

Fiscal Impact Analysis

Greatland Realty Partners

1050 Waltham Street

December 17, 2019



FOUGERE PLANNING & DEVELOPMENT, Inc.
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FISCAL IMPACT ANALYSIS
Proposed Office/Laboratory

1050 Waltham Street

1.0 Introduction

Fougere Planning and Development, Inc. has been engaged by Greatland Realty Partners to undertake this Fiscal Impact Analysis to review both estimated revenues and municipal costs that may arise from a proposal to construct a three story 157,000 square foot office/laboratory at 1050 Waltham Street. This 5.2 acre site presently consists of two dated office buildings totaling 64,769 square feet. The net increase in building space on the property will be approximately 92,231 square feet. A structured parking garage, as well as ground level parking will be provided; three outdoor amenity areas will also be provided as an outdoor gathering space for the tenant occupants.

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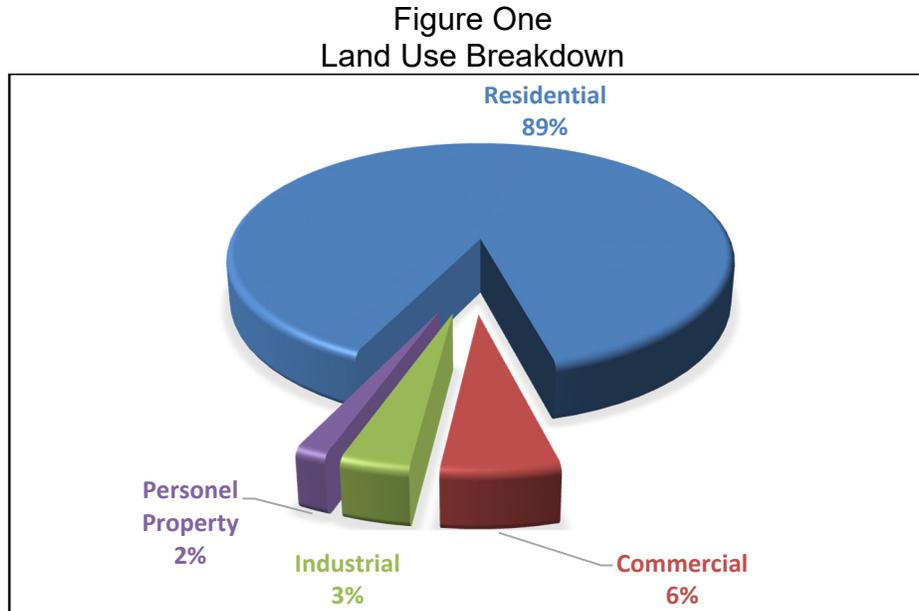
2.0 Local Trends

Population

Lexington's population has seen modest growth over the last 17 years, with new residential development attracting young families along with the sale of existing housing units. Census¹ figures report that from 2000 to 2017 Lexington's population increased from 30,355 to 33,339 representing a 9.8% growth rate over the 17-year census period. During this same time frame school K – 12 enrollments have increased 25%, rising from 5,807 to 7,259.

Land Uses

Not surprisingly, residential properties are the dominate land use in the community, accounting for 88.6% of the property valuation, followed by commercial properties at 7% and industrial uses at 3%, as shown in Figure One. There are only 41 industrial properties² within the community out of a total of 11,293 non-exempt parcels. These industrial properties have a total assessed value of \$377,446,000.



¹ 2000 Census figures and 2017 American Community Survey.

² Assessment Categories for FY18, 2018 Town Report page 62.

Budget History

Lexington's total operating budget for 2019 is \$193,549,109, with Education and Public Safety Departments having some of the largest budgets as outlined in Figure Two. The Education Department has seen the largest dollar increase over the last three years, increasing by 13.8%. Overall, total appropriations have increased 13% from 2017 - 2019. Table One outlines 2019 appropriations.

