# Arlington Finance Committee

Date: Thursday, October 5, 2023.
Time: 7:30pm.
Location: 112 Mystic Street, Arlington, MA and conducted via Remote Participation - Zoom.

**Minutes**

Attendance: Christine Deshler, Grant Gibian, Josh Lobel, Alan Tosti (remote), Christopher Heigham, Alan Jones, Dean Carman, Charles Foskett, David McKenna, Sophie Migliazzo, Jennifer Susse (remote), Rebecca Younkin, Annie LaCourt, Darrel Harmer (remote), Shane Blundell, Jordan Remy (remote), Tara Bradley (Secretary), Alex Magee (remote, Deputy Town Manager & Finance Director). Rebecca Gruber (remote, visitor)

1. The committee discussed the Special Town Meeting Collective Bargaining Warrant Article 15.
    a. VOTE: the committee voted unanimously to approve Warrant Article 15 as written in the proposed vote shared by the Deputy Town Manager.
2. The committee discussed financial impacts of Special Town Meeting Warrant Articles 12 and 13 (MBTA Communities) and whether or not the Finance Committee should take a position.
    a. A motion was made and seconded to recommend that Town Meeting vote to accept the lowest available number consistent with state law.
        i. VOTE: the motion fails with 11 opposed (Remy, Blundell, Susse, Migliazzo, Younkin, Lobel, Gibian, Harmer, LaCourt, Carman and McKenna), three in favor (Jones, Heigham and Tosti) and one abstaining (Foskett)
    b. A motion was made and seconded to not take a position.
        i. VOTE: the motion passes with ten in favor (Remy, Blundell, Susse, Younkin, Lobel, Gibian, Harmer, LaCourt, Carman, McKenna), five opposed (Migliazzo, Foskett, Jones, Heigham and Tosti)
3. The minutes from 6/26/23 were approved with 11 in favor (Blundell, Susse, Younkin, Gibian, Foskett, Harmer, LaCourt, Jones, Heigham, Tosti, McKenna) and four abstaining (Remy, Migliazzo, Lobel and Carman)

4. The minutes from 9/28/23 were approved with 13 in favor (Remy, Susse, Migliazzo, Younkin, Lobel, Gibian, Foskett, Harmer, LaCourt, Jones, Heigham, Tosti and Carman) and two abstaining (Blundell and McKenna)

Meeting adjourned at 9:51pm.

By Tara Bradley.

Reference 1: Special Town Meeting Warrant Article 15 Proposed Vote
Reference 2: MBTA Communities Act & Arlington - Jones, Heigham & Foskett
Reference 3: Response to Jones, Heigham & Foskett Analysis – LaCourt
Reference 4: MBTA Communities Article – LaCourt
Reference 5: MBTA Communities Letter – Susse

**ARTICLE 15 COLLECTIVE BARGAINING**
To see if the Town will vote to fund any fiscal items in the event that any are contained in collective bargaining agreements between the Town and the following named collective 6 bargaining units, determine how the money shall be raised and expended; or take any action related thereto:
A. Arlington Police Patrol Officers' Association (formerly Arlington Patrolmen's Association);
B. Arlington Ranking Police Officers' Association;
(Inserted at the request of the Town Manager)

**VOTED: That the sum of $477,003 be transferred from the existing salary reserve to the following FY24 departmental budget for FY24 pay for the FY22, FY23 and FY24 retroactive compensation for settlement of the Arlington Police Patrol Officers' Association (APPOA) contract:**

| Department | Total |
|---|---|
| Police | $477,003 |
| | **$477,003** |

**and that the sum of $126,909 be transferred from the existing salary reserve to the following FY24 departmental budget as indicated in this table for settlement of the APPOA contract:**

| Department | Total |
|---|---|
| Police | $126,909 |
| | **$126,909** |

**AND FURTHER VOTED That the Town hereby ratifies the following financial items in the collective bargaining agreements and memoranda of agreement with the following enumerated collective bargaining units and hereby approves the following financial items relating to:**

**A. Arlington Police Patrol Officers' Association (APPOA):**

1. **A one and-a- half percent (1.5%) wage increase effective July 1, 2021, to be paid as a retroactive payment to all union members employed by the town as of May 23, 2023, including those who retired between July 1, 2021 and the time of union ratification.**
2. **A two percent (2%) wage increase effective July 1, 2022, to be paid as a retroactive payment to all union members employed by the town as of May 23, 2023 including those who retired between July 1, 2021 and the time of union ratification.**
3. **A two percent (2%) wage increase effective July 1, 2023, to be paid as a retroactive payment to all union members employed by the town as of May 23, 2023 including those who retired between July 1, 2021 and the time of union ratification.**

4. **A four percent (4%) market adjustment to all covered positions effective July 1, 2023, to be paid as retroactive payment to all union members employed by the town as of May 23, 2023 including those who retired between July 1, 2021 and the time of union ratification .**
5. **An increase from 4.8% to 5% (a .2 increase) to the 3-year step and an increase from 1% to 3% (a 2% increase) to the 7-year and 10-year steps effective July 1, 2022 to be paid as a retroactive payment to all union members employed by the town as of May 23, 2023 including those who retired between July 1, 2022 and the time of union ratification.**
6. **A 2% wage increase upon agreement of a Body Worn Camera policy**
7. **Recognition of Juneteenth as a holiday**

**COMMENT**: Negotiations are still in process with one Town union.

# MBTA Communities Act and Arlington

## Financial Dimensions

# Topics

- Background
- Analytical Approach
- Resources
- Current State of Arlington Residential Valuation and Taxation
- Municipal Expense Elasticity
- Implications of MBTA Communities Act
- Recommendations

# Background

- Arlington's MBTA Working Group has been developing a plan for incorporating requirements of the MBTA Communities Act (the "Act") in Arlington
- The Act requires zoning modifications to allow capacity for 2046 housing units in Arlington which is approximately 10% of the existing households in Town
- The Working Group has proposed several potential plans with additional housing capacity for as many as 15,000 units.
- The question being addressed herein is "How do we evaluate the financial impact of these changes in Arlington?"

