

November 4, 2014

## **Memorandum**

To: Cindy Thomas, Chairwoman Canton School District

Victor Delvecchio, Chairman Canton Board of Selectman.

Fr: John Connery, Connery Associates

Re: School Aged Children Projections; Plymouth Rubber Site, Canton Ma.

### **1.0 Preface**

The primary objective of this memorandum is to generate an estimate of the annual average number of school aged children ( "SAC ") that will be generated by the current Canton Holdings LLC Associates for a site colloquially known as the Plymouth Rubber; located on Revere Street in Canton Massachusetts ( "Proposal ").

This Memorandum will also estimate the annual school costs associated with the projected number of SAC and other germane municipal serve costs (police, fire, public works etc.) associated with the Proposal. Further, a revenue generation analysis is included to provide an overview of the anticipated annual real estate and excise tax revenues. Comparing the revenue and municipal service costs generates a general fiscal profile of the Proposal i.e. expressed as a cost to revenue ratio and municipal benefit or loss per year in terms of current dollars. Please note, that employment revenue, area sales revenue and various project mitigation improvements and agreements associated with the Proposal are not included as part of this analyses and should be properly viewed as municipal benefits beyond the fiscal profile presented herein.

### **1.1 Development Summary**

The proposal contains 295 residential units, a private for profit kindergarten, and a 4,000 sq. ft. restaurant (the Proposal). For purposes of this memorandum, they are grouped as follows:

#### **184 - Condominium Residences**

- 34 one bedroom ( 10 units will be age restricted )
- 150 two bedroom ( 10 units will be age restricted )

#### **51 - Condominium Town Houses**

- 38 two bedroom with master bedroom on first floor
- 13 two bedroom traditional townhouse design

#### **60 - Age Restricted Apartments - age 55 plus**

#### **Private for Profit Kindergarten**

#### **4,000 sq. ft. commercial use**

The residential component of the Proposal meets the 10% moderate rate requirements of the Town of Canton. A total of 29 moderate rate units are provided. Specifically, six (6) rental units will be provided at moderate rates; the balance, twenty three (23) moderate rate units will be located in the condominium flats and two (2) of said units will be age restricted.

## **2.0 Comparable Condominium Development and SAC Generation in Canton**

In order to assemble an accurate estimate of school aged children, those units that will not generate school aged children due to restrictions need to be identified and removed from the analysis.

As noted above, of the 295 residential units 60 are age restricted apartments and 20 of condominium residences are also age restricted (the two of the moderate rate condominiums are moderate income priced restricted). Accordingly, for the purposes of SAC analysis the base number of units potentially generating additional students is 215. However, as will be discussed below one bedroom condominiums do not generate SAC in any meaningful or measurable amount. While there may be on occasional student in a one bedroom unit, region wide, the numbers are essentially de minimus and cannot be appropriately translated to an average student per unit ratio that is statistically meaningful.

Accordingly, in the data presented below for existing condominium development in Canton the total number of students generated are assigned only to two and three bedroom units, as a means of identifying an accurate SAC/ unit ratio. For example, if a 100 unit hypothetical condominium generates 10 students, the SAC/Unit rate could be said to be 0.10. However, this approach masks the true SAC potential since the implications the unit mix and specifically the number of one bedroom units has been ignored.

However, when considering the number of one bedrooms in the hypothetical, we find twenty five (25) one bedroom units and remove said units from the SAC analysis we can determine that the total of 10 students is associated with the 75 two and three bedroom units. Accordingly, the more accurate method of measuring SAC /Unit potential would be to assign all 10 students to 75 units and therefore derive a *higher* SAC ratio of 0.133 i.e. the higher SAC average represents an aggregate average of the two and three bedroom units.

Applying the above methodology to the 215 non-age restricted residential units noted earlier, requires the removal of 24 one bedroom units (10 one bedrooms age restricted units previously accounted for , see above) leaving a net of 191 units that will generate students from the Proposals total of 295 residences or only 65% of the total number units.

## **2.1 Comparable Canton Condominiums and SAC**

The information provided below was assembled by Canton Holdings LLC with the assistance of the Canton School Committee and School Department in October of 2014. I am grateful for the assistance.

### **1. Development: Paul Revere Condominium**

Address: Revere St.

