

128 Mixed Use District Fiscal Profile of Multi-family Housing Option Needham Massachusetts.

March 9, 2015

1.0 Preface

After review by the Needham Council of Economic Advisors (Council) on February 4th 2015, the following residential development program has been prepared as a more detailed reference for Committee's on-going zoning study.

The purpose of this analysis is to illustrate the fiscal profile of a theoretical multi-family development within the Mixed Use 128 zoning district in Needham Massachusetts (MU-128). The base scenario assumes 250 luxury rental units of which 50% are one bedroom apartments; 40% are two bedroom apartments; and 10 are three bedroom apartments. Further, the base scenario also assumes that 12.5 % of all unit types will be made available for affordable housing consistent with the guidelines of MGL 40B. In order to examine the implications of unit mix and percent affordable characteristics on fiscal outcomes this report will also examine different unit mix scenarios and lower affordable housing percentage requirements.

In general terms, the objective of this report is to illustrate the long term fiscal profile of the base scenario various multi-family scenarios, in order to assist the Town of Needham's efforts in reviewing the appropriateness of the existing the MU 128 district and the possibility of creating a MU 128 residential overlay. As such, this report will generate an estimated cost to revenue ratio at project stabilization for a base scenario; and an estimate cost to revenue ratios for alternate scenarios. The fiscal projections are intended to provide the Town of Needham with an understanding of how a multifamily development in the MU-128 district will likely affect the local tax base over the long term. The specific values used to generate various municipal cost estimates should be considered as the average annual costs; meaning that the actual overall fiscal profile and individual cost and revenue components may fluctuate depending on background local, regional, or national economic conditions in the future.

All specific municipal cost estimates are intended to illustrate the magnitude of the financial impact on the affected municipal departments for the purpose of constructing an overall fiscal profile. The cost estimates are not presented 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 and Town Meeting.

Projected student enrollments and associated education costs are major components of any fiscal report reviewing a large scale residential development. This report generates an estimated education cost value based on a projection of additional school age children and an associated cost per pupil for the purpose of generating an overall education cost to be used as part of the overall fiscal analysis. Similar to non-school cost estimates education cost estimates 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, policies designed to meet future and ongoing educational objectives. The education cost estimates used in this report are intended to provide an estimate of the long term cost per student (current dollars). Near term school costs, approximately one to five years five years after stabilization, are most likely to be lower. However, this report takes the position that the measurement of education cost should be considered over the long term and thus allocates school costs on the basis of actual net school spending per student which provides a more accurate estimate of long term school cost.

Table 1 below provides a more detailed review of the base scenario with a 12.5% affordable component.

Table 1. Development Scenario

Residential Type	Market Rate	Affordable Rate	Total	Percent of Total
One Bedroom	109	16	125	50%
Two Bedroom	87	13	100	40%
Three Bedroom	22	3	25	10%
Total	218	32	250	100%

As shown in Table 1 above, the base scenario unit mix is strongly oriented towards smaller units with one and two bedroom units comprising 90% of the total. A scenario such as outlined above would likely be intended to provide quality rental housing opportunities for Needham residents; and to provide workforce housing for Needham Crossing and the Route 128 employment corridor.

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 body of this report, the measurable general service costs will be primarily generated from public safety-related (police and fire services) and minor health department costs. The associated departmental cost estimates were generated by employing current operating budget levels and discussions with department heads and the written data they provided.

As with most multifamily developments, education costs represent the large majority of the total estimated annual service costs. Education costs have been applied based on an estimate of new students at project stabilization. The estimated student generation rate has been developed by examining comparable developments in Needham and in surrounding communities. (See Section 5.0 for details).

