



Town of Lexington

Town Manager's Office

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MEMORANDUM

TO: Select Board
FROM: Jim Malloy, Town Manager
DATE: March 18, 2022
RE: High School, Police Station and Capital Stabilization Framework

As the Board considers the two projects that are coming before Town Meeting this year as PSDUP projects, the goal of tying economic development to lessening the impact to taxpayers as we have previously discussed as the basis for the Capital Stabilization Framework, I wanted to ensure the Board had a complete analysis of the debt service impacts from the Police Station and High School projects and the associated reduction in that impact from the use of the Capital Stabilization Fund using the financially sustainable model that was presented to the Select Board in 2021.

Projects That Will/May Be Generating Revenues to be Transferred into the Capital Stabilization Fund

Attached please find several spreadsheets that indicate the impact of existing approved projects and proposed projects relative to contributions to the Capital Stabilization Fund and impact on overall debt service related to both the proposed high school and police station projects.

As the Board is aware, in general, we are transferring the net increase in property taxes from projects that are either (a) allowed based on a PSDUP approved by Town Meeting; or (b) allowed by the rezoning of Hartwell in 2021.

To date, the following projects are considered “approved” and are moving forward:

- 55 Watertown Street
- 186 Bedford Street
- 1050 Waltham Street
- 440 Bedford Street

Proposed projects that are both PSDUPs that are to be considered by the 2022 Annual Town Meeting are:

- 475 Bedford Street
- 99 Hayden

Each of these projects and their financial contribution to the Capital Stabilization Fund are discussed below and have previously been presented to the Select Board and others as part of the Capital Stabilization Framework:

- 55 Watertown Street is a commercial residential project that was approved at the 2018 Fall Town Meeting as a PSDUP. The pre-development value was \$1,198,000 and post development value is estimated at \$40,000,000 for an increased value of \$38,802,000. Multiplied by the tax rate, this is estimated to provide \$1,056,190 that would be transferred annually into the Capital Stabilization Fund.¹
- 186 Bedford Street is a mixed-use project that was approved at the 2019 Fall Town Meeting as a PSDUP. The pre-development value was \$145,000 and the post development value is estimated at \$3,500,000 for an increased value of \$3,355,000. Multiplied by the tax rate, this is estimated to provide \$91,323 that would be transferred annually into the Capital Stabilization Fund.
- 1050 Waltham Street is a commercial project that was approved at the 2020 Annual Town Meeting as a PSDUP. The pre-development value was \$6,377,000 and the post development value is estimated at \$52,478,000 for an increased value of \$46,101,000. Multiplied by the tax rate, this is estimated to provide \$1,254,869.

The following project has been fully approved:

- 440 Bedford Street is a former hotel and restaurant that is part of the Hartwell Avenue re-zoning and is proposed to be a 335,000 square foot life science building. The pre-development (current) value is \$6,546,000 (property tax revenues = \$177,920) and post-development value is estimated to be 142,000,000² (estimated property tax revenues = \$3,859,560) with the net increase of property taxes of \$3,681,640 available to be transferred to the Capital Stabilization Fund.

Projects that are coming before the 2022 Annual Town Meeting:

- 99 Hayden Avenue is an existing commercial business that is seeking approval of a PSDUP at the upcoming Annual Town Meeting. This project is proposed to be 743,204 square foot life science buildings. The pre-development (current) value is \$98,558,00 (property tax revenues = \$2,678,806) and post-development value is estimated to be 297,281,600 (estimated property tax revenues = \$8,080,114) with the net increase of property taxes of \$5,401,307 available to be transferred to the Capital Stabilization Fund.
- 475 Bedford Street is the former Boston Sports Club building that is seeking approval of a PSDUP at the upcoming Annual Town Meeting. This project is proposed to be a 168,000 square foot (this is reduced from their original 220,000 square foot project) life science building. The pre-development (current) value is \$7,561,000 (property tax revenues = \$205,508) and post-development value is estimated to be \$67,200,000 (estimated property tax revenues = \$1,826,496) with the net increase of property taxes of \$1,620,988 available to be transferred to the Capital Stabilization Fund.

¹ Please note, this project and other projects that have been previously approved and are under construction are based on estimates from FY21 values/tax rates, etc. which is estimated to increase each year. However, for this analysis these numbers are constant into the future.

