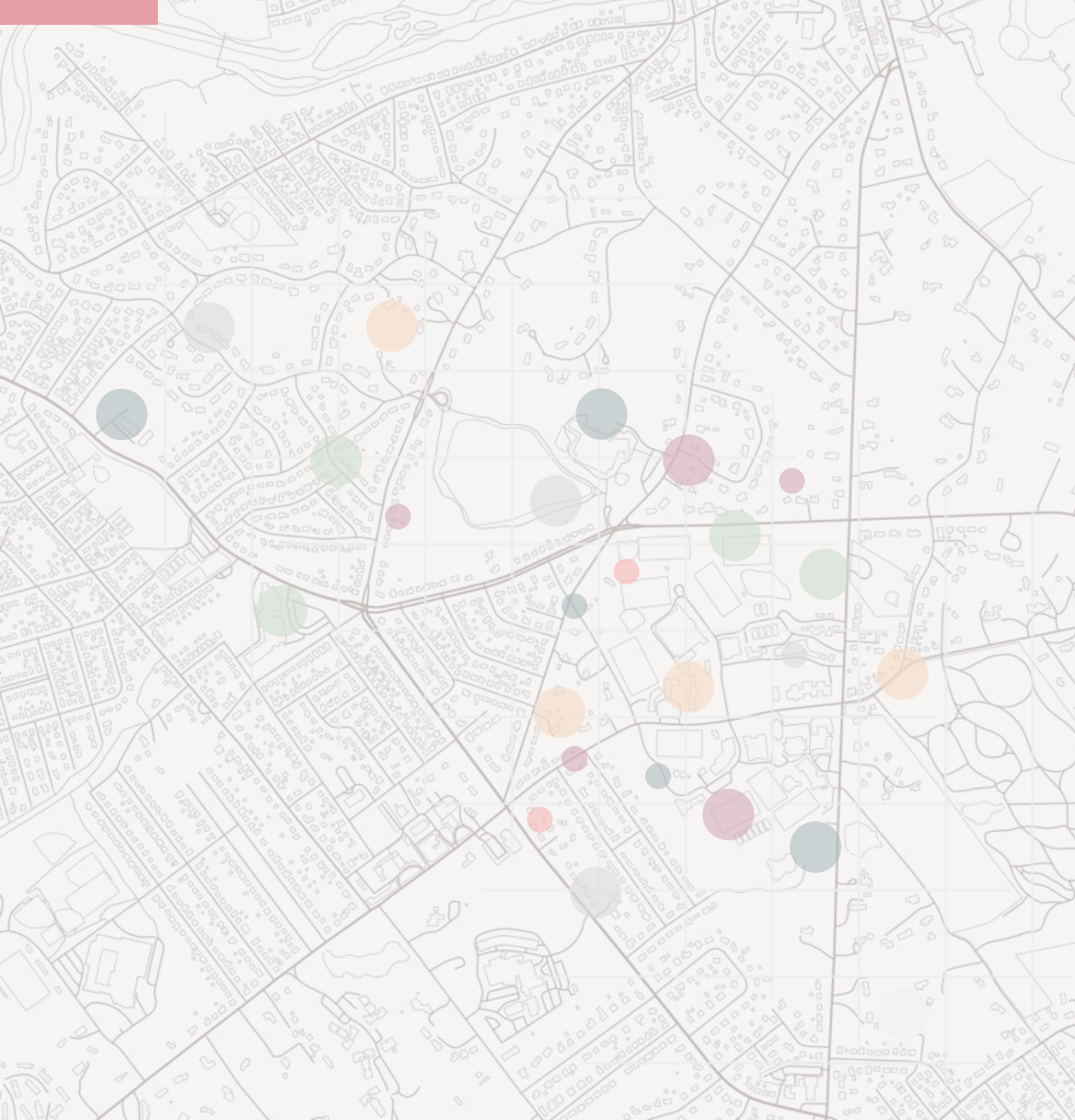




Town of Billerica, MA

Fiscal Impact Analysis

Summary Report
October 2024



Fiscal Impact Analysis Overview & Methodology

FISCAL IMPACT MODEL METHODOLOGY

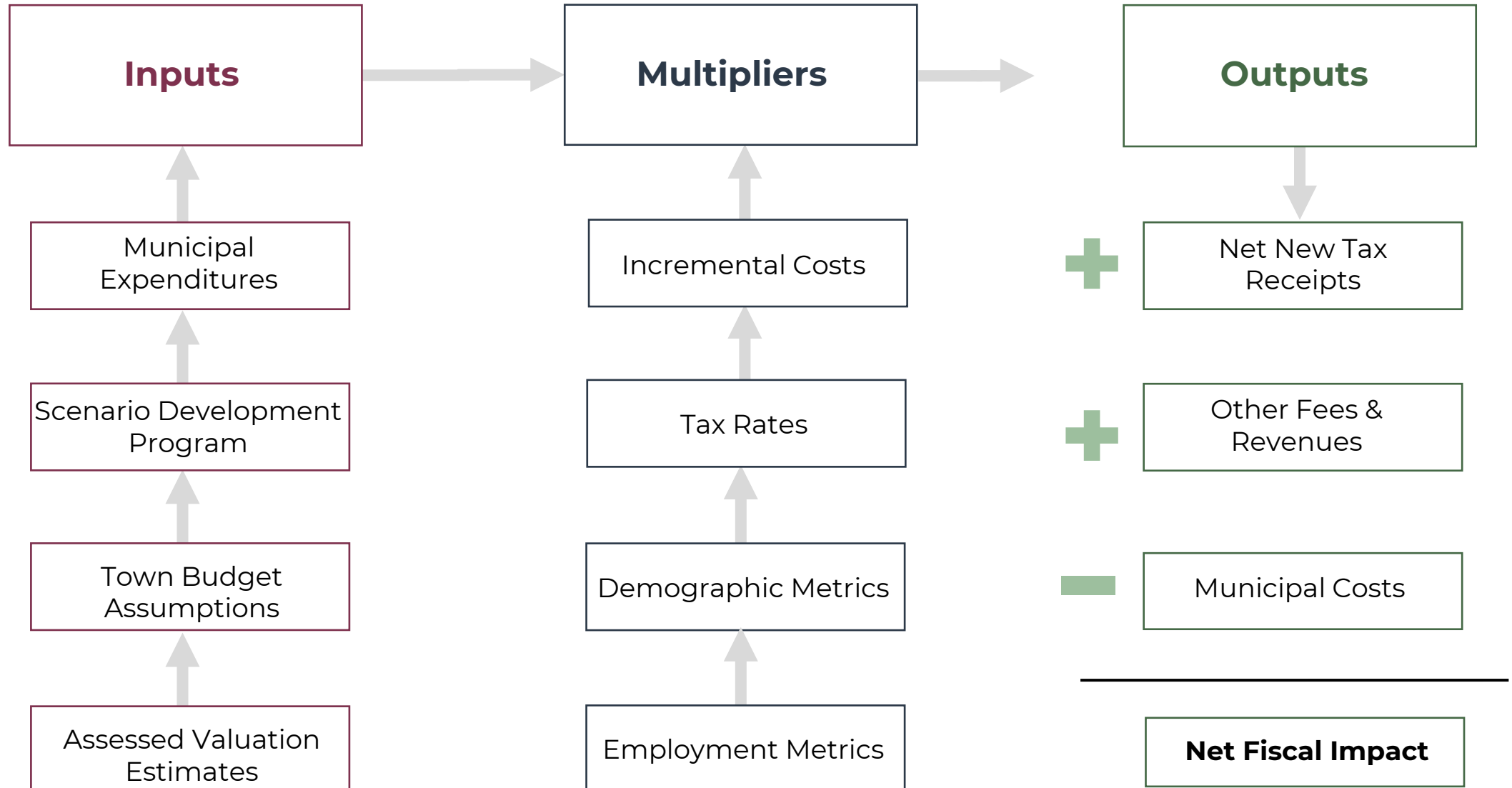
A fiscal impact analysis estimates the municipal revenues and costs associated with development and growth. Revenues include local taxes (property, excise, etc.) and various fees and other payments, while costs include the provision of municipal services (public safety, education, public works, general government, etc.). While several approaches exist to determine fiscal impacts, all are based on the common assumption that current local operating costs and revenues are the best basis for determining future costs and revenues. These approaches therefore utilize recent data on municipal service costs in the host community, as well as current tax rates and other revenue sources to calculate the net fiscal impact.

