

**Fiscal Impact Analysis
Malden Hospital Site
Fellsmere Housing Group Residential
Redevelopment
Malden, Massachusetts**

October 4, 2016

**Prepared by
Connery Associates
Melrose, Massachusetts**

Table of Contents

Section	Page
Executive Summary	
1.0 Preface	3
2.0 Summary of Methodology	5
3.0 Summary of Findings	8
4.0 General Service Cost	9
5.0 Education Cost	15
6.0 Total Service Cost	17
7.0 Revenue Projection	18
8.0 Fiscal Profile	20
9.0 One Time Fees	20

Fiscal Impact Analysis Malden Hospital Site Fellsmere Housing Group Residential Redevelopment Malden, Massachusetts

October 4, 2016

Executive Summary

The Fellsmere Housing Group of Cambridge, MA proposes to develop a residential community at the site of the Former Malden Hospital in Malden, MA. The development program is comprised of 224 rental residences and 72 for sale condominium homes in one single building, and 18 single family cottages (the Proposal).

This report identifies the key fiscal characteristics of the Proposal, generating an estimate of its annual fiscal benefit to the City of Malden at stabilization, and its impact on the local tax base and expenses over the long term.

Summary of Fiscal Profile

Proposal	Gross Annual Revenue	Annual Cost	Cost to Revenue Ratio	Net Annual Benefit
224 Rental Homes 72 Condominiums 18 Cottages	\$1,484,000	\$315,000	0.21	\$1,169,000

Estimated Assessed Value and Annual Revenue

Proposal Component	Average Est. Assessed Value	Estimated Assessed Value	Property Tax	Auto Excise Tax	Combined Annual Revenue
224 Rental Homes	\$232,000	\$52,000,000	\$818,000	\$31,000	\$849,000
72 Condominiums	\$425,000	\$30,600,000	\$481,000	\$16,000	\$497,000
18 Cottages	\$475,000	\$8,550,000	\$134,000	\$ 4,000	\$138,000
Total		\$91,150,000	\$1,433,000	\$51,000	\$1,484,000

Estimated Annual Municipal Service Cost

Department	Estimated Cost
Police	\$ 48,000
Fire	\$ 12,000
Ambulance	\$ 36,000
Schools	\$219,000
Total	\$315,000

Education Costs

Student Projection

The student generation analysis is based on the school aged children (SAC) rate for two bedroom units consistent with the same the below six comparable. The studio and one bedroom residences should not generate a measurable or sustainable SAC rate, and the Proposal has a maximum of 18 three-bedroom residences (the comparable developments below include 20 three-bedroom residences).

All school data herein has been provided by the Malden School Department, as of May 2016.

SAC Rate for Two Bedroom Units in Comparable Developments

Residential Comparable	Total Units	Total Students	Gross SAC Rate / Unit	Total 2 BR units	SAC Rate Per 2 BR
160 Pleasant St.	195	12	0.061	118	0.101
14 Summer St	195	0	0.000	115	0.000
500 Broadway	295	53	0.179	177	0.231
39 Florence St.	84	5	0.059	42	0.119
12 Quarry Lane	90	3	0.033	54	0.055
Granada Highlands	919	153	0.169	451	0.339
Total	1,778	226	0.127	957	0.236

Applying the two bedroom rate of 0.236 as determined by the table above to the 128 two bedroom home (56 apartments and 72 condominiums) generates an average of 31 students per year. To account for the 18 three-bedroom residences, we use a regional rate of 0.6 SAC rate per 3BR unit, yielding an additional 11 students, for a total projection of 42. Historically, studio and one-bedroom homes do not measurably increase the number of school age children.

Estimated Annual School Cost and Enrollment Patterns.

Based on information received from the Massachusetts Department of Education, Actual Net Spending per Student (ANSS) for Malden in FY 2016 is \$11,760, with State aid representing \$6,550 of this. Deducting State aid (a revenue source) leaves a net cost of \$5,210 per student to be addressed by local revenue sources.

Multiplying the annual local net cost of \$5,210 per student by the projected annual average of 42 students produces an estimated annual school cost of \$219,000.

