Town of Brookline
Massachusetts

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TO: Members of the Hancock Village Planning Committee

FROM: Department of Planning and Community Development

DATE: 12/10/10

SUBJECT: Review of Hancock Village Alternative Proposal

BACKGROUND

As you will recall, Chestnut Hill Realty (CHR) met with the Committee and the neighborhood to discuss a number of scenarios for the development of new rental units at Hancock Village. In April 2009, CHR presented some initial concepts for infill development on the Brookline side of Hancock Village, including multi-family uses in the M-0.5 zoning district and cluster subdivision uses in S-7 zoning district. The viability of the proposals was debated, and there were questions about whether they were attainable under current zoning. CHR maintained that current zoning would allow a significant amount of development at Hancock Village, but stated that their preference was to work with the Committee and neighborhood to develop a better proposal and a better site plan. After soliciting feedback from the initial presentation and at follow up meetings held in May and June 2009, CHR presented a more refined proposal in July 2009. The proposal, dated July 15, 2009, consisted of 480 additional rental units to be phased over a ten year build-out period. Chestnut Hill Realty acknowledged that in order to accommodate the development as envisioned in the proposal, zoning would have to be amended.

In order to better understand the fiscal implications of the July 15, 2009 proposal, CHR hired Connery Associates (CA) to undertake a fiscal impact study. As the Committee is aware, CHR agreed to fund a separate fiscal study to be overseen by town planning staff. At the time, the Committee agreed that a full fiscal study was warranted for comparison purposes rather than simply undertaking a peer review of CA's work. The Department contracted with Community Opportunities Group, Inc. (COGI) in late summer 2009. Using the same baseline assumptions, namely number of units, bedrooms per unit, building type, and project build-out term, both consultants sought to forecast the number of additional of school-age children, to determine whether the project generated positive or negative revenue, and to better determine the demands on municipal services and schools.

ASSUMPTIONS

The July 15, 2009 CHR proposal, as noted above, assumes 480 new rental units. The proposal calls for 14 existing units near Sherman Road to be demolished to accommodate a large multi-family building of 220 units, which means the net total would be 466 new units. The mix includes 289 one-bedroom units and 191 two-bedroom units site-wide.

On the westerly portion of the site, the proposal calls for 366 new units located in two-story low rise buildings near Beverly Road and Independence Drive (62 total), a large four-story multi-family building near Gerry Road (62 units), and a larger seven-story multi-family building near Sherman Road (220 units). On the easterly portion of the site, 100 new units are proposed in a large multi-family building of two to four stories. The development calls for an additional 855 additional parking spaces site-wide to accommodate the new units.

SUMMARY OF FINDINGS

As noted, the July 2009 proposal was reviewed by both consultants, each employing their own methodology around a common set of assumptions to determine the project's impacts. In order to conclude whether the proposed development pays its own way or has a negative fiscal impact, the analyses took into consideration recurring revenues and recurring municipal service costs. Both studies noted that non-recurring revenues such as building permit fees, while significant, would not offset negative revenue impacts in the long term. The end result is that both fiscal studies forecast that the project's municipal service costs would be greater than recurring revenues at full build-out, even though in early years both are revenue positive.

The COGI analysis demonstrates that after an initial positive revenue surplus, the construction and occupancy of two-bedroom units midway through build-out (years 4-5) and associated school costs will negatively impact revenue. In comparison, the CA analysis demonstrates that even though net revenues are positive throughout the majority of build-out, a significant influx of children in the latter part leads to a net deficit for the long term. It should be noted that that for comparison purposes, the below table represents net revenues in two different ways. COGI's analysis is in present dollar values while CA's analysis assumes inflation adjusted dollars.

Table 1: Net Revenue Over Build-out Period

YEAR*	NET REVENUE	NET REVENUE
	COGI	CA
1	$62,250	$36,036
2	$96,050	$46,184
3	$123,080	$79,017
4	$10,150	$138,483
5	$62,650	$304,057
6	($71,900)	$397,329
7	($234,850)	$556,555
8	($421,750)	($62,350)
9	($315,200)	$464,821
10	($763,450)	$34,812
11		($511,453)

*Table does not use calendar year since both analyses assume different start dates and stabilization periods

Net revenue is the difference between recurring revenues and recurring costs, which will be discussed further. As the numbers in the Table 1 illustrate, revenues (property and excise taxes) are exceeded by municipal costs (schools, inspectional services and fire personnel) as the project reaches stabilization, leading to an ongoing negative fiscal impact. Not surprisingly, the largest expense associated with the new development is the cost of educating school children, as both CA and COGI highlight.