The primary focus is on the town's General Fund since that is typically where tax revenues and most municipal service costs are accounted. RKG applied an incremental cost approach to both the General Fund and the town's school budget to determine the cost borne by the town resulting from both residential and commercial development. The approach involves looking at the line-items of each budget to determine if an expenditure is either fixed or incremental. Fixed costs are costs which would occur irrespective of development, an example being the salary of the Police Chief, this is unlikely to be impacted by new development. Conversely, the costs associated with police officer wages and equipment are classified as incremental as they are likely to change based on the addition of more residents in town that may result from new residential development.

Fiscal impact approaches are 'static', that is, they assume that the project (or scenario in this case) is fully built-out and housing units are occupied. This assumption allows a comparison of the financial effect of the entire scenario on municipal costs and revenues. While larger-scale developments are often constructed over a multi-year period, municipal costs and revenues occur in equal proportions, therefore this steady-state approach does not detract from the appropriateness or accuracy of this method. It should also be noted that the fiscal impact analysis is only concerned with local public costs and expenditures, and not with state or other jurisdictional funding. For this fiscal impact analysis, RKG constructed a model to measure the fiscal impacts for different combinations of potential MBTA Communities districts.

The diagram on the next page illustrates at a high level the flow of information and inputs that go into RKG's fiscal impact model.

FISCAL IMPACT MODEL FLOW



FISCAL IMPACT MODEL ASSUMPTIONS

To test the fiscal impact of the MBTA district scenarios, RKG Associates constructed a fiscal impact model to understand the potential tax revenues from new multifamily development compared to the municipal and school costs to support that development. The fiscal impact model relies on numerous data points and assumptions regarding potential revenues from the development and anticipated municipal and school costs.

To estimate municipal revenues, RKG utilized the town's most recent property tax rate and existing property values and tax collections. To estimate the future valuation of new development, RKG used assessed values from Billerica's property assessment database and recent property sales data from CoStar.

For municipal and school costs, RKG was provided with the town's municipal and school budget spreadsheets covering all departments and municipal costs. Each line item in the budget was assigned a value of fixed or incremental to derive per household and per employee costs in the fiscal impact model. For the budget evaluation, RKG used the FY25 town and school budget.

KEY MODEL ASSUMPTIONS

- Town tax rates
- Current multifamily assessed values
- Existing property values and taxes
- Incremental governmental expenditures
 - General government
 - Public safety (police and fire)
 - Public works
 - Schools
- Student generation rates per residential unit
- Development scenario inputs

FISCAL IMPACT MODEL ASSUMPTIONS

To derive potential property taxes, RKG had to develop estimates for future assessed values. RKG utilized Billerica’s property assessment data to derive per square foot estimates of assessed value for different land use categories. Costs/values were developed for studio, one-, two-, and three-bedroom apartment units as we are only modeling multi-family rental impacts.

The table on the right shows the cost estimates on a per unit basis. To derive the total property taxes for each scenario, the total unit count is used. Residential development is allocated out by bedroom count using a formula of 10% studios, 45% one-beds, 35% two-beds, and 10% three-beds. These estimates of unit breakdowns were compiled to RKG using information from CoStar on new multifamily properties constructed across the Boston region. These percentages may vary from development to development depending on the size of the project, location, and target market.

To calculate the assessed value, each residential unit is multiplied by its projected value, then summed across all units for the development scenario. Lastly, RKG applied the town’s FY24 residential tax rate of \$11.29 per \$1,000 in value to derive total gross property tax value.

ASSESSED VALUE ASSUMPTIONS

Use Category	Gross SQFT per Unit	Per SQFT Cost	Total Value per Unit
Studio Apartments	500	\$350	\$175,000
One Bed Apartments	750	\$350	\$245,000
Two Bed Apartments	1,140	\$350	\$399,000
Three Bed Apartments	1,525	\$350	\$533,750

Source: Billerica Assessor Records, CoStar, 2024

Gross Tax Revenue per 100 Multifamily Units

Every 100 new multifamily units constructed in Billerica is projected to yield **\$32.1M** in total assessed value.