Education costs are driven by an estimate of net additional school-aged children to be enrolled in the Needham Public School System. The basic formula for determining the local education cost

estimate is (1) the actual net school spending per pupil (ANSS), as reported by the Massachusetts Department of Education for 2014, minus and (2) state aid (MGL Chapter 70), which is an annual revenue source and an adjustment factor for current building maintenance and operational costs. Actual Net School Spending (ANSS) includes all funds expended by the School Committee via the municipal budget, grants, and other funds as well as certain town expenditures including employee benefits but excluding certain types of expenditures such as transportation, adult education, and long-term debt. As such, ANSS provides an inclusive school cost estimate per net new student.

As stated, the equation for determining the Town's educational costs takes into account the fact that school costs are partially offset by Chapter 70 school aid from the Commonwealth. In order to provide an estimate of the fiscal impact of potential new school children from the Proposal at stabilization, this report assigns a Chapter 70 aid based on the current aid per student level. While it is not a prediction of future Chapter 70 aid to Needham, we believe it is a reasonable basis on which to estimate the costs associated with students generated by the Proposal. As reported by the Massachusetts Department of Elementary and Secondary Education on its web site "Chapter 70 Trends" in January of 2015 the Town's ANSS was \$14,367 with \$1,547 (10.8%) of total represented by Chapter 70 state aid.

Since Chapter 70 is a revenue source, for the purposes of this report, it is subtracted from total ANSS in order to provide an estimate of the portion of education cost borne by the local tax base. Accordingly, the cost per student relative to locally generated revenue local fiscal resources is approximately \$12,820 per student in this report.

2.2 General Service Cost Estimates

For all other municipal service costs i.e. general service costs, the report employs the FY2015 operating budget of the Town of Needham and includes those service categories that will most likely exhibit a measurable additional cost due to the test scenario. In this case, the Police Department, Fire Department, and Health Department are considered as impacted departments with the public safety departments representing the large majority of likely additional general service costs. It should be noted that the test scenario would be replacing existing uses that also to some small extent generate police and fire service costs. However, to be conservative in Town's favor the public service costs developed for this report are considered new costs without a deduction for past or current use. Finally, the individual departmental estimated costs are combined in the report to provide a total general service cost estimate.

It should also be noted that there are municipal operational budget categories that are properly not included in general service costs for purposes of determining fiscal impact, such as existing debt payments, municipal services paid by enterprise or similar accounts for water and sewer services and building department reviews and inspections which are paid for directly by fees charged to the developer. In addition, Public Works' responsibilities such as road maintenance and plowing of existing public roadways abutting the site area will not change as a result of the test scenario. In short, the measurable potential additional general service costs will be primarily associated with police and fire services, including ambulance service, and potentially some level of health department costs.

2.3 Revenue Projection

Service costs represent only one part of the fiscal equation. To appropriately estimate the annual fiscal impact of the Proposal, the estimated annual revenue stream (total annual income generated) must also be determined. As discussed with the Town's Assessor in January of 2015 the estimated assessed valuation this report employs a combination of nearby comparable developments and the stabilized income method consistent with current practices and methods in Needham.

Added to the projected property tax at project stabilization is an estimate of excise tax associated with the base scenario but not any estimate of additional Chapter 70 aid. Therefore, the real estate property tax at project stabilization plus the excise tax comprise the estimated annual revenue stream of the base scenario.

2.4 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 findings are also expressed in terms of current dollars gained or lost annually at project stabilization.

As noted earlier, the objective is to provide Needham with an understanding of the long-term fiscal implications of the various scenarios. Accordingly, the most important finding presented in this report is the estimated cost-to-revenue ratio at stabilization since this finding reflects a 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, it is the best measure of the long term projected fiscal performance of the various scenarios.

