



TOWN OF BELMONT, MA  
FISCAL IMPACT ANALYSIS SUMMARY REPORT

**November 2024**

**RKG**

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RKG Associates, Inc. is a multi-disciplinary consulting firm, founded in 1981. We serve private, public, and institutional clients and provide a comprehensive range of advisory, planning, marketing, and management services throughout the US and around the world.

We are proud that the projects we are involved in are projects that get built – projects that happen – projects that work.

RKG is headquartered in Alexandria, VA, and has offices in Boston, Atlanta, Dallas, and Newton, NH.

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## PURPOSE THE STUDY AND ANALYSIS

In April 2024, the Town of Belmont, Massachusetts contracted with RKG Associates, Inc. (RKG) to conduct a fiscal impact analysis of different hypothetical development scenarios that could potentially materialize in town over the next ten or more years. The goal of this analysis was to understand the potential revenues and municipal costs associated with new residential and non-residential development. As the town explores options for encouraging new development over time, there was a desire to understand which types of development may have the greatest financial benefits. Recent budget challenges and overrides have prompted town leadership to analyze potential opportunities for new growth as a way to help stabilize the tax base and bring new revenue to Belmont to help offset future budget increases. This report summarizes the methodology used by RKG to conduct the fiscal impact analysis as well as the results of four hypothetical growth scenarios.

## FISCAL IMPACT ANALYSIS

To inform the development scenarios tested in the fiscal impact analysis, RKG utilized the market study prepared for the Town of Belmont in June 2024. The market study pointed to potential for new growth across several real estate sectors including multifamily housing, retail, office, and hospitality. The development scenarios tested utilized varying levels of buildout from those real estate categories as well as incorporating all (or part) of the town's MBTA Communities unit capacity estimates.

Over the course of several months, RKG worked closely with municipal departments and the school district to quantify the potential fiscal impact of new development in Belmont. This centered around the creation of a fiscal impact model measuring the net fiscal benefit or loss of the build-out of each development scenario. RKG utilized an industry standard incremental fiscal impact methodology which measures the incremental impact on the town's general fund budget with each new unit of housing constructed or employee associated with non-residential development. The increment is derived by determining "fixed" costs and "incremental" costs across each department using the most recently available town budget. Fixed costs are defined as those that are not expected to increase with the addition of a new housing unit, while incremental costs are expected to increase the town's overall costs to support new housing units. For example, it is unlikely the town would hire a new Police Chief with each new incremental housing unit, but there may be a need to hire additional police officers and equip those new staff as new housing is constructed and occupied. Once all town costs are categorized as fixed or incremental, the consultant team then compares incremental costs to potential gross property tax revenue to determine if new development is a net positive or negative to Belmont.

A similar analysis was completed for the school district using the town's budget breakdown as provided to RKG by the Belmont School Department. RKG reviewed the line items in the school budget document and identified which costs are considered to be fixed and incremental with the addition of a new pupil to the public school system.

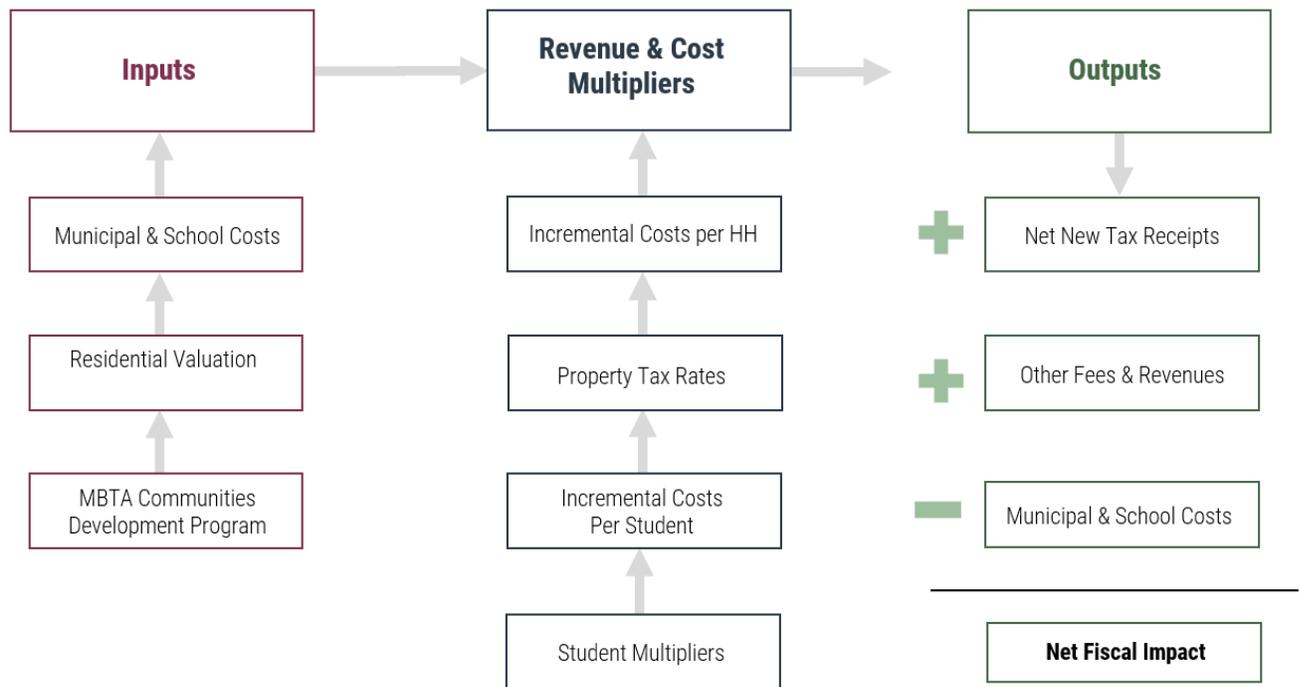
## FISCAL IMPACT ANALYSIS METHODOLOGY AND ASSUMPTIONS

