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BOARD OF APPEALS
HINGHAM, MA

Fiscal Impact Analysis
40 B Multi-Family
Beal Street
Hingham, Massachusetts

October 26, 2016

1.0 Preface

Alliance Residential New England of Boston, Massachusetts is proposing to construct a multi-family 40B development of 220 luxury rental apartments located along Beal Street near the Beal St/ Rt. 3A intersection (the Proposal). The Proposal will set aside 25% of the total number of units for affordable housing purposes consistent with the Massachusetts Department of Housing and Community Development (DHCD) guidelines for affordable housing. The average income eligibility for the affordable units will be 80% of HUD Market Area Median Income.

The objective of this report is to identify the key fiscal characteristics of the Proposal in order to estimate its long term fiscal profile. Therefore, this report generates an estimated cost-to-revenue ratio at project stabilization and an estimate of the annual fiscal benefit expressed in current dollars. These findings are designed to provide Alliance Residential and the Town of Hingham with an understanding of how the Proposal will impact the local tax base over the long term.

The departmental costs used herein are intended to estimate the annual financial impact on affected municipal services. The cost estimates are not intended as budget recommendations for an individual department. This report recognizes that the application of current and future municipal revenues and levels of service is the purview of the local officials. Further, the specific values used to generate the various municipal cost estimates should be considered as the current average annual cost. The estimated fiscal profile and individual cost/ revenue or components may fluctuate annually depending on future local, regional, or national economic background conditions.

Projected public school student enrollments and associated costs are a major component of any proposed residential development. This report generates an estimated education cost based on a projection of additional school age children using current data provided by the Hingham School Department and the current cost per pupil provided by the Massachusetts Department of Education. Similar to non-school cost estimates, education costs are not designed as budgetary or policy recommendations. Rather, the enrollment and cost projections should be considered as information to be used in conjunction with other School Department studies, plans and policies designed to meet future educational objectives and needs.

The education cost estimates used in this report are intended to provide an estimate of the long-term cost per student. In the near term, school costs, approximately one to three years after project approval, are most likely to be lower. However, this report takes the position that the measurement of education costs, like the Proposal in general, should be estimated over the long term and allocates school costs to the present time frame on the basis of estimated annual cost per student at stabilization. Table 1 below provides a summary review of the proposed unit mix.

Table 1: Proposed Residential Mix

Residential Component	#/Units	Percent of Total (rounded)
Market Rate		
1-bedroom market rate	66	30.0%
2-bedroom market rate	74	34.0%
3-bedroom market rate	26	11.0%
Subtotal Market Rate	**165**	**75.0%**
Affordable Rate		
1-bedroom affordable rate	22	10.0%
2-bedroom affordable rate	24	11.0%
3-bedroom affordable rate	9	4.0%
Subtotal Affordable Rate	**55**	**25.0%**

As shown in Table 1, the proposed unit mix is purposefully oriented towards non–family housing, given that 90%, are one and two-bedroom designs. Specifically, 40% of the total units are one bedroom units which will not generate any measurable or sustainable level of school aged children. In general terms, only 132 of the proposed 220 units will generate school aged children and associated costs.

2.0 Summary of Methodology

In considering the fiscal impacts of the Proposal, this report divides municipal service costs into two broad categories: general service costs (i.e. all non-education costs) and education costs. As noted in the report, the measurable general service costs will be generated from public safety-services (police and fire services). The departmental cost estimates discussed in this report were based on current fiscal year operating budgets and operational data provided by the Hingham Police and Fire Departments.

Consistent with any residential or mixed use development education costs represent the large majority of the total estimated service costs. The Proposal's annual student generation rate has been estimated by examining comparable rent and scale multi-family developments in Hingham.

Further, the student generation rates have been examined by unit type which allows for a more meaningful comparison of comparable developments with different unit mix ratios.

Education cost estimates are driven by an estimate of net additional school-aged children to be enrolled in the Hingham Public School System. The basic formula for determining the local education cost estimate is Actual Net School Spending per pupil (ANSS) as reported by the Massachusetts Department of Education minus state Chapter 70 aid, which serves as a revenue source.

2.1 General Service Cost Estimates

For general service costs i.e. non-educational service costs, the report employs the Town's recently approved FY2016 operating budget and includes those service categories that will most likely exhibit a measurable incremental cost due to the Proposal. In this case, the Police Department and Fire Department will be noticeably impacted. The report combines the individual estimated departmental costs for both to generate a total general service cost estimate.