3.0 Summary of Findings

- The tested scenario with a unit mix of 50% one bedroom; 40% two bedroom, and 10% three bedroom and a 12.5% affordable requirement has a positive cost to revenue ratio of 0.76 and would generate an annual fiscal benefit of approximately \$189,000 at stabilization (current dollars).
- One time building permit fees associated with the test scenario are estimated to be in the range of \$300,000 \$325,000.
- The test scenario has an estimated assessed value of \$65,860,000. Note: *all* current commercial properties along Charles Street in the MU-128 district have a combined assessed value of approximately 8,800,000.
- The test scenario will generate an annual average of 33 school aged children. In operational terms the number of students would most likely fluctuate between 28 and 38 in any given year.
- If all or portions of the tested scenario could be offered as a viable condominium development the overall fiscal profile would improve significantly. Specifically, the value of condominium units would have an assessed value two to three times higher than the assessed value of an “equivalent” rental unit; while the overall service costs would remain essentially unchanged.
- If the tested scenario were combined with commercial development i.e. a mixed use development ; the cost to revenue ratio and annual fiscal benefit could improve significantly, given the scale of the commercial development since the commercial component would not generate education costs and would be taxed at a higher tax rate.

4.0. General Service Costs

This report uses the City's FY2015 operating budget to reflect overall annual departmental costs. To estimate applicable general service costs, this report uses information provided by various Town Departments in January of 2015.

Residential Service Costs – Police Department

Data provided from the Police Department in January of 2015 for the years 2011 to 2014 indicated the total annual call volume of approximately 35,000 calls per year all types.

It is important to note that a significant portion of the public safety calls and costs are *not* directly related to residential land uses. Office, retail, industrial and uses plus public facilities, institutional uses, recreation uses, and town wide traffic management create significant public safety service demands. In this instance, data sampling by the Needham Police Department indicates that approximately 27% of all service calls emanate from residential land uses or 9,450 calls.

Additional data provided by the Needham Police Department, for the nearby comparable development of Charles River Landing (CRL), indicates 187 calls for service in 2013 or a rate of 0.53 calls per unit for the 354 unit development. This call rate represents the highest call rate of the past 5 years; the lowest call rate was 90 calls in 2010. The broad range in call rates serves as a reminder the volatility year to year of public safety service calls at any one location. This analysis, to be conservative, applies the 0.53 call rate to the base scenario. Accordingly, the 250 units of the base scenario may generate up additional 133 calls for service.

Further, it is important to note there is no accurate way to indicate the cost of a police response to a dwelling unit. Assuming a one to one relationship of call volume to service cost is likely not accurate form of cost estimating. This report recognizes that most likely there is not a proportional relationship between number of service calls and cost. Accordingly, to recognize that annual costs may be higher than the average on any given year this report assumes that 27% of the service calls is equivalent to 40% of overall police service cost, or a 150% rate as opposed to assuming a direct relationship between the police call rate and budget allocation. Therefore, 40% of the current police budget of \$6,013,261 represents approximately \$2,405,000 in annual service cost generated by residential land uses.

The 133 additional calls would increase the annual residential call rate by 1.4% (133 calls divided by 9,450). However, further recognizing the volatility in call rates this report will employ a 2% increase in the call rate. At said rate, the base scenario could increase annual police costs by as much as \$49,000 (current dollars).

See table 2 below for a summary of Police Costs

Table 2. Service Costs - Police

Department	FY 2014 Budget	Residential Cost Factor 40%	New Calls	Percent Increase	Estimated Annual Cost
Police Dept. (1)	\$6,013,261	\$2,405,000	\$133	2%	\$49,000

(1) Includes Public Safety Dispatch Budget

Residential Service Cost –Fire Department

Data provided in January of 2015, the Needham Fire Department indicates that total number of Fire Department service runs in 2014 was 3,559 of which 2,598 or 73% were responses to residential locations. Accordingly, with approximately 11,100 dwelling units in Town’s Fire Department averaged 0.23 runs per dwelling unit in 2014. Applying this ratio we can anticipate 58 additional fire department runs (all types) generated from the 250 unit base scenario.