For non-educational general service costs, the report utilizes the City's actual FY 2017 operating budget and includes those service categories that will most likely exhibit a measurable additional cost due to the Proposal. In this case, the Police Department and Fire Department will be modestly (but measurably) impacted. The report combines the individual estimated departmental costs to generate a total general service incremental cost estimate.

1.0 Preface

The Fellsmere Housing Group of Cambridge Massachusetts is proposing to construct a residential community at the site of the Former Malden Hospital (100 Hospital Road) in Malden Massachusetts. The development program is comprised of 224 rental apartments and 72 for sale condominium homes in a singlebuilding and 18 single family cottages designed with a master bedroom on the first floor for a total of 314 residences (the Proposal).

The objectives of this report are to identify the key fiscal characteristics of the Proposal and to estimate its long term fiscal profile. Accordingly, the report generates an estimated cost-to-revenue ratio at project stabilization and an estimate of the annual fiscal benefit expressed in current dollars. These findings are designed to provide the City of Malden with an understanding of how the Proposal will relate to the local tax base over the long term.

The departmental costs used herein are intended to estimate the annual incremental financial impact on affected municipal services. The cost estimates are not intended 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. Further, the specific values used to generate the various municipal cost estimates should be considered in terms of current average annual costs; meaning that the estimated fiscal profile and individual cost / revenue components will fluctuate annually depending on future local, regional, or national economic background conditions.

Projected public school student enrollments and associated marginal costs are an important component of any proposed residential development. This report generates an estimated education cost based on a projection of additional school age children using data provided by the Malden School Dept. and the current Actual Net School Spending (ANSS) cost per pupil provided by the Massachusetts Department of Education. 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 and policies designed to meet future educational objectives and needs.

The education cost estimates used in this report are intended to provide an estimate of the long-term cost per student. In the near term (approximately one to three years after project completion) school costs are most likely to be lower than these estimates. However, this report takes the position that the measurement of education costs, like the Proposal in general, should be estimated over the long term and allocates school costs to the present time frame on the basis of estimated annual cost per student at stabilization. Table 1 below provides a summary review of the proposed residential mix.

Table 1. Summary of Residential Types

Residential Component	#/Units	Percent of Total
Apartments		
Studio	56	25%
1-bedroom market rate	112	50%
2-bedroom market rate	56	25%
Rental Sub-Total	224	100%
Ownership		
2-bedroom condominium	72	80%
3-bedroom cottages	18	20%
Ownership Sub-Total	90	100%
Total	314	100%

The Proposal is purposefully oriented towards small household housing options, given that 94% of residences are studio, one, and two-bedroom designs; and only 18 are three bedroom cottages. 75% of the total 224 apartments (equally 54% of the total residences) are studios and one bedrooms, which do not generate a measurable or sustainable level of school aged children. These ratios are far lower than the current existing housing stock in Malden.

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 report, the measurable general service costs will be generated from public safety-services (police and fire services). The departmental cost estimates discussed in this report were based on current fiscal year operating budgets and operational data provided by the Malden Police and Fire Departments.

The annual revenue stream (total tax revenues accruing to the City) is estimated based on real estate valuation and resulting tax payments using two approaches: the stabilized income method (consistent with current practices for rental multi-family assessment) and a full and fair market value approach for the 'for-sale' component of the Proposal. Added to the real estate tax revenue stream are estimated auto excise taxes.

All cost figures are presented in current (2016) dollars unless otherwise noted.

2.1 Student Enrollment Projections

Consistent with any residential or mixed use development, education costs represent the majority of the total estimated service costs. The Proposal's annual student generation rate has been estimated by examining rent-comparable multi-family developments in Malden, given that there is a strong correlation between rental rates and school age children (SAC) generation rates. Further, the student generation rates are expressed as a student per residence type i.e. two bedroom or three-bedroom residence ratio, which allows for a comparison with different scale stabilized developments. It should be noted that to maintain a consistently conservative (high-end) service cost approach, the 295 units at 500 Broadway have been included as a comparable regardless of fact that rent and quality of development is considerably less than the Proposal. Accordingly, the relatively high student generation rate per unit of said development is included in this study.

