

MBTA Communities Fiscal Impact

Jay Fundling, TMM P3

For discussion only – does not
represent the views of the Town of
Milton, any consultants, the Warrant
Committee, or anyone else



Analysis by Jay Fundling

TMM P3

Warrant Committee Member

**This analysis only represents
the author, not the Warrant
Committee as a whole**

**Employee Benefits Actuary for
15 years**

**Society of Actuaries moto:
*The work of science is to
substitute facts for appearances
and demonstrations for
impressions***

**The goal of this presentation is
to put rigor on the speculation
regarding the financial impact
to the town**

**All assumptions and methods
are shown to allow the reader
to judge their appropriateness
and adjust as desired**

Executive Summary

There are many assumptions and calculations in the following slides. The most important for the financial results are:

| Most apartments will be 2-bedroom or smaller (slides 18-19)

| 2-bedroom apartments do not contribute many students to Milton Schools (slide 17)

Overall Results (slide 30):

Net Units added:

786

Additional Children in MPS:

79

Annual Benefit to Town Finances:

\$906,200

Costs

Financial Analysis Provided

The town's consultant RKG presented preliminary analysis to Planning Board 9/28 and updated analysis 11/28

RKG provided detailed support for their calculations of DPW, Police, Fire and School costs

In the following slides I will show how I adjusted the RKG analysis to work with Milton's budget by adding employee benefit costs and other costs

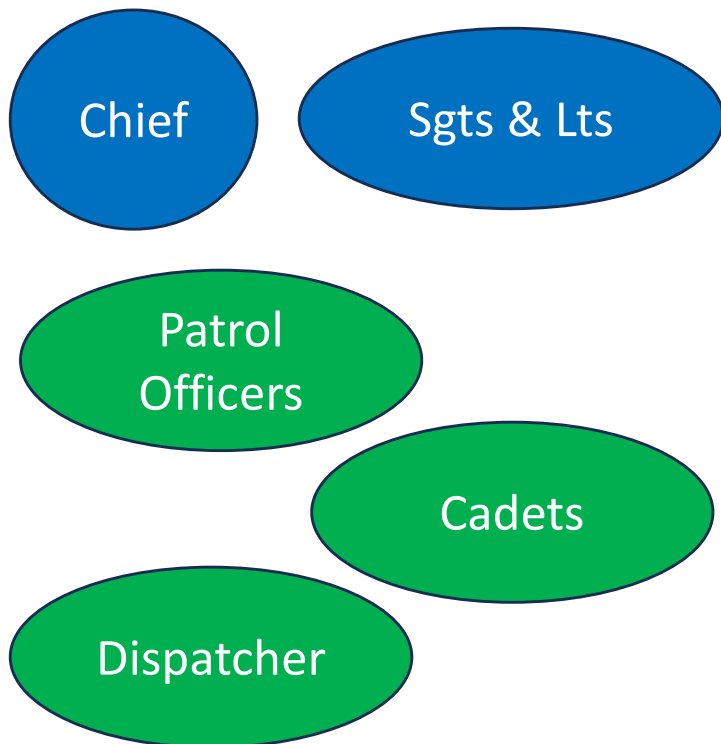
Analysis below is intended as a refinement of RKG's presentation, not a criticism