# Analytical Approach

- A zoning capacity change is a long-term strategic issue; therefore, it is important to understand the long-term impacts.
- It is not possible to predict if or when the potential additional capacity might be built out, nor its exact characteristics, population density or tax related valuations.
- We have a rich data set of today's financial characteristics and demographics.
- One approach is to use today's dollars in all analyses and assume that the entire build-out occurs immediately. This would give a snapshot of what the future might look like, in today's dollars, if the full capacity might be built out.
- Municipal expense elasticity and population density are two variables which must be assumed in any analysis.
- Traditional taxes and valuations are looked at on a per parcel basis. However, municipal expense is driven by services for people, whether seniors, children, students, parents, veterans, or economically challenged, etc.
- In this analysis financial parameters are presented on a per capita basis to normalize revenues and costs in a common framework. Reported household density is 2.38 persons per household.

# Resources

## Arlington

- "20230725 Public Meeting Sl.pdf"
- "20230920080346408UNITS.pdf"
- "20230920080346408UNITS.xlsx"
- "ArlingtonMA_Assessor_Database.xlsx"
- "DOR Use Codes Chapter4.pdf"
- "propertytypecodes_1.pdf"
- "salesallstyle201820230922.xlsx“
- Town Assessing Director Dana Mann was especially help both in discussion and in providing data reports.
- Finance Director and Deputy Town Manager was especially helpful in discussion and providing specific insights.

## Open Literature

- Demand for Density__ The Functions of the City in the 21st Century _ Brookings.pdf"
- "Glaeser-CrimeCities-1999.pdf"
- "goodman_christopher_b_201208_phd.pdf"
- "ladd-1992-population-growth-density-and-the-costs-of-providing-public-services (1).pdf"
- "Population growth inflation and municipal revenues and expenditu.pdf"
- "s42949-022-00048-y.pdf"
- "State and Local Expenditures _ Urban Institute.pdf"
- "The Costs of Sprawl Reconsidered_ What ...pdf"
- "urbansci-05-00069-with-cover.pdf“
- Various DOR Financial Websites

Note: References and resources can be made available upon request.

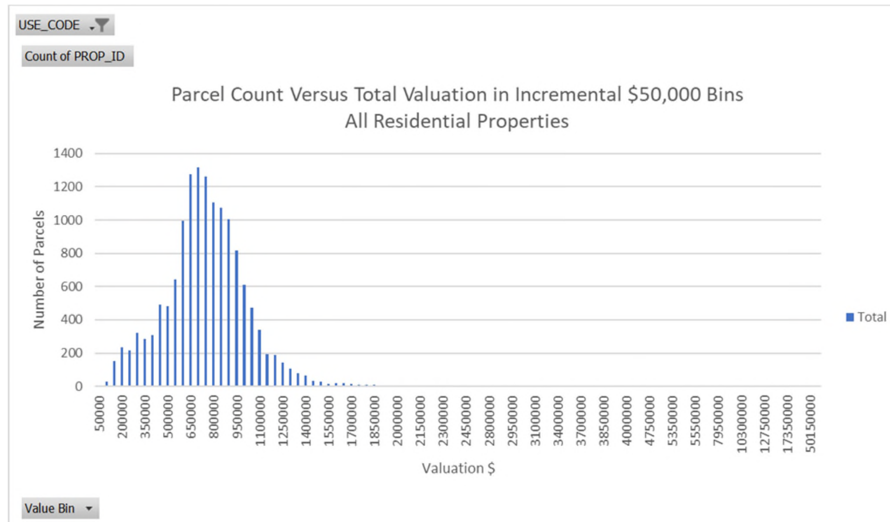
# Helen F. Ladd

- Helen F. Ladd is the Susan B. King Professor Emerita of Public Policy and Economics at Duke University's Sanford School of Public Policy. Her education research has focused on municipal finance, school finance and accountability, teacher labor markets, school choice, and early childhood programs.
- Her 1992 often-referenced seminal work "Population Growth Density and the Cost of Providing Municipal Services" examined 247 counties across the United States to quantitatively model municipal costs.
- In this reference she comments "Regardless of the rate of population growth, the higher density associated with a larger population is likely to increase the costs of public services and therefore spending." … "..development…does not pay its way."

# Arlington Residential Taxpayer Snapshot

| 2023 Tax Revenue Per Parcel | | | |
|---|---|---|---|
| Type | DOR Use Code | Mean Parcel Valuation | Average Tax Revenue Per Parcel |
| Single Family | 101 | 912,386 | 10,283 |
| Condo | 102 | 534,165 | 6,020 |
| Two Family | 104 | 971,350 | 10,947 |
| Three Family | 105 | 1,048,488 | 11,816 |
| Mixed Use | 013 031 | 1,697,804 | 19,134 |
| Four to Eight Units | 111 | 1,148,639 | 12,945 |
| More than Eight Units | 112 | 7,876,099 | 88,764 |
| Affordble Housing Units | 114 | 316,762 | 3,570 |

| 2023 Tax Revenue Per Capita | | | |
|---|---|---|---|
| Type | DOR Use Code | Mean Household Valuation | Average Tax Revenue Per Capita |
| Single Family | 101 | 912,386 | 4,297 |
| Condo | 102 | 534,165 | 2,516 |
| Two Family | 104 | 485,675 | 2,288 |
| Three Family | 105 | 349,496 | 1,646 |
| Mixed Use | 013 031 | 273,496 | 1,288 |
| Four to Eight Units | 111 | 248,558 | 1,171 |
| More than Eight Units | 112 | 226,267 | 1,066 |
| Affordble Housing Units | 114 | 76,460 | 360 |

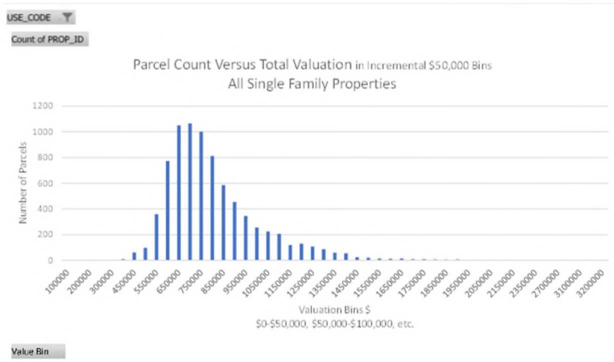


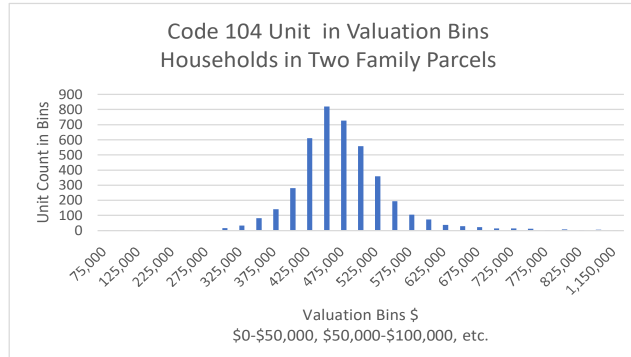

| Per Capita Expense | |
|---|---|
| FY 2024 Total Expense | 207,109,610 |
| Less External Aid and Local Receipts | (37,981,129) |
| Net Long Term Local Cost | 169,128,481 |
| **Cost per Capita** | **3,673** |

