

Memorandum

To: Town of Braintree Planning Board

From: Karl F. Seidman Consulting Services

Re: Peer Review of Fiscal Impact Analysis for ZOM Residences at South Shore PUD District prepared by Fougere Planning and Development, Inc.

Date: October 2, 2024

This memo summarizes the results from my review of the Fiscal Impact Analysis Report prepared by Fougere Planning and Development, Inc. for the ZOM Residences at South Shore PUD District dated June 19, 2024. My review included:

- Reviewing the Fiscal Impact Analysis Report (FIAR) including its assumptions, data sources used and revenue and cost estimates;
- Reviewing the PUD application and related materials submitted to the Braintree Planning Board;
- A kick-off meeting and tour of the site on August 28, 2004 with representatives of developer, Mark Fougere, and Town staff;
- A follow-up interview with Mark Fougere to review questions on the FIAR;
- Review of a market study of competitive area apartment complexes prepared for the project developer;
- Interviews with: (1) the Assessor and Finance Director; (2) School Superintendent; (3) Police Chief; (4) DPW Commissioner and Assistant Commissioner/Town Engineer and (5) Fire Chief to review and gain feedback on the assumptions, data sources and revenue and cost estimates in the FIAR;
- Collecting and reviewing data on town motor vehicle excise valuations and collections;
- Collecting and reviewing assessed valuations for comparable apartment complexes;
- Estimating the project's assessed valuation using an income valuation approach similar to assessor practices; and
- Reviewing the town's pipeline of future housing development to assess the potential cumulative impact on school enrollment of the ZOM project in conjunction with other potential multifamily housing developments.

In summary, the Fiscal Impact Analysis provides a sound and reasonable assessment of the proposed project's direct impact on Town revenues and expenses. Its conclusion that the project will provide a substantial positive net fiscal impact is sound. Based on my analysis of the likely assessed valuation range for the project and the potential for lower cost impacts, the net positive fiscal impact is likely to be between \$400,000 and \$600,000.

A more detailed discussion of the review of revenue and cost estimates follows.

Tax Revenue Estimates

Property Taxes. The FIAR projects expected property tax revenue, motor vehicle excise tax revenue and, building permit, water connection and sewer connection fees. The property tax estimate applies Braintree’s FY24 tax rate of \$9.48 per thousand dollars of assessed valuation (AV) to an estimated AV of \$113,750,000 to yield annual tax revenues of \$1,078,350. The AV is based on the assessed valuation of \$343,000/unit for a comparable apartment complex in Quincy (Elevation Apartments) that was adjusted upward based on projected higher rents for the ZOM development.

To evaluate this estimate, I reviewed assessed valuations for two additional apartment complexes with average rents per square foot that are close to those projected for the ZOM apartments based on the market study prepared for the developer. I also estimated the AV based on an estimate of net operating income, using data from the market study and assumptions for other revenue and operating costs confirmed with the developer. Determining the assessed valuation based on the capitalized value of a project’s income is a common method used by local tax assessors and was confirmed in my interview with Assessor Paul Sullivan. The projected net income was then divided by an 8% cap rate, the lower end of the 8% to 10% range used by the assessor, to reflect that ZOM will be a new high-quality development. The results of these additional AV estimates, shown in Table 1, suggest that the project’s AV is likely to fall in a range of \$325,000 to \$350,000. This range would result in a total property AV of between \$105,625,000 and \$113,750,000, and annual tax revenues between \$1,001,325 and \$1,078,350 plus an additional \$10,013 to 10,784 with the CPA 1% surcharge.

Table 1. Additional Assessed Valuation Estimates

Assessment Case	AV/Unit	Total AV	Property Taxes
ZOM NOI @ 9,000 per unit operating cost	\$346,006	\$112,452,066	\$1,066,046
ZOM NOI @ 11,000 per unit operating cost	\$333,506	\$108,389,566	\$1,027,533
The Point at Weymouth	\$328,557	\$106,781,025	\$1,012,284
West of Chestnut- Downtown Quincy	\$348,817	\$113,365,525	\$1,074,705
Average	\$339,222	\$110,247,045	\$1,045,142
FIAR estimate	\$350,000	\$113,750,000	\$1,078,350

Source: Karl F. Seidman Consulting Services

There will be a loss of property tax revenue from the land transfer and loss of existing uses on the seven acres used for the ZOM development. The FIAR estimates a loss of \$104,026 in property taxes from reduced AV of \$5,961,492. This estimate is accurate taking into consideration the different valuations for unused mall land and the improved parking lots, as well as the different tax rates for residential and commercial property.