Figure Two
Appropriations 2019

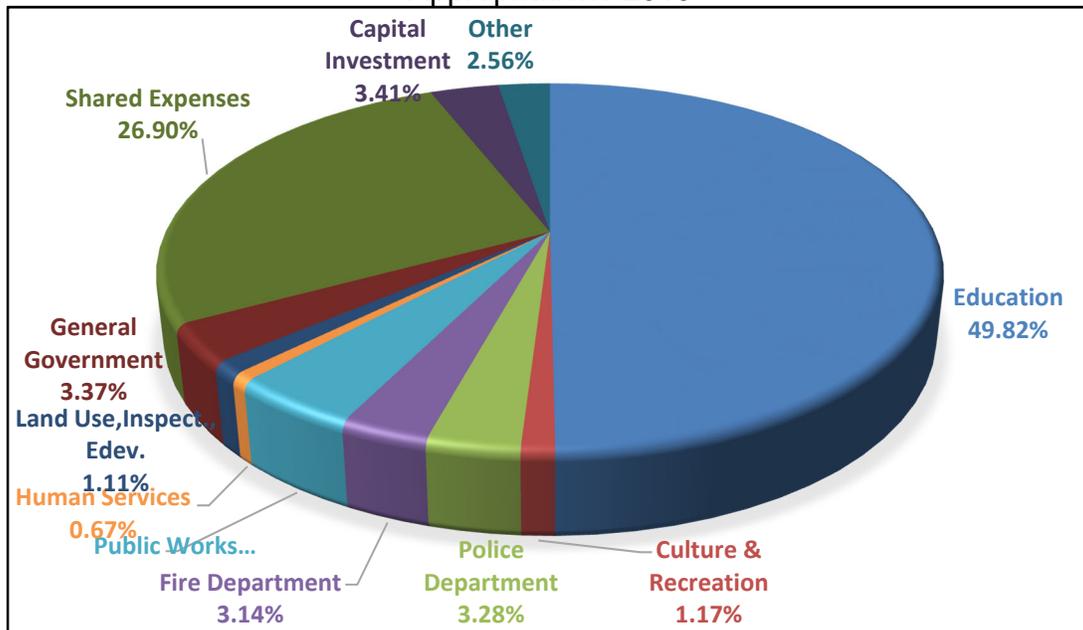


Table One
Appropriation³ 2019

Education	\$110,237,662
Culture & Recreation	\$2,592,454
Police Department	\$7,246,566
Fire Department	\$6,950,710
Public Works	\$10,119,459
Human Services	\$1,477,495
Land Use & Inspect.	\$2,447,636
General Government	\$7,447,715
Shared Expenses	\$59,508,858
Capital Investment	\$7,549,138
Other	\$5,674,348
	\$221,252,041

³ Recommended Budget & Fin. Plan March 2019.

3.0 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. 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 are 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 are exaggerated - significantly in some instances. (For example, 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 could 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 an alternative 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 Lexington 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,

⁴ Burchell, Listokin & Dophin.

pressures are placed on some departments to address increased demands, while other departments experience 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 development project, it is our belief that the primary municipal impact will be limited to emergency service departments. Some impacts to these departments are already occurring giving the existing office space (64,769 sq. ft.), presently on the property. The increased demand on local services will come from the planned net increase in space of approximately 92,231 square feet. The maintenance of all onsite parking areas will continue to be privately addressed, along with trash disposal. No school related impacts will occur. It should be noted that all revenues and costs are based upon today's dollars and assumes a full buildout of the proposed project.

4.0 Local Revenues

4.1 Property Tax Revenue

Local property taxes provide the bulk of General Fund Revenue⁵ for the Town, with 2019 figures showing that 79.9% came from this revenue source, the remaining income being received from State Aid and Other Receipts. The 2019 Real Estate Tax Rate for residential uses is \$14.12; the industrial/commercial rate is \$27.33.