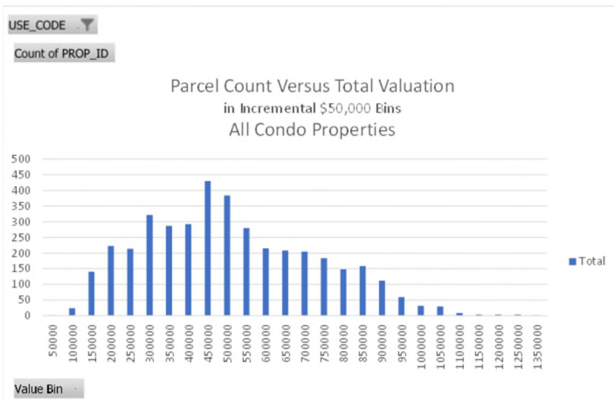
Single Family Taxpayers are subsidizing all others on a per capita basis.

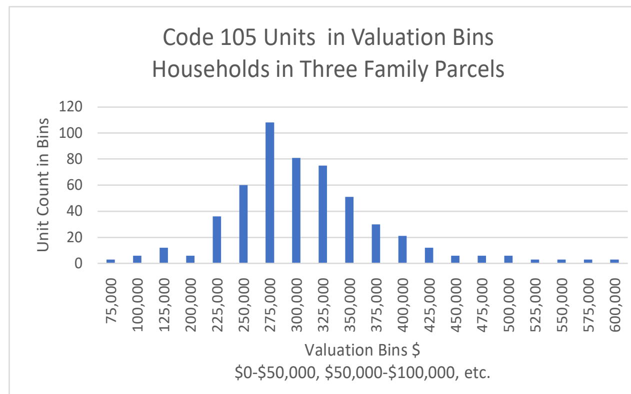
# Distribution of Household Valuations -I

Bins in $50,000 Increments

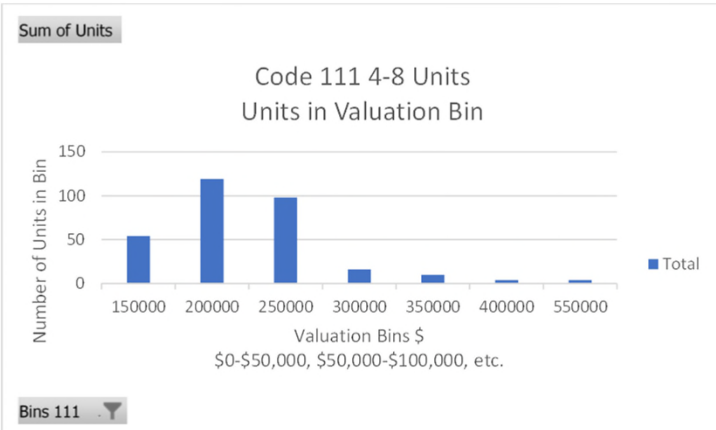


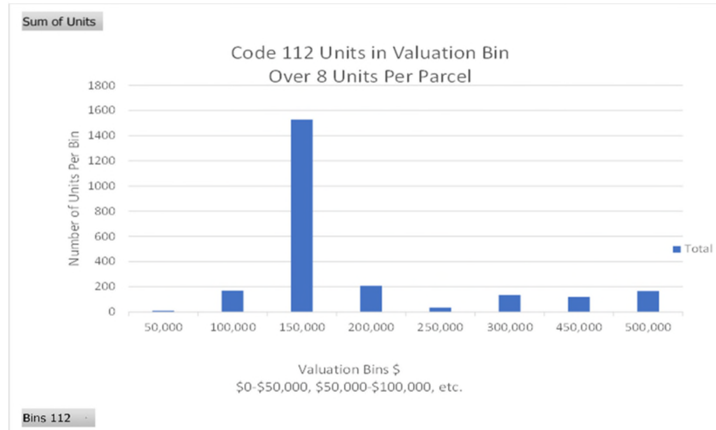



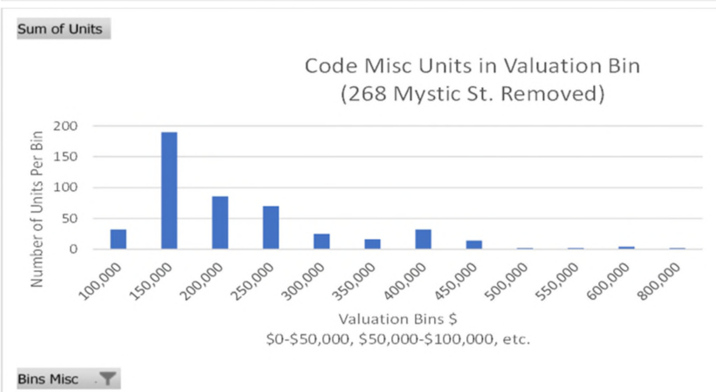



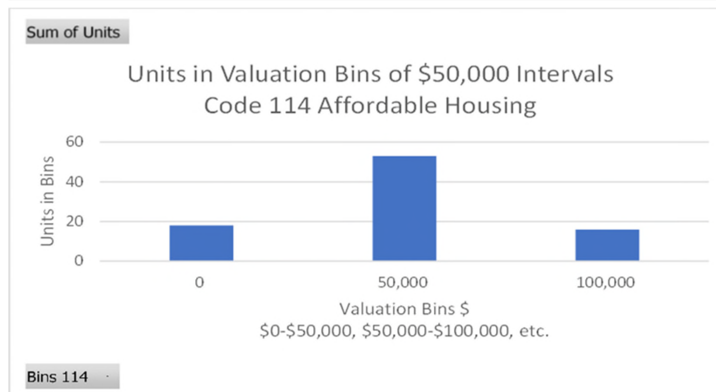



# Distribution of Household Valuations - II



# Comments on Household Valuation Distributions

- Single family residence households are the only category that produce per capita tax revenues above the Town's average per capita expense.
- Three family and higher unit configurations produce tax revenue below 50% of the average per capita expense.
- Assessor Director Mann reported an increase of taxes on two new residential properties, replacing commercial. While the total tax revenues increased, the tax revenue per capita is still well below Arlington's average per capita cost.

