

# Beharrell Street Redevelopment Project West Concord, MA Fiscal Impact Report



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**TABLE OF CONTENTS**

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- 1.0 Overview
  - 1.1 Project Summary
  - 1.2 Methodology and Assumptions
- 2.0 Summary of Findings
- 3.0 Annual Municipal Revenues
  - 3.1 Property Tax
  - 3.2 Motor Vehicle Excise Tax
  - 3.3 State Aid
  - 3.4 Local Receipts
- 4.0 Annual Municipal Expenditures
  - 4.1 Incremental Education Costs
  - 4.2 Water and Sewer Costs
  - 4.3 All Other Municipal Services Costs
- 5.0 Fiscal Impact Summary

**LIST OF TABLES**

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- Table 1 Town of Concord Revenue Sources – FY2012
- Table 2 Projected Number of Vehicles
- Table 3 – Range of School Age Children per Unit Type
- Table 4 Projected New Public School Enrollment
- Table 5 Fiscal Impact Summary

**APPENDICES**

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- Appendix A Conceptual Site Plan

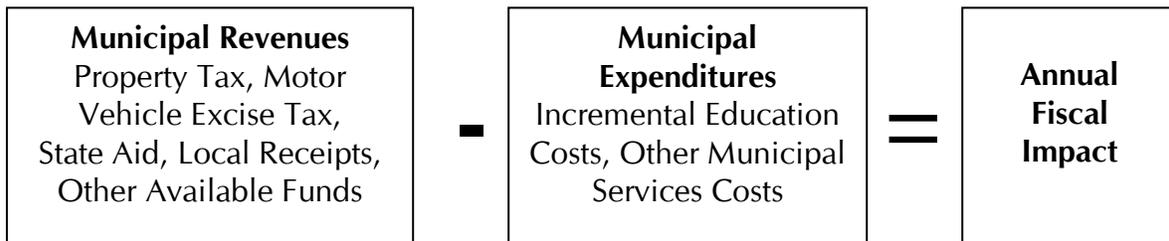
# Beharrell Street Redevelopment Project Fiscal Impact Report

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## 1.0 Overview

Fort Point Associates, Inc. has prepared a Fiscal Impact Report for the proposed Beharrell Street redevelopment in Concord, Massachusetts. The purpose of this report is to analyze the annual fiscal impact that the proposed mixed-use development will have on the Town of Concord general fund. For this evaluation, the proposed mixed-use build-out of the site has been compared to the existing uses on site, which consist of 51,000 sf. of light industrial buildings and surrounding parking lots. The baseline data for this report and the projections contained herein are based primarily on the Fiscal Year 2012 Town of Concord revenues and expenditures.

The expenditures and revenues which will result from this project are outlined below:



After a detailed analysis of the above components, it has been determined that the development would have a positive fiscal impact on the Town of Concord. ***Upon completion the project is expected to have an assessed value of approximately \$32.5 million. The project is expected to generate \$507,000 annually in revenues for the town. The project will generate a demand for approximately \$411,439 in town services, for a net revenue contribution of approximately \$95,500. In addition, the project will create 7 permanently restricted affordable housing units and has acquired additional real estate which makes possible significant vehicular access improvements reducing local congestion.***

## 1.1 Project Summary

The Beharrell Street Project area consists of two parcels of land; 50 Beharrell Street and 13B Commonwealth Avenue. The site is located within the village of West Concord near Commonwealth Avenue and the MBTA Commuter Rail station.

The 50 Beharrell Street site is a 4.35 acre parcel of land containing three major buildings including a 37,000 sf light industrial building, a 10,600 sf light industrial building and a 3,400 sf post office building. For the purposes of this study, the 3,400 sf U.S. Post Office building at 35 Beharrell Street is expected to remain in its current use and condition.

The 13B Commonwealth Avenue parcel has been added to the development plan and consists of a 0.74 acre parking area.

The proposed project consists of a mixed use development with one existing building (Post Office), one new mixed use building with approximately 32,405 sf. of light industrial/commercial space and 74 units (83,287 sf) of residential housing on upper floors and a new 7,000 sf retail building on Commonwealth Avenue. For a conceptual site plan of proposed improvements, see Appendix A.

## 1.2 Methodology and Assumptions

Fiscal impacts are evaluated by identifying estimated annual revenues and costs directly associated with a proposed project in order to determine the projected net fiscal impacts. Revenues associated with projects are largely generated by property tax revenues, excise tax, State Aid, local receipts and other available funds (see Table 1, Town of Concord Revenue Sources). Costs reflect services provided by a town for education, utilities, public safety, public works and general government activities. Net revenues are then compared to net costs to determine the overall fiscal impact of a project.