Variable Cost Analysis

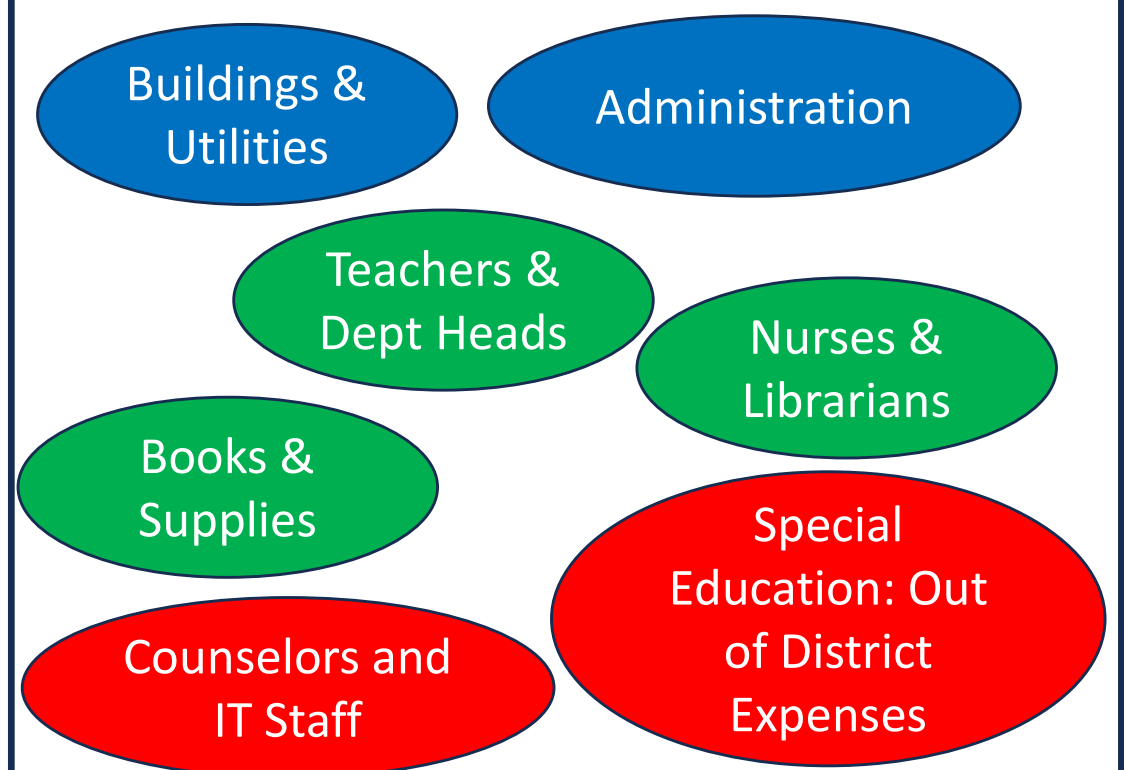
RKG examined which municipal costs are likely to increase with an increased population and which are not. For example, for the Police and Schools:

● Fixed Costs ● Variable Costs ● RKG said fixed, this analysis says variable

Police



Schools



Employee Benefit Costs Added

Active Employee Health

Non-School

- Included \$9,300 per employee,
 - See appendix for calculation
 - Note this is “per employee” not “per employee with Health Insurance”

Schools

- Used 95% of DESE Health Insurance number

Pension Benefits

Non-School

- Added 8.1% of pay to reflect Normal Cost (benefits earned by employees during the year)

Schools

- Used 95% of DESE Retirement Cost

Retiree Medical (OPEB)

Non-School

- \$9,500 per employee

Schools

- Total of \$5.08M from recent OPEB actuarial report

This is not a cash cost that will hit our budget this year, but is an accounting cost that will need to be paid eventually with interest

Variable Costs by Department

Department	RKG Variable Cost (\$k)	Adjustment (\$k)	Adjusted Variable Cost (\$k)	Households or Students	\$ Per household or Student
Police	\$4,577 ¹	\$1,222	\$5,799	9,235	\$628
DPW	\$736	\$77	\$813	9,235	\$88
Fire	\$4,247 ²	\$945	\$5,192	9,235	\$562
General Gov	\$1,025	58% ³	\$1,623	9,235	\$176
Total Muni					\$1,454
Schools ⁴	\$42,775	\$27,628	\$70,403	4,454	\$15,807

Cost of adding one household to town
(excluding school costs)

1. RKG's prior presentation showed \$4,233. I believe this was a spreadsheet error
2. RKG's prior presentation showed \$4,067. Their documentation provided shows \$4,247
3. 27% for Employee Benefits similar to police, and 25% margin because backup documentation was not provided. $127\% \times 125\% = 158\%$
4. In addition to Out Of District costs and Counselors, RKG excluded grant funded costs, presumably assuming the grant money would increase with student population. School finance office confirmed grants have not increased recently, so I added back all grant covered expenses except for school lunches

