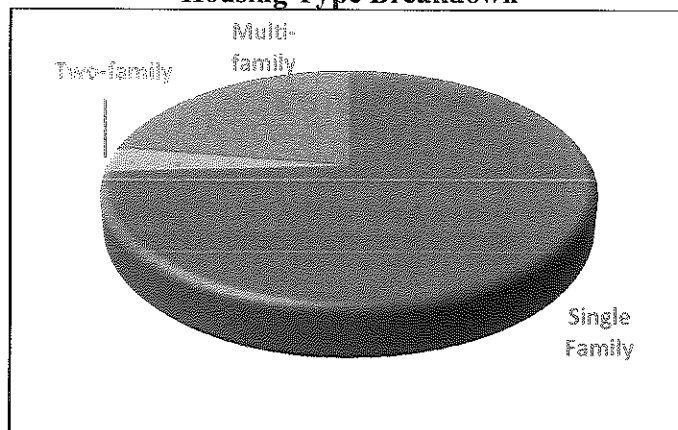
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Housing

¹ 2000 Census figures and 2014 American Community Survey.

The majority of Lexington's housing stock consists of single family homes, with Census data² showing 9,129 units (80%) out of a total housing stock of 11,398; Figure One.

Figure One
Housing Type Breakdown



Budget History

Lexington's total operating budget for 2018 was \$212,365,625 increasing 20.91% over the last four years. Public Safety and Education account for 55.1% of the total budget; Figure Two. As will be seen from the analysis outlined below, the Public Safety Department's will have the most measureable service impacts from the proposed use. Table One outlines total appropriations of all departments over the last four years.

Figure Two

² American Community Survey 2016

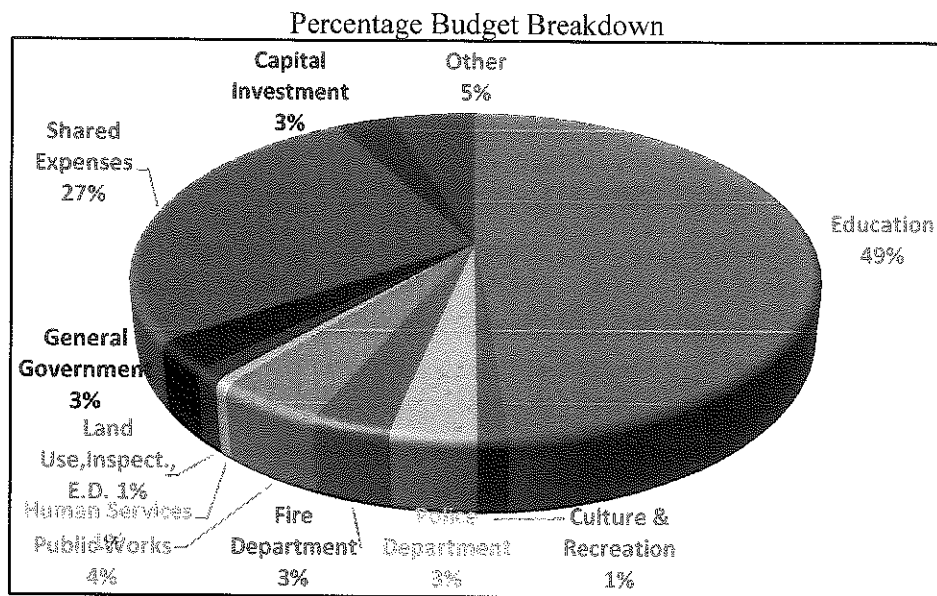


Table One
Appropriation History³ 2015 – 2018

	2015	2016	2017	2018	% Change
Education	\$86,517,185	\$93,233,052	\$98,670,748	\$103,325,534	19.43%
Culture & Recreation	\$2,137,906	\$2,374,295	\$2,459,653	\$2,534,144	18.53%
Police Department	\$6,313,367	\$6,741,405	\$6,774,543	\$7,247,576	14.80%
Fire Department	\$5,918,889	\$6,379,387	\$6,409,755	\$6,577,294	11.12%
Public Works	\$9,366,628	\$8,832,668	\$9,032,239	\$9,402,640	0.38%
Human Services	\$1,073,867	\$1,206,234	\$1,205,914	\$1,302,971	21.33%
Land Use, Insp., E.D.	\$1,882,451	\$2,129,848	\$2,232,642	\$2,370,369	25.92%
General Government	\$5,367,594	\$5,930,432	\$6,421,974	\$6,050,569	12.72%
Shared Expenses	\$44,054,799	\$50,614,515	\$51,708,675	\$56,999,638	29.38%
Capital Investment	\$5,958,117	\$4,642,987	\$5,554,789	\$6,421,619	7.78%
Other	\$7,049,726	\$10,904,668	\$8,826,530	\$10,133,271	43.74%
Total	\$175,640,529	\$192,989,491	\$199,297,462	\$212,365,625	20.91%

3. 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”⁴. 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.