STATUS OF JULY 2009 PROPOSAL

Town staff reviewed both fiscal impact studies internally. For the sake of this memorandum, we did not fully summarize the numbers behind the July 2009 proposal. It is clear that the proposal will not be pursued at this time due to its negative revenue projection, mostly from costs associated with expected school-age children.

It is our understanding that the findings of both the CA and COGI fiscal studies encouraged Chestnut Hill Realty to reevaluate its July 2009 proposal. After a hiatus, CHR moved forward with a revised concept that they believe will provide a positive fiscal benefit to the town. A new proposal and revised fiscal impact study was submitted to the Town on October 13, 2010. The executive summary and the section entitled *Comparative Analysis* includes the developer's review of the COGI study and their application of COGI's assumptions to the new proposal. Town staff delved into the current proposal to review the developer's application of COGI's methodology to ensure that the assumptions were properly applied and are reasonable. Below are our findings.

CURRENT PROPOSAL

The October 2010 proposal is similar to the July 2009 proposal in that it proposes the same number of units (466 net). However, the current proposal provides less two-bedroom units than the original proposal (191 versus 48). Unlike the original proposal, the October 2010 proposal includes 260 (55+) age restricted units. It is clear that CHR's rationale for including these units is to directly address the largest municipal expense in the July 2009 proposal, educational costs, resulting from the 88-118 children projected from that proposal by CA and COGI.

Most of the 260 age restricted units proposed are two-bedroom (156) units. CHR projects that the senior housing component will not generate any school age children, which may or may not be a valid assumption, as will be discussed further in the conclusion. The inclusion of age restricted units could certainly lead to a reduction in the number of children projected in the original proposal in the same number of rental units since age restricted housing generally has less children, if any.

The *Comparative Analysis* in the October 2010 submittal briefly highlights the assumptions and methodologies that Connery Associates and Community Opportunities Group, Inc. used in their review of the July 2009 proposal. The summary points out where the two analyses are in agreement, where conclusions are different, why some projections are dissimilar in certain instances, and how projections change using the assumptions in the October 2010 proposal. CHR retained CA to undertake a revised fiscal study, and the revised study concludes that the new concept has a positive fiscal impact. CHR also utilized COGI's methodology for comparison purposes, and the revised analysis concludes that the new concept leads to a positive fiscal impact. Planning staff reviewed CHR's application of COGI's methodology for accuracy and objectivity, which follows below.

First, it is important to consider the differences between the July 2009 and the October 2010 proposals in order to note the areas of greatest change:

Table 2: Bedroom Mix by Proposal

CHR JULY 2009 PROPOSAL	CHR OCTOBER 2010 PROPOSAL
1-br: 289	1-br: 172
2-br: 191	2-br: 48
14 Units Demolished	Age-restricted (55+): 260 total, 156 2-br and 104 1-br
	14 Units Demolished
466 TOTAL (NET)	**466 TOTAL (NET)**

REVISED ANALYSIS USING COGI METHODOLOGY

Based on the revised unit bedroom mix as shown in Table 2, the revised building types stated in the proposal and the build-out schedule provided on Page 2 of the *Comparison Report*, we reexamined the use of the assumptions put forth in the COGI study to estimate the number of children that would be present under the October 2010 proposal. Not surprisingly, the inclusion of age restricted units and the reduction in the number of two-bedroom units available to renters of all ages affects the number of children projected in the development. Like the developer, we assumed no children would be generated as part of the senior component, but will conclude with some additional thoughts related to this assumption.

Table 3: Estimate of New School-Age Children from October 2010 Proposal (COGI Assumptions)

New Units	Structure Type	1-br	Avg./unit	2-br	Avg./unit	3-br	Avg./unit	Total Children (Rounded)
WEST								
44	Low Rise	44	.07					3
30	Low Rise	30	.07					2
48	Mid Rise							
	Lower			24	1.06			25
	Upper			24	.22			5
260	Senior (55+)	104	0	156	0			0
EAST								
60	Low Rise	60	.07					4
38	Low Rise	38	.07					3
DEMO								
	Low Rise							
-7	1-br	-7	.07					-1
-6	2-br			-6	1.06			-6
-1	3-br					-1	1.5	-2
466		269		198		-1		33

Source: Coefficients: Community Opportunities Group, Hancock Village Fiscal Impact Study, May 2010
Unit type and mix, Chestnut Hill Realty, October 2010 Proposal, Pg. 10