Cost of adding one student to Milton Schools

Water Cost / (Benefit) for an additional household

Variable DPW Salary: \$16
Variable DPW Benefits: \$7

Single Adult using 600 cf

- MWRA cost: \$113
- Revenue: \$162
- Cost / (Benefit): (\$26)

Two adults using 1200 cf

- MWRA cost: \$227
- Revenue: \$358
- Cost / (Benefit): (\$108)

Sewer Cost / (Benefit) for an additional household

Variable DPW Salary: \$13
Variable DPW Benefits: \$6

Single Adult using 600 cf

- MWRA cost: \$239
- Revenue: \$195
- Cost / (Benefit): \$63

Two adults using 1200 cf

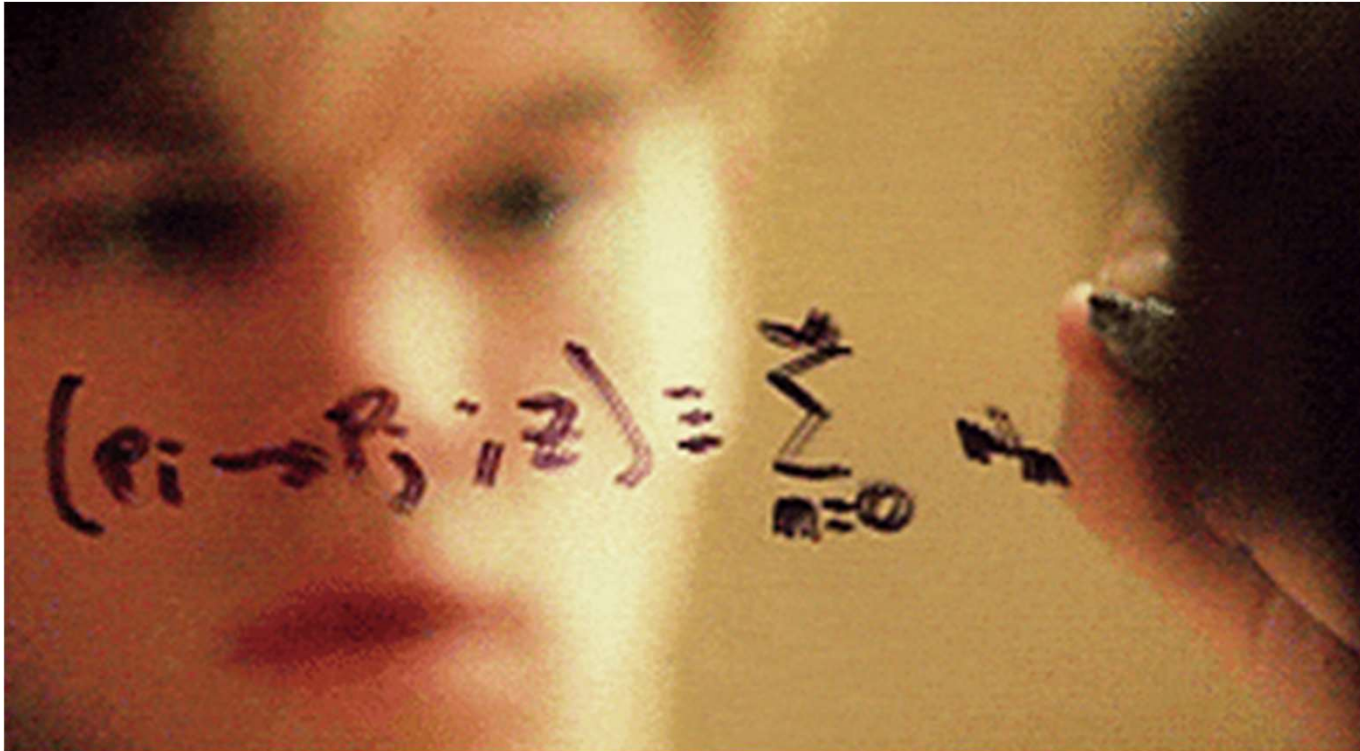
- MWRA cost: \$479
- Revenue: \$562
- Cost / (Benefit): (\$65)

These benefits (or costs) do not impact the town's budget, but appear through lower (or higher) bills for all other town residents

Stormwater revenue would be much harder to estimate, but stormwater is a much smaller part of the DPW budget and would likely be de minimis

Calculations below will assume 1.5 adults per apartment. More people would lead to higher benefit.