After deducting the loss of \$104,026 in property taxes from existing uses on the site, the net annual property tax revenue with CPA will likely fall in a range of \$907,312 to \$985,108. Motor Vehicle Excise (MVE) Taxes. The fiscal impact analysis projects \$89,250 in annual MVE tax revenue assuming an average of 1.1 vehicle per household (one vehicle per studio and one-bedroom apartments and 1.25 vehicles per household in two-bedroom apartments), and an average vehicle valuation of \$10,000. This estimate is reasonable but may be on the conservative side based on the low estimate for vehicles per household.

The \$10,000 valuation assumption is above Braintree's average vehicle valuation of \$8,198 in FY2024, but there are reasons to expect that the vehicles at ZOM will have higher valuations. A major target tenant group at ZOM is young professionals, who are more likely to have purchased their cars more recently than all Braintree residents, so their vehicles will reflect higher current vehicle prices and be less depreciated in value for tax purposes than all vehicles in Braintree. Second, there is likely to be considerable tenant turnover each year, reducing the number of long-term residents with older vehicles.

The FIAR vehicle per household estimates seem conservative since some studio and one-bedroom units may be occupied by a couple that have two vehicles. Based on census data from the 2022 five-year American Community Survey, there were 1.17 vehicles for all renter households and 1.5 for those households with a vehicle. Moreover, the ZOM developers are assuming 1.5 car per unit.

If ZOM tenants do end up with 1.5 vehicles per apartment, then annual MVE revenues would be \$99,908 based on Braintree's FY2024 average valuation and \$121,875 with a \$10,000 average valuation.

Meals Tax. Braintree has adopted the .75% local option meals tax and will receive some additional tax revenue from local dining by new residents at the ZOM development. The 325 ZOM households are estimated to spend \$1.565 million annually on dining out, based on \$4,816 in average annual spending for a Boston metro area household.¹ Only part of this spending will occur in Braintree. Assuming half of the spending occurs at Braintree businesses, the annual meals tax increase would be modest at \$5,870.

Table 2 summarizes the recurring annual revenue estimate range from the ZOM project based on the above discussion.

¹ The 2021-2022 US Bureau of Labor Statistics Consumer Expenditure survey for the Boston region reported in annual spending of \$4,312 for food away from home, which was increased by 11.7% based on price increases for food away from home from January 2022 to July 2024.

Table 2. Braintree Annual Revenue Estimate Ranges from the ZOM Development

Revenue Source	Low Estimate	High Estimate
Net Property Taxes	\$907,312	\$985,108
Motor Vehicle Excise	\$89,250	\$121,875
Meals Tax	\$5,870	\$5,870
Total	\$1,002,432	\$1,112,853

Source: Karl F. Seidman Consulting Services

Water and Sewer Connection Fees. The Department of Public Works confirmed that the FIAR estimate of \$429,580 for these fees is accurate.

Building Permit Fees. Building permit fees were estimated at \$1.9 million dollars, based on Braintree’s fee schedule of \$20/\$1000 of construction costs and estimated total construction costs of \$90 million. The construction cost estimate amounts to \$277,000 per unit, which is on the conservative side given recent increases in construction costs and Boston area contractor estimates for similar scale multifamily housing in the \$300,00 to \$350,000 cost range.

Service Cost Estimates

The fiscal impact analysis identified the main Town departments that will be impacted by the ZOM project are Police, Fire, and Schools. For the Police and Fire Department, the additional service needs from the new development were estimated based on the projected number of service calls from the development using data for service calls per housing unit from a sample of comparable apartment developments. The consultant reviewed the service call estimates and their cost impact with Fire and Police Department staff to arrive at the final cost impact figures.