A fiscal impact analysis estimates the municipal revenues and costs associated with development and growth. Revenues include local taxes (property, excise, etc.) and various fees and other payments, while costs include the provision of municipal services (public safety, education, public works, general government, etc.). While several approaches exist to determine fiscal impacts, all are based on the common assumption that current local operating costs and revenues are the best basis for determining future costs and revenues. These approaches therefore utilize recent data on municipal service costs in the host community, as well as current tax rates and other revenue sources to calculate the net fiscal impact.

The primary focus is on the town's General Fund since that is typically where tax revenues and most municipal service costs are accounted. RKG applied an incremental cost approach to both the General Fund and the town's school budget to determine the cost borne by the town resulting from new development. The approach involves looking at the town's annual budget by department to determine if an expenditure is either fixed or incremental. Again, a fixed cost is one which would occur irrespective of development, an example being the salary of the Police Chief which is unlikely to be impacted by new development. Conversely, the costs associated with police officer wages and equipment are classified as incremental as they are likely to change based on the addition of more residents in town that may result in additional calls for public safety services.

Fiscal impact approaches are 'static' that is, they assume that the development estimates in each scenario are fully built-out and occupied at current occupancy rates as researched by RKG. This assumption allows a comparison of the financial effect of the entire district on municipal costs and revenues. While larger-scale developments are typically constructed over a multi-year period, municipal costs and revenues occur in equal proportions. Therefore, this steady-state approach does not detract from the appropriateness or accuracy of this method. It should also be noted that the fiscal impact analysis is only concerned with local public costs and expenditures, and not with state or other jurisdictional funding. For this fiscal impact analysis, the consultant team constructed a model to measure the fiscal impacts for the potential build-out of each of the four scenarios presented in this summary report.

Figure 1: Fiscal Impact Flow Model



## FISCAL IMPACT ANALYSIS ASSUMPTIONS

To test the fiscal impact of the four development scenarios, RKG constructed a fiscal impact model to understand the potential tax revenues from new development compared to the municipal and school costs to support that development. The fiscal impact model relies on numerous data points and assumptions regarding potential revenues from the development and anticipated municipal and school costs.

To estimate municipal revenues, RKG utilized the town’s anticipated FY25 property tax rate (\$11.69) and a sampling of property values from comparable properties in Belmont and surrounding communities (as needed). To estimate the future valuation of new development, RKG used Belmont’s property assessment database to look for comparable properties across each real estate sector. Where local comparables were not available or appropriate, RKG looked at comparable developments in surrounding communities such as Cambridge, Belmont, Arlington, and Waltham. The total assessed values were then converted to a per square foot basis to be applied to the build-out under each hypothetical development scenario.

For municipal and school costs, the consultant team was provided with Belmont’s FY25 annual budget document to which we assigned a fixed or incremental cost categorization to derive per household and per employee costs in the fiscal impact model. For school costs, we utilized the town’s FY25 school budget as provided to RKG by the Belmont School Department. This document was then used to assign values for fixed and incremental costs. School costs were then applied to the projections of future school children that may reside in the new residential units under each scenario.

**REVENUE ESTIMATE ASSUMPTIONS**

To derive potential property taxes, RKG had to develop estimates for future assessed values. Using sources such as CoStar and property assessment data from recent developments in Belmont and surrounding communities, RKG generated a per square foot assessment value for new construction. These per square foot values were then used to generate per unit value estimates based on the average size of a studio, one-, two-, and three-bedroom apartment unit. Assessed values per square foot for non-residential development were multiplied by the total square feet of projected development in each scenario to calculate total assessed values.