NOW



Let's put those numbers into proposed zoning impacts

Potential Development

Zoning Impacts

District / Site	Development Likelihood	Gross Unit Capacity	Net Unit Capacity	Added Units
	a	b	c	d = a x c
Granite Ave S	100%	530	530	530
Granite Ave N	50%	171	171	86
Milton Station E – Extra Space Storage	50%	142	135	68
Mattapan Station	25%	228	83	21
Milton Station Bridge 36 Eliot	25%	130	94	24
Milton Station Bridge 50 Eliot	0%	55	23	0
Milton Station W	0%	108	51	0
Milton Station E – Other	0%	183	109	0
East Milton Square	0%	423	397	0
Elliot St (T.A. Tri)	14%	480	300	42
Blue Hills Pkway	14%	175	109	15
Total				786



Subjective

Development Likelihood Assumptions

District / Site	Development Likelihood	Reason
Granite Ave S	100%	The only ongoing use of this land is state use
Granite Ave N	50%	Currently have ongoing businesses
Milton Station E – Extra Space Storage	50%	
Mattapan Station	25%	Currently have older apartment buildings in use; these would need to be torn down and rebuilt larger
Milton Station Bridge 36 Eliot	25%	
Milton Station Bridge 50 Eliot	0%	Currently have newer apartment and other buildings
Milton Station W	0%	
Milton Station E – Other	0%	
East Milton Square	0%	As stated during Planning Board Meetings, the other zoning in this district will mean the MBTA zoning has no additional impact
Elliot St (T.A. Tri)	14%	Town survey: 14% of homeowners would like to redevelop their homes
Blue Hills Pkway	14%	

District / Site	Development Likelihood	Gross Unit Capacity		
	a	b		
Granite Ave S	100%	530		
Granite Ave N	50%	171	171	86
Milton Station E – Extra Space Storage	50%	142	135	68
Mattapan Station	25%	228	83	21
Milton Station Bridge 36 Eliot	25%	159	94	24
Milton Station Bridge 50 Eliot	0%	55		0
Milton Station W	0%	108		
Milton Station E – Other	0%	183		
East Milton Square	0%	423		
Elliot St (T.A. Tri)	14%	480		
Blue Hills Pkway	14%	175		
Total				

Hey, wait! I don't agree with these assumptions

That's totally fine. I've given you the tools to reach your own conclusions with your assumptions

The biggest players in the financial analysis are the locations on Granite Ave and Extra Space Storage

As we will see below, the biggest driver in the financials of these properties is how many 3 bedroom units they will have

They are large.

They don't have any housing on them currently.

They are seemingly more likely to be developed in the near future

Please allow a brief digression

RKG Assump- tions

- ❖ Children in schools per apartment
 - ❖ 1 BR: 0
 - ❖ 2 BR: 0.05
 - ❖ 3 BR: 0.8 or 1.2 for affordable units.
 - ❖ I will assume 1.0
 - ❖ Townhomes are assumed to have 0.43 kids in schools

❖ Are these assumptions reasonable?