Police. For the Police Department, the cost impact was based on adding a new police officer at an annual cost of \$125,000, which is a reasonable and conservative figure. My interview with the Police Chief confirmed that these estimates are reasonable with some caveats. Police Chief Cohoon confirmed that additional staffing will be needed to respond to additional calls from the project and that adding one new police officer was an appropriate estimate. He noted that there is a large variation across apartment complexes in the number of calls generated and that the impact will ultimately depend on the tenants who occupy the project. Several factors are increasing the demand on the Police Department and its staffing needs, including an increase in more serious calls, longer call response times, the impact of the drug epidemic and having to deal with more mental health issues. Based on information from the Police Department and Finance Department, the annual salary and fringe cost would be \$104,400 with additional costs for equipment and the police academy would add \$10,100.

Fire. For the Fire Department, the annual cost impact was estimated at \$83,720 based on the ZOM project generating 56 new calls per year and an average cost per call of \$1,595. This estimate is reasonable and well supported by data, although it may overestimate the number

of new calls, according to the Fire Chief. The cost per call was calculated by dividing the FY2024 Fire Department budget by the number of annual calls. The estimate of 56 new calls was based on data from 15 apartment complexes in the Boston region that averaged .172 calls per unit, annually. Data from three projects in Braintree projects had a similar annual average of .164 calls per unit. The Fire Chief thought this estimate was high and believed that the number of new calls were likely to be half of the estimated level.

School Costs Impacts. The FIAR estimates net new school costs of \$370,552 based on additional school costs of \$279,000, special education costs of \$204,000 and an offset of \$112,448 for increased state Chapter 70 aid generated by the new students at ZOM project. The overall estimate is reasonable, although the new costs may be driven by the need for new teacher rather than aid and section costs, depending on the distribution of grades for the new school enrollment at ZOM and school enrollment impacts from other multifamily housing development.

The FIAR school cost estimate is based on the expected number of new school age students (SAC) at the ZOM project, the school system's capacity to absorb these new students with existing facilities and staffing, and the resulting marginal costs to educate the expected number of new students.

An additional 28 SAC are projected to enter the school system from the ZOM development. The FIAR consultant used average SAC ratios for studio, one-bedroom and two-bedroom units from a database of mixed-income apartment developments in the Greater Boston region and the planned unit mix for ZOM to arrive at the 28 SAC estimate. Separate ratios were used for market rate and affordable units, since the data indicated that SAC ratios for affordable units are higher than those for market rate units. The estimate of 28 new SAC at ZOM is reasonable and well supported by data. Based on grade profile data from two Braintree apartment complexes, the FIAR projected 10 new students each for the neighborhood elementary school and high school and eight new middle school students. With recent declines in enrollment and expansions at the two middle schools, and discussions with Superintendent Lee, the FIAR concluded that school system could absorb these new students without any additional teachers, new facilities and additional student transportation costs. Therefore, the additional costs for the 28 school children were estimated to be \$279,000 for aides and potential section costs along with \$204,000 for special education costs, based on 22% of Braintree students needing special education services at an average cost of \$34,000.

Since the ZOM project is one of several new multifamily projects either proposed or permitted in Braintree, the combined number of new SAC from these projects, if they are all completed, could have a greater impact on school costs than what the FIAR estimated for the ZOM project alone. Table 3 summarizes the total number of units and unit size mix for five multifamily housing projects (other than ZOM) in Braintree's current development pipeline. Two are permitted projects (87 units), two are proposed projects (165 units) and one is a Chapter 40B

project (78 units) that is in litigation. These five projects could add another 333 units, if they are all built as currently proposed, with 37% two-bedroom units and 6% three-bedroom units, potentially more than doubling the school enrollment impact from ZOM alone.

Table 3. Braintree Multifamily Development Pipeline With ZOM*

Development Name	Status	Total Units	Studio	1BR	2BR	3BR
99/107 Hancock Street	Permitted	31	0	8	23	0
44 Allen Street	Permitted	56		22	29	5
37-89 Pearl Street	Proposed	105	21	63	21	0
1139-1151 Washington Street	Proposed	63		41	22	
Chapter 40B/383 Washington Street	In Litigation	78	4	30	29	15
Total Housing Pipeline		333	25	164	124	20

Source: Braintree Planning and Community Development Department

* Omits 338 Elm Street which is a 55+ development that will not have school children