Education cost estimates are driven by an estimate of net additional school-aged children to be enrolled in the Malden Public School System. The basic formula for determining the local education cost estimate is Actual Net School Spending per pupil as reported by the Massachusetts Department of Education minus state Chapter 70 aid; a revenue source.

The Role of Chapter 70 Aid

Chapter 70 School Aid is provided to every community in the Commonwealth to help offset the cost of local education. There are numerous factors involved in the formula that is employed annually to determine the amount of aid allocated to each community. No community can receive less than 15% of the Commonwealth's foundation budget requirement; aid levels can and have reached 100% levels in the past for some communities.

The most significant factor in the aid distribution formula is equalized assessed valuation (EQV) per person but there are others that tend to favor urban oriented communities and the relative income levels of communities. Essentially, the assessed value of the community divided by the total population equates to EQV. In a general sense the lower the EQV the more aid a

community possibly may receive. In Malden's case Chapter 70 aid has fluctuated between 55% and 59% of the required foundation budget for the past 25 years. Currently it is 57.6% of the required foundation budget. Therefore, over the past two decades when Malden's total assessed value and EQV have expanded by hundreds of millions of dollars, its equalized assessed value has simply kept pace with other communities in regards to Chapter 70 aid and has been subject to the vagaries of state budgets and funding

It is important to note that while Malden's EQV is a factor relative to Chapter 70 aid, the annual re-evaluation *does not consider Malden (or any city or town) independently*. Rather each year Malden and the remaining 350 Massachusetts communities are evaluated as a group including the changes to EQV for all communities. Therefore, Malden's Chapter 70 aid and EQV rating reflect a change in *relative* position, not an individual position. With all communities adding new growth and assessed value every year plus improving assessed valuation of existing real estate it is extremely unlikely that significant changes in *relative* EQV ranking will be realized by Malden, or any other specific community.

Further, and critically, the amount of aid each community receives is not entirely due to relative EQV ranking since the amount of money allocated is an annual decision of the state legislature. There have been times in the recent past where cuts to state Chapter 70 aid to Malden and other communities has nothing to do with the aid formula or relative EQV, but simply a matter of lower state commitment to education aid in the overall state budget.

Therefore, the concept that a community should actively seek ways to stabilize its total assessed value by preventing re-use or new development from occurring in order to stabilize or improve its Chapter 70 aid position has a very serious downside. Essentially, such position would purposefully make all property in Malden less valuable relative to all surrounding communities. Any policy designed to purposefully shrink relative property value in Malden to "protect" state aid undermines residential and commercial property owners in Malden in both a relative and individual manner. As noted, it would make property in Malden comparatively less valuable. Further, it would quickly generate pressure on local governments to raise property taxes simply pay for current or service levels i.e. generate the same amount or more municipal revenue from a stagnant or declining tax base. In a relatively short period, experience has shown that trying to raise even the same amount of operating revenue from a declining or stagnant tax base places heavy burdens existing businesses and home owners which may in turn generate further disinvestment in the community.

This report does not assume any gain or loss in Malden's relative Chapter 70 aid allotment simply due to the various annually changing components that result in state aid allotments. We assume it will stay essentially unchanged as it has over the past 25 years of growth and renewal in Malden.

2.2 General Service Cost Estimates

For general service costs i.e. non-educational service costs, the report employs the City's FY 2017 operating budget and includes those service categories that will most likely exhibit a measurable additional cost due to the Proposal. In this case, the Police Department and Fire

Department will be modestly (but measurably) impacted. The report combines the individual estimated departmental costs to generate a total general service incremental cost estimate.

It should be noted that there are municipal operational budget categories that are properly not included in general service costs for purposes of determining the fiscal impact, such as existing debt payments, municipal services paid by enterprise accounts, or similar pay as you use accounts, for water and sewer services. Further, building department reviews and inspections which are paid for directly by fees charged to the developer are not included. In addition, Public Works' responsibilities such as road maintenance and plowing of existing public roadways abutting the project area will not change as a result of the Proposal, so no marginal costs are included. In short, the measurable additional general service costs will be associated with police and fire service.