- ❖ We should subject these assumptions to a reasonableness check against what we can see in Milton
- ❖ For townhouses, this is about the average for a household in Milton: >9,000 households and <4,500 students is just under ½ kid per household
- ❖ For apartments, consider four buildings in Milton now: 36 Central, 50 Eliot, 36 Eliot, 88 Wharf
 - ❖ 159 units, 9 kids, gives **0.057** kids per unit

Comparison to these existing Milton units shows that these assumptions are reasonable

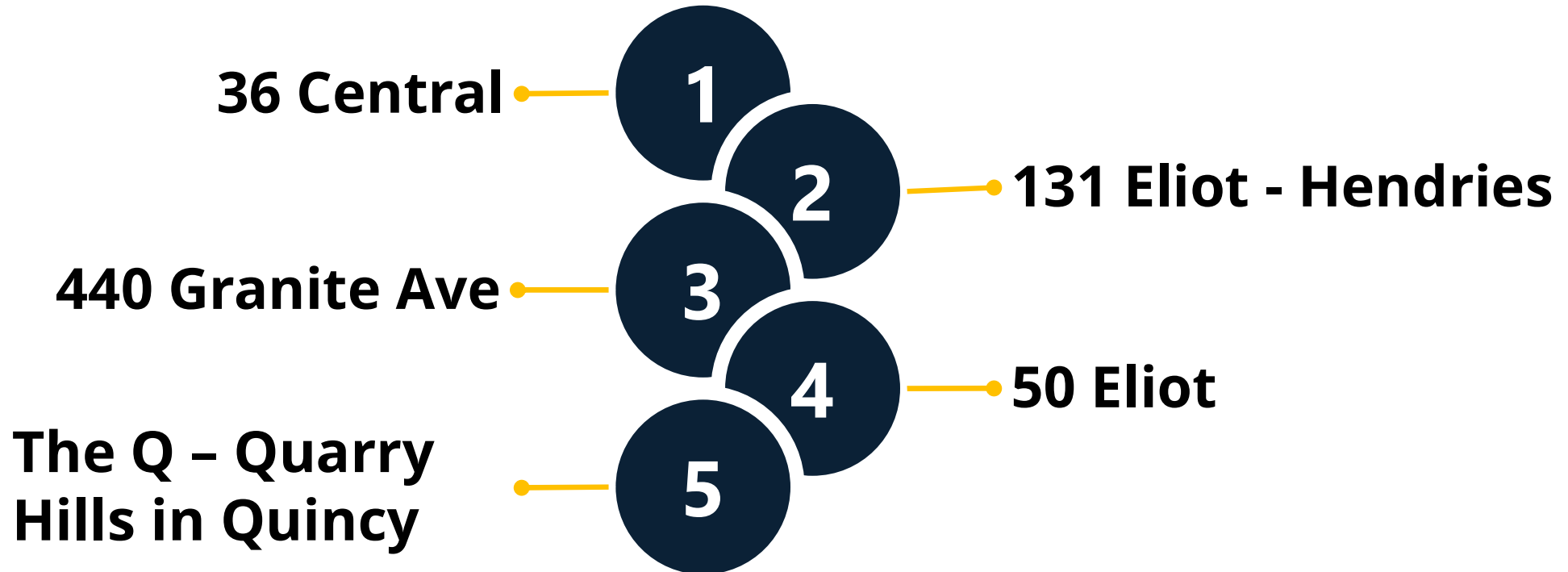
How many 3 Bedroom apartments does the market want to build in Milton?

Proposed 40b projects which are required to have at least 10% 3 Bedrooms

Project	Up to 2 BR	3+ BR	% 3 BR	Units Per Acre
16 Amor	14	2	13%*	17
Ice House	46	6	12%*	26
582 Blue Hill Ave	75	9	11%*	21
648 Canton	82	34	29%	15
728 Randolph	36	4	10%*	25
936 Brush Hill	16	4	20%	21
East Milton Residence	82	10	11%*	83

*Five of the Seven 40b projects above have the minimum number of 3 BRs allowed by law. The others have MUCH lower density than the possible projects on Granite Ave at 45 units per acre

These projects were built or are proposed with NO 3 bedroom units



The market does not seem to want to develop 3 BR in Milton



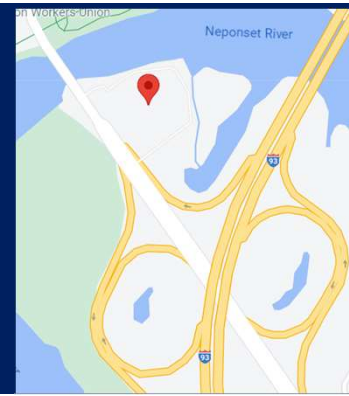
“We must think about the taxes”
“I’ve got an uncle who lives in Texas”
“No, I’m talking about dollars!
Taxes!”
“That’s where he lives, Dallas, Texas”