It should be noted that there are municipal operational budget categories that are not included in general service costs for purposes of determining the fiscal impact, such as existing debt payments, municipal services paid by enterprise accounts for water and sewer services or similar "pay as you use" accounts. Further, building department reviews and inspections are not included because they are paid for directly to the Town by fees charged to the developer. Because the project is located on public ways and all internal roadways will be privately maintained we have not included costs for Public Works responsibilities such as road maintenance and plowing of existing public roadways. For the reasons stated above, the measurable additional general service costs will be associated with police and fire service.

2.2 Revenue Projection

Service costs represent only one part of the fiscal equation. In order to appropriately estimate the annual fiscal impact of the Proposal, the estimated annual revenue stream (total tax revenues accruing to the Town) must also be determined. Based on conversations with the Town's Assessor this report has employed two approaches i.e. the stabilized income method consistent with current practices for residential multi-family assessment and a comparable value method based on existing developments with similar assessed valuation per unit.

2.3 Fiscal Profile

The report compares the estimated total municipal service costs (both general service costs and education costs) to estimated total annual revenue to arrive at an estimated annual cost-to-revenue ratio, or annual fiscal profile. The fiscal finding is also expressed in terms of current dollars gained or lost annually, commencing at project stabilization.

Since the objective of the report is to provide Alliance Residential with an understanding of the long-term fiscal implications of the Proposal, the most important finding presented by this report is the estimated cost-to-revenue ratio at stabilization; since this finding reflects the Proposal's long

term fiscal profile. While the cost-to-revenue ratio will likely vary slightly from year to year due to background regional or national economic trends, the cost to revenue is the best measure of the long-term projected fiscal performance of the Proposal.

3.0 Summary of Findings

Key Findings

- The Proposal will have an estimated annual revenue stream of $577,000 and an estimated annual service cost of $422,100. In current dollar terms, the Proposal will generate an annual fiscal benefit of $154,900 after all municipal service costs are addressed.

- Accordingly, the Proposal generates a positive long term annual cost-to-revenue ratio of approximately 0.73.

- The total site assessed value at project stabilization will be approximately $42,900,000 (current dollars). The Proposal will also generate approximately $41,000 in annual excise taxes.

- One-time building permit fees are estimated to be approximately $525,000, payable at receipt of building permits.

- The estimated annual average number of school-aged children is estimated at 39; with approximately 23 of said students enrolling in the various grades K-6. The full enrollment is likely to be attained by the 2020/21 school year or soon thereafter. Operationally the number of school aged children will likely fluctuate between 33 and 45 with a long term average of 39.

- We find that even when including periods of market down-turns the positive nature of the fiscal profile of the Proposal is such that it will not generate a fiscal drag on operating budgets. Therefore, we find that the positive fiscal profile of the Proposal will be sustainable for the long term.

4.0. General Service Costs

This report uses the Town's FY2016 operating budget to estimate annual departmental costs associated with the Proposal and information provided by applicable Town Departments in June of 2016.

4.1 Police Department

This report employs a conservative (high cost) approach to estimating police service costs. Specifically, we equate the most traditional and visible police activity, i.e. calls for service, to the total police budget. We understand that there are other components to the police budget such as building/vehicular maintenance, communications, training and equipment beyond labor costs. However, it is the intention of this report to address the wide fluctuations in police service calls and cost that may occur at specific locations over time by equating the total annual budget to calls for service. Further, by examining service calls at comparable multi-family developments we intend to provide the means to estimate the intensity of service demand generated by the Proposal.

Based on specific information assembled from the 2013, 2014 and 2015 Town Annual reports we estimate that in 2016 the Hingham police will respond to approximately 20,000 calls for service.

4.2 Estimated Cost – Residential Service Call

The FY16 police budget including harbor master costs is $5,910,548 ($5,911,000). Adding 30% to cover pensions and medical insurance and other employment benefits, the total annual cost for analysis purposes is $7,684,000. If 20,000 calls for service are made in 2016, the average cost per call (all categories) would equate to approximately $384. Please note, it is highly likely that police service costs per call will fluctuate on an annual basis. Accordingly, to account for this anticipated fluctuation, the average cost per call is increased by 25% for our cost estimating purposes i.e. $480 per call. Table 2 provides a summary of the cost per service call estimate

Table 2. Summary of Estimated Cost per Service Call

Department	Current Police Cost (1)	Hingham Service Calls 2016 est.	Cost Per Service Call	Cost @ 125%
Police	$7,684,000	20,000	$384	$480

(1) Includes Harbor Master and 30% for employment benefits

4.3 Number of Service Calls

To generate our cost estimate for the Proposal we examined the number of police service calls to the two 40B multi-family developments in Hingham i.e. Avalon at Hingham Shipyard and Brewer Meadow. By analyzing the number of calls for the last full year of data (2015) and applying the estimated cost per call we are able to arrive at the estimated police service cost that will be generated by the Proposal.