**Table 1 - Town of Concord Revenue Sources FY 2012<sup>1</sup>**

Revenue Sources	FY2012	Percent of Total
Tax Levy	\$69,122,996	82.43%
Net State Aid	\$4,036,918	4.81%
Local Receipts	\$8,751,994	10.44%
Other Available Funds	\$1,944,500	2.32%
Total	\$83,856,408	100.00%

This report will evaluate the costs and revenues associated with the proposed development for the Beharrell Street project, as described above. In order to maintain a level of fiscal consistency, data has been collected from FY2012.

For the purpose of this analysis, the Per Capita Multiplier Method outlined in The Fiscal Impact Handbook<sup>2</sup> has been used to analyze fiscal impacts resulting from the project. This technique relies heavily on average municipal costs per person, average school costs per pupil and the number of persons/pupils generated by various housing types to project future municipal and school department costs. This method assumes that the best estimate of future cost is current per capita cost multiplied by the incremental change in future population.

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<sup>1</sup> Mass. DOR Division of Local Services website

<sup>2</sup> Robert Burchell & David Listokin, 1978, Rutgers, Center for Urban Policy Research.

This report uses the most accurate data available from the U.S. Census, the Town of Concord, the Massachusetts Department of Education, and the Massachusetts Department of Revenue. The figures used most often in this report include the following:

Town of Concord Population (2010): 17,668<sup>3</sup>

Town of Concord Public School Enrollment (K-12, FY2012): 2,641<sup>4</sup>

Town of Concord Households (2010): 6,743<sup>5</sup>

## **2.0 Summary of Findings**

In its current state, the site generated approximately \$48,000 in property taxes for the Town of Concord in FY12. Town revenues from the site come entirely in the form of property taxes on land and buildings, which had an assessed value in FY12 of \$3,536,200.

Upon completion of the proposed development, the project will be valued at \$32.5 million and generate approximately \$507,000 in annual gross revenues for the Town of Concord from property taxes, excise taxes, State Aid, local receipts and other available funds. Total costs to the Town from the development are projected to be approximately \$411,400 annually to finance the education of additional school children in the public school system, as well as to provide other municipal services. Comparing these anticipated costs and revenues indicates that total annual revenues generated from the project will exceed costs to the Town by a margin of approximately \$95,500 annually.

The cost-revenue ratio, which calculates the relationship of municipal service costs to associated revenue sources, provides a strong indication of the relative fiscal gain or loss associated with a development project. The cost-revenue ratio is calculated by dividing total gross costs by total gross revenues. The cost-revenue ratio of the project is approximately 0.81. This ratio indicates that for every \$1.00 of revenue generated for the Town, \$0.81 will be spent to service the project and the remaining \$0.19 will contribute to the Town of Concord general fund to support other needs in the Town. Typically in Massachusetts, single-family homes, except those in the top 5-10 percent in value in any given community, are revenue negative. Generally, one- and two-bedroom apartments are revenue positive. The projected positive fiscal impact is consistent with the nature of the development.

A summary of costs and revenues associated with the development can be found in Section 5, Fiscal Impact Summary.

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<sup>3</sup> 2010 US Census

<sup>4</sup> Massachusetts Department of Education 2011-12 enrollment data

<sup>5</sup> Americantowns.com,

### **3.0 Annual Municipal Revenues**

When completed, the Beharrell Street development is estimated to generate approximately \$506,985 in annual revenues for the Town, consisting of property taxes, excise tax, State Aid, and local receipts. This figure represents a total annual revenue increase of approximately \$458,963 over existing revenues generated by the site. The revenues associated with the mixed use development are described in Sections 3.1 through 3.4.

#### **3.1 Property Tax**

Property taxes will constitute the largest share of the total municipal revenues. The FY2012 data available from the Town Assessor's Department shows the existing property, consisting of a two parcels with three buildings, has an assessed value of \$3,536,200. Until the Town assesses the new development, no precise figure for future property taxes will be available. However, the estimated assessed value of the development at full build based on values of comparable properties is \$32,517,425<sup>6</sup>.

The Town's tax rate in FY 2012 was \$13.58 per \$1,000 of assessed value. The baseline tax generated from the existing property, assuming the above-referenced tax rates and an existing property value of \$3,536,200 is approximately \$48,022.