**2023 Tax Revenue Per Capita**

| Type | DOR Use Code | Mean Household Valuation | Average Tax Revenue Per Capita |
|---|---|---|---|
| Single Family | 101 | 912,386 | 4,297 |
| Condo | 102 | 534,165 | 2,516 |
| Two Family | 104 | 485,675 | 2,288 |
| Three Family | 105 | 349,496 | 1,646 |
| Mixed Use | 013 031 | 273,496 | 1,288 |
| Four to Eight Units | 111 | 248,558 | 1,171 |
| More than Eight Units | 112 | 226,267 | 1,066 |
| Affordble Housing Units | 114 | 76,460 | 360 |

Analysis of Two New Properties

| | Original Tax Revenue | New Tax Revenue | Units |
|---|---|---|---|
| 882 Mass Ave | | | 20 |
| 887 Mass Ave | | | 9 |
| **Total Tax Revenue** | **10,800** | **50,000** | **29** |

| | Occupants Per Unit | Household Population | Tax Revenue Per Capita |
|---|---|---|---|
| Current Average Occupancy | 2.38 | 69 | 724 |
| What if Occupancy | 1.5 | 44 | 1,149 |

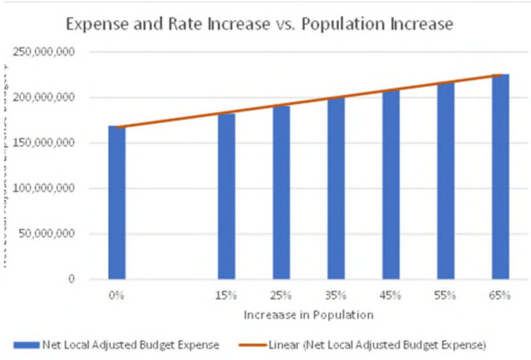
# Municipal Expense Elasticity

- Most operating entities of any type have fixed and variable expenses. In this analysis we are concerned with municipal expenses varying with changes in population.
- An entity with no variable cost and all fixed cost is "100% inelastic". With no fixed costs and all variable costs, it is "100% elastic".
- To gauge the impact of population increases in Arlington, we need to estimate municipal expense elasticity. In Arlington, we define the School Department operations as 50% elastic, because we add 50% of the DESE certified student cost to the base school budget for each additional student.
- It is likely that police, fire, emergency and trash collection are very elastic, but that street lighting and similar expenses are inelastic.
- There are two ways to approach budget elasticity versus population. One is to analyze budgets across the Commonwealth versus population. The other is to estimate elasticity by department within Arlington's budget.
- The following table is an estimate of elasticity by department. The adjusted department expense is the original expense, from the 2023 Finance Committee Report to the Annual Town Meeting, multiplied by (1+population growth x departmental elasticity).

# An Elasticity Model

**Original Budget From Summary of Finance Committee Recommendations**
**Fiscal Year 2024**

| | | Elasticity Change | 10% | Pop+Elasticity Chg |
|---|---|---|---|---|
| | | 0% | | 15% |
| | Budgets | **Original Budget** | **Department Elasticity** | **Impacted Budget** |
| | Town Manager | | | |
| 3 | Town Manager (17-1-0) | 745,453 | | 745,453 |
| 4 | Human Resources | 384,979 | 20% | 396,528 |
| 5 | Information Technology | 1,154,325 | 50% | 1,240,899 |
| 6 | Comptroller | 347,608 | 5% | 350,215 |
| 7 | Treasurer-Collector | 731,521 | 75% | 813,817 |
| 8 | Postage | 188,016 | | 188,016 |
| 9 | Board of Assessors | 336,591 | 50% | 361,835 |
| 10 | Legal | 516,294 | 20% | 531,783 |
| 14 | Planning & Community Development (17-2-0) | 635,032 | | 635,032 |
| 15 | Redevelopment Board | 10,800 | | 10,800 |
| 17 | a. Public Works Administration | 295,364 | 10% | 299,794 |
| 17 | b. Engineering (16-0-1) | 181,116 | 20% | 186,549 |
| 17 | c. Cemetery | 302,532 | | 302,532 |
| 17 | d. Natural Resources (inc. field maintenance) | 1,854,531 | 25% | 1,924,076 |
| 17 | e. Sanitation/Highway Div. (inc. snow & ice) | 7,457,765 | 90% | 8,464,563 |
| 17 | f. Motor Equipment Repair | 470,295 | 50% | 505,567 |
| 17 | g. Street lighting, traffic signals | 250,000 | | 250,000 |
| 18 | Facilities | 1,119,358 | 20% | 1,152,939 |
| 19 | Police Services (16-1-0) | 9,096,750 | 70% | 10,051,909 |
| 20 | Fire Services | 8,652,782 | 70% | 9,561,324 |
| 21 | Inspections | 527,082 | 70% | 582,426 |
| 23 | Libraries | 2,753,438 | 50% | 2,959,946 |
| 24 | a. Health and Human Services Administration | 745,297 | 10% | 756,476 |
| 24 | b. Veterans' Services | 327,753 | | 327,753 |
| 24 | c. Council on Aging | 367,408 | 50% | 394,964 |
| 24 | d. Diversity, Equity & Inclusion | 193,666 | | 193,666 |
| | Total Town Manager | 39,645,756 | | 43,188,863 |
| **Select Board** | | | | |
| | a. Administration and Licensing | 277,855 | | 277,855 |
| | c. Accounting and Auditing | 78,000 | | 78,000 |
| | Parking | 54,280 | 25% | 56,316 |
| | Zoning Board of Appeals | 73,910 | | 73,910 |
| | Total Select Board | 484,045 | | 486,081 |
| | Town Clerk | 286,814 | 50% | 308,325 |
| | Board of Registrars | 71,535 | 50% | 76,900 |
| | Total Town Clerk | 358,349 | | 385,225 |
| | a Contributory Pensions | 14,133,735 | 29% | 14,757,201 |
| | b Non-Contributory Pensions * | 0 | | 0 |
| | Total Pensions | 14,133,735 | | 14,133,735 |
| | Insurance (14-0-1) | 22,077,822 | 29% | 23,051,717 |
| | Elections & Town Meeting | 195,840 | | 195,840 |
| | Reserve Fund | 1,900,782 | 25% | 1,972,061 |
| | Total Fixed Budgets | 2,096,622 | | 2,167,901 |
| | Finance Committee | 11,848 | | 11,848 |
| | Education (14-3-0) | 88,947,334 | 50% | 95,618,384 |
| | Total Budgets (Article 37) | 167,755,511 | | 179,043,754 |