Applying the town’s property tax rate of \$11.29/\$1,000 in value yields a gross property tax value of **\$362,866**.

ESTIMATING MUNICIPAL COSTS

The flip side to the property tax/revenue component of the fiscal impact model are the municipal service costs. To estimate municipal service costs, RKG reviewed the town’s FY25 line-item budget for each department. Within each department’s budget, RKG identified costs that are likely to increase with the addition of a new household or employee in town (incremental costs). We anticipate costs such as police staff salaries, library expenditures, or maintenance of recreation fields to increase with new households or employees while a department head’s salary or hours for Town Counsel to experience little to no impact (fixed costs).

RKG identified all costs that are likely to vary (incremental costs) with the addition of new development as a subset of the Town’s total operational budget. Our variable costs account for 18% of the Town’s departmental budgets as shown in the table to the right.

The “Other” category accounts for items such as debt service, unemployment, retirement, and insurance. In our experience, these line items are not likely to increase substantially with the addition of a new housing unit. It is also very difficult to predict future changes in these line items as fewer employees could retire over time, employees in the pension system could pass away, and future debt service levels could change.

Once the incremental budget is established, it must be apportioned to residential and non-residential uses to properly account for the impact of residential and non-residential development. For that we use a breakout of assessed value from the MA Department of Revenue (DOR) which shows 89.1% of Billerica’s assessed value driven by residential with 10.9% driven by commercial/industrial/personal property.

Variable Costs by Town Department (FY25)

Use Category	Incremental Budget	Total Budget	% of Total
General Gov't	\$1,033,955	\$13,787,621	7%
Public Safety - Fire	\$8,686,102	\$12,171,949	71%
Public Safety - Police	\$5,792,722	\$8,982,861	64%
Public Works	\$1,872,235	\$11,512,241	16%
Other	\$0	\$49,143,153	0%
TOTALS	\$17,385,014	\$95,597,825	18%

Source: Town of Billerica FY25 Budget, RKG Associates.

Assessed Value by Property Class (FY25)

Class	Value	% of Total
Residential	\$8,734,303,003	89.1%
Commercial/Industrial/Personal Prop.	\$1,069,829,613	10.9%
Total	\$9,804,132,616	100.0%

Source: MA DOR 2024, RKG Associates.

ESTIMATED MUNICIPAL COSTS

After calculating the incremental costs by department and the share of the incremental budget allocated to residential uses, we must calculate municipal costs on a per household (HH) basis. This forms the basis of our estimates for calculating future costs of the residential development under each scenario.

The cost allocation table by residential use to the right summarizes the calculations used to estimate the per HH costs. The incremental budget for impacted departments is aggregated into four primary cost categories:

- Public Safety – Fire
- Public Safety – Police
- Public Works
- General Government (all departments that aren't listed above)

The incremental budget for each service category is multiplied by the residential share of total assessed value on the prior page and then divided by the total number of households in Billerica. This formula provides the incremental costs that new housing units may generate.

The municipal costs for each scenario can then be compared to the gross property tax revenues described on the prior pages to begin the process of calculating the net fiscal impact to the town from each development scenario.

Total Households in Billerica

Category	Totals
Total Households (HHs)	15,777

Source: US Census 2018-2022 Estimates.

Cost Allocation Table

Cost Category	Residential Incremental Budget	Cost per HH
General Gov't	\$920,220	\$58
Public Safety - Fire	\$7,730,631	\$490
Public Safety - Police	\$5,155,523	\$327
Public Works	\$1,666,289	\$106
Other	\$0	\$0
TOTALS	\$15,472,663	\$981

Source: Town of Billerica FY25 Budget, RKG Associates.

Total Municipal Costs per 100 Multifamily Units

Every 100 new multifamily units constructed in Billerica is projected to create municipal costs of **\$98,071**.

ESTIMATING EDUCATION COSTS

Recognizing education costs are often the single largest line item in a town’s budget, RKG developed estimates for the number of school aged children that could result from the addition of each residential unit in the development scenarios and an incremental cost per pupil. School costs, like municipal costs, are then deducted from the gross property tax estimates for each scenario to project the net fiscal impact of the development in each scenario.