Table Two outlines the estimated municipal property tax revenue that will be generated by the proposed project. To obtain information of local market conditions, we met with the Director of Assessing Mr. Robert Lent. Based on the subject site's proposed development program, Mr. Lent discussed similar office uses in the community. To arrive at an estimated value, six comparable office building assessments were chosen. Based on an average assessed value of \$325 per square foot, the proposed 157,000 square foot office/laboratory building is estimated to have an assessed value of \$51,048,267 generating \$1,395,149 in

⁵ Lexington FY2020 Recommended Budget & Fin. Plan, 3-25-2019.

yearly property tax revenue. This new office/laboratory building will increase the assessed value⁶ of industrial space in Lexington by 11.9%.

Table Two
Anticipated Yearly Property Tax Revenue

Site	Assessed Value	Square Footage	Value/Sq. Ft.
115 Hartwell Ave.	\$24,705,000	86,532	\$286
200 Shire Way	\$66,250,000	172,201	\$385
300 Shire Way	\$35,639,000	120,704	\$295
400 Shire Way	\$60,087,000	185,516	\$324
125 Spring Street	\$12,492,000	46,558	\$268
830 Winter - Waltham	\$54,454,300	168,525	\$323
Average	\$253,627,300	780,036	\$325
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Proposed Lab./Office	\$51,048,267	157,000	
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Estimated Revenues			
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Property Taxes @ \$27.33			
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Lab./Office Property Taxes	\$1,395,149		
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4.2 Community Preservation Act 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, the estimated yearly CPA surcharge of \$41,854 has been estimated; Table Three.

Table Three
Community Preservation Surcharge

Property Taxes	% CPA Surcharge	Surcharge
\$1,395,149	3%	\$41,854

4.3 Personal Property Revenue

Taxes on personal property is also a source of revenue in the community, most recently generating \$5,387,447 based on a total valuation of \$197,125,770. Not all personal property is taxable, with many businesses qualifying for a tax exemption provided for by the Massachusetts Department of Revenue. Assessing

⁶ FY19 Industrial value \$427,370,345 Tax Class. Report, Nov. 30, 2018.

Office records indicate that approximately 6.6 million square feet of industrial/commercial space presently exists within the community. Based upon the revenue generated from personal property, this equates to .81 cents per square foot. If we assume half of the proposed building will have taxable personal property, an estimated \$63,585 in yearly taxes may be generated as detailed in Table Four.

Table Four
Personal Property Taxes

Building Area W/Property	Cost Per Sq. Ft.	Estimated Taxes
78,500 Sq. Ft.	.81 Cents	\$63,585

It should be noted that this revenue stream is not as stable as other taxing sources, personal property has rapid depreciation schedules which reduces its value over time. This further supports the position to only account for 50% of the building area to contain personal property.

4.4 Estimated Yearly Project Revenues

The proposed development is estimated to generate \$1,500,589 in local revenues from property tax, CPA Surcharge and personal property taxes as outlined in Table Five.

Table Five
Estimated Yearly Revenue

Estimated Revenues	
Property Taxes @ \$27.33	
Lab./Office Property Taxes	\$1,395,149
CPA 3%	\$41,854
Personal Property	\$63,585
Total Revenue	\$1,500,589

Additional one-time payment revenues will also be realized as part of the development, and these will be detailed further below.

5.0 Department Impacts

Land uses can have a wide range of cost impacts on community services, from increases of students from residential development to increased police calls from

a large commercial complex. These land uses also generate tax revenue to the community and the difference between revenues and costs is often referred to as the Cost to Revenue Ratio. The higher the ratio, the greater the impact on the community (Higher density residential developments often have a high cost to revenue ratio.)

Office/laboratory uses, for the most part, generate one of the lowest cost to revenue ratios because of their low demand on local services. In many cases, the ratio is .10 or less, meaning for every \$1 in tax revenue raised, only .10 cents in costs are incurred. Given the nature of the proposed use, expanding upon an existing office property, we believe the impacts to municipal departments will be limited to emergency services and therefore, a very low cost to revenue ratio will be realized. No new roads will be constructed, all onsite maintenance including snow plowing and lighting will be private along with trash disposal and water and sewer use, which will be addressed through user fees. The traditional Department of Public Works (DPW) costs are minimized or nonexistent.