Revenue Gained & Lost

Taxes on New Units

- ❖ How much will we earn in taxes from a new apartment building?
- ❖ Let's use three existing buildings for comparison
 - ❖ The Q at Quarry Hills new (2020) apartments in Quincy – Just down 93 from our Granite Ave sites
 - ❖ \$79.53M, 269 units
 - ❖ \$295k per unit, tax **\$3,371** at Milton's rate
 - ❖ 50 Eliot St, Apartments in Milton
 - ❖ \$10.5M, 30 units
 - ❖ \$351k per unit, tax **\$4,000**
 - ❖ 36 Central, condos in Milton
 - ❖ 18 units
 - ❖ Average value \$763k, tax **\$8,704**
- ❖ **Total revenue: Tax + CPA (1% of tax) + \$254 per unit (Auto tax) + \$62 per unit (Water & Sewer)**

Taxes on Current Property



These new properties won't be built on empty voids. They will replace current structures, so we must consider how much we will lose in taxes from the current properties if they are replaced.

This analysis does not consider the cost to the town to provide services to these current businesses, see slide 34

- 2 Granite Ave currently has a commercial building on it. \$10.7M at \$18.22 per thousand = \$198k current taxes
- Extra Space Storage: Current Taxes = \$393k
 - If a housing unit is on these sites, we will gain the taxes from the new building but lose the current taxes
- Granite Ave S: property is state owned or non-profit, no taxes collected.

Taxes

There are two big variables affecting the cost/benefit for these large developments

How many 3-Bedrooms?

- 10%
- 5%
- 0%

What is the taxable value per unit?

- High – like 36 Central condos
- Medium – like 50 Eliot apartments
- Low – like Quarry Hills apartments “The Q”

We will look at these options below

Additional details in appendix



2 Granite Ave

0%, 5% or 10% 3 BR

3 tax possibilities

Note: the revenue vs cost is positive in all cases, the Net Cost is driven only by the lost taxes of the prior occupant

MEDIUM TAX REVENUE (50 ELIOT)

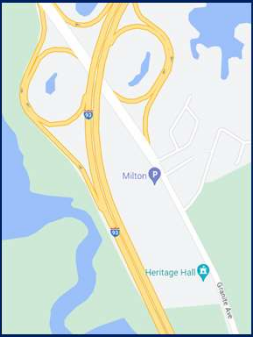
Revenue \$k (Milton Apts)	3BR %	Kids in School	Cost \$k	Lost Revenue \$k	Net Benefit/ (Cost) \$k
\$746	10%	22	\$598	\$198	(\$50)
\$746	5%	14	\$471	\$198	\$77
\$746	0%	6	\$344	\$198	\$204

LOW TAX REVENUE (THE Q)

Revenue \$k (The Q Apts)	3BR %	Net Benefit/ (Cost) \$k
\$638	10%	(\$157)
\$638	5%	(\$31)
\$638	0%	\$96

HIGH TAX REVENUE (36 CENTRAL)

Revenue \$k (Milton Condos)	3BR %	Net Benefit/ (Cost) \$k
\$1,550	10%	\$755
\$1,550	5%	\$881
\$1,550	0%	\$1,008



South Granite Ave

0%, 5% or 10% 3 BR

3 tax possibilities

MEDIUM TAX REVENUE (50 ELIOT)

Revenue \$k	3BR %	Kids in School	Cost \$k	Lost Revenue \$k	Net Benefit/ (Cost) \$k
\$2,312	10%	69	\$1,865	\$0	\$446
\$2,312	5%	42	\$1,437	\$0	\$875
\$2,312	0%	17	\$1,040	\$0	\$1,272

