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To: [Planning](#)
Subject: HONE MBTA Communities Act presentation questions
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Dear Members of the HONE Advisory Group

Thank you very much for your time and effort serving on this important town advisory group.

In reviewing the meeting that occurred on March 7th and the related materials, a key highlight of the presentation appears to be that the impact of complying with this MBTA communities law will be a net fiscal benefit to Needham. Surprised, I reviewed some of the calculations and assumptions and thought it would be helpful to town residents if they had a better understanding of the following:

- It appears that a 50% increase in value of a property is the threshold used to decide which properties will have a “propensity” to convert? Would owner’s consider selling/converting with potentially a much less significant increase, such as a 10%, 20% or 30% increase? Apartments and housing complexes in particular are frequently built and owned by investors and would seem relatively fluid in these circumstances. Unless there is a substantive reason to use 50%, I would recommend the analysis be run with an additional scenario using a 20% increase in value to inform and sensitize the town to the impact of that revised threshold;
- The presentation estimates that on average each new unit under these proposed plans will add \$1.1k per year in variable town operating costs (school/capital costs are excluded). Further, each new pupil will add \$12.1k per year in incremental variable school costs. Comparing these costs to the annual incremental taxes that will be raised by the new units, the presentation gives the impression that this will yield a net fiscal (financial) positive to Needham under any scenario. In reviewing the math used to get to these figures (albeit in a limited manner given the detail available), I have concerns that the carve backs used are not in keeping with traditional Needham practice of conservative estimation, at best leaving no room for error and at worst potentially going beyond what may be reasonably expected. It would be good to have a fuller understanding of the following:
 - Town departments (Non-school related) deemed to include costs that vary for population growth seem too few.
 - The “efficiency adjustments” applied do not appear to have any substantive support. It would be good to have a better understanding of how these were arrived at and the assumptions and mechanics behind them;
 - The figures used to develop the estimated incremental school costs per pupil depend on the 2022 school budget - \$82M. The 2024 budget is available - \$92m and should be used instead.
 - The already reduced school costs (noted above) are then carved back very significantly for undefined “variable” costs in order to go from the roughly \$20k fully burdened costs per pupil in Needham schools to a roughly \$12k per pupil incremental cost. That doesn’t seem very conservative since schools (excluding capital) are very sensitive to population changes as is noted during each annual town budgeting cycle. It would be great to have fuller

understanding/reconciliation between these two figures.

- A discussion and analysis of the increase in special education costs per pupil was not included but should be factored in.
 - There is no provision for increased capital costs in either the town operating expense analysis or per pupil analysis and required capital figures could be very significant;
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- Given that the average number of children per family in MA is approximately 1.7-1.8, the SAC ratio being employed seems low. For instance, the “Base - full build model”(1,868 units) estimates only 151 additional pupils each year once fully in place. The presentation notes that the SAC ratio is the result of blending between Needham experience, RKG ratio and certain other greater Boston community ratios. It would be good to know exactly the weight that was placed on each and why such weighting makes sense for Needham given the attractiveness of its school system;
 - Given that real estate investors build multi unit complexes to receive a return on investment, even accounting for a reasonable vacancy level in the short term the math doesn't make sense to assume complexes built in Needham will wait 19 or even 10 or even 5 years to be completely “net absorbed”, occupied and yielding return. The town could use a better explanation of this net absorption concept since it appears to be a key promotional factor;
 - Given the valuation of a home in Needham versus the estimated valuation of these new units, mathematically the individual homeowners in Needham will bear the lion's share of the increase in the town's costs due to these additions. For example purposes, if we use as rough guess \$0.8m as an average assessed value for a stand alone home versus approximately \$0.4m avg assessed value for a unit, that is 2x toward the household. If also factoring in that some commercial properties (higher per sq ft tax rate) will convert to residential, the costs will shift further. Whether this matters is anyone's guess but it should probably be part of the analysis presented to the town;
 - Will there be an analysis of the long term capital costs to be incurred for things like digging up the streets and expanding the infrastructure that will be needed? Rumor had it that towns like Franklin not so many years ago struggled (and may continue to struggle) with these tremendous capital costs which were the direct result of significant growth in their populations.

Thank you again for all your hard work and for your attention to these questions.

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