5.1 Emergency Services

To assess the degree of impact the proposed project would have on the emergency service departments, calls for service to comparable office buildings were analyzed⁷. Three years of emergency call data⁸ from four similar office buildings totaling 546,503 square feet was obtained and averaged to determine the annual numbers of calls per square foot. These ratios were then totaled to derive an average call volume per square foot, which was then used to generate projected emergency calls for each Department.

Extrapolating from the comparable call data, very minor increases are projected in the Town's Police and Fire Department call volume. Annual Police calls are projected to increase by 11 and annual fire/ambulance calls are projected to

⁷ This low emergency impact from office use is similar to data found when reviewing emergency calls from over 2 million square feet of office space in Cambridge. Considering the small retail area associated with this development, we included the retail space in the total building area.

⁸ 2013-2016

increase by 3 calls as outlined in Table Six. It should be noted that this analysis does not take into consideration emergency calls to the exiting office building which has had a sporadic occupancy history over the last few years. Given that this building has been fully occupied in the past, not all of these noted emergency calls will be new to this address.

**Table Six
Estimated Emergency Calls**

Project	Town	Units	Avg. Police Calls Per Year	Avg. Call Per Unit	Projected Yearly Calls
33 Hayden Ave.	Lexington	198,000	6	0.00003	
45 - 55 Hayden Ave.	Lexington	180,407	10.75	0.00006	
65 Hayden Ave.	Lexington	66,000	6.75	0.00010	
113-115 Hartwell Ave.	Lexington	102,096	13.5	0.00013	
Totals		546,503	37	0.00007	
Proposed Office		157,000			11
Project	Town	Units	Avg. Fire Calls Per Year	Avg. Call Per Unit	Projected Yearly Calls
33 Hayden Ave.	Lexington	198,000	1.333	0.00001	
45 - 55 Hayden Ave.	Lexington	180,407	0.667	0.00000	
65 Hayden Ave.	Lexington	66,000	3.000	0.00005	
113-115 Hartwell Ave.	Lexington	102,096	3.333	0.00003	
Totals		546,503	8.333	0.00002	
Proposed Office		157,000			2
Project	Town	Units	Avg. EMS Calls Per Year	Avg. Call Per Unit	Projected Yearly Calls
33 Hayden Ave.	Lexington	198,000	0.667	0.00000	
45 - 55 Hayden Ave.	Lexington	180,407	1.000	0.00001	
65 Hayden Ave.	Lexington	66,000	0.667	0.00001	
113-115 Hartwell Ave.	Lexington	102,096	1.333	0.00001	
Totals		546,503	3.667	0.00001	
Proposed Office		157,000			1

5.2 Police Department

The Police Department presently has a staff of 50 police officers, with 65 full time employees and 29 part-time. The FY2019 tax levy budget was \$6,607,016. The Department responded to 8,092 calls in 2018, which is down from 15,066 in 2017. Over the last three years the Department averaged of 12,031 calls as detailed in Table Seven.

Table Seven
Emergency Service Calls 2014 - 2015

	2016	2017	2018	Avg.
Police Calls	12,936	15,066	8,092	12,031
Fire Calls	1,275	1,250	1390	1,305
EMS Calls	2,331	2,510	2533	2,458

To assign some cost as a result of the increased demand for services, a number of options were reviewed including cost per call and cost per capita. Since calls for service provides a clear measure of impact on the Department, this approach was used and results in an estimated annual impact of \$6.930 as outlined in Table Eight. This cost estimate is not inferring the Police Budget will increase as a result of the proposed development, but assigns a “cost” to account for this new land use in the community.