³ Lexington FY2018 Recommended Budget & Fin. Plan, 3-30-2018.

⁴ Burchell, Listokin & Dophin.

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 the 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. 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 measurable 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 estimated costs reported are in today’s dollars and the 2018 residential tax rate is being applied to estimate property tax revenue.

4. Local Revenues

Property Tax Revenue

Local property taxes provide the bulk of General Fund Revenues⁵ for Lexington, with 2018 figures showing that 86.5% came from this source, the remaining income being received from state aid and other receipts. The 2018 Real Estate Tax Rate for residential uses is \$14.30 and \$27.69 for Commercial/Industrial uses and Personal Property.

To estimate property value, two methods were used. Based upon preliminary rent and cost estimates, a \$3,283,200 value was calculated for the apartment use using the Income Approach⁶. For the proposed retail/office uses, five nearby office and mix use properties⁷ were reviewed to obtain estimates on the retail and office space value. Although these properties are older, reviewing these assessments do provide a range of values that can be considered. The average square foot assessment of these properties is \$167 and when applied to the proposed project, results in an estimated value of \$1,608,277. Given that a majority of the site’s construction will be new, along with significant renovation of the remaining existing space, the assessment of this space will most likely be higher than noted. To be conservative, the lower estimated value will be reported here. Based upon the

⁵ Lexington FY2018 Recommended Budget & Fin. Plan, 3-22-2017.

⁶ Rents were estimated for both market and affordable units, along with expenses. A 7.5 CAP rate was used in the analysis as recommended by the Assessing Department.

⁷ 162,175,185,187 and 242 Bedford Street.

Town's tax rate, the apartment units will generate an estimated \$46,950 in annual property taxes and the retail/office space \$44,533, with a total estimated annual gross property tax payment of \$91,483.

Excise Tax Revenue

Another major revenue source for the community is from local motor vehicle excise taxes. In fiscal year 2017, the Town collected \$4,815,000 from this revenue source. Based on an estimated value of \$15,000 for each vehicle, \$6,000 a year will be generated as outlined in in excise taxes per year as outlined in Table Two.

Table Two
Motor Vehicle Excise Taxes

16 Vehicles ⁸	\$15,000/Vehicle - \$240,000	\$240,000/\$1,000 \$240 x \$25 = \$6,000
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Community Preservation Surcharge

The Town of Lexington has adopted the Community Preservation Act allowing the community to impose a 3% surcharge on property taxes. Based upon the projected taxes outlined in Table Two, an estimated CPA surcharge of \$2,744 was calculated as outlined in Table Three.

Table Three
Community Preservation Surcharge

Property Taxes	CPA Surcharge	Surcharge
\$91,483	3%	\$2,744

Total Estimated Yearly Project Revenues

The proposed Bedford Street development is estimated to generate \$100,227 in gross annual revenues as detailed in Table Four.

Table Four
Estimated Yearly Revenue

Mixed Use	\$91,483
Total Taxes	\$6,000
CPA	\$2,744

⁸ 1.25 vehicles per unit.

Total Revenues	\$100,227
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Additional one-time payment revenues will also be realized as part of the development, these will be detailed further below.

5. Department Impacts

Public Safety

The Police and Fire Departments are projected to have very modest operational influences from the proposed project. To assess the degree of impact this project would have on these departments, emergency calls to similar land uses were analyzed. Fougere Planning maintains a data base of emergency calls to over 2,500 apartment units in the region that contain affordable units. Based on this data, emergency call rates ratio per unit were calculated. Although these apartment developments contain a significant percentage of two and three bedroom units and have higher populations leading to a higher call rate, these call rate ratios were applied to the proposed 13 one bedroom apartments. In addition, local emergency call data was obtained from nearby the retail/office uses⁹. The call data was averaged to determine the numbers of annual calls per project and per unit. Table Five summarizes these findings.

Table Five
Emergency Service Calls – Per Unit

Service	Avg. Call Per Unit - Apartments	Units	Total Calls Apartments	Retail/Office Calls ¹⁰	Total Project Calls
Ambulance Calls	.112	13	1.45	1	3
Fire Calls	.071	13	.92	1	2
Police Calls	.402	13	5.2	12	18

Extrapolating from the comparable call data, increases are projected to the Town's Police and Fire Departments. Annual police calls are projected to increase by 18 calls, annual fire/ambulance calls are projected to increase by 5 calls.

⁹ 24 months of emergency call data was obtained from the Lexington Police and Fire Departments to 162-175-185- 187- 242 Bedford Street containing 30,811 square feet of retail/office space. Police Department data showed no emergency related calls from the Bedford Street properties over the last 24 months. To be conservative, we have carried an estimate of 12 calls per year.