This table is an estimate of elasticity by department. The adjusted department expense is the original expense multiplied by (1+population growth x departmental elasticity).

A population increase of 100% would apply each department elasticity as shown. For population increases of less than 100% the budget elasticity effect is weighted by the population increase. For example, at a population increase of 15%, the school budget impact is 50% x 15% = 7.5%

Education at 52% of the operating budgets is the dominant effect on elasticity. Average Elasticity in the model is 42%.

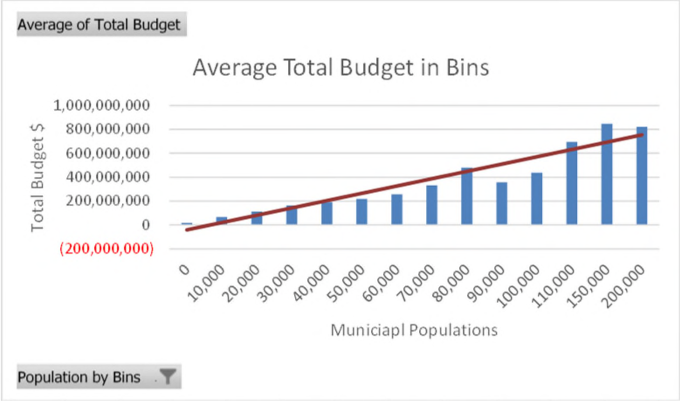
**Original Budget From Summary of Finance Committee Recommendations**
**Fiscal Year 2024**

| | | Elasticity Change | 10% | Pop+Elasticity Chg |
|---|---|---|---|---|
| | | 0% | | 15% |
| | Budgets | **Original Budget** | **Department Elasticity** | **Impacted Budget** |
| | Total Budgets (Article 37) | 167,755,511 | | 179,043,754 |
| | Capital Budget | 22,380,767 | 50% | 24,059,325 |
| | **OTHER WARRANT ARTICLES** | | | |
| 35 | Positions reclassification (16-2-0) | 5,043 | | 5,043 |
| 36 | Collective Bargaining / Salary Reserve | 700,000 | 20% | 721,000 |
| 39 | Amendments to FY 2023 Budgets | | | |
| 44 | Minuteman Regional School | 8,932,916 | | 8,932,916 |
| 45 | Arlington Commission on Arts & Culture | 35,000 | | 35,000 |
| 45 | Arlington Historical Commission | 8,700 | | 8,700 |
| 45 | Community Service Program (Harry Barber) | 7,500 | | 7,500 |
| 45 | Disability Commission (11-0-4) | 20,000 | | 20,000 |
| 45 | Envision Arlington | 3,000 | | 3,000 |
| 45 | Gas Leaks Task Force (14-3-1) | 0 | | 0 |
| 45 | Historic District Commissions | 6,000 | | 6,000 |
| 45 | Human Rights Commission | 7,500 | | 7,500 |
| 45 | LGBTQIA+ Rainbow Commission | 4,000 | | 4,000 |
| 45 | Open Space Committee | 2,000 | | 2,000 |
| 45 | Scenic Byway | 2,000 | | 2,000 |
| 45 | Tourism & Econ. Development | 4,275 | | 4,275 |
| 45 | Transportation Advisory | 2,000 | | 2,000 |
| 45 | Zero Waste Arlington (Recycling) | 3,000 | | 3,000 |
| 46 | 250th Anniversary Celebration | 25,000 | | 25,000 |
| 46 | Flags on graves of veterans | 4,500 | | 4,500 |
| 46 | Town Day | 5,000 | | 5,000 |
| 46 | Veteran's, Mem., Patriot's Day Parades | 5,667 | | 5,667 |
| 47 | Indemnification, medical costs (14-0-1) | 10,810 | | 10,810 |
| 47 | Legal defense fund | 0 | | 0 |
| 48 | Water bodies (Cons Comm) | 50,000 | | 50,000 |
| | Community Service Program (moved to Art 45) | 0 | | 0 |
| | Revaluation of Real Property | 100,000 | | 100,000 |
| | Stratton Safe Routes | 0 | | 0 |
| | Subsidized compost collection | 5,000 | | 5,000 |
| | Retiree health insurance (OPEB) (13-0-2) | 2,067,454 | 20% | 2,129,478 |
| | Long term stabilization fund | 100,000 | | 100,000 |
| | **TOTAL OTHER ARTICLES** | **12,116,365** | | **12,199,389** |
| | **TOTAL WARRANT ARTICLES** | **202,252,643** | | **215,302,467** |
| | **Total with Other** | **207,109,610** | | **220,159,434** |
| | | **Increase** | | **13,049,824** |
| | **Gross for Information only** | | | |
| | **Per Capita Cost** | **4,498** | | **4,781** |
| | **Increased in Per Capita Cost** | | | **283** |
| | **Increase Per Capita %** | | | **6.3%** |

# Mass Cities and Towns Budget vs. Population

- Mass has 351 Cities and Towns.
- Budgets vary very close to linearly with population.
- Correlation coefficient is 0.95.
- This data makes a strong argument that municipal expense is 75% to 100% elastic with population.
- Our model calculation of 42% is conservative