The 2015 Fire Department Budget is \$7,218,973. Given that the large majority of calls are to residential land uses an average cost per call approach has merit. While not all residential service calls have the same cost this report assumes that 73% of the fire department budget approximately \$5,413,855 is expended on the 2,598 residential service calls. As noted, the base scenario will generate approximately 58 new service calls or an increase of 2.2%. Therefore, the 58 additional runs may generate up to \$119,104 in service costs. It is likely that the cost estimates noted above are conservative (high) because the number of people per unit in the base scenario is considerably lower than the average dwelling unit in Needham by about half.

Therefore, we examined a per capita analysis which is more sensitive to the population per unit issue. The \$5,269,850 portion of the Fire Department budget associated with residential land uses provided services to approximately 29,500 residents. Accordingly, the fire service cost per capita cost is approximately \$179 per person per year. Assuming a population of approximately 400 people in the base scenario the per capita method (1.6 per unit) yields a cost of \$72,000 per year.

For the purposes of this cost estimate the report will assume the average of all the methods which yields a cost estimate of approximately \$95,000 per year.

Ambulance Service.

Needham has an advanced life care service rating for its ambulance services. In general terms this allows Needham to secure insurance reimbursements for ambulance service calls. However, in reality, an unknown number of insurance calls in any one given year are provided to non-insured individuals. In general terms, the reported 2,598 residential ambulance service calls is essentially the same as the fire service call per residence or 0.23 calls per dwelling unit. Using

this value we can estimate an additional 58 ambulance service calls or an increase of 2.2% due to the 250 unit base scenario.

The cost for the 2,598 residential ambulance service calls is estimated by the fire department to have been \$3,161,910 in 2014. Therefore, the cost per call was approximately \$1,217. However, the cost for ambulance service is an insurance reimbursable item but not all calls are covered by insurance. At the present time approximately 94% of Massachusetts residents have health insurance coverage. Using this metric up to 6% of the anticipated 58 additional calls or 3 calls may not be covered by insurance. At this percentage, the Town would need to absorb approximately \$4,000 of additional cost from the base scenario.

Adding the ambulance service cost with the estimated fire service cost generates a combined estimate for fire department services of \$99,000 per year.

Health Department

A multi-family development with a common room/meeting room facilities, pools and health club facilities will require additional Health Department inspections. While most inspections require a fee, the number for health inspections that may be generated by the new residents calling for service is unknown and these calls for service will occasionally generate health department costs. While a development the scale of the base scenario will have on site management and all residents will be interviewed prior to lease signing it is possible that the Health Department may see additional health related service calls from individual residents.

The Health Department FY 2015 budget is \$577,215 and while the department also services commercial uses, for the purposes of this report, all health department costs will be assigned to residential dwellings. Given approximately 11,100 dwelling units in Needham, the Health Department cost per dwelling is estimated at \$52 per dwelling unit. Applying said average cost the Proposal may generate up to \$13,000 in additional annual health department costs. Accordingly, this report will carry a Health Department additional cost of \$13,000. Again, similar to police and fire service costs this cost estimate could vary significantly in either direction given future circumstances, but in general terms the Health Department costs are not a significant of service cost for this or similar developments.

Other General Service Costs

Water and sewer costs will be addressed via enterprise accounts for said services established by the Town of Needham. Similarly, Building Department costs will be covered by the required permit fees. The additional population should not require additional staffing for general government services such as Town Clerk, Treasurer, and Selectman; or for services such as libraries or recreation. Further, budget items like current municipal debt are not applicable since they pre-date the Proposal. Accordingly, municipal the departments that will experience measurable additional costs are Police, Fire and the Health Department.

Total General Service Costs

Table 4 below summarizes the total estimated annual general service costs (current dollars) associated with the Proposal with an understanding that in any given year costs could be higher or lower. Depending on public safety events.

Table 3. Estimated Total General Service Costs

Department	Annual Cost
Police	\$ 49,000
Fire	\$ 99,000
Health	\$ 13,000
Total	\$161,000

5.0 Education Costs

For this report, school student generation rates will be estimated by unit type. Specifically, one bedroom market and affordable, two bedroom market and affordable and three bedroom market and affordable.

