

**Connery Associates
Planning and Development Consultants
19 Parker Street
Melrose Massachusetts 02176**

August 17, 2015

Re: Alpine Village-Student Generation Report

Mr. John Piscatelli
Chm. Board of Selectman
Town Hall
Billerica, Massachusetts

Dear Mr. Piscatelli:

On behalf of 69BRD of Andover Massachusetts and as requested by the Town of Billerica please find a copy of my report regarding the student generation estimates associated with the proposed Alpine Village LIP 40B.

Should you have any questions please do not hesitate to call.

Respectfully,

John W. Connery

Student Enrollment Projections

Alpine Village Local Initiative Project (LIP)

Billerica, Massachusetts

August 17, 2015

1.0 Preface

69 BRD-LLC of Andover Massachusetts is proposing to construct a development consisting of 178 mixed income rental units under the DHCD LIP program with the Town of Billerica. Alpine Village (the "Proposal") will be consistent with state requirements requiring that 25% of all unit types be made available for affordable housing consistent with the guidelines of MGL 40B.

The objective of this report is estimate the annual average school enrollment outcome associated with the Proposal and to provide an overview of its operational and budgetary impacts. The projected cost estimates are not intended as budget recommendations. 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 analyzing residential development. This report generates an estimated education service cost based on a projection of additional school age children and the current annual cost per pupil. The education cost estimates used in this report are intended to provide an estimate the long term cost per student. The near term school costs, approximately one to three years after stabilization, will most likely to be considerably lower. However, this report takes the position that the measurement of education costs 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 Proposal. Please note that the Proposal is consistent with MGL 40B regulations which require that 25% of the residential units be set aside for affordable housing use consistent with Chapter 40B requirements.

Table 1. -Proposed Multi- Family Development Program

Residential Type	Market Rate	Affordable Rate	Total	Percent (Rounded)
Studio	2	1	3	1.6%
One Bedroom	65	22	87	48.9%
Two Bedroom	52	18	70	39.4%
Three Bedroom	14	4	18	10.1%
Total	133	45	178	100%

MOA exhibit 6

As shown in Table 1 above, the unit mix is strongly oriented towards smaller units with studio one and two bedroom units comprising 90% of the total. Further, approximately 52% of the proposed unit mix is represented by studio and one bedroom units; unit types that do not generate school aged children or associated education costs.

2.0 Summary of Methodology

Education cost represents the large majority of the total municipal service costs in all Massachusetts communities; approximately 60% to 65% of the total annual municipal budget. Education costs, for this report, are based on an estimate of new students at project stabilization. For this report, the estimated number of additional students and student generation rate has been developed by examining comparable rental developments in Billerica that are approximately the same scale and have similar rent schedules.

As noted, education costs are driven by an estimate of the additional school-aged children to be enrolled in the Billerica 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 2015, 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.

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 Billerica, 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 August of 2015 the Town's ANSS was \$13,457 with \$3,433 (25.5%) of total represented by Chapter 70 state aid.

This report 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, 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 local fiscal resources is approximately \$10,024 per student (\$13,457 minus \$3,433).

3.0 Summary of Findings

- Alpine Village, using local comparable developments, will generate 12 school aged children (long term annual average) at project stabilization which is estimated to occur during the 2019/20 school year.
- The primary reason for the relatively low student enrollment projection is due to the proposed unit mix i.e. approximately 52% of the units are one bedroom or studio apartments which do not generate school aged children in any measurable or sustainable fashion.
- A general review of the Proposal's fiscal profile indicates that it will likely exhibit a cost to revenue ratio of 0.34 i.e. for every dollar of revenue it will require approximately thirty four cents of service cost. Accordingly, sixty six cents of every revenue dollar will accrue as an annual fiscal benefit; estimated to be approximately \$278,000 per year (current dollars).
- Due to unit mix characteristics, the Proposal affords the Town of Billerica the opportunity to address its affordable housing needs in a fiscally positive and sustainable manner.

4.0 Education Costs

4.1 Student Projections

Billerica has two comparable rental developments that can be employed to estimate the number of school aged children that will likely be generated by the Proposal i.e. the Commons at Boston Road and the Villas at Old Concord on Riverhurst Road.

Table 2. School Age Students in Comparable Developments

Comparable	Total Units	Students Pre K to 12	SAC Rate Per Unit
Villas at Old Concord.	324	32	0.10
Commons at Boston Road .	156	17	0.11
Total	480	49	0.10

Based on the data shown in Table 2 above this report could assign a SAC rate of 0.10 for the total of 480 comparable units and assume that the Proposal's 88 student generating units will generate nine (9) school aged children by September 2019 (the estimated stabilization date relative to new enrollments). However, it is important to note the differences as well as the similarities of the comparables to the Proposed development.