The industry standard for developing estimates for new school children is to use school aged children (SAC) ratios that are applied to new development on a per unit basis. To develop the SAC ratios for Billerica’s scenarios, RKG utilized actual student counts at addresses of multifamily properties built since 2017 across the Town of Billerica. This data was provided to RKG by the Billerica School Department.

To create the student ratio, RKG isolated school enrollment data to the multifamily properties constructed since 2017, totaled the number of students registered at those addresses, and totaled the number of units at those addresses. Dividing the total number of students by the total number of units yielded a per unit ratio of 0.12 students. This ratio was then applied equally to the development program for each MBTA district scenario. RKG was not able to calculate a specific ratio based on the number of bedrooms as that level of detail was not available from the school department’s data. It should be noted that RKG assumes no children reside in studio apartments.

RKG then calculated an incremental education cost specific to Billerica’s school budget based on the FY2025 budget information provided by the Billerica School Department. Developing an incremental per pupil school cost utilizes the same process described in the municipal cost section. For example, RKG would consider the superintendent’s salary or a high school principal’s salary as a fixed cost (not likely to increase with new students), but would consider new textbooks, equipment, teachers, aides, or transportation costs to be incremental (would likely increase with new students). This analysis is only concerned with incremental costs as it is highly unlikely Billerica would hire another superintendent or high school principal if enrollment increased as a result of new multifamily development.

Using local General Fund expenditures only (net of state aid and grants), the estimated incremental cost to educate a child in the Billerica School District was **\$12,318**. This accounts for **76%** of the full cost to educate a child in Billerica of **\$16,295**. The full cost is equivalent to taking the entire local school budget divided by the total enrollment. The incremental cost only takes those costs that are likely to increase with new students divided by the total enrollment.

By multiplying the local cost to educate a child by the number of school children in each scenario we can estimate total education costs. These costs, along with municipal costs, are then then netted against the gross property tax revenue for each scenario later in this analysis.

SCHOOL ASSUMPTIONS

Use Category	SAC Ratio per Unit
Multifamily Housing	0.12

Source: Billerica School District Student Counts, 2024.

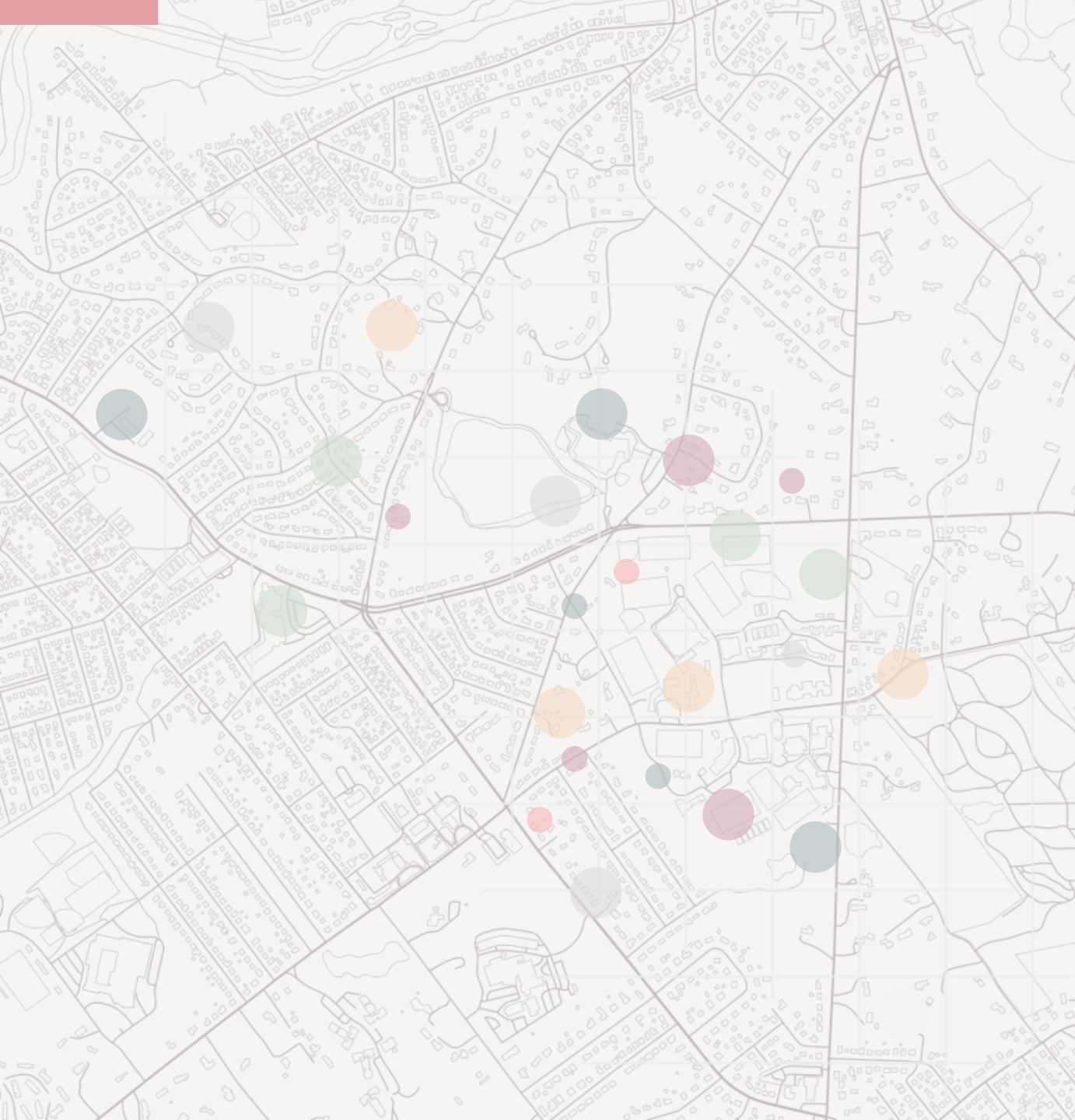
Budget Category	FY25 Incremental School Budget	% of Total School Budget	Per Pupil Cost
All Budgeted Expenditures	\$82,845,0650	76%	\$12,318
Totals	\$82,845,065	76%	\$12,318