2.3 Revenue Projection

Service costs represent only one half of the fiscal equation. In order to appropriately estimate the annual fiscal impact of the Proposal, the estimated annual revenue stream (total tax revenues accruing to the City) must also be determined. Based on conversations with the City's Assessor this report has employed two approaches i.e. the stabilized income method (consistent with current practices for rental multi-family assessment) and a full and fair market value approach for the 'for-sale' component of the Proposal.

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 fiscal finding is also expressed in terms of net revenue gained annually by the City, commencing at project stabilization.

Since the objective of the report is to provide Malden stakeholders with an understanding of the long-term beneficial fiscal implications of the Proposal, the most important finding presented by this report is the estimated cost-to-revenue ratio at stabilization; since this finding reflects the Proposal's 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, the cost to revenue is the best measure of the long-term projected fiscal performance of the Proposal.

3.0 Summary of Findings

- At stabilization, the Proposal will generate approximately \$1,484,000 in annual revenue from property tax and excise tax, at a total incremental annual service cost of approximately \$315,000.
- At stabilization the Proposal will generate an approximate annual fiscal benefit of \$1,169,000 (\$1,484,000 minus \$315,000).
- The resulting annual average cost-to-revenue ratio is 0.21, (\$315,000 divided by \$1,484,000). In other words, for every revenue dollar received, 79 cents will accrue to the City of Malden as an annual fiscal benefit.
- The Proposal is projected to generate an annual average of 42 school aged children by the school year 2021/22.
- Building permit fees, a one-time revenue source over and above the recurring annual fiscal benefit, are estimated to be between \$650,000 and \$850,000 dollars.

4.0. General Service Costs

This report uses the Town's FY2016 operating budget to estimate annual departmental costs associated with the Proposal and information provided by the Malden Police and Fire Departments in April and May of 2016.

4.1 Residential Service Costs – Police Department

Understanding the nature of calls for police services is the starting point of estimating annual incremental police relate costs associated with the Proposal. It is important to note that the majority of calls for police service in Malden and the region are not directly related to residential land uses or linked to a residential address. Office, retail, industrial uses, public facilities, institutional uses, schools, recreation uses, town wide traffic management, directed patrols and inter community co-operation also create significant percentage of public safety demand.

Responses to service calls do not account for the total annual police budget, since building operations, training and equipment costs are included in the police budget. However, it is our position that without the cost of the physical infrastructure, communication and other supporting items the police department could not function or respond as demanded. Therefore, this analysis takes a conservative (higher cost) approach to the estimated future police cost by equating service calls to the full police budget.

4.2 Police Service Calls

Based on our experience in the region, the percentage of police service calls to residential addresses, depending on the nature of the community, are 20% to 50% of all service calls. Since in this instance we cannot discern the exact ratio, we have employed the high end of the range to be conservative for analysis purposes. Based on 2016 Malden Police Department data, the police department had 43,364 calls for service in 2015. Assuming a 50% residential related call ratio we can estimate that approximately 21,682 calls for service were related in some fashion with residential land use. Given that the current number of dwelling units in Malden is approximately 24,000 the overall call per dwelling unit rate is 0.9. This ratio is a general ratio for all dwelling types in the City and likely reflects a wide range of responses by dwelling type and rent level.

To more appropriately define the estimated call rate for the Proposal we selected city wide comparable multi-family developments to examine multi-family police call rates.

Table 2 below illustrates police call data from 2013, 2014 and 2015 for five comparable multifamily developments noted below that are similar in either size or rent level or both.