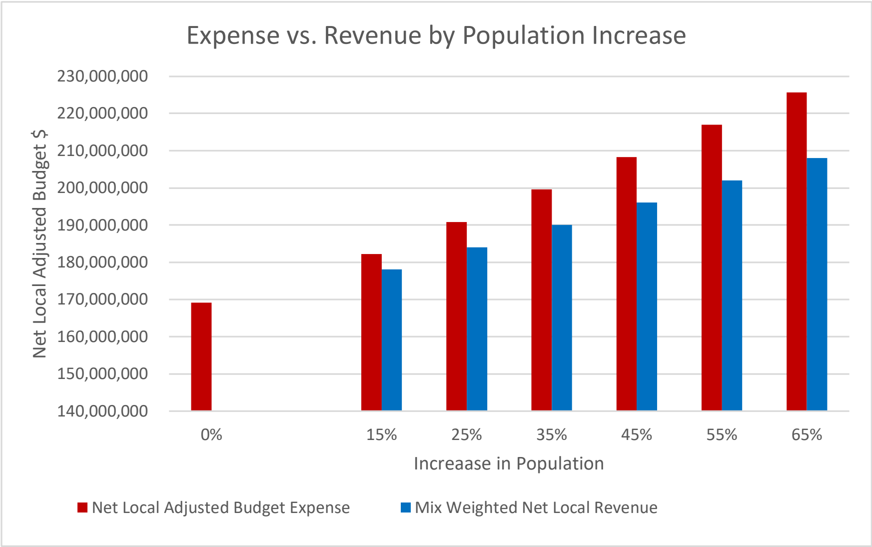
| Municipality | Population | Total Budget | Budget Best Fit |
|---|---|---|---|
| Watertown | 35,149 | 188,423,589 | 156,323,689 |
| Arlington | 45,617 | 198,992,036 | 199,835,833 |
| Framingham | 71,265 | 322,758,646 | 306,446,404 |
| Fall River | 93,884 | 355,816,512 | 400,466,386 |




# Revenue Shortfall vs. Population Increase

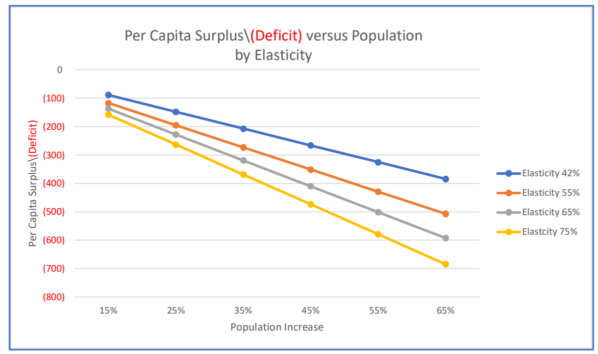
- In Arlington, revenue shortfall starts at $4.1 million for a 15% increase in population.
- Budget elasticity drives increases in cost as a function of increase in population density
- For population increases from a mix of
  - 34% Three-family
  - 33% 4-8 units and
  - 33% over 8 units

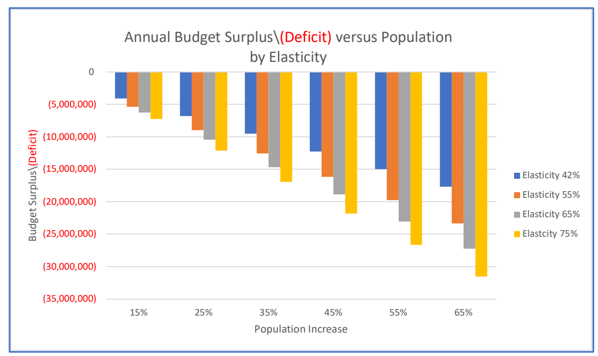
  the shortfall starts at ($4.1 million) for 15% population increase and rises to ($17.7 million) for a 65% population increase.



# Expense Impact vs. Elasticity

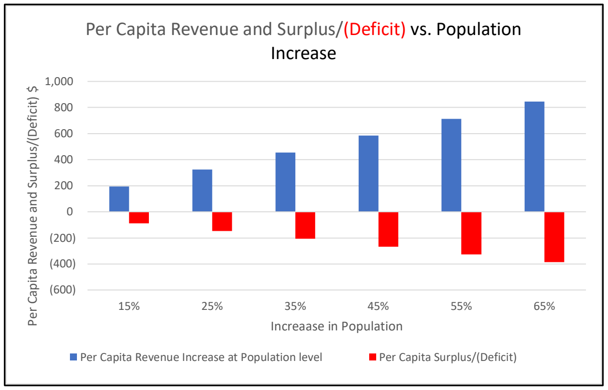
- Municipal budgets across the state are almost 100% elastic.
- Over the long run, Arlington costs should mirror those across the Commonwealth.
- If Arlington's municipal expense level versus population follows elasticity state-wide indicators, the negative impact becomes dramatic.
- Arlington's total budget deficits could reach ($6 million) to ($12 million) per year for moderate increases in population as shown in the charts at right.



# Multi-unit Per Capita Revenues Are Too Low

- Multi-unit valuations are significantly lower on a per capita basis.
- Expenses are driven by population growth.
- Arlington's average per capita expense in 2024 is $3,673 based on a population of 46,045.
- Under the current taxation method, only Single-Family residences produce per capita tax revenues higher than the average per capita expense.
- Higher growth and population density produce higher deficits.

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| Less External Aid | (37,981,129) |
| Net Long Term Local Cost | 169,128,481 |
| **Cost per Capita** | **3,673** |

# Summary

- Even at the minimum MBTA expanded housing capacity, Arlington expenses will grow *faster* than revenues.
- Even recently built multi-units produce tax revenues below the Town's average per capita cost.
- The Town can constrain expenses, but only at a cost of reduced service levels (refer to Arlington School Committee).
- From a financial perspective a 15% increase in population, in the model a capacity expansion of 3,069 units* (meaning a total zoning capacity of about 6,000 units in the overlay districts), drives an additional annual deficit of $4.1 million.
- If tax revenues per capita rise above cost per capita, the zoning capacity can be revisited.