Source: Billerica School District, FY2025.

Total School Costs per 100 Multifamily Units

Every 100 new multifamily units constructed in Billerica could generate an additional 11 students at a projected total cost of **\$135,496**.

**No students are assumed in studio units hence the total of 11 students, not 12.*



Fiscal Impact Results

ESTIMATING IMPACTS – POTENTIAL MBTA DISTRICTS

In discussions with town staff, RKG ran the fiscal impact model for each of the eight (8) potential MBTA Districts the town is considering for compliance. The fiscal impact model provides an estimate of the potential revenues and costs of new development in each district as well as the other revenues such as vehicle excise tax and Community Preservation Act (CPA) dollars. The table below is a list of each of the eight potential MBTA districts and their respective unit counts as provided by town staff.

Billerica’s Potential MBTA Districts

District Name	Maximum Unit Capacity
Inner Mills	810
Outer Mills	500
Treble Cove	304
Federal North	639
Federal South	372
Lexington St	598
Kenmar	439
Plank St	1,216

Source: Town of Billerica, October 2024.

FISCAL MODEL RESULTS BY DISTRICT

The table below shows the results of the fiscal impact analysis for each potential MBTA District. The net fiscal impact amount for each scenario is the **gross property tax revenue – total municipal costs – total school costs**. The net fiscal impact column represents an estimate of the total amount of property taxes the town could anticipate after accounting for municipal and school costs. A total is not shown for all eight MBTA Districts as there is likely to be a mix of these Districts brought forward as a compliance package that is unlikely to include all eight.

Fiscal Impact Summary Table by District

District Name	Maximum Unit Capacity	Gross Property Tax Revenue ¹	Total Municipal Costs ²	Total School Costs ³	Net Fiscal Impact
Inner Mills	810	\$2,800,230	-\$794,375	-\$1,083,970	\$921,885
Outer Mills	500	\$1,731,073	-\$490,355	-\$665,164	\$575,554
Treble Cove	304	\$1,061,887	-\$298,136	-\$406,489	\$357,262
Federal North	639	\$2,216,278	-\$626,674	-\$862,249	\$727,355
Federal South	372	\$1,293,721	-\$364,824	-\$505,033	\$423,865
Lexington St	598	\$2,068,650	-\$589,465	-\$800,660	\$681,525
Kenmar	439	\$1,529,053	-\$430,532	-\$591,257	\$507,264
Plank St	1,216	\$4,198,963	-\$1,192,543	-\$1,625,956	\$1,380,464

1 Refer to Slide 6 for methodology.
2 Refer to Slides 7-8 for methodology.
3 Refer to Slide 9 for methodology.
Source: Town of Billerica, October 2024. RKG Associates.