Table 2. Police Calls by Comparable Multi-Family Development

Residential Community	# of Units	Calls 2013	Calls 2014	Calls 2015	Avg. Call / Year (1)	Calls per Unit Avg. (1)
160 Pleasant St	195	29	43	30	34	0.174
14 Summer St.	195	19	44	27	30	0.153
500 Broadway	295	182	199	175	185	0.627
39 Florence St.	84	0	8	31	20	0.238
12 Quarry Lane	90	0	14	16	20	0.222
Total	859	230	308	279	289	0.336

(1) Note: average is for 2014 -2015 only, remove year 2013 year when some examples not stabilized. i.e. Florence St and Quarry Lane

As noted above, the 859 comparable units averaged 289 calls per year; or a call per dwelling unit per year rate of 0.336. Note the large majority of service calls are not crime related. Applying the rate of 0.336 to 314 proposed units generates an estimate of 106 calls per year. However, the Proposal has considerably smaller bedroom per unit ratio than do the five comparable developments. Therefore, it is logical to assume a lower population per unit. While a lower population per unit may factor into lower police service costs, to maintain a conservative approach, no adjustment in the Proposal’s favor was made.

This report assumes that the comparable call rate of 0.336 is the more appropriate rate to apply to the Proposal than the city wide average which is comprised of a variety of housing types and rent ranges. However, this report also recognizes (see Table 2 above) that it is common for the number of service calls to a particular development to vary from year to year. To account for this fact in our analysis we will increase the number of calls by 25% (from 106 calls to 133). Accordingly, 133 calls applied to the Proposal generates a call rate higher than the rate found in the comparable developments of Table 2 (0.424 versus 0.336), thus maintaining the conservative cost approach.

4.3 Estimated Service Cost

The current police budget totals \$10,474,230, exclusive of employee benefits and retiree pensions. Adding 30% to cover all benefits and pensions we arrive at a total cost of approximately \$13,616,499. As noted earlier, to ensure a prudent cost we equate the entire budget to calls for service. Accordingly, we can estimate that 50% of the police budget is associated with residential land uses i.e. approximately \$6,808,000.

Based on our review, Malden has approximately 24,000 total dwelling units. Therefore, Malden generates an *average* police service cost of approximately \$284 per dwelling unit.

To recognize the unpredictable and varying nature of residential service calls, this report adds 25% to the derived average service cost to arrive at a revised average of \$355. (See Table 3 below.)

Table 3. Summary of Estimated Police Costs

Department	Current Costs	Dwelling Units	Cost Per Dwelling	Adjustment Factor	Estimated Cost per Dwelling
Police	\$6,808,000	24,000	\$284	25%	\$355

Therefore, applying the average of \$355 per service call to 133 potential calls for service generates an annual police service cost estimate of \$47,215.

The \$48,000 annual cost estimate is derived from actual police service calls at comparable Malden developments for the past three years. Please note, we understand that Malden police currently provide service to the former hospital site when called upon. However, for the purposes of our report we are representing net new police service calls and are not deducting any service calls to the current site.

4.4 Residential Service Cost –Fire Department

The Malden Fire Department provided both fire service runs and emergency service (EMS) runs for the five comparable developments noted above.

Consistent with regional norms, due to significant improvements in fire safety and building codes in recent decades, residential fires are not a major percentage of fire department service calls for any community. However, the cost associated with multi-family fires can vary widely and one major multi-family fire can generate large service costs. Also, the majority of other “non-residential” fire service calls such as smoke scares, lock outs, fires in vehicles, false alarms, and car fires etc. can be associated with multi-family development or residential development in general. The report recognizes the fact that all fire service calls are not generated by residential land use, but our experience has indicated that it can be close to 90% in any given year depending on the community. Accordingly, to be consistent with a conservative (high cost approach) this report will assign 90% of fire service calls to residential uses.

The current fire department operational budget of \$9,932,993; adding 30% to cover benefits and pensions the total annual cost is approximately \$12,913,000. Assigning 90% of cost to residential land use generates a residential cost of \$11,621,700. Therefore, the average cost of fire service per dwelling unit is approximately \$538 assuming 24,000 total dwelling units. Increasing the average cost factor by 25% similar to what has been applied to the Police cost estimates) to reflect the likely annual fluctuations in service call costs generates a cost factor of \$672 per call. See Table 4, summary of cost fire service factors.

Table 4. Summary of Fire Safety Cost Analysis

Department	Current Cost	Dwelling Units	Avg. Cost Per Unit	Adjustment Factor	Cost Per Unit Use in the Analysis
Fire	\$11,621,700	24,000	\$538	25%	\$672

4.5 Estimating Service Calls

Similar to the police analysis, Table 5 below illustrates fire service data for the five comparable developments used by this report.