Total Number of Units: 58

Total of 2 and 3 bedroom units: 58 all two bedroom

Avg. value per unit: \$329,000

Students as of Oct. 2014: 9

Student per unit ratio: *0.155*

### **2. Development: Sherman Woods (transit oriented)**

Address: Evergreen Circle

Total Number of Units: 46

Total of 2 and 3 bedroom units: 46 all two bedroom

Avg. value per unit: \$325,000

Students as of Oct. 2014: 4

Student per unit ratio: *0.086*

### **3. Development: Edgewater Place**

Address: Bolivar St.

Total Number of Units: 17

Total 2 and 3 bedroom units: 17 all three bedroom plus den; all townhouse design

Avg. value per unit: \$256,000

Students as of Oct. 2014: 8

Student per unit ratio: *0.471*

### **4. Development: Indian Woods Way**

Address: Indian Woods Way.

Total Number of Units: 56

Total 2 and 3 bedroom units: 56 all two bedroom plus den, loft or library; all townhouses

Avg. value per unit: \$475,000

Students as of Oct. 2014: 14

Student per unit ratio: *0.250*

**5. Development: Massapoag Brook**

Address: Rockland Street.

Total Number of Units: 18

Total 2 and 3 bedroom units: 18 all two bedroom

Avg. value per unit: \$317,000

Students as of Oct. 2014: 0

Student per unit ratio: *0.00*

**6. Development: River Village**

Address: Walpole St.

Total Number of Units: 56

Total 2 and 3 bedroom units: 56 all two bedroom

Avg. value per unit: \$369,000

Students as of Oct. 2014: 6

Student per unit ratio: *0.107*

**7. Development: Village at Forge Pond (transit oriented)**

Address: Forge Pond

Total Number of Units: 54

Total 2 and 3 bedroom units: 48 all two bedroom

Avg. value per unit: \$265,000

Students as of Oct. 2014: 2

Student per unit ratio: *0.041*

**8. Development: Oak Knoll**

Address: Walpole St.

Total Number of Units: 66

Total 2 and 3 bedroom units: 35 two bedroom, 31 three bedroom; all townhouses

Avg. value per unit: \$300,000

Students as of Oct. 2014: 6

Student per unit ratio: *0.090*

**9. Development: Grover Estates (transit oriented)**

Address: Maple St.

Total Number of Units: 45- plus 4 commercial units.

Total 2 and 3 bedroom units: 35 two bedroom

Avg. value per unit: \$350,000

Students as of Oct. 2014: 6

Student per unit ratio: *0.171*

**10. Development: Blue Hills Condo**

Address: Davenport Ave.

Total Number of Units: 54 units.

Total 2 and 3 bedroom units: 48 two bedroom

Avg. value per unit: \$320,000

Students as of Oct. 2014: 5

Student per unit ratio: *0.104*

**11. Development: Turtle Brook**

Address: Turtle Brook Rd.

Total Number of Units: 80 units.

Total 2 and 3 bedroom units: 80 two bedroom, all townhouses

Avg. value per unit: \$345,000

Students as of Oct. 2014: 4

Student per unit ratio: *0.050*

**12. Development: Village at Shaw Farm.**

Address: Shaw Farm Rd.

Total Number of Units: 110 units.

Total 2 and 3 bedroom units: 110 - 106 two bedroom, 4 three bedroom, 90% townhouses

Avg. value per unit: \$250,000

Students as of Oct. 2014: 7

Student per unit ratio: *0.063*

### **13. Development: Canton Point Condo - Senior Restricted**

Address: Canton Point Rd.

Total Number of Units: 53 units.

Total 2 and 3 bedroom units: 53 two bedroom

Avg. value per unit: \$620,000

Students as of Oct. 2014: 0

Student per unit ratio: **0.000**

*Note: the above entry is not used in the determination of existing Canton SAC/ Unit ratio but rather as a local example of SAC and senior restricted relationship to SAC generation. As shown it is consistent with the larger regional experience i.e. a SAC/ Unit average of 0.00.*

### **2.2 Existing Canton Condominium SAC/ Unit Ratio**

The 12 condominium comparables presented in Section 2.1 above represent current and established SAC/ Unit conditions in Canton. While no individual or set of comparables can be exactly the same as a Proposal, the use of local comparables representing a mix of town house and condominium flats (three of which are transit oriented similar to the Proposal) provides an insight into the most likely outcome.

The 12 condominium comparables have a total of 638 two and three bedroom units. They are a mix of townhouse and garden style condominiums; similar to the Proposal. The comparables, on average, represent a value per square foot similar to but somewhat less than the Proposal's i.e. 15% to 20% less, given the age and condition of some of the comparables.