One Bedroom units

For the purposes of this report studio and one bedroom units will conform to the regional norm and not generate any measurable number of school aged children (SAC).

Two Bedroom Units

Two bedroom units, while not considered a typical family oriented unit type, does generate school aged children in a consistent and measurable fashion. The nearby 354 unit Charles River Landing (CRL) has a gross student generation rate of only 0.067 per unit due to the fact that 70% of all units are one bedroom units. However, when applying the total number of students (currently 24) to only the 106 two bedroom component we derive a rate of 0.226 students per unit. This ratio is a good two bedroom comparable for our use since it also includes a 25% affordable component; and further the base scenario will likely have a similar rent structure to CHL.

Three Bedroom Units

Newer larger scale multi-family developments with a three bedroom component including a 25% affordable factor are relatively rare and in most cases student identification cannot be related to unit type due to reasons of privacy laws. However, based on my experience three bedroom market rate units have a regional average of as 0.65 students per unit; essentially mimicking the student per single/two family rate found in the region i.e. a range of 0.40 to 0.75. The estimated current single/two family rate in Needham is approximately 0.70 representing the high end of the regional experience.

Importantly, we have found that the affordable unit student generation rates in the region are two to three times the student generation rate of its market rate comparables. Accordingly, a student generation rate of 1.3 for affordable three bedroom units is applied in this instance. Note that said three bedroom affordable rate is significantly higher than town wide single family rate of 0.70.

Table 4 below illustrates student generation estimates by unit type for the base scenario.

Table 4. Student Generation by Unit Type

Type and Number of Units	Number of Units	Student Generation Rate	Number of Students
One bedroom, mkt.	109	0.00	0
One bedroom aff.	16	0.00	0
Two bedroom (1)	100	0.12 (1)	15
Three bedroom mkt	22	0.65	14
Three bedroom, aff.	3	1.30	4
Total	250	0.132	33

(1) Current Charles River Landing composite two bedroom student rate i.e. market and affordable units is 0.226 with a 25% affordable component. The test scenario has an affordable component of 12.5%. The aggregate student rate for two bedrooms has been reduced to 0.12 for this scenario.

As shown above the test scenario would, on average, generate 33 students per year. In operational terms the number of students would most likely fluctuate between 28 to 38 students in any given year.

5.2 Estimated Annual School Cost and Enrollment Patterns.

The Town of Needham has a FY15 estimated actual net school spending (ANSS) of approximately \$14,367 student pupil. Of that amount, \$1,547 is state Chapter 70 education aid; a revenue source. Therefore, the Town’s tax base supports \$12,820 per student. Applying the \$12,820 cost to the estimated 33 students, the additional annual school cost to be absorbed by the local tax base would be approximately \$423,000 (current dollars).

5.3 Total Service Cost

Assuming per pupil education costs of \$423,000; and general service costs of \$161,000 the total annual municipal service costs will be the long term annual service cost is estimated at \$584,000 (current dollars). See Table 5 below for a general summary of total service costs.

Table 5, Summary of Municipal Service Cost

Proposal	General Service Costs	Education Costs	Total Service Costs
250 Rental Homes	\$161,000	\$423,000	\$584,000

6.0 Revenue Projection

The revenue estimate relies on the current valuation of the one and two bedroom units at the nearby Charles River Landing (CRL); a development with a 12.5% affordable component, similar to the base scenario.

CRL, however, does not have a three bedroom component, therefore for that aspect of the revenue estimate this report applies Needham's current income method model to the 25 three bedroom units and the estimated rents. Specifically, the income method with the following values; a 10% vacancy factor, a 25% operation and maintenance deduction and a cap rate of 9% has been applied to the three bedroom units. Further, the assumed aggregate for three bedroom rents are \$4,100 for the 22 market rate units and \$1,400 for the 3 affordable units. This approach generates an assessed value of \$8,496,000 for the three bedroom component.