Table 5. Fire Service Calls (Non-EMS)

Residential Community	# of Units	Calls 2014	Calls 2015	Two Year Average (1)	Calls per Unit Avg. (1)
160 Pleasant St	195	11	12	11.5	0.059
14 Summer St.	195	7	10	8.5	0.044
500 Broadway	295	20	24	22.0	0.075
39 Florence St.	84	3	3	3.0	0.036
12 Quarry Lane	90	4	2	3.0	0.033
Total	859	45	51	48.0	0.056

(1) Note: average is for 2014 -2015 only, in order to remove 2013 a year when some examples were not stabilized.

As shown, the average calls per unit is 0.056 for the comparable developments. Applying the average fire call rate of 0.056 per unit to 314 proposed units generates an estimate of 18 fire service calls (non-EMS service) per year for the Proposal.

Given 18 additional annual calls to the site and the estimated average service call cost of \$672; the estimated non -EMS fire service cost would be \$ \$12,096 per year (\$12,000).

4.6 Ambulance Service.

However, it is important to note that the above cost estimate does not take into account Fire Department Emergency Service (EMS) calls, which represent the large majority of calls on an annual basis. Malden contracts its ambulance service and this report does not have access to private service costs per run. But it is important to note that while the fire department does not provide an ambulance service it does respond by providing fire apparatus support to the large majority of calls.

Fire department data indicates that in 2015 Malden Fire Department made 8,975 runs of which 6,551 were EMS related. Assuming the 90% service call residential ratio for EMS calls we can

estimate approximately 5,900 EMS calls (90% of 6,551) were residentially oriented, generating a city wide rate of 0.2 per dwelling unit.

However, the Fire Department Data applicable to the 5 comparable developments indicated that there were on average 55 EMS calls to the 859 comparable units for a rate of 0.064 per unit. This result seems logical given the smaller population per unit than the population characteristics housing stock city wide. However, to maintain a conservative approach to cost and service demand, this report employs the considerably higher rate of 0.132 per dwelling unit; the average of the 0.20 he city wide rate and the rate for the comparable units at 0.064 per unit.

Accordingly, at the 0.132 rate per unit the 314 units of the proposal Malden can anticipate 42 ambulance service requests from the Proposal or an increase of 0.0064 percent overall. However, similar to police service calls, there can be considerable fluctuations in ambulance service calls to a particular multi-family on an annual basis. Therefore, this report increased the service call estimate by 25% from 42 to 53 or a rate of 0.17 per unit, a rate considerably higher than the actual comparable rate of 0.064.

Ambulance service is a contracted service in Malden, however, the Fire Department does respond to all ambulance calls for service. Accordingly, if we anticipate up to 53 additional trips to the project site, using the average call cost of \$672, we can estimate another \$35,616 (\$36,000) in service costs.

It should be noted that this report does not have historic data on ambulance service runs to the site when it operated as a hospital; but it is highly likely it was considerably more than 53 per year. However, no ambulance credit cost is carried in this report, all ambulance trips are simply carried as net new trips over the current situation.

Combined with the fire service cost of \$12,000, the ambulance service costs of \$36,000 brings the estimated additional annual Fire Department cost up to \$50,000. Table 6, below summarizes both police and fire safety costs.

Table 6. Estimated Public Safety Costs

Department	Estimated Service Calls	Cost per Call @125%	Estimated Cost	% City Wide Call Increase
Police	133	\$355	\$ 48,000	0.003
Fire	18	\$672	\$ 12,000	0.007
Ambulance	53	\$672	\$ 36,000	0.008
Totals	204		\$ 96,000 \$108,000 using simpler methodology above	

4.7 Other General Service Costs

Water and sewer costs for the Proposal will be addressed via pay as you use fees established by the City of Malden. Similarly, building department costs will be covered by the required

building permit fees. The additional population should not generate additional staffing requirements for general government services such as Town Clerk, Treasurer, and for services such as libraries or recreation. The roadways bordering the site will be maintained whether or not the Proposal proceeds and all internal roads will be private and maintained by the developer. Therefore, there is no measurable additional and on-going roadway related DPW cost.