**I find that:**

**The 12 comparables currently generate 71 school aged children from 638 units. Accordingly, they represent aggregate average SAC/ Unit ratio of 0.111.**

### **3.0 Student Projection –The Proposal**

**I find that:**

**Applying the 0.111 SAC / Unit ratio derived from the 12 local comparables to the 191 student generating units of the Proposal provides an estimate of 21.2 students i.e. 22 students per year as the likely long term annual average.**

It should be understood that the total number of students (22) will likely fluctuate 10% between 20% in either direction annually given the higher rate of turnover in condominium as opposed to single family ownership.

**Accordingly, I would estimate that the Proposal will generally operate within an annual range of 19 to 27 students per year.**

*Please note: 38 of the 51 town house units will be designed as senior oriented units i.e. master bedroom on first floor. Mostly likely this design factor will reduce the use of said units for traditional family formation. However, a reduction factor has not been included in this analysis and its non-inclusion provides a prudent approach to SAC estimation in Town's favor.*

### **3.1 SAC and Enrollment Timing**

Based on current project construction and sell off objectives of Canton Holdings LLC by late 2019 the Proposal should be stabilized (95% rented and sold). Therefore, five years from today the Proposal should be generating its full complement of students (my experience indicates it usually takes at least another 12 -24 months to reach full enrollment) but to insure a conservative posture for school estimating purposes we should assume only 5 years.

Maintaining a conservative posture, and assuming the average annual enrollment number of high 22 students, the proposal will generate 5 to 6 students per year to the Canton School System from time of estimates initial sales in 2016 to sell off by 2020. Most likely the full complement of students (22) would not be achieved until the 2020 to 2021 school year.

Examination of the enrollment data associated with condominium development in Canton as provided by the School Dept in October of 2104 illustrates that the students generated by all Canton condominiums i.e. 173 students represent only approximately 5% of total enrollment. Further, they have enrollment characteristics similar to the region as a whole i.e. approximately 60% to 65% elementary enrollment K-6 and 35% to 40% middle and high school grades.

Specifically, in Canton there are 28 students enrolled at Canton High School who live in condominiums and another 41 students enrolled in middle school. The total of 69 students in grades 7-12 represents 40% of the total condominium enrollments. The remaining 60% or 104 students represent all grades K-6 dispersed over all four elementary school locations.

### **3.2 Estimated School Costs.**

While it may not always be the case, education costs applied in fiscal studies are usually expressed by multiplying the number of new students enrolled by a value derived from the Actual Net School Spending ANSS. 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 potentially 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 Canton, we believe it is a reasonable basis on which to estimate the costs associated with students generated by the Proposal. As interpreted from by the Massachusetts Department of Elementary and Secondary Education on its web site and after discussions with Canton Public officials the Town's ANSS is currently estimated approximately \$15,000 and Chapter 70 aid at \$1,500 per student (a revenue source).

This memorandum does not include Chapter 70 funds as a future revenue source generated by the Proposal but rather as a method of estimating what the local tax base supports in terms of education costs. Since Chapter 70 is a revenue source, for the purposes of this report, 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 \$13,500 per student in Canton.

Applying the \$13,500 value to the long term average of 22 students (all grade levels) generates a school cost estimate of \$297,000 per year once the project is fully operational and stabilized. In reality the cost per year during the build out period will be less. In rough terms, about one fifth of the total cost per year for 4 t 5 years i.e. approximately \$60,000 to \$75,000 yearly increments (current dollars).

#### **4.0 Fiscal Profile an Overview**

The following is intended as a fiscal overview; as such it employs the full school costs noted above and an estimate for police, fire and public works costs drawn from previous detailed fiscal studies of much larger development proposals on the subject site.

However, in order to provide a summary fiscal profile it is necessary to generate a revenue estimate at project stabilization.

The following assessed values have been assigned to the various project components, they are a result of an in-house market and value survey prepared as part of Melton Associates project

feasibility analysis and my review of current values shown in the assessor's records. Please note value by unit type are aggregate, individual units will vary in value.