Table 3 below illustrates police call data for the two 40B developments in Hingham i.e. Avalon Shipyard and Brewer Meadows. It should be noted that Avalon Shipyard is more consistent with the design and unit mix of the Proposal but has no three bedroom units. While Brewer Meadows is a town house design located on three parcels totaling 21 units. Each of the units at Brewer Meadows was designed to accommodate family housing i.e. three bedroom units.

Table 3. Police Calls by Comparable 40B Development

Residential Community	# of Units	Calls 2015	Calls per Unit Avg.
Avalon Shipyard	229	13	0.057
Brewer Meadow	21	6	0.286
Total	**250**	**19**	**0.076**

As noted above, while Brewer Meadow has considerable more calls per unit than comparable units as a whole, the average of 0.076 police calls per unit. Applying the rate of 0.076 to 220 proposed units generates an estimate of 17 calls per year all types. However, our experience in the region, based on discussions with police chiefs, indicates that police calls to a residential address can fluctuate by as much as 25% (higher or lower) in any given year. Therefore, to take into account the annual fluctuations in service calls at any one location, rather than apply the average rate derived above, we have increased the annual call estimate by 25% or an estimate of 21 service calls per year.

At a cost of $480 per service call, the estimated annual police service cost of the Proposal is approximately $10,080 ($480 x 21) or $10,100.

4.3 Residential Service Cost –Fire Department

We also obtained fire service and emergency runs for two comparable developments from the Office of Fire Chief Olsen. It should be noted that consistent with regional norms, due to

significant improvements in fire safety, fire inspections and building codes in recent decades, residential fires are not a major percentage of fire department service calls for any community.

Similar to the police analysis this report equates the total budget to the calls for service. The report recognizes the fact that all fire service calls are not generated by residential land use; our experience has indicated that it can be within a range of 60% to 90% in any given year depending on the community. Accordingly, to be consistent with a conservative (high cost approach) this report will assign 80% of fire service calls to residential uses.

Using a fire department budget of $7,692,000 (the $5,917,194 departmental budget plus 30% for employee benefits), and assigning 80% of said annual cost to residential uses we can derive a residential service cost of $6,153,600. Given approximately 8,800 dwelling units in Hingham the average cost of fire service per dwelling unit is approximately $700. Increasing the average cost factor by 25% (similar to what has been applied to the Police cost estimates to reflect cost volatility) generates a cost factor of $875 per call. See Table 4, summary of cost factors.

Table 4. Summary of Cost Analysis

Department	Current Budget	Dwelling Units	Cost Per Unit	Adjustment Factor	Cost Per Unit Use in the Analysis
Fire	$6,153,600 (1)	8,800	$700	25%	$875

(1) Assumes 80% of fire dept. related to residential services.

Similar to the police all for service comparable analysis, Table 5 below employs fire service data for the two comparable developments employed by this report.

Table 5. Fire Service Calls (Non-EMS)

Residential Comparable	Number of Units	Responses 2015	Average per unit
Avalon Hingham Shipyard	229	13	0.057
Brewer Meadow	21	2	0.095
Total	**250**	**15**	**0.060**

As indicated above, the comparable development analysis generates a fire service call rate of 0.06 per unit for comparable multi-family development.

Accordingly, applying said average rate of 0.06 per unit to 220 proposed units generates an estimate of 14 fire service calls (non-emergency service) per year for the Proposal. To address the reality that for some years the calls for service will exceed the average, this report increases the number of service calls by 25% from 14 to 18

Assuming 16 additional annual calls to the site and a cost per call of $875 the estimated annual (Non-EMS) fire service cost would be $16,000.

4.4 EMS Calls

However, it is important to note that the above estimate does not take into account EMS calls. Hingham operates two ambulances at the Advanced Life Care level of service (ALS). As such for the great majority of EMS service runs, insurance reimbursements cover the large majority of ambulance service cost.

Given 2015 data received from Chief Olsen the two comparable 40B developments (250 units total) used in this analysis generated 23 EMS calls; or a rate of 0.10 calls per unit.