NET SCHOOL AGED CHILDREN

As Table 3 illustrates, our interpretation of the COGI methodology shows that the number of school aged children is significantly less in the October 2010 proposal as compared to the July 2009 proposal. When further compared to the original and revised Connery Associates fiscal studies for comparison purposes, we observe that both analyses project significantly less children assuming there are no children in the age restricted units:

Table 4: Number of Children by Proposal

Connery Associates	Connery Associates	Community Opportunities Group	Developer, using COGI Methodology	Town, Using COGI Methodology
July 2009 Proposal	October 2010 Proposal	July 2009 Proposal	October 2010 Proposal	October 2010 Proposal
88	23	118	24	33

On Pg. 12 of the *Comparison Report*, CHR's application of COGI's multiplier for school-age children projects that the proposal would generate 24 additional school-age children. After reviewing the COGI fiscal study to better understand the reasoning, and after a telephone conversation with the author, we determined that the number of school-age children would actually be somewhat higher.

COGI's assumption was that in a development like Hancock Village, a building such as the 48-unit building proposed near Gerry Road would generate more children than a typical multi-family building found in north Brookline. To be consistent with COGI's reasoning, we applied a higher multiplier to two floors of the building while CHR applied the same multiplier to one floor. In short, we considered the first two floors above parking to be the "lower floor" while CHR considered only the first floor of parking "lower floor". The projected difference is 9 school-age children. (See Table 4 on previous page.) Again, the COGI study argues that the location of a housing development such as Hancock Village (close proximity to schools, playgrounds and traditional neighborhood development pattern) and the quality of Brookline public schools are valid reasons to assume that the proposed development would generate more children than a development located in a town with a less desirable school system or a more urbanized area. We believe that our application of the multiplier is more consistent with the intentions of COGI's original analysis, even though it is more conservative than CHR/CA's analysis, which assumes that higher rents and building type will be a disincentive for families.

ESTIMATED COSTS OF INCREASED ENROLLMENT

Since our projection of the number of children generated in the October 2010 proposal differs somewhat than CHR's projection, it stands to reason that estimated educational costs based on greater student enrollment will be higher. Using the cost per student assumptions from the COGI report as well as utilizing a revised project build-out, CHR estimates that the additional yearly school expenditure will be $326,400 at stabilization. Below is the Town's version of COGI's projected school-age children cost:

Table 5: Estimated Costs Associated with Increased Student Enrollment

Construction Phase	New Units	Additional Students	Cumulative Students	Additional School Expenditures
2012	104 (1-br)	7	7	$ 96,600
2013	0	0	0	$ 96,600
2014	68 (1-br)	5	12	$165,600
2015	0	0	12	$165,600
2016	48 (2-br)	30	42	$579,600
2017	-14	-9	33	$455,400
2018	0	0	33	$455,400
2019	260 (1- and 2-br)	0	33	$455,400
2020	0	0	33	$455,400
2021	0	0	33	$455,400
TOTAL	**466**	**33**	**33**	**$455,400**

Source: COGI's per student cost is $13,800

Using our projections for new school-age children, the expected long-term school expenditure is $455,400, which exceeds CHR's projection of $326,400 by $129,000 per year (see *Comparison Report*, pg. 13) beginning at year six of build-out and continuing beyond stabilization.

PUBLIC SAFETY AND BUILDING DEPARTMENT COSTS

COGI's costs associated of with the new development as it relates to fire response and extra duties required of the building department are reasonable in our opinion and the per year costs have remained unchanged for purposes of this analysis. However, after looking at CHR's projected build-out schedule as shown in Table 5, and after reviewing the COGI's assumptions about temporary building department help and prorated share of fire personnel costs, we estimate that these costs will be realized sooner than CHR estimates on Pg. 13 of the *Comparison Report*.

Table 6: Estimated Costs Associated with Building and Public Safety

Construction Phase	New Units	Cumulative Units	Fire Dept Costs (Personnel)	Building Dept Costs (Temp Personnel)
2012	104 (1-br)	104	0	0
2013	0	104	0	0
2014	68 (1-br)	172	0	$94,500
2015	0	172	0	$94,500
2016	48 (2-br)	220	0	$94,500
2017	-14	211	$280,000	$94,500
2018	0	211	$280,000	$94,500
2019	260 (1- and 2-br)	466	$280,000	$94,500
2020	0	466	$280,000	0
2021	0	466	$280,000	0
TOTAL	**466 (NET)**	**466 (NET)**		

In reviewing the COGI study, it was assumed that as soon as the multi-story buildings were under construction that additional temporary building department personnel would be needed, especially for the larger seven story building. CHR estimates that the final multi-unit building would be completed in 2019, and it is reasonable to assume that in order to complete the 48-unit structure that construction will begin in 2014. We estimate, using the project build-out schedule found on Pages 10-11 of the *Comparison Study* and COGI's personnel cost assumptions, that in year 2014 temporary building department personnel will be required, commencing with the construction of the 48-unit multi-family building and remaining through 2019 as the second multi-family building is completed.