Total annual property tax revenues associated with the development would amount to \$441,587. This represents a tax revenue increase of approximately \$393,565 over the existing tax revenues.

#### **3.2 Motor Vehicle Excise Tax**

The project will generate approximately \$16,164 in motor vehicle excise taxes associated with motor vehicles registered at the residential units on-site. See Table 2, Projected Number of Vehicles.

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<sup>6</sup> Assessed value estimate calculated by Fort Point Associates based on projected rental housing, light industrial and retail space. These projections based on evaluation of comparable properties.

**Table 2 – Projected Number of Vehicles**

Unit Type	Vehicles per Unit <sup>7</sup>	Number of Units	Total Vehicles	Tax Revenue
Studio	1.0	4	4	832
One Bedroom	1.24	32	40	\$8,320
Two Bedroom	1.75	38	67	\$7,933
Total		74	111	\$16,164

The best way to predict the average valuation of vehicles in the development is to use the actual vehicle registration and valuation data from similar residential developments as an indicator. At the Pembroke Woods development located in Pembroke MA where a detailed study was undertaken, an average of 1.24 vehicles are registered to each 1-bedroom unit and an average of 1.75 vehicles are registered to each 2-bedroom unit. (Concord as a whole has 2.4 vehicles per household). The typical vehicle for a 1-bedroom/studio unit is valued at \$8,298, which generates an excise tax of \$208. The typical car for a 2-bedroom unit is valued at \$4,736, which generates an excise tax of \$118. Projecting the typical vehicle valuations and excise taxes across the proposed Beharrell Street residential development, the project can be conservatively expected to generate \$16,164 in motor vehicle excise taxes. This translates to average revenues of \$218 per unit.

### 3.3 State Aid

State Aid refers to the general and need-based state assistance offered to all municipalities on an annual basis. State Aid is provided in part to offset inconsistent municipal revenues and create financial equity between communities with varying municipal expenses and revenues. The amount of State Aid distributed to a community is calculated according to a complex formula that takes into account such factors as population, equalized assessed valuation, valuation per capita and miles of paved roads. A significant proportion of state aid is allocated and distributed for educational purposes through a different set of formulas based on student population, school spending and per capita income.

In FY2012, the Town of Concord received approximately \$3,401,290 in state education aid. In FY2012, the Concord School Department received \$2,043,273 of this education aid directly. In addition, Concord benefitted from the proportional share of Concord Carlisle Regional High School state aid, which equates to approximately \$1,358,017. This is equivalent to blended state aid contribution per student across grades K-12 of \$1,305 per student. Assuming the

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<sup>7</sup> Based on actual survey of number and value vehicles at Pembroke Woods development.

same \$1,305 per student in state aid, the proposed development will generate approximately \$14,356 in additional state educational aid.<sup>8</sup>

The remainder of net state aid is dedicated to general government purposes. In FY2012, this amount was \$910,291. To calculate the increased state aid attributable to the new development, this number is divided by the total number of housing units in the Town (9,980) to calculate state aid per household (\$135) in Concord. This is multiplied by the number of units (74) in the project, for a total of approximately \$9,990 in additional non-educational state aid generated by the project.

The sum of education and general government state aid generated by this project is expected to be \$24,345.

### **3.4 Local Receipts**

Local receipts include fees, fines, licenses, permits, and other locally secured funds. The Town of Concord received approximately \$2,267,913 in local receipts in FY2012, after deducting for enterprise fund accounts<sup>9</sup>. This value is then divided by the total number of households in Concord (6,743) in order to calculate revenues per unit of approximately \$336. This number is multiplied by the total number of units (74) to estimate that the project will generate approximately \$24,889 in new local receipts.

## **4.0 Annual Municipal Expenditures**

Municipal expenditures typically include education costs, water and sewer costs, and general government costs for all other municipal services. The net cost per capita is a result of actual spending per capita reduced by outside sources of funding and local revenues. The project is expected to result in an incremental service cost to the Town of approximately \$411,439. Because municipal costs are a direct result of numbers of people and households, the following calculations are based on estimated population projections for the proposed residential development. The municipal costs associated with the proposed development are described in Sections 4.1 through 4.3.

### **4.1 Incremental Education Costs**

As in most communities, education is the single most expensive municipal service cost for the Town of Concord. The fiscal impact of education costs arising from this project will be the result of two items: the number of new school-age children in the development enrolling in Concord Public Schools and Concord Carlisle Regional High School, and the incremental cost of educating those new students.

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<sup>8</sup> Based on the projected number of students in Table 4. - Projected New Public School Enrollment.