Further, budget items like current municipal debt are not applicable since they pre-date the Proposal. Accordingly, the municipal departments that will experience measurable additional costs in this instance are the Police and Fire Departments.

5.0 Education Costs

5.1 Student Projection

The student generation analysis is based on the school aged children (SAC) rate for two bedroom units consistent with the same the five comparable developments used in the public safety analyses in Section 4.0 above. The studio and one bedroom residences should not generate a measurable or sustainable SAC rate, and the Proposal has only 18 three family bedroom residences; the comparable developments noted below include 20 three bedroom residences.

It should be noted of the proposed 314 residences; 128 will be two bedroom units and 18 will be three bedroom units. Therefore, only 146 of the proposed residences will generate school aged children or 46% of the total residences. All school data herein has been provided by the Malden School Department as of May 2016.

Table 7. SAC Rate for Two Bedroom Units in Comparable Developments

Residential Comparable	Total Units	Total Students ⁽¹⁾	Gross SAC Rate / Unit	Total 2 bedrooms	SAC Rate 2 Bedroom
160 Pleasant St.	195	12	0.061	118	0.101
14 Summer St Gateway	195	0	0.000	115	0.000
500 Broadway Commons	295	53 ⁽¹⁾	0.179	177	0.231
39 Florence St.	84	5	0.059	42	0.119
12 Quarry Lane	90	3	0.033	54	0.055
Kennedy Dr. Granada Highlands	919	153	0.169	451	0.339
Total	1,778	226	0.127	957	0.236

(1) 500 Broadway has 20 three bedroom units. Applying the regional average of 0.60 student per unit per market three-bedroom rental units. Therefore, removing 12 students due to the three-bedroom component leaves 41 students from the two-bedroom component. The 41 students divided by 177 two bedroom units derives the shown two-bedroom rate of 0.231.

Table 7 above illustrates the school aged children (SAC) generation rate per two bedroom units found the comparable developments.

Applying the two bedroom rate of 0.236 as determined by Table 7 above to the 128 two bedroom units (56 apartments and 72 condominiums) generates an average of 31 students per year. However, to be complete we need to add the 18 three-bedroom residences using the 0.6 rate.

Accordingly, the 18 three bedroom cottages designed with a master bedroom down will add approximately 11 more students to the 31 projected from the two bedroom residences for a total estimate of 42 students. It is likely that in any given year after project completion the enrollment level will fluctuate between 34 and 50 students per year.

As a point of reference the 0.6 students per market three-bedroom rate carried in this report is approximately double the overall student per unit rate in Malden i.e. 7,395 students divided by 24,000 dwelling units or a rate of 0.31. Also, Malden has historically averaged close to a 10% private school enrollment; while it is possible and perhaps likely that some number of the projected students will enroll in private school, this report assumes a conservative zero private school enrollment for cost analysis purposes. The estimated 42 additional students will increase total enrollment by 0.56 percent over the current enrollment levels.

5.2 Estimated Annual School Cost and Enrollment Patterns.

Based on information received from the Massachusetts Department of Education Actual Net Spending per Student (ANSS) for Malden FY 2016 is \$11,760 with State aid representing \$6,550. Deducting State aid (a revenue source) leaves a cost of \$5,210 per student to be addressed by local revenue sources.

Employing the above noted annual local cost estimate of \$5,210 per student and the projected annual average of 42 students produces an estimated annual school cost of approximately \$219,000.

5.3 Additional Enrollment: Context and Distribution

Based on information received from the Massachusetts Department of Education, current foundation enrollment is 7,395. Since 2012 (the recent 5-year period) enrollment has increased by 250 students or an average of approximately 0.7 percent per year.

While background economic conditions can be important factors relative to the estimate of new school aged students, the major consideration here is the low number of new students projected due to the unit mix. Based on regional experience with multifamily development, Malden can anticipate 26 of the 42 (62%) of the projected students to enroll in the various grades K-6 with the remaining 18 students will enroll the various middle and high school grades.

