

TO: Billerica Planning and Community Development Department
c/o Katherine Malgieri

FROM: Eric Halvorsen, Principal, RKG Associates

DATE: November 18, 2024

SUBJECT: MBTA Communities – Fiscal Impact Analysis, Billerica, MA

Dear Ms. Malgieri,

Thank you to you and the Select Board for the thorough review of RKG Associates' fiscal impact analysis for the Town of Billerica's MBTA Communities Districts. This memo is intended to provide additional background information and/or responses to questions from the Select Board meeting dated November 4, 2024. RKG's responses are highlighted in red text underneath each of the questions.

Questions and Responses

On Slide 6, Paragraph 1, "Costs/values were developed for studio, one-, two-, and three-bedroom apartment units as we are only modeling multi-family rental impacts."

The use of the word "rental" stood out. Did you exclude ownership/condo units? Zoning does not restrict to rental vs ownership, so the Town believes the model should also be inclusive of both types.

RKG's fiscal impact model was constructed to measure multifamily rental housing as that has been the predominant housing type/tenure built in most municipalities and represents the majority of housing proposed in MBTA Communities that have adopted districts to date. If the town wishes to have multifamily ownership housing tested, RKG can do that but at an additional cost as we would need to collect data for ownership housing and conduct a separate analysis.

On Slide 6, Paragraph 2, "These estimates of unit breakdowns were compiled to RKG using information from CoStar on new multifamily properties constructed across the Boston region."

A Select Board member questioned why you used Boston region data when we identify more as Lowell region/ Merrimack valley region. How wide was your source data geographically or should a different source data be used?

RKG has updated the distribution of bedrooms to reflect multifamily buildings in a submarket that includes Billerica, Lowell, Chelmsford, Tyngsboro, Wilmington, and Westford. RKG limited the sample to buildings constructed since 2017 to ensure the sample is reflective of what would likely get built in the future. The sample includes 2,839 multifamily units with a bedroom mix of 10% studios, 40% one-beds, 45% two-beds, and 5% three-beds. This information was still pulled through CoStar, but for a refined region matching more closely with Billerica's actual submarket.

On Slide 6, Assessed Value Assumptions Table

A Select Board member questioned the Total Value per Unit costs. It seemed low and he questioned where this data was from.

The assessed value per square foot was derived from looking at recently constructed comparable multifamily properties in Billerica and surrounding communities as well as an interview with the Town's Assessor. During that interview, the Assessor noted value per multifamily unit is typically in the \$350,000 to \$380,000 range. Our original valuation of \$350/SF translates to an average per unit value of \$338,000. In the revised report submitted alongside this memo, RKG increased the value to \$375/SF which yields an average per unit value of \$362,000. This now represents a value within the range of the Assessor's estimate.

On Slide 7, Paragraph 3, "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."

They asked why this sentence was singular instead of plural. Staff responded that it was likely a grammatical choice. If there is no expected impact to any unit, there's no impact to multiple units either. Please weigh in if it was something else. Otherwise, this was likely resolved.

All revenues and costs in the fiscal impact model are first measured on a per housing unit basis and then extrapolated across the entirety of the development program. The wording is correct as stated, and the statement would hold true for a single unit of housing or for the entirety of the development program across an MBTA District.

On Slide 8, it was noted that sewer and water enterprise funds were not included.

Staff noted that sewer and water usage is paid per user, not by taxes, therefore separate from the analysis. Staff also noted that infrastructure improvements for a specific development are paid by developers while improvements benefiting larger areas would benefit other properties. The costs and timing of such projects and the benefit of other properties are not quantifiable for this study and can't be calculated into an analysis like yours. A follow-on comment from you would be appreciated.

Example #1: If constructing a new multi-family development under MBTA communities, that requires an additional sewer pump station, will the cost be the responsibility of the developer? Example #2: If we are close to our water/sewer capacity and a new multi-family development under MBTA communities puts us over, who is responsible for that additional cost?

Enterprise funds such as water and sewer (or in some communities, recreation funds) are removed from the analysis as we assume the revenues and costs offset. Capital improvements are not calculated in the fiscal impact model as we are only concerned with operational costs. There are financial options for covering capital costs such as town funding, bonding, grants, or developer contributions. Therefore, it makes the inclusion of capital costs challenging and potentially overstates what the impact to the town may actually be at the time the capital expenditure is incurred.

On Slide 9, Paragraph 2 and 3, “RKG utilized actual student counts at addresses of ***multifamily properties built since 2017*** across the Town of Billerica.”

Why did you exclude data from multifamily properties built before 2017? There was general consensus that all apartments available in town should be considered when calculating school-aged child ratios. There was additional question whether all housing, including single family, should feed into the data. Staff and other Board members responded that it is more accurate to predict multifamily student ratios using multifamily student ratios. But there was no assumption made as to why you would have excluded older developments.

In our experience, older multifamily properties have different impacts than newer ones. The rents for new apartments typically far exceed those of older properties, the bedroom mix is typically different, and unit sizes tend to be larger for older properties. These differences can result in high numbers of families and school children in older properties as they are more “affordable”, may have more larger family sized units, and unit sizes tend to be larger. We find it is more appropriate to identify existing buildings in a community that can serve as proxies for what is likely to be built in the future. In our experience, newer multifamily properties are a better proxy compared to older properties.