Net Fiscal Impact per 100 Multifamily Units

Every 100 new multifamily units constructed in Billerica could generate a net fiscal impact of **\$129,319**.

OTHER IMPACTS

RKG also calculated the additional Community Preservation Act (CPA) tax the Town of Billerica could collect from each MBTA District at full build out using the town’s 1.0% CPA tax calculation.

Lastly, RKG calculated the potential vehicle excise taxes that could come from the residential development portion of each scenario. RKG assumes that households living in the new multifamily units would have the same average number of vehicles per unit as Billerica households do today. We recognize this number may be an overestimation and could fluctuate depending on the number of parking spaces constructed, the unit mix by bedrooms, and the preferences of the households residing in the new units.

RKG used the town’s most recent vehicle excise tax total from FY24 and divided that by the number of households in Billerica to derive a per household excise tax estimate. This was then applied against the total number of households in each scenario.

Fiscal Impact Summary Table by District

District Name	Maximum Unit Capacity	Vehicle Excise Tax	CPA Tax	Total
Inner Mills	810	\$404,489	\$28,002	\$432,491
Outer Mills	500	\$249,684	\$17,311	\$266,995
Treble Cove	304	\$151,808	\$10,619	\$162,427
Federal North	639	\$319,097	\$22,163	\$341,260
Federal South	372	\$185,765	\$12,937	\$198,702
Lexington St	598	\$298,623	\$20,686	\$319,309
Kenmar	439	\$219,223	\$15,291	\$234,513
Plank St	1,216	\$607,233	\$41,990	\$649,222

Source: Town of Billerica, RKG Associates.

Additional Revenue per 100 Multifamily Units

Every 100 new multifamily units constructed in Billerica could generate additional revenue of **\$53,500.**

SUMMARY OF RESULTS

The table shown below illustrates the results of the fiscal impact analysis completed for Billerica based on the maximum unit capacity projected for each MBTA District. The overall findings show new multifamily housing would have a positive fiscal impact on the town's finances and cover the incremental municipal and school costs associated with new multifamily development.

Fiscal Impact Summary Table by District

District Information		Projected Revenues			Projected Costs		Net Impact
District Name	Maximum Unit Capacity	Gross Property Tax Revenue	Vehicle Excise Tax	CPA Tax	Total Municipal Costs	Total School Costs	Net Fiscal Impact
Inner Mills	810	\$2,800,230	\$404,489	\$28,002	-\$794,375	-\$1,083,970	\$1,354,376
Outer Mills	500	\$1,731,073	\$249,684	\$17,311	-\$490,355	-\$665,164	\$842,549
Treble Cove	304	\$1,061,887	\$151,808	\$10,619	-\$298,136	-\$406,489	\$519,689
Federal North	639	\$2,216,278	\$319,097	\$22,163	-\$626,674	-\$862,249	\$1,068,615
Federal South	372	\$1,293,721	\$185,765	\$12,937	-\$364,824	-\$505,033	\$622,566
Lexington St	598	\$2,068,650	\$298,623	\$20,686	-\$589,465	-\$800,660	\$997,834
Kenmar	439	\$1,529,053	\$219,223	\$15,291	-\$430,532	-\$591,257	\$741,778
Plank St	1,216	\$4,198,963	\$607,233	\$41,990	-\$1,192,543	-\$1,625,956	\$2,029,687

Fiscal Impacts per 100 New Multifamily Units

District Name	Maximum Unit Capacity	Gross Property Tax Revenue	Vehicle Excise Tax	CPA Tax	Total Municipal Costs	Total School Costs	Net Fiscal Impact
N/A	100	\$362,866	\$49,937	\$3,629	-\$98,071	-\$135,496	\$182,884



Billerica Fiscal Impact Assessment

Billerica, MA

October 2024