Related to fire personnel, CHR estimates that additional fire personnel will not be required until 2019. Our analysis, using COGI's assumptions, is that fire personnel would be required sooner. COGI assumed that a 20% prorated share of additional fire department costs should be applied at occupancy of at least one of the multi-family buildings (the larger seven story building) since the new development will add to department workload. Since occupation of the 48-unit multi-family building is projected to be completed in 2016, and the building is proposed to be 4-stories above parking (effectively 5-stories), it is reasonable to assume that following lease up in 2016 that the prorated costs associated to staffing a ladder truck could be applied in 2017. A telephone conversation with the author of the report revealed that, in her opinion, the prorated share of fire costs would likely be greater than originally anticipated given the age demographic of tenants in the 55+ housing component.

REVENUE

Our revenue projection is similar to CHR's revenue projection shown on Pg. 14 of the *Comparison Report*, with the exception that we net out excise tax associated with the demolition of 14 units in 2017. It should also be noted that information provided by neighbors suggests that approximately 10% of the vehicles garaged at Hancock Village are from out of state, meaning they do not pay excise tax to the Town of Brookline. To be conservative, we applied a 10% downward adjustment to excise tax revenues to reflect this observation.

Table 7: Revenues ~

Construction Phase	New Units	Cumulative Tax Revenue #	Excise Tax &	Total Revenue
2012	104 (25%)	$90,600	$4,914	$95,514
2013	104 (75%)	$254,400	$19,656	$274,056
2014	68 (25%)	$290,100	$22,869	$312,969
2015	68 (75%)	$397,200	$32,508	$429,708
2016	48 (25%)	$422,400	$34,776	$457,176
2017	48 (50%), -14	$450,400 *	$36,666 ^	$487,066
2018	48 (25%)	$475,600	$38,934	$514,534
2019	260 (25%)	$612,100	$51,219	$663,319
2020	260 (50%)	$885,100	$75,789	$960,889
2021	260 (25%)	$1,021,600	$88,074	$1,109,674
TOTAL	**466 (NET)**			

~ Like the COGI study, revenues are not adjusted for annual revenue growth and tax levy growth
\# Like the original COGI analysis, FY 2012 includes an increase of $36,000 in land taxes
* Reflects loss of 14 units to accommodate 48-unit bldg. (Figure is net of $22,400 in taxes, or 14 units X $1,600/unit)
^ Assumes loss of 14 units worth of excise (@$210 unit, or 1.4 vehicles x $150)
& Excise taxes adjusted downward 10% to reflect out of town

NET REVENUE

While our revenue projections are similar to those projected by CHR utilizing COGI's methodology, our analysis of COGI's recurring costs leads to a somewhat different net revenue projection:

Table 8: Net Revenue After Recurring Costs

Construction Phase	Recurring Service Costs (Fire, Education & Building)	Recurring Revenues	Net Revenue
2012	$96,600	$95,514	($1,086)
2013	$96,600	$274,056	$177,456
2014	$260,100	$312,969	$ 52,869
2015	$260,100	$429,708	$169,608
2016	$674,100	$457,176	($216,924)
2017	$829,900	$487,066	($342,834)
2018	$829,900	$514,534	($315,366)
2019	$829,900	$663,319	($166,581)
2020	$735,400	$960,889	$225,489
2021	$735,400	$1,109,674	$374,274*
**** See important additional issue in the conclusion below***			

Table 8 shows that from 2016 through 2018, revenues are negatively affected by the number of two-bedroom units available to rent, primarily due to schooling costs of children projected to be generated by the multi-family development. Like CHR, our projection shows that at stabilization, recurring revenues will exceed recurring costs, leading to a net fiscal benefit. The difference in our projections during build-out, as compared to CHR's projections on Pg. 14 in the *Comparison Study*, is attributable to assumptions made about the timing of fire personnel costs and temporary personnel costs for the building department. In looking closer at COGI's assumptions, it was assumed that the need for temporary town staff in the building department would coincide with the construction of larger multi-family structures. In the case of the October 2010 proposal, we assumed the additional staff would be needed for the years 2014-2019. Related to fire safety, it was assumed that when the multi-family structures were habitable that the development would add to the fire department's workload, and therefore should bear a prorated share of associated costs starting in 2017.