² Estimated values for new projects at 440 Bedford, 475 Bedford and 95/99 Hayden are estimated at the FY22 per square foot value for assessing similar buildings at \$400 per s.f.

The estimated property values and property taxes above do not take into consider the large parking garages associated with each property. These values and property taxes would be in addition to the figures above and those used in the attached analysis.

For the projects that have full approval and are either already under construction or ready to begin construction will generate the following total revenues to be transferred into the Capital Stabilization Fund:

55 Watertown Street (Natl Dev)	\$	1,050,000
186 Bedford Street	\$	90,000
1050 Waltham Street	\$	1,250,000
440 Bedford	\$	3,681,640
Approved Projects	\$	6,071,640

For the two projects that have not yet been approved by Town Meeting, these are estimated to generate the following total revenues to be transferred into the Capital Stabilization Fund:

475 Bedford (Not Approved Yet)	\$	1,620,988
99 Hayden (Not Approved Yet)	\$	5,401,307
Projects Yet to be Approved	\$	7,022,295

Combined the approved/yet to be approved projects are estimated to generate \$13,093,935 in revenues that may be transferred (annually) into the Capital Stabilization Fund.

Impact on High School and Police Station Debt Issuance

Assuming the Police Station Project and the High School Renovation (or new High School) Project are approved by Town Meeting and continue to move forward, the Town will be issuing debt for these two projects. For the purposes of this analysis the following assumptions are made for each project:

- Police Station – That the project will total \$35,200,000 (previously debt authorizations + the \$34,200,000 on the 2022 Annual Town Meeting warrant) and that the debt issuance will be for 20 years at 4.0% interest.³
- High School – That the project will total \$350,000,000 with a 25% reimbursement rate from the Commonwealth’s MSBA program and that the remaining debt will be issued for 30 years at 4.0% interest.⁴ The attached debt service schedule is being modeled as a level payment (as opposed to level principal) over the 30-year period to reduce the initial annual debt payments. The final decision on whether to issue debt as a level principal or level payment can be determined at a later date.

As recently reported to the Select Board, the Police Station debt is estimated to cost the average single-family taxpayer \$258 the first year of the debt down to \$149 in the 20th year of the debt repayment

³ Please note that the exact interest rate will not be known until such time that the borrowing occurs. Additionally, the segmenting of the debt into 10, 15, 20 or 30 years will be made at that time.

⁴ The actual cost of the project, MSBA reimbursement rate and interest rate will be determined at a later date, the presumption given the cost of the project is that it will be a 30-year debt issuance.

(average of \$204 per year). This works out to approximately a 1.6% increase over current taxes for the first (highest) year.

The High School debt projection is more complicated based on two factors. First, the MSBA reimbursement, which for purposes of this analysis is estimated at 25%, but also due to the Capital Stabilization Framework and the amount that will be generated by the projects above (and future projects) and how that impacts the final amount that will need to be raised annually to retire the debt. In the attached (Table 2) please note that the “Gross” figures are *without* accounting for the impact of the Capital Stabilization Funds and the “Net” figures *are* accounting for the impact of the Capital Stabilization Funds. While this will likely require a discussion to review this table, in summary, the use of Capital Stabilization Funds (the \$13,093,935 estimated above) will reduce the impact to the Average Single Family Taxpayer from an estimated \$1,301 (7.8% increase) to an estimated \$179 (1.1% increase) in the first year of the debt.

Combined Costs for Police Station and High School Projects

Attached (Table 3) is a spreadsheet that combines the Tables 1 & 2 to provide a combined analysis of both projects and the estimated impact of these two projects on the average single-family taxpayer. For this analysis the assumption is that the Police Station will be completed in 2024 with the first year debt payment in Fiscal Year 2025 and that the High School will be completed in 2028 with the first year debt payment in Fiscal Year 2029. From this analysis, the first year debt (FY25) of the Police Station will impact the average single-family taxpayer with approximately a 1.6% increase and the first year of the combined Police Station and High School Debt (FY29) will impact the average single-family with approximately a 2.3% increase (net amount with Capital Stabilization Funds included).

Please note this analysis does not take into consideration the Town’s total debt service costs over the 30-year window, as much of the Town’s other existing debt will be retiring during this time period as has been presented during the budget summits.