LOW TAX REVENUE (THE Q)

Revenue \$k (The Q Apts)	3BR %	Net Benefit/ (Cost) \$k
\$1,978	10%	\$113
\$1,978	5%	\$542
\$1,978	0%	\$938

HIGH TAX REVENUE (36 CENTRAL)

Revenue \$k (Milton Condos)	3BR %	Net Benefit/ (Cost) \$k
\$4,805	10%	\$2,940
\$4,805	5%	\$3,368
\$4,805	0%	\$3,765

Extra Space Storage 0%, 5% or 10% 3 BR 3 tax possibilities

Note: the revenue vs cost is positive in all cases, the Net Cost is driven only by the lost taxes of the prior occupant

MEDIUM TAX REVENUE (50 ELIOT)

Revenue \$k	3BR %	Kids in School	Cost \$k	Lost Revenue \$k	Net Benefit/ (Cost) \$k
\$619	10%	18	\$492	\$379	(\$252)
\$619	5%	11	\$381	\$379	(\$141)
\$619	0%	5	\$286	\$379	(\$45)

LOW TAX REVENUE (THE Q)

Revenue \$k (The Q Apts)	3BR %	Net Benefit/ (Cost) \$k
\$530	10%	(\$341)
\$530	5%	(\$230)
\$530	0%	(\$135)

HIGH TAX REVENUE (36 CENTRAL)

Revenue \$k (Milton Condos)	3BR %	Net Benefit/ (Cost) \$k
\$1,287	10%	\$416
\$1,287	5%	\$527
\$1,287	0%	\$623

Total Granite Ave locations & Extra Space: Assume all three are built

**LOW TAX
REVENUE
(THE Q)**

**MEDIUM TAX
REVENUE
(50 ELIOT)**

**HIGH TAX
REVENUE
(36 CENTRAL)**

	Net Benefit/ (Cost) Quincy Apartment Value \$k	Net Benefit/ (Cost) Milton Apartment Value \$k	Net Benefit/ (Cost) Milton Condo Value \$k
10% 3 BR	(\$385)	\$145	\$4,110
5% 3 BR	\$281	\$811	\$4,777
0% 3 BR	\$900	\$1,430	\$5,396

Other Apartments: Mattapan Station and 36 Eliot

- ❖ Mattapan Station: A larger building could be built to replace Unquity House.
 - ❖ Assume the replacement building will also be age restricted and no school children
 - ❖ Each unit added brings in \$4,347 in revenue and adds \$1,454 in cost
- ❖ 36 Eliot: Larger replacement building
 - ❖ Adding 24 units would add about 2 kids to the schools
 - ❖ Finances like Unquity House plus \$31,700 for 2 kids

Possibilities for Eliot St and Blue Hill Ave triplexes

- ❖ In a survey, 14% of residents expressed willingness to redevelop property
 - ❖ If 14% of the homes in these two areas converted a single family house into a triplex, we would add 25 townhouses.
- ❖ Townhouse, average value \$640k:
 - ❖ Revenue – Municipal cost – school cost (1/2 a kid) =
 - ❖ \$7,679 - \$1,454 - \$6,822 =
 - ❖ \$598 net cost per townhouse

Overall Benefit / (Cost)

District / Site	Added Units (a)	Added School Kids (b)	Benefit/ (Cost) (c)	Development Likelihood (d)	Probability Weighted Units (e) = (a) x (d)	Probability Weighted Students (f) = (b) x (d)	Probability Benefit/ (Cost) (g) = (c) x (d)
Granite Ave S	530	42	\$874,900	100%	530	42.0	\$874,900
Granite Ave N	171	14	\$77,000	50%	86	7.0	\$38,500
Milton Station E – Extra Space Storage	135	11	(\$141,000)	50%	68	5.5	(\$70,500)
Mattapan Station	83	0	\$241,400	25%	21	0.0	\$60,400
Milton Station Bridge 36 Eliot	94	2	\$146,400	25%	24	0.5	\$36,600
Elliot St	42	18	(\$24,600)	100%	42	18.0	(\$24,600)
Blue Hills Pkway	15	6	(\$9,100)	100%	15	6.0	(\$9,100)
Total	1,070	93	\$1,165,000		786	79	\$906,200