* Based on state definition of 20,460 housing units in Arlington

# Capacity

- The capacity calculation for the current MBTA-C proposal is approximately 3300 units
- There are about 2000 units in the zone now so the capacity for ADDITIONAL units is 1300.
- Using the average household number presented we get a population addition of 3094 residents. This is approximately a 7% increase.
- Of those residents - assuming all other things are equal - 403 of them would be APS students
- Experience tells us that generally multi-family housing results in fewer students per unit than single family housing so these are conservative calculations.
- Keep in mind the capacity number is based on a model produced by the state that makes assumptions and has inputs. To really calculate actual capacity you would need to do a parcel by parcel analysis.

Reference 3

# Per Capita Expenses

- The per capita expense number presented in the Jones/Heigham/Foskett model is wrong.
- If you subtract the general fund contributions to the school budget the expenses for town services are $80,334,147.
- This makes the per capita costs for town services $1745.00
- The school costs need to be calculated PER STUDENT.
- Per student costs covered by the general fund are $14,697.00
- If allow that the best way to calculate impact is to assume it all at once in today’s dollars (I don’t) then the budget impact is NOT $6,671,050 as predicted by this model but $3,546,400.
- Keep in mind that we have 221 fewer elementary students in our schools today than we did in 2019.

# 882 and 887 Mass Ave

- There are 18 studios and 4 1 bedroom apartments in 887 Mass. ave. The reasonable headcount for that building is 22
- There are 6 i bedroom apartments and 1 2 bedroom in 882 Mass ave. The reasonable headcount is 8
- If we take the new growth of 50k and divide it by 30 its $1667 per capita NOT $1149.  There are exactly 3 below market rate apartments between the two buildings. Someone able to pay market rate rent would have very little motivation to cram 2 people into a studio apartment.
- The residents of these two properties do not pay taxes. They pay rent. The LLC that owns the building pays the taxes. Technically they still ARE commercial properties. We are just not allowed to treat then as such.

# Critique of the model

- The effect or MBTA-C is going to take decades to play out.  We can't accurately model our budget ou 5 years.
- Property taxes are assessed per the value of one's property. Not according to the services one usesor the residents of one's household.  Do we really want to start down the road of discussing who is subsidizing whom?
- The elasticity modeling is based on a 30 year old study. Were there no recent studies?   Do we know that this model holds?
- In our experience no new large multi-family development has ever added so many children to the schools that it caused a budget crisis. Despite predictions that it would
- Once adjusted for the current capacity, the predicted population growth due to MBTA-C is LESS than the growth we have seen over the last decade.

One of the concerns people have about the current MBTA Communities zoning proposal is the effect that the increase in housing will have on the town's budget. Will the need for new services make demands on our budget we cannot meet without more frequent overrides? Or will the new tax revenues from the new buildings cover the cost of that increase in services?

The simple answers to these questions are

- **No:** It will not make unmanageable demands on the budget; and
- **Yes:** the new tax revenue from the multi-family housing anticipated will cover the costs of any new services required.

Adopting the current MBTA Communities zoning proposal may even slow the growth of our structural deficit, as I will show in more detail using as examples some of the more recent multi-family projects that have been built in Arlington

**How does our budget work and what is the structural deficit?**

First, some basic facts about finance in Arlington: Like every other community in Massachusetts, Arlington's property tax increases are limited by Proposition 2.5 to 2.5% of the levy limit each year. What is the **levy limit**? It's all of the taxes we are allowed to collect across the whole town, without getting specific approval from the Town's voters. For FY 23 the levy limit is $135,136,908. $3,271,996 of that is the 2.5% increase we are allowed under the law. But also added to that is $1,202,059 of **new growth**, which comes from properties whose assessment changed because they were substantially improved–either renovated or by increasing capacity. When we reassess a property that has a new house or building on it, we are allowed to add the new taxes generated by the change in value of the property to the levy limit.

Property taxes make up approximately 75% of the town's revenue. So – except for new growth – that means that the bulk of our budget can only grow 2.5% a year. Other categories of income like State Aid have a much less reliable growth pattern. If the state has a bad fiscal year, our state aid is likely to remain flat or decrease.

On the expense side, our default is a budget to maintain the same level of services year to year. We cap increases in the budgets of town departments by 3.25% and the school budget by 3.5%, save for special education costs which are capped slightly higher.

We also have several major categories of expense that are beyond our control that increase at a greater rate than 2.5%. These include, among other things, funding our pension obligations, health insurance costs and our trash collection contract.

This difference between the increase in revenues and the increase in costs is the **structural deficit**. It's **structural** because we can't cut our way out of it without curtailing services severely and we can't stop paying for things like pensions and insurance that are contractual obligations.

The question of how MBTA communities zoning will affect this is crucial. So let's take a deeper dive, first on revenue and then on expenses.

**How will MBTA Communities affect new growth?**

How MBTA-C zoning will affect new growth depends on what gets built and at what rate. Let's consider some real world examples:

882 Mass Ave. used to be a single story commercial building. It was assessed at $938,000 and the owner paid approximately $9,887 in taxes annually. It has been rebuilt as a mixed use building with commercial space on the ground level and 22 apartments on 4 floors above. The new assessment is approximately $4,800,000 and the new tax bill is about $54,000.00. That means $45,000 in new growth - new property taxes that will grow at the rate of 2.5% in subsequent years.

Another example is 117 Broadway. The building that used to be at that address was entirely commercial, assessed at $1,050,000 and paid around $11,770 in taxes annually. After being rebuilt as mixed use by the Housing Corporation of Arlington, it is assessed at $3,900,000 and taxed at $43,719. 117 Broadway has commercial on the ground floor and 4 stories of affordable housing above. The new growth for this example is approximately $30,000.

What these examples show, and our assessor believes is a pattern, is that a new mixed use or multi-family building increases the taxes we can collect **by as much as 400%**, depending on the kinds of housing units.

So we can expect new development under MBTA Communities to increase the levy limit substantially over time, reducing the size and frequency of future tax increases.

**How will this new housing affect the cost of services?**

Of course, with new residents comes a need for additional services. However, town-provided services will be impacted differently. Snow and Ice removal, for example, will not be affected at all - we aren't adding new roads. Many other services provided by public works are like snow and ice: They would only increase at a faster rate if we added more land area or more town facilities to the base.

Services like public safety and health and human services may see gradual increases in service requests, as more people place more demand on these departments. Right now we have a patrol officer for every 850 or so residents. This means we might need to add a new patrol officer if the population increases by 850 residents. But it's not clear that a new officer would be needed; it depends on the trends the police department sees in their data. I think of these services as increasing by stair steps: Adding a few, or even a few hundred, residents doesn't require us to add staff to provide more services. Adding a few thousand might mean we need to add a position but we will have added a great deal to the levy limit before we need to add those positions.