The following is a summary of the information with the backup information in the more detailed Tables that are attached.

	<u>475 Bedford</u>	<u>99 Hayden</u>	<u>440 Bedford</u>	
Per s.f. value	\$ 400	\$ 400	\$ 400	
Proposed s.f.	168,000	743,204	355,000	
FY22 Commercial Tax Rate	\$ 27.18	\$ 27.18	\$ 27.18	
Current Value	\$ 7,561,000	\$ 98,558,000	\$ 6,546,000	
Current Taxes	\$ 205,508	\$ 2,678,806	\$ 177,920	
Estimated Future Value	\$ 67,200,000	\$ 297,281,600	\$ 142,000,000	
Estimated Future Taxes ¹	\$ 1,826,496	\$ 8,080,114	\$ 3,859,560	
Amount to be transferred into CSF	\$ 1,620,988	\$ 5,401,307	\$ 3,681,640	
55 Watertown Street (Natl Dev)	\$ 1,050,000	CSF Policy Framework		
186 Bedford Street	\$ 90,000	CSF Policy Framework		
1050 Waltham Street	\$ 1,250,000	CSF Policy Framework		
440 Bedford	\$ 3,681,640	Does not include 575 space parking garage...		
475 Bedford (Not Approved Yet)	\$ 1,620,988	Does not include 486 space parking garage...		
99 Hayden (Not Approved Yet)	\$ 5,401,307	Does not include expanded parking garage...		
Approved Projects	\$ 6,071,640			
Not Approved Projects	\$ 7,022,295			
Total Approved + Not Approved	\$ 13,093,935			
Est. 1st Year Debt - 20 Yr Issuance: ²	\$ 27,225,000	48.1%		
Est. 1st Year Debt - 30 Yr Issuance: ²	\$ 22,183,333	59.0%		
¹ Based on the FY22 Tax Rate of \$27.18				
² Based on \$350,000,000 project with a 25% reimbursement at 4.0% interest				

I look forward to discussing this analysis more with the Select Board to ensure that you have a full understanding of the debt and impact from the new Capital Stabilization Framework. In the interim, should you have any questions or need clarification, please do not hesitate to reach out. Thanks.

Table 1
Police Station Debt Schedule

	<u>Balance</u>	<u>Principal</u>	4.0% <u>Interest</u>	<u>P & I</u>	Total Assessed <u>Valuation</u>	Tax Rate <u>Impact Per 1000</u>	Assessed <u>Value</u>	<u>Annual</u>	<u>Monthly</u>		
1	33,500,000	1,675,000	1,340,000	3,015,000	\$ 14,044,934,971	\$ 0.21	\$ 1,203,847	\$ 258	\$ 22	(First Year)	1.6%
2	31,825,000	1,675,000	1,273,000	2,948,000	\$ 14,325,833,670	\$ 0.21	\$ 1,227,924	\$ 253	\$ 21		1.5%
3	30,150,000	1,675,000	1,206,000	2,881,000	\$ 14,612,350,344	\$ 0.20	\$ 1,252,482	\$ 247	\$ 21		1.4%
4	28,475,000	1,675,000	1,139,000	2,814,000	\$ 14,904,597,351	\$ 0.19	\$ 1,277,532	\$ 241	\$ 20		1.4%
5	26,800,000	1,675,000	1,072,000	2,747,000	\$ 15,202,689,298	\$ 0.18	\$ 1,303,083	\$ 235	\$ 20		1.3%
6	25,125,000	1,675,000	1,005,000	2,680,000	\$ 15,506,743,084	\$ 0.17	\$ 1,329,144	\$ 230	\$ 19		1.3%
7	23,450,000	1,675,000	938,000	2,613,000	\$ 15,816,877,945	\$ 0.17	\$ 1,355,727	\$ 224	\$ 19		1.2%
8	21,775,000	1,675,000	871,000	2,546,000	\$ 16,133,215,504	\$ 0.16	\$ 1,382,842	\$ 218	\$ 18		1.1%
9	20,100,000	1,675,000	804,000	2,479,000	\$ 16,455,879,814	\$ 0.15	\$ 1,410,499	\$ 212	\$ 18		1.1%
10	18,425,000	1,675,000	737,000	2,412,000	\$ 16,784,997,411	\$ 0.14	\$ 1,438,709	\$ 207	\$ 17		1.0%
11	16,750,000	1,675,000	670,000	2,345,000	\$ 17,120,697,359	\$ 0.14	\$ 1,467,483	\$ 201	\$ 17		1.0%
12	15,075,000	1,675,000	603,000	2,278,000	\$ 17,463,111,306	\$ 0.13	\$ 1,496,832	\$ 195	\$ 16		0.9%
13	13,400,000	1,675,000	536,000	2,211,000	\$ 17,812,373,532	\$ 0.12	\$ 1,526,769	\$ 190	\$ 16		0.9%
14	11,725,000	1,675,000	469,000	2,144,000	\$ 18,168,621,003	\$ 0.12	\$ 1,557,304	\$ 184	\$ 15		0.9%
15	10,050,000	1,675,000	402,000	2,077,000	\$ 18,531,993,423	\$ 0.11	\$ 1,588,451	\$ 178	\$ 15		0.8%
16	8,375,000	1,675,000	335,000	2,010,000	\$ 18,902,633,291	\$ 0.11	\$ 1,620,220	\$ 172	\$ 14		0.8%
17	6,700,000	1,675,000	268,000	1,943,000	\$ 19,280,685,957	\$ 0.10	\$ 1,652,624	\$ 167	\$ 14		0.7%
18	5,025,000	1,675,000	201,000	1,876,000	\$ 19,666,299,676	\$ 0.10	\$ 1,685,676	\$ 161	\$ 13		0.7%
19	3,350,000	1,675,000	134,000	1,809,000	\$ 20,059,625,670	\$ 0.09	\$ 1,719,390	\$ 155	\$ 13		0.7%
20	1,675,000	1,675,000	67,000	1,742,000	\$ 20,460,818,183	\$ 0.09	\$ 1,753,778	\$ 149	\$ 12		0.6%
				2,378,500	\$ 14,044,934,971	\$ 0.17	\$ 1,203,847	\$ 204	\$ 17	(Average)	