Assume 5% 3 BR in new apartments, Apt taxable value similar to 50 Eliot

The same Benefit/(Cost) analysis on Current Proposed 40b Projects

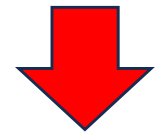
Project	Units	Kids	Cost	Taxes and other benefits	Benefit/(Cost)
16 Amor	16	2.7	\$65,942	\$69,639	\$3,697
Ice House	52	7.7	\$197,318	\$226,326	\$29,008
582 Blue Hill Ave	84	11.1	\$296,797	\$365,603	\$68,806
648 Canton	116	36.0	\$737,703	\$557,270	(\$180,432)
728 Randolph	40	5.6	\$146,676	\$174,097	\$27,420
936 Brush Hill Road	20	4.4	\$98,629	\$87,048	(\$11,581)
East Milton Residences	92	11.5	\$315,542	\$400,422	\$84,880
Totals	420	79.0			\$21,798

Assume taxable value same per unit as 50 Eliot

Not considered in this analysis

Impact on Town Finances

Capital expenses



Financial benefits or costs of commercial development in the mixed-use areas



Current cost to town to provide municipal benefits to current buildings



Stormwater Revenue



Salary, Health Insurance and Retirement costs for new employees are on average lower than the average current employee



Appendix: Healthcare Costs

- FY2024 healthcare cost for pre-65 participants: \$16k
 - This includes active employees and pre-65 retirees
 - Because active employees cost less than retirees - mostly due to age – there is an Implicit Subsidy from actives to retirees
- The town paid \$1.6M for pre-65 retirees (per FY24 renewal), plus the Implicit Subsidy of \$1.5M (per most recent OPEB actuarial report).
 - This means the 609 Active Employees with health insurance cost the town \$8.1M,
 - Therefore, Actives with health insurance cost the town \$13.3k each
- To simplify calculations, I wanted an average cost per all employees, not just the employees with health coverage from the town.
- The town has 872 employees and 609 have health insurance, so the cost per employee = $\$13.3k \times (609/872) = \$9,300$

Appendix: Details on Apartment Revenue Calculations

Units - 2 Granite Ave	1 BR	2 BR	3BR	Kids in School	Taxes \$k	Muni Cost \$k	School Cost \$k	Lost Tax Revenue \$k	Net Benefit/ (Cost) \$k	Net Benefit/ (Cost) per unit \$
171	30%	60%	10%	22	\$746	\$249	\$349	\$198	(\$50)	(\$292)
171	25%	60%	5%	14	\$746	\$249	\$222	\$198	\$77	\$451
171	35%	65%	0%	6	\$746	\$249	\$95	\$198	\$204	\$1,193

Units - Granite Ave S	1 BR	2 BR	3BR	Kids in School	Taxes \$k	Muni Cost \$k	School Cost \$k	Lost Tax Revenue \$k	Net Benefit/ (Cost) \$k	Net Benefit/ (Cost) per unit \$
530	30%	60%	10%	69	\$2,312	\$771	\$1,095	\$0	\$446	\$842
530	25%	60%	5%	42	\$2,312	\$771	\$666	\$0	\$875	\$1,651
530	35%	65%	0%	17	\$2,312	\$771	\$270	\$0	\$1,272	\$2,399

Units - Extra Space Storage	1 BR	2 BR	3BR	Kids in School	Taxes \$k	Muni Cost \$k	School Cost \$k	Lost Tax Revenue \$k	Net Benefit/ (Cost) \$k	Net Benefit/ (Cost) per unit \$
142	30%	60%	10%	18	\$619	\$206	\$286	\$379	(\$252)	(\$1,772)
142	25%	60%	5%	11	\$619	\$206	\$175	\$379	(\$141)	(\$990)
142	35%	65%	0%	5	\$619	\$206	\$79	\$379	(\$45)	(\$320)