There is one town service that sees an impact every time we add a new unit of housing - trash collection. The town spends approximately $200 per household on solid waste collection and disposal. As mentioned above, 882 Broadway has 22 new 1 bedroom and studio apartments. When that building was all commercial the businesses paid privately for trash removal. The new trash collection costs will be at least $4,400 annually. It's possible, however, that the building will need a dumpster and that could cost up to $20,000 annually. Either way the new revenue ($45,000) outstrips the increased costs. The town is working on creative solutions for new buildings to keep this cost as affordable as possible.

**What about Schools?**

Regardless of new housing construction, our student population ebbs and flows. Families move in with small children who go through the school system. The kids graduate high school but their parents, now in their 50's or 60's, don't move until they are much older and need a different living situation. When they sell their homes, the new owners are likely to be families with children again. We can see a pattern of boom and bust in our school population if we look back. Right now, we are seeing a drop in elementary population as this cycle plays out again. We now have 221 fewer students enrolled in the elementary schools than we did in 2019.

We account for this ebb and flow in the budget. A number of years ago, we set a policy to add a growth factor to the school budget. We increase the budget by 50% of per pupil costs for each new student. Currently that is $8800.00 per student. But the policy works in reverse as well. We reduce the budget by the same amount per child as the student population wanes. We also see increased state aid under chapter 70 when our student population grows and may see reductions if it shrinks.

The new multi-family housing generated by MBTA communities zoning may add students to our schools – but not as many as you might think. Other large multi-family developments like the Legacy apartments and the new development at the old Brigham site have not added a lot of children to the schools directly. Going back to our two example buildings, 882 Mass Ave is all studio and 1 bedroom units, so we are unlikely to see children living there. Our MBTA communities zoning, however, must by law allow new housing that is appropriate for families. So for planning purposes, it's best to assume we will see growth in the school population.

So what will the effect of this new housing be on the school population and our budget? Given that the new housing will be built gradually, it's more likely to stabilize our student population than precipitously increase it. The same will be true for our budget: We will see some increases in the school budget growth factor but also increases in state aid and increases in tax revenue from the new construction.

**Conclusions**

If we create an MBTA communities zone per the working groups recommendation or something close to that, we will see the effect on our budget over time, not immediately. Even if the zone has a theoretical capacity of 1300 additional units (total capacity minus what is already there) the development of new housing won't be abrupt. For budget purposes, we project our long range plan five years into the future. When we get to a year, say FY 2023, the actual state of our budget never looks exactly like the projection created five years earlier. We cannot predict the future very far out. What we can do is look back and see what the effects of previous development have been on our budget, and we can assess the risks of our decisions. Experience tells us that multi-family development doesn't break the budget or swamp the schools, even when the developments are large. It also tells us that turnover in the population causes ebbs and flows in the school population, regardless of new development. We can say with certainty that multi-family development increases our revenues through new growth, and that past experience has been that that new growth mitigates the need for overrides.

My conclusion is that the new development that will occur if we create a robust zone that allows multi-family development by right, will at worst give us growth in our revenues that keeps pace with any increase in services we need. At best, those new revenues will outstrip the growth in expenses and help mitigate our structural deficit. The risk of allowing this new growth is low, and the rewards are worth it, in the form of new missing middle housing, climate change mitigation, and vibrant business districts fueled by new customers nearby.

## Capacity

Just a note about what **capacity** means in a zoning context. Capacity is neither a production goal nor a prediction about what will be built. It is a purely theoretical number. The Working Group proposal had a capacity number of a little over 7000. The final ARB proposal has a capacity **under 3500**. Neither number is "real". Currently, there are over 2000 units on those lots, so even theoretically the most that could be built is around 1,200 additional units. However, it is extremely unlikely that we will get anything more than a fraction of that number.

To understand why, I want to talk about the street I live on. In the working group map, there were three parcels near me (two on my street and one around the corner on Mass Avenue). One is a non-conforming three-family home in pretty good condition. One is a condo duplex that was built eight years ago. And one is an older two-family home owned by an elderly couple. Realistically only the home owned by the elderly couple is likely to be redeveloped over the next 5 years. The three-family home on Mass Ave could be redeveloped years from now (the lot is small so perhaps as a 4-8 unit building). The new duplex will likely never be redeveloped as it would require both homeowners to sell at the same time.

Here's another example. Suppose that tomorrow your house was re-zoned to allow a 3-family home by right. Would you immediately sell and move? Would it make economic sense for a builder to tear down your house and build a 3-family home? In many cases, the answer is no. People don't sell their houses just because the value has gone up. They sell when it makes sense for their family.

As a final example, consider that under the current mixed-use zoning rules that have been in effect for several years businesses located along the main corridors can be redeveloped as mixed-use buildings with four additional stories of housing above. And yet that hasn't happened for most of these properties. Despite there being a *capacity* to redevelop those lots, in most cases, there are practical reasons that it doesn't make sense to do so.

In short, don't be scared by any of the **capacity** numbers in the MBTA Communities Proposal. *Capacity* is not the same as what will likely be produced.

## Values

Finally, I want to remind everyone why the MBTA Communities Law is a good thing. We have a significant housing shortage in the Greater Boston Area. We need to add more housing for reasons of environmental sustainability (building housing in already built inner suburbs like Arlington near public transportation means fewer miles driven by car and less clear-cutting of trees further out), for regional economic stability, and to undo some of the damaging effects of the class-based racially motivated downzoning in the 1970s. But we also need more housing to benefit Arlington--to support our local businesses, to provide housing for seniors looking to downsize, adult children just starting out, and our public service employees, and…importantly…because we want Arlington to be a place where people at all income levels can find a home.

If you are reading this far, I suggest you check out a few recent articles. The second has a picture of some houses in Arlington.

- Bloomberg News, reprinted today in the Boston Globe: First American City to Tame Inflation Owes Its Success to Affordable Housing
- CNN Business: The Invisible Laws that Led to America's Housing Crisis,

I also encourage you to check out this Vox Video that captures the reasoning behind the MBTA Communities Act, which is to encourage Missing Middle Housing.