Table 3
Combined High School/Police Station Projects

Fiscal Year	High School	Police Station	High School + Police Station	Assessed Value	Gross High School Tax Impact	Gross Police Station Tax Impact	Gross Total Impact	Net High School Tax Impact	Gross Police Station Tax Impact	Total ¹ Impact	Average SF Tax Bill	Gross % Inc	Net % Inc
25	\$ -	\$ 3,015,000	\$ 3,015,000	\$ 14,044,934,971	\$ -	\$ -	\$ 258	\$ -	\$ 258	\$ 258	\$ 16,613	1.6%	1.6%
26	\$ -	\$ 2,948,000	\$ 2,948,000	\$ 14,325,833,670	\$ -	\$ -	\$ 253	\$ -	\$ 253	\$ 253	\$ 16,945	1.5%	1.5%
27	\$ -	\$ 2,881,000	\$ 2,881,000	\$ 14,612,350,344	\$ -	\$ -	\$ 247	\$ -	\$ 247	\$ 247	\$ 17,284	1.4%	1.4%
28	\$ -	\$ 2,814,000	\$ 2,814,000	\$ 14,904,597,351	\$ -	\$ -	\$ 241	\$ -	\$ 241	\$ 241	\$ 17,630	1.4%	1.4%
29	\$ 2,086,466	\$ 2,747,000	\$ 4,833,466	\$ 15,202,689,298	\$ 1,301	\$ -	\$ 1,537	\$ 179	\$ 235	\$ 414	\$ 17,983	8.5%	2.3%
30	\$ 2,086,466	\$ 2,680,000	\$ 4,766,466	\$ 15,506,743,084	\$ 1,301	\$ -	\$ 1,531	\$ 179	\$ 230	\$ 409	\$ 18,342	8.3%	2.2%
31	\$ 2,086,466	\$ 2,613,000	\$ 4,699,466	\$ 15,816,877,945	\$ 1,301	\$ -	\$ 1,525	\$ 179	\$ 224	\$ 403	\$ 18,709	8.2%	2.2%
32	\$ 2,086,466	\$ 2,546,000	\$ 4,632,466	\$ 16,133,215,504	\$ 1,301	\$ -	\$ 1,519	\$ 179	\$ 218	\$ 397	\$ 19,083	8.0%	2.1%
33	\$ 2,086,466	\$ 2,479,000	\$ 4,565,466	\$ 16,455,879,814	\$ 1,301	\$ -	\$ 1,514	\$ 179	\$ 212	\$ 391	\$ 19,465	7.8%	2.0%
34	\$ 2,086,466	\$ 2,412,000	\$ 4,498,466	\$ 16,784,997,411	\$ 1,301	\$ -	\$ 1,508	\$ 179	\$ 207	\$ 386	\$ 19,854	7.6%	1.9%
35	\$ 2,086,466	\$ 2,345,000	\$ 4,431,466	\$ 17,120,697,359	\$ 1,301	\$ -	\$ 1,502	\$ 179	\$ 201	\$ 380	\$ 20,251	7.4%	1.9%
36	\$ 2,086,466	\$ 2,278,000	\$ 4,364,466	\$ 17,463,111,306	\$ 1,301	\$ -	\$ 1,496	\$ 179	\$ 195	\$ 374	\$ 20,656	7.2%	1.8%
37	\$ 2,086,466	\$ 2,211,000	\$ 4,297,466	\$ 17,812,373,532	\$ 1,301	\$ -	\$ 1,491	\$ 179	\$ 190	\$ 368	\$ 21,069	7.1%	1.7%
38	\$ 2,086,466	\$ 2,144,000	\$ 4,230,466	\$ 18,168,621,003	\$ 1,301	\$ -	\$ 1,485	\$ 179	\$ 184	\$ 363	\$ 21,491	6.9%	1.7%
39	\$ 2,086,466	\$ 2,077,000	\$ 4,163,466	\$ 18,531,993,423	\$ 1,301	\$ -	\$ 1,479	\$ 179	\$ 178	\$ 357	\$ 21,921	6.7%	1.6%
40	\$ 2,086,466	\$ 2,010,000	\$ 4,096,466	\$ 18,902,633,291	\$ 1,301	\$ -	\$ 1,473	\$ 179	\$ 172	\$ 351	\$ 22,359	6.6%	1.6%
41	\$ 2,086,466	\$ 1,943,000	\$ 4,029,466	\$ 19,280,685,957	\$ 1,301	\$ -	\$ 1,468	\$ 179	\$ 167	\$ 345	\$ 22,806	6.4%	1.5%