When the potential school cost impact from the ZOM project alone and the potential combined impact from multiple housing developments were discussed with School Superintendent Lee, he was concerned about the potential need for additional school teachers. He noted that the need for additional school teachers will depend on whether the SAC at ZOM are concentrated in a particular grade. If the projected 10 new elementary school students are all in the same grade at the Flaherty School, then adding a new teacher would be necessary. Superintendent Lee estimated that a combined enrollment increase of 60 new students from ZOM and the other 333 units in the pipeline might require 3 to 4 new teachers, but it will depend on the new students' grades. With a \$109,000 combined salary and fringe benefit cost for a new teacher, the cost impact of four new teachers would be \$436,000. ZOM would represent 47% of these new costs, or \$204,920, based on it generating 28 of the assumed 60 new students, which is slightly less than the \$279,000 cost estimate in the FIAR.

Superintendent Lee confirmed that the assumptions used for special education costs, 22% of students receiving special education services at an average cost of \$34,000 are reasonable. He also confirmed that there would no additional student transportation costs, even with an enrollment increase of 60 to 70 students.

Braintree's per student Chapter 70 aid for FY2024 was \$3,944, slightly less than the \$4,016 used in the FIAR, which is probably due to different year used in the FIAR(FY25). This small difference is not significant, representing only \$2,016 for 28 students.

Other costs. It is difficult to estimate the impact of ZOM on other Town services, such as Elder Affairs and the Library, as these impacts are highly dependent on the project's residents and

the nature and extent of their use of these services. The FIAR allowance of \$125 per unit is a reasonable way to account for some cost impact on these services.

There is no expected cost impact on the Department of Public Works since the project is located on a state road, the internal driveways will be privately owned and maintained, trash pick-up will be handled privately and the developer will be responsible for the cost of any needed upgrades to water and sewer pipes and pump stations that will serve the project.

Other Potential Costs and Benefits. The FIAR identifies the major fiscal benefits and costs that are likely to result from the ZOM development. Additional non-fiscal benefits from the project include the provision of 33 new affordable housing units, increasing housing options in Braintree to serve current and future residents and increasing open space and public walking trails. One potential cost issue is the increased risk of sanitary sewer overflows that occur a few times a year with heavy rain events. The ZOM project will add sewer flows to the system and thus the potential for addition overflow events that generate fines for the Town.

ZOM will establish a new residential community in a heavily commercial area of Braintree. This has potential economic benefits for Braintree by increasing consumer spending and demand for Braintree business, and the adjacent South Shore Plaza Mall, to the extent ZOM residents shop locally and use local services. It may also lay the foundation for a larger residential or mixed-use district if the economic fortunes of the South Shore Plaza Mall change and some redevelopment is needed to preserve the Town's tax and economic base. A new residential community may also create strong voice and demand for some Town services, such as increased police and recreational services in the neighborhood or better maintenance of the grounds of the Old Braintree reservoir, which is Braintree's responsibility. The new ZOM community also will create a new set of abutters that the Town will need to consider in future planning for the area and that might oppose some types of new development in the area.

Additional Economic and Other Factors. Property taxes from the ZOM project, which account for close to 90% of the annual revenue impact, depend on the project's market and financial performance. If the project does not achieve its projected rents and occupancy rates, then its income and assessed valuation will be lower, resulting in lower than projected tax revenue. If new apartment development in the region outpaces demand over the next few years, then market rents may be less than projected for the project. Alternatively, the project might not achieve projected rent levels if renter households in the region view its location adjacent to the South Shore Plaza as less preferable as other apartment locations. The existing housing shortage, the project's planned quality and amenities and the careful market analysis conducted for project all mitigate against this risk.

The property's assessment and tax revenue are also affected by interest rates and investor return requirements, which affect the market cap rate used to value the property. If there is a new bout of inflation that is accompanied by higher interest rates, cap rates will increase and

the assessed valuation and property taxes will be lower. For example, if the cap rate increases to 10%, the AV and property tax revenue would decrease by 20%.

As discussed in the memo, the composition of the households renting the ZOM apartments will affect the actual impact on Town services and costs. If the tenant households have more SAC than projected or the children are concentrated in one or two grades or need more special education services than estimated, then the project will have a larger impact on school costs. Similarly, if there is more domestic conflict, drug-related activity or emergencies at the ZOM project than at the apartment complexes used to estimate police and fire calls, then Braintree may incur higher public safety costs.