Specifically, the percentage of studio and one bedroom units in a Proposal is a critical factor since one studio and one bedroom units in either a market or affordable format since studios do not generate any measurable or sustainable number of school aged children. In the instance of Alpine Village, only 88 of the 178 units will generate school aged children given 90 studio and one bedroom units. Similarly, the unit mix of the two comparables is also important to understand in light of the impact of one bedroom units. Both comparables have an affordable component and in that respect they are consistent with the Proposal. Accordingly, the unit mix is the key variable relative to generating a more accurate student per unit ratio from the comparables.

Table 3 below illustrates the student per unit mix of the two comparables with the one bedroom units removed from the analysis.

Table 3. Average Annual Projected School Aged Children

Comparable	Number of Units	2 and 3 bedrooms	Students	Students per unit
Commons @ Boston Road	156	108 (1)	17	0.157
Villas @ Old Concord	324	259 (2)	32	0.124
Total	480	367	49	0.134

(1) No three bedroom units

(2) Includes two and three bedroom units (70% two bedroom; 10% three bedroom).

As shown above, the comparables have a student per unit range (minus the one bedroom count) of 0.124 to 0.157 with an average of 0.134. Please note that this ratio is higher than the combined *gross* ratio shown in Table 2 i.e. 0.134 vs. 0.10.

Accordingly, applying the higher ratio of 0.134 students per unit to the Proposal's 88 units will generate 12 school aged children by the 2019/20 school year.

Regional and local enrollment patterns indicate that over the long term approximately 65% of the new students from larger multi-family developments (over 100 units) will enroll in the various grade levels grades K-6, in this instance we can assume 8 students. Further, 40% or 4 students will enroll in the various grade levels 7-12.

While the annual enrollment average is projected to be 12 students by the 2019/20 school year, the annual student count is likely to fluctuate between 8 and 16 students in any given year.

5.2 Projected Annual Education Cost

As noted earlier, after deducting for state Chapter 70 aid (a revenue source) from ANSS leaves a cost per student of \$10,024 to be supported the Billerica tax base. Applying the average of 12 students per year to the adjusted per student cost generates an education cost of estimate \$120,288 (current dollars).

However, we note that the approximately 20% of the Billerica school budget (consistent with regional averages) relates to annual building operations and maintenance. In this case, this is a particularly important factor given that since 2006 total foundation enrollment has declined from 6,239 students to 5,385 students (954 students or 15%). Accordingly, the addition of only 12 students system wide will not, in any manner, generate additional building or operational costs.

Therefore, to generate a more accurate estimate of marginal education costs the estimated gross cost of \$120,288 per year is reduced by 20% to \$96,230.

MOA exhibit 8

5.3 Service Cost and Revenue

This report is not an effort to generate a detailed fiscal review. However, based on our regional experience, even if we assume a conservative (high) municipal service costs for police and fire services i.e. 50% of school costs or \$48,000; the total annual service costs for the Proposal would be approximately \$144,000.

This report notes that the current assessed value per unit of the Commons at Boston Road (the comparable that is most similar in rent structure to the Proposal) is \$157,059 per unit. Accordingly, this assessed value per unit has been employed to estimate the assessed value of the Proposal. It is usual that new construction, such as the Proposal, would be assessed at 5% to 15% higher than current similar developments given new construction value. However, to be conservative, this summary review will not assume this valuation increase. Therefore, the 178 unit Proposal would have an assessed value of approximately \$27,956,502.

Accordingly, given the \$14.04 residential tax rate the Proposal would generate \$392,509 per year in property taxes (current dollars). Adding approximately \$30,000 per year to represent excise taxes for the 250-300 registered vehicles brings the estimated annual revenue stream to approximately \$422,500.

Therefore, given an estimate of \$144,000 in service costs and a revenue estimate of \$422,500 the long term cost to revenue is likely to be approximately 0.34; meaning that the Proposal will return on an annual basis (after all costs are accounted) 66 cents of every revenue dollar as an annual fiscal benefit. **In dollar terms it is highly likely that the Proposal will generate an annual fiscal benefit of approximately \$278,000 per year.**

The primary reason that the Proposal has a strong positive fiscal profile is due to the low number of school aged children generated and this is a direct consequence of the fact that only 88 of 178 units will generate school aged children.

We find that due to the projected student per unit ratio, consistent with the local multi-family experience, the Town has an opportunity to address affordable housing needs and also generate a fiscally positive development that is sustainable for the long term.