**Table 1. Assessed Value**

<b>Component</b>	<b>Number</b>	<b>Aggregate Assessed Value</b>	<b>Total Value</b>
1 bedroom condo market rate	21	\$300,000	\$ 6,300,000
1 bedroom condo Affordable rate	13	\$135,000	\$ 1,755,000
2 bedroom condo market rate	140	\$375,000	\$ 52,500,000
2 bedroom condo Affordable rate	10	\$ 175,000	\$ 1,750,000
Age Restricted Apartments mkt.	54	\$ 140,000	\$ 7,560,000
Age restricted Apartments Aff.	6	\$ 100,000	\$ 600,000
2 bedroom Townhouses	51	\$ 475,000	\$ 24,225,000
<b>Residential Total</b>	<b>295</b>		<b>\$94,690,000</b>
Private Kindergarten	1	\$2,500,000	\$2,500,000
Restaurant 4,000 sq ft	1		\$1,000,000
<b>Commercial Total</b>			<b>\$3,500,000</b>
<b>Combined Total</b>			<b>\$ 98,190,000</b>

As shown above the Proposal has an estimated total assessed valuation at stabilization of \$98,190,000. The tax yield using current dollars and rates is as follows:

Residential value of \$98,190,000 at \$12.67 /\$1000: \$ 1,244,067  
 Commercial value of \$3,500,000 at \$26.53/\$1000: \$ 92,855  
 Estimated annual excise tax 450 to 500 vehicles: \$ 50,000

**Total Annual Revenue Stream: \$1,362,000 at stabilization, current dollars.**

**Estimated building permit and associated fees: \$400,000**

#### 4.1 General Service Costs:

In addition to the \$297,000 of additional annual school costs at stabilization in approximately 2019/20 the Proposal will generate general service costs, specifically police, fire and a small amount of DPW costs due to the new public roadway associated with the construction of a bridge connection to Neponset Street.

This memo did not undertake a new general service cost analysis because said analysis has been conducted twice for much more intense development proposals on the subject site. Accordingly, for the purposes of this fiscal profile overview the general service cost estimates below are a proportional representation of the Town's most recent studies.

In 2012, a fiscal study prepared for the Town for a 348 unit rental proposal generated a police and fire cost estimate of \$259,000. After discussions with Town officials it was decided to prorate said value to the smaller 295 unit current proposal. Accordingly, a police and fire annual cost estimate of \$220,000 was applied to the fiscal summary below. Please note there are municipal services and departments that will not be impacted by this proposal such as previous debt service, ambulance service ( insurance re-imburement), utility costs paid by on-going enterprise fees and the cost of government administration in general in Canton.

#### 5.0 General Fiscal Profile

Simply stated \$220,000 in general service costs noted above and \$297,000 in school costs discussed in Section 3.2 generate a total service cost at stabilization in 2020 of \$517,000 (current dollars).

**Given the estimated annual revenue stream of \$1,362,000, the estimated cost to revenue ratio is 0.38. In dollar terms, the Proposal will generate an annual average fiscal benefit of \$845,000 (current dollars).**

*The Town has control over the expenditure of all revenue; however, in this case approximately \$560,000 per year will be required to pay down the bonding of needed public improvements over a period of 20 years. In that light, the annual fiscal benefit, for said 20 year period, will be reduced approximately \$285,000 per year and the proposal will exhibit a cost to revenue ratio of approximately 0.79. After repayment of bonds the Proposal will revert to a stronger 0.38 annual cost to revenue ratio and a higher annual benefit i.e. \$845,000 in current dollars.*

## 6.0 Summary of Key Findings

- The Proposal will generate, on average, 22 students per year at full build out, all grades levels by approximately 2019/ 20 school year. Approximately, 60% of students will attend elementary school. The annual operating range is anticipated to be 20 to 27 students per year.
- New student absorption will occur at a rate of 5 to 6 students per year for 4 years, starting in 2016 and attain the full compliment by the school year 2019/20 or the subsequent year.
- Sixty percent or 13 students will be enrolled in grades K-6 and the balance of forty percent or 9 students will be enrolled in grades 7-12.
- The Proposal has a strong positive cost to revenue ratio of 0.38 that will generate an annual fiscal benefit of approximately \$845,000 year at stabilization. (Current dollars.)
- *Taking into consideration the estimated cost of bond payments for 20 years at approximately \$ 560,000 per year to pay for needed site improvements, the Proposal's cost to revenue ratio remains positive but rises to 0.79 period and the annual fiscal benefit declines to \$285,000. After the 20 year period the cost to revenue ratio will adjust to approximately 0.38 and the annual benefit increase to \$845,000 per year current value.*
- Building permit and associated fees due at the granting of the building permits is estimated to be approximately \$400,000.