As referenced, this report uses the Charles River Landing assessed values to estimate the values of the 196 market rate one and two bedroom units and the 56 affordable one and two bedroom units. Based on current data the CRL aggregate one and two bedroom market rate assessed value is \$279,105 per market unit and the affordable units at \$107,250. Applying these values to the unit count noted above yields an estimated value of \$54,704,580 for the 196 market rate units and \$2,037,750 for the 56 affordable one and two bedroom units.

Table 6. Assessed Value Estimates by Component

Component	Assessed Value
196 one and two bedroom market rate units (1)	\$54,704,580
56 one and two bedroom affordable units (1)	\$ 2,037,750
22 three bedroom market rate units	\$8,118,000
3 three bedroom affordable units	\$378,000
Club house and amenities	\$1,000,000
Total	\$65,860,600

(1) Based on CRL current assessed values.

Given the current residential tax rate of \$11.29 the scenario will generate approximately \$743,000 in property taxes. Further, assuming there will be at least approximately 300 registered vehicles on site, applying an excise tax of \$100 per vehicle would result in an additional \$30,000 in annual revenues. Therefore, the total annual revenue stream is estimated to be approximately \$773,000.

See Table 7 below.

Table 7. Summary-Annual Revenue Stream

Base Scenario	Assessed Value (1)	Annual Property Tax	Annual Excise Tax	Annual Revenue Stream (1)
250 Rental Homes	\$65,860,000	\$743,000	\$30,000	\$773,000

(1) At stabilization (current dollars)

7.0 Estimated Long Term Fiscal Profile

With the annual revenue stream estimated at \$773,000 at stabilization (current dollars) and total annual service cost of approximately \$584,000 the test scenario will have a cost-to-revenue ratio of approximately 0.76 and is moderately revenue positive.

Table 8. Summary of Fiscal Profile

Proposal	Annual Revenue	Annual Cost	Cost to Revenue Ratio	Annual Benefit (loss)
250 Residences	\$773,000	\$584,000	0.76	\$189,000

The report finds that the base scenario generates long term cost to revenue ratio of 0.76; moderately positive.

8.0 One Time Fees

Given the current requirement of a construction related permit fee of \$0.80 per square foot this report estimates that one time building permit fees paid to the general fund will be between \$300,000 and \$325,000. This sum, after deducting Building Department construction monitoring costs, will likely generate a significant one time fiscal benefit for Needham.

9.0 Summary of Additional Fiscal Findings from January 30 2105 Report

The following summary of estimated fiscal findings for various development scenarios was a part of the initial fiscal analysis reviewed by the Council on February 4th. It is being duplicated here to provide context for the scenario examined in this report.

Introduction

The base scenario examined in detail in this report (January 30th) served as the control point for the following scenarios. In order not to duplicate the methodology text, this section of the report presents a summary analysis of various unit mix and percent affordable requirement scenarios and their resulting fiscal profiles. Using the same data and methodologies for service cost and revenue this portion of the report assumes that the general service costs associated with each scenario remains constant at \$161,000 per year but that the school costs and revenues collected due to changes in unit mix and affordable requirements drive the alternate fiscal outcomes.

Please note, given the finding that the base scenario (50% one bedroom, 40% two bedroom and 10% three bedroom) generates a revenue neutral profile. No scenario has been included that will create a negative profile. Also all annual revenues include \$30,000 in excise taxes.

Alternate 1:

Increase one bedroom component from 50% to 60%; reduce two bedroom component to 30% maintain 10% three bedroom component; and the 25% affordable requirement.

- Number of students: a decline of 6 students from 41 to 35.
- Reduction in service costs of \$77,000; from \$712,000 to \$635,000.
- Change in assessed value: minus 2.5 million; a tax revenue decline of \$28,000 from \$718,000 to \$690,000.
- Cost to revenue ratio 0.92, slightly positive fiscal profile.
- Annual revenue benefit: \$55,000.