<sup>9</sup> Enterprise accounts are self supporting funds that do not affect general fund revenues and expenditures.

The Town of Concord has its own school department and operating budget for grades K-8. The Town maintains its own elementary schools and middle school. The Town is a member of the Concord-Carlisle Regional High School for grades 9-12 and has 798 students enrolled as of June 2012. In 2012, the Concord public school system had an enrollment of approximately 2,641 students in grades K through 12.<sup>10</sup>

### **New Public School Enrollment**

The best way to estimate the number of new school-age children who can be expected to enter the Concord Public Schools as a result of the Beharrell Street development is to look at the actual numbers of new school-age children who have entered public schools from comparable rental housing developments. The number of school age children per housing unit is heavily dependent on the number of bedrooms, as families with children require more bedrooms. There is conclusive evidence that three and four bedroom units generate significantly higher numbers of school age children than one and two bedroom units. In the case of Beharrell Street, the units are split 5% studio, 43% one bedroom and 51% two bedroom. There will be no three or four bedroom units. Therefore the number of projected school age children is quite small. Numbers of new children entering the local public school system from new developments is also affected by the number of families residing in the new project who are already residents of the community and by the number of school age children attending private and parochial schools, usually in the range of 6-8% to all school age children.

In addition, the reputation of a community's educational system can be a factor affecting the number of school aged children housed in single family or multi-family units located in communities with highly rated school systems. In the case of Concord, the school system is highly respected, but at the same time, it is surrounded by nearby communities with comparably impressive educational systems, such as Lexington, Lincoln, Sudbury and Carlisle. Affordable housing units also generally create a higher number of school age children per unit based on larger family size.

Several credible studies have been conducted looking at the number of school children enrolled in public schools in multi-family developments in the metropolitan area. Table 3 – Range of Public School Enrollment per Unit Type provides data on school enrollment from a variety of projects.

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<sup>10</sup> <http://www.concordpublicschools.net/financeandoperations/pdfs/2012-06-01-enrollment-report.pdf>

**Table 3 – Range of School Age Children per Unit Type**

Apartment Type	AVB Recent 40B <sup>11</sup>	CHAPA Study <sup>12</sup>
1 Bedroom – Market	0.01	0.01
1 Bedroom – Affordable	0	0.02
2 Bedroom – Market	0.13	0.25
2 Bedroom – Affordable	0.6	0.5
3 Bedroom – Market	0.49	0.5
3 Bedroom - Affordable	1.7	0.6

As can be noted from the above table, there is a significant increase in the number of school age children as unit sizes increase and with affordable units. The projections for Beharrell Street take into account the mix of unit sizes as well as the relatively low percentage of affordable units (10%) as compared to other projects. For the purposes of this analysis the CHAPA study rates have been utilized as they are generally more conservative (higher) for the size units in the proposed development. Table 4 – Projected New Public School Enrollment shows the expected number of school age children to be enrolled in the Concord school system as a result of the project. The projections are an over-estimate as they assume that 100% of school age children attend public schools and that none attend private or parochial schools. Typically, 6-8% of school age children attend non-public schools.

**Table 4 – Projected New Public School Enrollment**

Development	Number of Units	Rate per Unit <sup>13</sup>	New Public School Enrollment
Beharrell Street Unit Types			
Studio	4	0.00	0
1 BR Market	29	0.01	.29
1 BR Affordable	3	0.02	.06
2BR Market	35	0.25	8.75
2BR Affordable	3	0.50	1.5
Total	74		10.6

<sup>11</sup> AvalonBay Recent Mixed Income (40B) Developments in six Greater Boston communities

<sup>12</sup> Housing the Commonwealth’s School-Age Children, Citizens Housing and Planning Association, August 2003

<sup>13</sup> *ibid.*

### **Incremental Education Costs**

In FY2012, the Town of Concord spent approximately 60% percent of its operating budget, on education. The blended cost per student across Concord Public Schools and Concord Carlisle High School is approximately \$14,356 per student. Typically, for the purposes of fiscal impact analysis the cost of additional students entering the system are discounted by approximately 20% to account for fixed costs in the educational system which are generally independent of student body size, such as physical plant, administration, maintenance, debt service, etc. To be conservative in estimating costs, such reductions have not been taken.

To determine the additional annual education cost that will occur as a result of the project, the cost per student of approximately \$14,356 is multiplied by the anticipated 11 school age children in public schools for a total education cost of \$169,507 annually.