At said rate the proposed 220 residential units will generate an additional 22 ambulance service calls per year. In most cases the 22 additional ambulance runs per year will generate a cost reimbursement to the Town. However, that is not always the case due to the lack of insurance coverage for some patients. Accordingly, to address this issue, the report will assume that approximately only 75% of the cases will insurance re-imbursement be forth coming. Therefore, this report adds an EMS contingency cost of $6,000 (i.e. the potential that 6 of 22 calls will not be covered).

Adding EMS non reimbursement calls to the estimated non EMS cost of $16,000, the total additional fire department service cost is $24,000,

4.5 Other General Service Costs

Water and sewer costs for the Proposal will be addressed by enterprise fees established by the Town of Hingham. Similarly, building department costs will be covered by the required building permit fees. The additional population should not generate additional staffing requirements for general government services such as Town Clerk, Treasurer, and for services such as libraries or recreation. The roadways bordering the site will be maintained whether or not the Proposal proceeds. Therefore, there is no measurable additional DPW cost. Further, budget items like current municipal debt are not applicable since they pre-date the Proposal. Accordingly, the municipal departments that will experience measurable additional costs in this instance are the Police and Fire Departments.

Table 6 below summarizes the total estimated annual general service costs (current dollars) associated with the Proposal.

Table 6. Summary of General Service Costs

Department	Annual Cost
Police	$10,100
Fire	$22,000
Total	**$32,100**

5.0 Education Costs

5.1 Student Projection

The student generation analysis is based on the school aged children (SAC) rate for two and three bedroom units (market and affordable) consistent with the same two comparable developments used in the public safety analyses above. All school data herein has been provided by the Hingham School Department as of June of 2016.

Essentially, the two bedroom 40B SAC rate (aggregate of market and affordable units) is represented by the Avalon Shipyard 40B since there are no three bedroom units in said development. The three bedroom 40B SAC is represented by Brewer Meadows which is a town house design and all units have three bedrooms.

In order to generate a more accurate student generation estimate, this report removes the one bedroom units from the Hingham Shipyard 40B and assigns all the enrollment to the two bedroom units. Table 7 illustrates the school aged children (SAC) generation rate per two bedroom units found in the appropriate comparable development.

Table 7. SAC Rate for Two Bedroom Units - Comparable 40B Development.

Residential Comparable	Total Units	Total Students	2 Bedroom Units	SAC Rate 2 Br. Units
Avalon Hingham Shipyard	229	21	183	0.115

Applying the SAC rate as determined by Table 7 above (0.115) to the 98 two bedroom units of the Proposal would generate an average of 11 students per year.

Table 8 below is a similar analysis for the three-bedroom SAC rate. While we understand that Brewer Meadows is an older development of town house design and that the rents are considerably lower than the Proposal, it is a three-bedroom development. Further, since this

report is constructed from local SAC data, Brewer Meadows has been employed for the purposes of estimating a SAC ratio for three-bedroom rental units knowing that the SAC rate is on the high side of the regional range.

Table 8. SAC Rate Three Bedroom Units - Comparable 40B Development.

Residential Comparable	Total Units	Total Students (1)	3 Bedroom Units	SAC Rate 3 Br. Units
Brewer Meadows	21	17	21	0.810

Applying the SAC (school aged children) rate as determined by Table 8 above (0.810) to the 34 three bedroom units of the Proposal generates an average of 28 students per year. It should be noted that based on our regional experience with communities with varying demographic characteristics, the three-bedroom aggregate SAC rate (mix of 75 % market and 25% affordable) has a range from 0.50 to 0.90 students per unit. Thus, while Brewer Meadows is above the regional average aggregate three-bedroom SAC rate (0.75) we have observed; the SAC rate of is within the overall regional range we have observed over that past 20 years.

Therefore, combining the two and three-bedroom student estimates generates a total estimate of 39 additional students. In terms of year to year enrollment numbers, Hingham should consider the estimate of 39 students as a long term average and for future years enrollment will likely fluctuate within a range of 33-45 students per year.

For purposes of comparison, the aggregate two and three-bedroom SAC rate of the Proposal is 0.295. The Town wide SAC rate per dwelling unit (the large majority single homes with 3 or more bedrooms) is 0.48 i.e. 4,200 students from 8,700 dwelling units. Therefore, it should be noted that while the three-bedroom rate used in this analysis is most likely conservative (high) it is considerably lower than the town wide rate which is derived primarily from larger single family homes.

5.2 Estimated Annual School Cost and Enrollment Patterns.

Based on information received from the Massachusetts Department of Education Actual Net Spending per Student (ANSS) for Hingham FY 2016 is $11,484 with State aid representing $1,576. Deducting State aid (a revenue source) leaves a cost of $9,858 ($10,000) per student to be addressed by local revenue sources.