Conclusion: A small annual fiscal benefit is generated; primarily due to a reduction in number of students from 41 to 35.

Alternate 2

An increase in the one bedroom component from 50% to 70%; a 20% two bedroom component; a 10% three bedroom component and maintain 25% affordable.

- Change in student number from base scenario: a decline of 12 students from 41 to 29.
- Reduction in service costs of \$154,000; from \$712,000 to \$558,000.
- Change in assessed value: minus 5 million; a tax revenue decline of \$56,000 from \$718,000 to \$662,000.
- Cost to revenue ratio 0.84; moderately positive fiscal profile positive profile.
- Annual revenue benefit: \$104,000

Conclusion: A 70% one bedroom component with 10% three bedrooms an 25% affordable generates a moderate annual benefit due to significant reduction in student generation from 41 to 29.

Alternate 3

Maintain one bedroom component at 50%; increase two bedroom component to 50%; eliminate three bedrooms: maintain 25% affordable.

- Change in student number from base scenario: a student decline of from 41 to 27.
- Reduction in service costs \$180,000; a decline from \$712,000 to \$532,000.
- Change in assessed value: minus 6 million; a tax revenue decline of \$68,000 from \$718,000 to \$650,000.
- Cost to revenue ratio of 0.82; moderately positive.
- Annual revenue benefit: \$118,000.

Conclusion: Moderate gain in annual benefit as compared to Alternate 2 due to a significant reduction in average annual students 41 to 27. A corollary to this scenario: If the unit mix changed to 60% one bedroom the annual benefit would increase to approximately \$150,000 due to a further reduction in students 3 to 4.

Comments on Alternatives 1-3.

We can improve the fiscal outcome of the base scenario by either removing three bedrooms or by increasing the percentage of one bedroom units but the improvements are modest except in instance where all three bedrooms are removed. Maintenance of the 25% affordable factor acts as a significant fiscal drag in Scenarios 1-3.

Alternate 4

Maintain unit mix of the base scenario and reduce affordable rate to 12.5%

- Change in student number from base scenario: a decline of 8 students from 41 to 33
- Reduction in service costs of \$103,000; from \$712,000 to \$609,000.
- Change in assessed value; increases by approximately 5 million; revenue increases by \$56,000 from \$718,000 to \$774,000.
- Cost to revenue ratio 0.79; strong moderate positive fiscal outcome.
- Annual revenue benefit: \$165,000.

Conclusion: The base scenario moves to a moderate positive fiscal profile by reducing affordable rate by 50%. Assessed values increase and school costs drop by one third.

Alternate 5

Increase one bedroom units to 60%, maintain 10% three bedroom; reduce the affordable rate to 12.5%

- Change in student number from base scenario: students decline by 16 from 41 to 25.

- Reduction in service costs \$205,000; from \$712,000 to \$503,000
- Change in assessed value: increase by approximately 4 million; revenue increases \$45,000 from \$718,000 to \$763,000.
- Cost to revenue ratio 0.66, a sustainable positive fiscal outcome.
- Annual revenue benefit: \$260,000.

Conclusion: The base scenario moves into a positive and sustainable fiscal profile by reducing affordable rate by 50% and increasing one bedroom component 60%; resulting in higher assessed value and significantly lower school aged children.

Concluding Comments

The fiscal profile of the base scenario can be improved by altering the unit mix to require more than 50% one bedrooms but the resulting fiscal improvements are relatively minor to moderate. However, when the unit mix requires a component of more than 50% one bedroom and includes a reduction in the affordable requirement to 12.5% the fiscal profile of a 250 unit multi-family development improves noticeable and is likely to result in a clearly positive and sustainable fiscal profile.

If a positive fiscal outcome is desired as one of the outcomes of the potential zoning overlay, then at latest a 50% one bedroom requirement needs to be considered along with reductions in the required affordable percentage.