CONCLUSIONS

Even though it is likely, based on the methodology provided by the Town's consultant, that the October 2010 proposal could have a net fiscal benefit, there are a number of other items to consider related to the intentions of the developer as stated in the October proposal. Some of these issues are quantifiable while others reside in the realm of Town policy and deserve consideration of whether they are good or bad policy.

First, the assumption that age restricted (55+) housing will generate no children is debatable. In reading the December 8th memorandum from Town Counsel, it is certainly possible to create an age restricted community and require that units must be occupied by tenants age 55 or older. However, as Town Counsel's memo highlights, an exception for 55+ housing is that while the majority (80%) of the units must be leased to age qualifying tenants, the remaining 20% of the units *could* be rented to households with children. Depending on the demand for rental housing in future housing markets, it is possible that up to 52 (20%) of the units in the age restricted development could be rented to families with children, even though for the purpose of this proposal it seems likely that the developer does not intend to rent age restricted units to families with children. Nevertheless, the developer's proposal does not clearly state if there will be an accompanying deed restriction for all of the age restricted units. Even if one is proposed, Town Counsel's memorandum speaks to the limitation on age restrictions. CHR's report states that mid-rise building construction and higher market rents will lessen the appeal to families even further - which is borne out by analysis of similar developments - but one can never truly predict the housing market, especially at this particular site in Brookline.

A policy level issue with potential fiscal impacts not quantified for the sake of this analysis is the proposal to amend zoning to restrict the number of occupants per one-bedroom unit to a maximum of two persons. Whether this will be a Town-wide zoning amendment or limited to Hancock village is not clear, although we assume it is the latter. Town Counsel's opinion offers the legal reasons of whether it could be done and how it could be justified, but there are other issues beyond just the legality. While such an amendment could lessen the number of children generated from one-bedroom units, restricting occupancy by zoning puts the Town in a position as enforcement agent for something that should be enforced as a private matter between a landlord and tenant based on a rental agreement. At the very least, this could be an unwieldy solution to what is now mostly a private matter, to say nothing about the added burden to the job requirements of the Town's building inspection staff. Currently, the State Sanitary Code is a determining factor as to how many people may occupy a unit, and the number of people able to sleep in a bedroom is based on the size of that bedroom. The proposed zoning amendment could be more restrictive than the sanitary code, and thought should be given to this. Safe and sanitary housing is currently enforced by the Environmental Services division of the Town's Health Department, with the exception of instances related to familial status as defined in the zoning by-law.

One issue that is not captured in the COGI analysis (or in the Connery analysis) is the issue of fixed costs for the Brookline Public Schools. Both analyses use a marginal cost method for looking at the cost of additional students. In other words, they essentially assigned a fixed cost to the addition of each student to the school system based on the overall school budget and the number of students enrolled in the system.

However, it is difficult to avoid the fact that there may be fixed costs associated with the introduction of new students in this location. Most specifically, since the Baker School is currently at or above capacity, it is an oversimplification to say that students each cost the system a set amount. Any increase in students in south Brookline – even the relatively small increase of 33 students expected in this project – will require capital improvements to add capacity to the school buildings. Whether this is an addition to the Baker School or some other building, this additional fixed cost should be factored into the fiscal analysis of the project. It is difficult to estimate the additional fixed cost of a new facility, but for comparison one can look at the cost of the current Runkle School expansion. That addition will cost about $29 million to add capacity for about 140 students. If you adjust that proportionately for the 33 students from this project – which is an oversimplification but can provide an order of magnitude estimate – the fixed cost for a school addition would be about $6.8 million. How that figure affects the annual fiscal impact of the project depends on how the cost would be bonded. Currently, project such as this one are funded with a 20-year bond at a borrowing cost of 4.75%. Using those parameters, the annual cost of this project starts at $663,000 in year one and scales down to $356,000 in year 20. Until year 18, this expense exceeds the net positive fiscal impact of $374,000 projected using the COGI methodology. Since this cost is highly dependent on the actual need for additional school space based on enrollment projections, we recommend further study before agreeing that this scenario has a positive fiscal impact.

Finally, it is important to note that there are a number of quality of life issues that cannot be quantified in a fiscal impact study. The importance of open space, the existence of a neighborhood school, the character of the landscape, and other intangible issues that contribute to quality of life in south Brookline are important factors to consider beyond the fiscal impacts quantified in a study. For this reason, all the various fiscal impact analyses can inform a public process for the future of Hancock Village but do not predetermine it.