42	\$ 2,086,466	\$ 1,876,000	\$ 3,962,466	\$ 19,666,299,676	\$ 1,301	\$ -	\$ 1,462	\$ 179	\$ 161	\$ 340	\$ 23,262	6.3%	1.5%
43	\$ 2,086,466	\$ 1,809,000	\$ 3,895,466	\$ 20,059,625,670	\$ 1,301	\$ -	\$ 1,456	\$ 179	\$ 155	\$ 334	\$ 23,728	6.1%	1.4%
44	\$ 2,086,466	\$ 1,742,000	\$ 3,828,466	\$ 20,460,818,183	\$ 1,301	\$ -	\$ 1,450	\$ 179	\$ 149	\$ 328	\$ 24,202	6.0%	1.4%
45	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 20,870,034,547	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 24,686	5.3%	0.7%
46	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 21,287,435,238	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 25,180	5.2%	0.7%
47	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 21,713,183,943	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 25,683	5.1%	0.7%
48	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 22,147,447,621	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 26,197	5.0%	0.7%
49	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 22,590,396,574	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 26,721	4.9%	0.7%
50	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 23,042,204,505	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 27,256	4.8%	0.7%
51	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 23,503,048,595	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 27,801	4.7%	0.6%
52	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 23,973,109,567	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 28,357	4.6%	0.6%
53	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 24,452,571,759	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 28,924	4.5%	0.6%
54	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 24,941,623,194	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 29,502	4.4%	0.6%
55	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 25,440,455,658	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 30,092	4.3%	0.6%
56	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 25,949,264,771	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 30,694	4.2%	0.6%
57	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 26,468,250,066	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 31,308	4.2%	0.6%
58	\$ 2,086,466	\$ -	\$ 2,086,466	\$ 26,997,615,068	\$ 1,301	\$ -	\$ 1,301	\$ 179	\$ -	\$ 179	\$ 31,934	4.1%	0.6%

¹Total = Net High School + Gross Police Station