The tables below illustrate the differences between a group of multifamily properties in Billerica that include a range of years built compared to one that is representative of more recent multifamily development. The SAC ratio for all multifamily properties in Billerica is 0.22, driven up by the high ratio at the 19 Kenmar Drive development. If that single property were to be removed from the calculation, the SAC ratio would drop to 0.16 which is slightly higher than the ratio of 0.12 which RKG used in the fiscal impact analysis. The list of all multifamily properties does not exclude developments that may have been completed under the 40B program or those that have much higher affordability percentages than what future development under the MBTA Communities zoning may include.

All Billerica Multifamily Properties				
Location	Students	Units	Year Built	SAC Ratio
4 Mt. Pleasant St	1	38	1973	0.03
158 Concord Rd	58	252	1979	0.23
19 Kenmar	114	108	1990	1.06
4-5 Riverhurst Rd	55	181	2003	0.30
499 Boston Rd	17	156	2007	0.11
71 Boston Rd	17	178	2017	0.10
147 Rangeway Rd	69	486	2019	0.14
25 Rogers St	2	11	2021	0.18
164 Lexington Rd	19	211	2021	0.09
Totals	352	1,621		0.22

Billerica Multifamily Properties Built since 2017				
Location	Students	Units	Year Built	SAC Ratio
71 Boston Rd	17	178	2017	0.10
147 Rangeway Rd	69	486	2019	0.14
25 Rogers St	2	11	2021	0.18
164 Lexington Rd	19	211	2021	0.09
Totals	107	886		0.12

For contextual purposes, Billerica’s SAC ratio across all housing types is a 0.33 including much higher ratios for single family housing which comprises 70% of all housing units in the town. This SAC ratio was derived by dividing the total enrollment (5,084 students in September 2024) by the total number of households in Billerica (15,468).

On Slide 9, Paragraph 5, “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.”

Select Board members identified that the state’s profile (profiles.doe.mass.edu) show approximately \$19K expenditures per pupil for our district. Why is your data different?
Town Manager answered that DESI would have used a previous year’s budget whereas you used the most current 2025 budget. Staff reiterated the overhead vs incremental costs as well.

That is correct. DESE school budget profiles lag by several years. RKG used the school’s most recent budget available, which accounts for the difference noted by the Select Board.

On Slide 12, the table’s math was spot checked by a Board member who claimed the math did not add up to the methodology on earlier slides.

Staff stated we would look to verify the math. (Example... If the inner mills is up to 810 units, should the math not be equal to the “per 100” x 8.1?) Please revise or show the work leading to the differing numbers.

Although we have equated revenues and costs throughout the report on a per 100-unit basis per the town’s request, the math in the fiscal impact model does not work that cleanly. When you go above or below exact increments of 100 units the model calculates revenues and costs on a per unit basis and those metrics are based on the type of unit. For example – a one-bedroom unit has a different revenue value than a two-bedroom unit. Since units by bedroom are allocated by a percentage of the overall number of units in the MBTA District, the model has to round up or down. The same will occur with school aged children estimates. Since the SAC ratio is a decimal, the model may have to round up or down as you cannot have a quarter or half of a child. This is why you cannot take the per 100 ratios in the report to extrapolate them to the district level.

On Slide 13, it was noted that the vehicle excise tax is an overestimation due to the intended walkability of multifamily zoning.

Staff acknowledged the overestimation and suggested they use the numbers on Slide 12 as the ‘final grade’ and consider Slide 13 as ‘extra credit’.

RKG agrees that there is potential for overestimation of vehicles if the parking ratios for the MBTA Districts differ from what is required under base zoning today. It may also differ from the experience of all housing across Billerica which takes into account larger single-family homes with driveways, garages, and more people in the household.

Do you have any margin of error for your work?

One Board member hoped you might have data on previous analyses you’ve conducted and the final built results (error bar with +/-). Can you quantify your confidence with these estimated values?

There are many assumptions that go into fiscal impact modeling and there will always be some margins of error. We assume that the town’s budget in the future acts like the one we used for this analysis. We also assume that multifamily housing in the future will be built like, and occupied by, similar types of households with similar bedroom mixes and sizes as today. Lastly, we assume that school children in future development are at the same levels that they are

today. All these assumptions may hold true, but it's important to realize that some of the MBTA Districts may not see development for 10-15 years and conditions could be different in the future. Therefore, we do the best we can to blend local data with reasonable assumptions to provide you with an estimate of potential fiscal impacts for development that has yet to be proposed.

How do these numbers scale over the years of potential buildout?

It was concerned how development would be slow over years, and they asked how that might impact the analysis. Staff noted that your introductory slide mentions how everything typically scales together. Staff further identified that housing costs tend to inflate faster than other industries. So as other costs go up, the tax assessed values would likely be the fastest grower.

A fiscal impact analysis assumes that as new housing is constructed, the town would make changes to expenditures and staffing levels at the same time or in anticipation of the impacts of proposed development. RKG agrees that housing prices tend to increase faster than the cost of municipal services and could lead to higher revenue to cost ratios. If that were the case in the future, that would be a benefit to the town financially.