Employing the above noted annual marginal cost estimate of $10,000 per student and the projected annual average students (39) produces an estimated annual school cost of $390,000 (current dollars).

Based on regional experience with multifamily development, approximately 60% or 23 of the projected 39 students will enroll in various K-6 grades and the remaining 16 students will be enrolled in the various middle and high school grades. It is estimated that full enrollment (39 students) will be achieved by the beginning of the 2020/2021 school year or soon thereafter.

6.0 Total Service Cost

Table 9 below summarizes the estimated total annual municipal service cost associated with the Proposal.

Table 9. Total Estimated Service Cost

Department	Estimated Cost
Police	$ 10,100
Fire	$ 22,000
Schools	$390,000
Total	**$422,100**

7.0 Revenue Projection

7.1 Estimated Revenue- Residential Component.

For the purpose of generating a revenue estimate, this report employs the income method consistent with current Town practices. Said method is subject to change in that the capitalization rate (cap rate) employed fluctuates with market conditions.

7.2 Estimated Aggregate Rents

Internal market studies have indicated a rent range for both the market and affordable units. Specifically,

One Bedroom Market: $2,300
One Bedroom Affordable: $1,205

Two Bedroom Market: 3,000
Two Bedroom Affordable: $1,299

Three Bedroom Market: $3,400
Three Bedroom Affordable $1,388

Based on discussions with the Hingham Assessors Department, this analysis applied the gross rents derived from the above noted rent schedule to the following metrics to generate an estimated assessed value for the Proposal. Please note; the metrics and the resulting revenue estimates are not official Town estimates but Connery Associates estimates based on discussions with the Town's Assessor. We believe that market demand for multifamily housing in the greater Boston area will be long term. Accordingly, assessment metrics shown below for the vacancy rate and cap rate will most likely be lower. Therefore, revenue yield estimated in this report should be considered as a low estimate and that the actual revenue generation will most likely be higher given an increase in assessed value per unit.

7.3 Income Method Metrics

- 10.0% vacancy deduction
- 40% operation and maintenance deduction
- Cap rate of 8.0%

Using the income metrics noted above, the 220 proposed units, at stabilization is estimated to have assessed value of $42,900,000 (current dollars) or approximately $195,000 per unit.

Applying the current $12.49 residential tax rate to the averaged estimated assessed value of $42,900,000 yields an annual estimated property tax of $536,000 (current dollars at project stabilization.)

Additionally, the Proposal will generate approximately 330 registered vehicles on site that will be subject to automobile excise taxes. The Town's average excise tax per vehicle is approximately $125 per vehicle. Assuming 330 vehicles on site the Proposal will generate approximately $41,000 in annual excise tax revenue. ***Adding excise tax to the estimated property taxes yields an annual revenue stream estimate of $577,000.***

Table 10. Summary of Assessed Value and Annual Revenue

Proposal	Estimated Assessed Value	Property Tax (1)	Excise Tax	Annual Revenue
220 Apartments	42,900,000	$536,000	$41,000	$577,000

(1) Residential tax rate of $12.49.

8.0 Fiscal Profile

Table10 provides a summary of the Proposal's long term fiscal profile by comparing the cost and revenue components i.e. the cost to revenue ratio or fiscal profile.

Table 11. Fiscal Profile

Proposal	Annual Revenue	Annual Cost	Cost to Revenue Ratio	Annual Benefit (loss)
220 Apartments	$577,000 (1)	$422,100	0.73	$154,900

(1) Excise tax and property tax

The report finds that the Proposal generates positive fiscal profile of 0.73; essentially at stabilization approximately 27 cents of every revenue dollar will accrue to the Town as an annual fiscal benefit that can be used to address other municipal needs.

In current dollar terms, from stabilization onward the Proposal will generate approximately $154,900as an annual fiscal benefit to the Town of Hingham; and likely more given the conservative revenue generation model used in this report.

We find that the positive fiscal profile is primarily due two primary factors; one, a unit mix that has 40% of the total units as one bedroom units and therefore does not generating school costs in any measurable or sustainable manner; and two, the market rents which are higher than regional

average. We reiterate our position that in coming years the cap rate and vacancy rate metrics used in this report will most likely decline, thus improving tax yield and the annual fiscal profile of the Proposal by a noticeable amount.

9.0 One Time Fees

Based on the applicant's initial estimate of construction costs, and the current fee schedule of $10 /$1000 of construction cost, total building permit fees are estimated to be $525,000.