Table Eight
Police Department Impact

Department	FY 2017 Budget⁹	Calls¹⁰	Cost/call	Est. Calls	Annual Cost
Police	\$7,582,016	12,031	\$630	11	\$6,930

5.3 Fire Department

The Fire Department presently has a staff of 42 firefighters/paramedics, with a total of 65 full time employees and 1 part-time. The FY2019 budget was \$5,519,035, which does not include fees which offset portions of the budget. In 2018 ambulance fees totaled \$1,340,000 or an average of \$529 per call. The Department responded to 1,390 fire calls and 2,533 EMS calls in 2018. As detailed in Table Seven, over the last three years the Department responded to an average of 1,305 fire calls and 2,458 EMS calls.

As with the Police Department, to account for some impact from the proposed development a cost per call ratio was used which provides an estimated annual cost of \$5,178 as detailed in Table Nine.

⁹ Benefits added at \$12,000 per full time employee.

¹⁰ Town Reports call data, Police and Fire Departments.

Table Nine
Fire Department Impact

Department	FY 2019 Budget¹¹	Calls Per Year	Cost/call	Est. Calls	Annual Cost
Fire	\$6,494,035	3,763	\$1,726	3	\$5,178

6.0 Other Departments

In reviewing other Town departments, no other measurable impacts were seen. Building permit costs more than offset any inspection related costs in the Building Department. To be conservative, we will carry a miscellaneous cost of \$10,000.

Building Department

At this time, the construction of the proposed office/laboratory building is estimated to cost approximately \$40,000,000. The building permit fee is \$12/\$1,000 which equates to an estimated building permit fee of \$480,000.

7.0 Conclusion

The proposed 157,000 square foot office/laboratory is expected to generate \$1,500,589 in gross yearly revenues and will place few new demands for governmental services, with only slight increases in emergency call volumes expected. Not all of the emergency calls will be new, as an existing 64,769 square building presently exists on the property. Yearly net revenues are estimated to be \$1,487,941 as detailed in Table 10. The municipal costs outlined are estimates and should not infer that increases in municipal spending will be necessary to accommodate this new land use. Public officials, through appropriate budgetary processes, will make the determination as to appropriate levels of departmental spending necessary to address local needs. Not surprisingly, the Cost to Revenue is less than .02 indicating the extremely positive fiscal nature of this proposed project.

¹¹ Includes \$15,000 per full-time position for benefits.

Table 10
Fiscal Impact Findings

Estimated Gross Revenues	\$1,500,589
Estimated Municipal Costs	
Police Department	-\$6,930
Fire Department	-\$5,718
Misl.	-\$10,000
Total Costs	-\$22,648
Net Positive Fiscal Impact	+\$1,487,941
Cost to Service Revenue	.015

Summary of Findings

- Gross yearly tax revenue will increase by \$1,500,589 a year, with net revenues estimated to be \$1,487,941.
- The proposed office/laboratory building will increase the total assessed value of industrial properties in the community by **11.9%**.

FY18 Industrial Assessed Value ¹²	\$427,370,345
Estimated Value	\$51,048,267
Percentage Increase	11.9%

- Property tax revenue from the proposed office/laboratory building will increase industrial property tax revenue by **11.9%**.

FY18 Industrial Property Taxes ¹³	\$11,680,031
Estimated Property Taxes	\$1,395,149
Percentage Increase	11.9%

- Measurable impacts to town departments will be limited to emergency services, which will experience minimal increased calls for service. Not all calls to the property will be new as there is an existing 64,769 square foot office building on the property.
- Value of the subject site will rise from \$6,377,000 to \$51,048,267, increasing property tax revenue from \$174,283 to \$1,395,149.
- It is anticipated that building permit fees will total approximately \$480,000.
- Other economic benefits are projected as a result of the proposed addition of Class A office/laboratory space in the community, including additional meals taxes, the creation of temporary construction jobs along with expanding the local employment base when the building is occupied and general local economic growth associated with the new land use.

¹² Exhibit D, FY19 Tax Classification Report, Nov.30, 2018.

¹³ Exhibit D, FY19 Tax Classification Report, Nov. 30, 2018.