¹⁰ Police Department data showed no emergency related calls from the Bedford Street retail/office properties (30,811 sq. ft.) over the last 24 months. The Fire Department reported 2 calls to these properties over 24 months.

Police Department

The total gross Police Department budget in 2018 was \$7,247,576, but actually has a tax impact of \$6,565,526 when fees and charges are accounted for. Taking a closer look at the budget, the primary line items that would be impacted by the proposed project is Patrol & Enforcement and that cost of \$3,635,873 will be used in this analysis.

As noted above, the Police Department is estimated to realize a yearly increase of 18 calls which represents a very small percentage increase of total calls (15,066 in 2017) received by the department. To assign some cost for the proposed increased call volume, the departments total budget is divided by the average number Calls for Service over the last three years. Based on a cost of \$248 per call, an impact of \$4,464 has been calculated as outlined in Table Six.

Table Six
Estimated Police Department Costs

Budget	Calls Per Year ¹¹	Cost Per Call	Est. Calls	Cost
\$3,635,873	14,661	\$248	18	\$4,464

Fire Department

The 2018 Fire Department gross budget was \$6,577,294, with a tax impact of \$5,297,644 after taking into account Fees and Charges. As with the Police Department, only a select few line items will be impacted by the proposed use. These are Fire Suppression and Emergency Medical Services line items that total \$5,890,657 and will be used for the analysis.

The fire department will realize only a minor increase in calls also, with an estimated 2 fire calls and 3 ambulance calls. In addition, the department may undertake annual inspections of the facilities, although only a few are expected each year. As with the police department, a cost per call has been calculated for the fire department to arrive at a gross cost of \$8,045, Table Seven.

Table Seven
Estimated Fire Department Costs - Gross

¹¹ Three years Calls for Service, Town Reports 2015-2017.

Budget	Calls Per Year ¹²	Cost Per Call	Est. Calls	Cost
\$5,890,657	3,661	\$1,609	5	\$8,045

The Town of Lexington collected approximately \$1,354,251 in ambulance revenue in 2018, an average of \$539 a call. To arrive at a net cost for fire services, annual ambulance income \$1,609 has been taken into account. Table Eight summarizes a net department cost of \$6,428 after taking into account annual ambulance revenue.

Table Eight
Estimated Fire Department Costs - Net

Ambul. Rev./Call	Calls Per Year	Rev. Per Year	Net Cost
\$539	3	\$1,617	\$6,428

6. Other Departments

In reviewing other Town department, no other measurable impacts were seen. To be conservative, \$1,000 in costs will be carried for miscellaneous expenses. Building permit costs, \$12/\$1000 will more than offset any expenses in the Building Department. Based upon the estimated construction costs of \$3,000,000 it is estimated that \$36,000 will be generated in buildings fees. Additional fees will be paid for plumbing and electrical work.

7. Other Benefits

Other economic benefits are projected as a result of the proposed residential community, including additional meals taxes, local economic growth, and new construction jobs. The single phase construction lasting approximately 8 months will infuse an economic boost into the local and regional economy. In addition, the new residents will be shopping locally, infusing revenue into the local economy.

8. Schools

As outlined above, the proposal is to construct 13 one bedroom apartments above commercial space. The market for these units will be for seniors who want to downsize and young professionals. It is very rare to find school age children living in one bedroom apartments. In addition, mixed use space is less attractive to families with children. Given

¹² Three years Calls for Service, Town Reports 2015-2017.

these conditions, it is anticipated that no school age children will reside on this property and therefore no school related impacts are anticipated.

Summary

Table 10 summarizes the estimated revenues and expenses associated with the proposed assisted living development. Gross revenues are anticipated to be \$100,227 a year with a net positive yearly benefit of \$88,335. This cost estimate is not inferring the Lexington'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. Appropriate discussions with key decision makers within the community will determine if budgets need to be adjusted to address demands estimated in the Report. It is anticipated that these total costs will not actually be realized.

Table 10
Revenue & Expense Summary

Projected Tax Revenue	\$100,227
Projected Municipal Costs	
Police	-\$4,464
Fire	-\$6,428
Misl.	-\$1,000
Total Costs	-\$11,892
Net Positive Fiscal Impact	+\$88,335

Summary of Findings

Given the following facts and the nature of the proposed mixed use project few impacts will be felt by town departments:

- All on site improvements will be private and all maintenance expenses will be paid for by this project owner.
- Solid waste generated by this project will be removed by a private hauler.
- Any water/sewer expenses will be offset through user fees.
- Measureable financial impacts upon Public Safety departments will be minimal.
- A former tax exempt property will become taxable, generating new revenue for the community.