It is anticipated that full enrollment from the Proposal will occur by the 2021/22 school year.

6.0 Total General Service Cost

Table 8 below summarizes the estimated total annual municipal service cost associated with the Proposal.

Table 8. Estimated Annual Municipal Service Cost

Department	Estimated Cost
Police	\$ 48,000
Fire	\$ 12,000
Ambulance	\$ 36,000
Schools	\$219,000
Total	\$315,000

7.0 Revenue Projection

7.1 Estimated Revenue

For the purpose of generating a revenue estimate, this report employs two methods of assessment. First, the stabilized income method will be applied to the rental component of the Proposal; 224 apartments. The second technique is full and fair market value (sales price). This approach will be applied to the 90 ownership residences.

Income Method-Rental Component

Market studies have indicated the estimated average market rents per month for the various unit types as follows:

56 studios	\$1,900
112 one bedroom	\$2,425
56 two bedroom	\$2,900

Based on discussions with the Malden Assessor's Office the following income metrics have been applied to the above noted rents:

Vacancy Rate: 2%
Operating Expense: 35%
Reserve: 2.5%
Cap Rate: 7.5%

Using the income method approach, the rental component of the Proposal at stabilization is estimated to have assessed value of approximately \$52,000,000.

Applying the current \$15.73 residential tax rate to the estimated assessed value of \$52,000,000 yields an annual property tax of approximately \$818,000.

Additionally, the rental component will generate approximately 280 registered vehicles on site that will be subject to automobile excise taxes (1.25 cars per unit). The City's average excise tax per vehicle is approximately \$110 per vehicle. Assuming, 280 vehicles The rental component will generate approximately \$30,800 annual excise tax revenue.

Adding excise tax to the estimated property taxes yields an annual revenue stream estimate of \$849,000 for the rental component.

7.2 Full and Fair Market Approach-The for Sale Component

The 72 condominiums have an average sales price of \$425,000. Therefore, the condominiums have an estimated aggregate assessed value of \$30,600,000.

At the current tax rate this will generate approximately \$481,000 in property taxes and about \$15,800 in excise taxes (approximately 144 cars, at 2 per dwelling) for an annual revenue stream of \$497,000.

The 18 cottage homes have an average sales price of \$475,000, therefore, an estimated assessed value of \$8,550,000. At the current tax rate this will generate approximately \$134,000 in property taxes and about \$4,000 in excise taxes (36 at 2 per dwelling) for an annual revenue stream of approximately \$138,000.

Table 9. Estimated Assessed Value and Annual Revenue

Proposal Component	Estimated Assessed Value	Property Tax ⁽¹⁾	Excise Tax ⁽²⁾	Annual Revenue
224 Rental Homes	\$52,000,000	\$818,000	\$31,000	\$849,000
72 Condominiums	\$30,600,000	\$481,000	\$16,000	\$497,000
18 Cottage Homes	\$8,550,000	\$134,000	\$ 4,000	\$138,000
Total	\$91,150,000	\$1,433,000	\$51,000	\$1,484,000

(1) Residential tax rate of \$15.73

(2) Average excise tax bill \$110

The Proposal would generate approximately \$1,484,000 in annual revenue at project stabilization.

8.0 Fiscal Profile

Table 10 provides a summary of the Proposal's long term fiscal profile.

Table 10. Summary of Fiscal Profile

Proposal	Annual Revenue	Annual Cost	Cost to Revenue Ratio	Annual Benefit
224 Apartments and 90 for sale	\$1,484,000	\$315,000	0.21	\$1,169,000

The report finds that the Proposal generates a strong positive fiscal profile of 0.21. Meaning that at stabilization approximately 79 cents of every revenue dollar will accrue to the City as an annual fiscal benefit for use for other City services.

Further, during the construction period the assessed value of the property will increase and be taxed accordingly. This revenue source should be considered as a 100% fiscal benefit since no service costs will accrue until occupancy is permitted.

9.0 One Time Fees

Based on the applicant's initial estimate of construction costs and a local fee of \$13 per \$1000 construction value; total building permit fees, not including electrical or plumbing fees are estimated to be \$650,000 to \$850,000.