The additional cost of \$169,507 for the education of the 11 new school-age children will constitute less than 0.4% of the Town's total annual educational costs. Real estate tax increases will more than cover the additional cost of education, as the total property tax will exceed the cost of educating the 11 anticipated students. The described condition helps support a net increase in revenues associated with the project.

Distributed across 13 grades, the number of school children is not expected to present a burden to the school system, representing an approximate 0.4% increase in enrollment.

### **4.2 Water and Sewer Costs**

The Town of Concord operates the water and sewer departments using an Enterprise Fund, which is an account independent from the Town's general fund. The water and sewer departments are currently operating at levels of self-sufficiency and require no relief from the general fund, as rates billed to customers entirely cover the costs of operation. Therefore, the additional water and sewer consumption by the proposed development will have no fiscal impact on the community, although by spreading its fixed costs over a larger base it may slightly reduce water and sewer rates.

### **4.3 All Other Municipal Services Costs**

All other municipal services include general government, police, fire, other public safety infrastructure improvements, health and welfare, culture and recreation, debt service and all other municipal services excluding education. Of the total Concord budget, which equals approximately \$73 million, approximately \$30 million is

budgeted for all other municipal services. To determine the gross cost per household for other municipal services, the total municipal services budget directed toward residential uses is divided by the total number of households in Concord (6,743) for a total cost per household of \$336.

The project will be largely self-sufficient in that the proponent will construct all requisite roadway, utility infrastructure and sewer facilities and maintain the same on an annual basis. The light industrial and retail components of the project will largely replace and expand existing uses on the site and will not generate significant additional municipal costs. As a result, the project is likely to have minor incremental impacts on municipal services.

## **5.0 Fiscal Impact Summary**

The cost-revenue ratio of the Beharrell Street development is approximately \$0.81. This ratio indicates that for every \$1 dollar of revenue generated by the Town, \$0.81 will be spent to service the project and the remaining \$0.19 will contribute to the Town of Concord general fund to support other needs in the Town. In conclusion, the total revenues generated from the proposed project will cover the anticipated educational and municipal expenses and ultimately generate additional revenues of approximately \$95,500 annually for the Town of Concord. The project generates positive annual net revenues for the Town due to its highly valued taxable space and minimal costs when compared to other residential uses, such as single-family homes that generate greater numbers of school-age children. For a detailed breakdown of costs and revenues associated with the project, see Table 5, Fiscal Impact Summary.

Additionally, there are two economic contributions to the Town that specific dollar values are not easily ascribed to, but are nevertheless significant:

- Seven (7) one and two bedroom rental apartments will be contributed to the Town's affordable housing authority. These high quality apartments will be available through Town management at substantially below market rents in perpetuity.
- The 'Beharrell Street Connector' drive to Commonwealth Avenue near Law's Brook will be constructed by the developer as a requirement of the West Concord Master Plan on land purchased for this purpose. This 'drive' will provide this project an access and egress and also enable public traffic to avoid the current congestion at the existing Beharrell St intersection at Commonwealth Avenue near the MBTA tracks. At the east end of the property, another connection is offered to the Town to cross the abandoned Hartford New Haven rail tracks and enable further reduction of congestion by enabling train commuter's cars to exit via the Beharrell St extension.

**Table 5, Fiscal Impact Summary**

	<b>Existing Conditions</b>	<b>Proposed Development</b>	<b>Net Increase</b>
<b>PROPERTY VALUES</b>			
Assessed Property Value (FY12)	\$3,536,200	\$32,517,425	\$28,981,225
<b>REVENUES</b>			
Property Tax	\$48,022	\$441,587	\$393,565
Vehicle Excise Tax	\$0	\$16,164	\$16,164
State Aid	\$0	\$24,345	\$24,345
Local Receipts	\$0	\$24,889	\$24,889
Other Available Funds	\$0	\$0	\$0
<b>TOTAL GROSS REVENUE</b>	<b>\$48,022</b>	<b>\$506,985</b>	<b>\$458,963</b>
<b>COSTS</b>			
Education Costs	\$0	\$169,507	\$169,507
Water & Sewer Costs	\$0	\$0	\$0
Other Municipal Service Costs	\$20,375	\$241,931	\$221,556
<b>TOTAL GROSS COST</b>	<b>\$20,375</b>	<b>\$411,439</b>	<b>\$391,063</b>
<b>TOTAL NET REVENUE</b>	<b>\$27,646</b>	<b>\$95,546</b>	<b>\$67,900</b>
<b>Cost-Revenue Ratio</b>	<b>0.81</b>		

Appendix A – Conceptual Site Plan