Table 1 shows the assessed value estimates on a per unit basis. To derive the total property taxes for each district, the total unit count from the MBTA Compliance models is allocated out by bedroom count using a formula of 10% studios, 45% one-beds, 35% two-beds, and 10% three-beds. Each unit is multiplied by its projected value, then summed for the district, and lastly the tax rate is applied to derive total gross property tax value. It is likely that once new buildings are constructed, the town’s assessor would apply an income-based approach to valuation, potentially increasing the amount of property taxes paid to the town.

Table 1: Assessed Value per Unit Estimates - Residential

<b>Residential Type</b>	<b>Gross SQFT per Unit</b>	<b>Per SQFT Value</b>	<b>Total Value per Unit</b>
Studio Apartment	500	\$440	\$220,000
One-Bedroom Apartment	750	\$440	\$330,000
Two-Bedroom Apartment	1,050	\$440	\$484,000
Three-Bedroom Apartment	1,250	\$440	\$550,000
For-Sale Condominium	1,500	\$600	\$900,000
For-Sale Townhome	1,600	\$600	\$960,000

Assessed values were drawn from comparable properties in Belmont and Cambridge given the proximity of potential development sites and MBTA districts to the City of Cambridge’s borders. Comparable properties in Cambridge at 50 Cambridgepark Drive, 203 Concord Turnpike, 603 Concord Avenue, and 223 Concord Turnpike had an average assessed value per square foot of over \$440 per SF. This was used as a proxy for assessed valuation in Belmont assuming new multifamily housing would be of the same quality and standard as those units being built across the border in Cambridge.

For non-residential development, RKG utilized comparables for retail, office, life science, hotel, and industrial space from Belmont and surrounding communities. Comparable valuations for hotels and life science development were pulled from Cambridge and Watertown as Belmont does not currently have any comparable properties within its borders.

Table 2: Assessed Value per Unit Estimates – Non-Residential

Non-Residential Type	Value
Office	\$300 per SF
Retail	\$400 per SF
Lab/Life Science	\$650 per SF
Hotel	\$215,000 (per room)
Industrial	\$200 per SF

## MUNICIPAL COST ASSUMPTIONS

The flip side to the property tax/revenue component of the fiscal impact model are the municipal service costs. To estimate municipal service costs, RKG reviewed the Town’s FY25 annual budget for each department as provided by the town’s Finance Department. For each department’s budget, RKG identified costs that are likely to increase with the addition of a new household in town (incremental costs). We anticipate costs such as police staff salaries, library expenditures, or maintenance of recreation fields to increase with new households while a department head’s salary or hours for Town Counsel to experience little to no impact (fixed costs).

RKG identified all costs that are likely to vary (incremental costs) with the addition of new households as a subset of the Town’s total operational budget. Departments were then consolidated into four categories for ease of presentation which included:

- General Government – all town departments except police, fire, DPW, and schools.
- Public Safety – Fire – the Belmont fire department.
- Public Safety – Police – the Belmont police department.
- Public Works – the Belmont Public Works Department.
- Other – all other costs assumed to be fixed and not directly associated with a direct departmental cost such as capital and infrastructure, debt service, retirement benefits, health care, etc. *In our experience, these line items are not likely to increase substantially with the addition of a new housing unit. It is also very difficult to predict future changes in these line items as fewer employees could retire over time, employees in the pension system could pass away, and future debt service levels could change.*

Once the incremental budget is established, it must be apportioned to residential and non-residential uses to properly account for the impact of residential multifamily housing. For that we use a breakout of assessed value from the MA Department of Revenue (DOR) which shows 95% of Belmont’s assessed value driven by residential with 3.7% driven by commercial/industrial property. The remaining 1.3% is comprised of personal property typically associated with non-residential development.

After calculating the incremental costs by department and the share of the incremental budget allocated to residential uses, we must calculate municipal costs on a per household (HH) basis. This forms the basis of our estimates for calculating future costs of new residential units. The incremental budget for each service category is multiplied by the residential share of total assessed value on the prior page and then divided by the total number of households in Belmont (10,431) per the 2022 American Community

Survey’s Five-Year estimates. This formula provides the incremental per household costs that new housing units may generate.

The municipal costs for the residential build out in each scenario can then be compared to the gross property tax revenues described on the prior pages to begin the process of calculating the net fiscal impact to the town from each development scenario.

Table 3: Incremental Expenses by Town Department for Residential Units

Expense Category	FY 2025 Budget	Incremental Share of Budget	Incremental % of the Budget	Residential Proportional Share @ 95%	Per HH Incremental Cost
General Gov’t	\$19,005,988	\$2,496,154	13%	\$2,371,346	\$227
Public Safety - Fire	\$6,610,701	\$4,513,295	68%	\$4,287,630	\$411
Public Safety - Police	\$7,848,149	\$4,638,422	59%	\$4,406,501	\$422
Public Works	\$27,135,724	\$1,685,004	6%	\$1,600,754	\$153
Other	\$48,474,876	\$0	0%	\$0	\$0
<b>TOTALS</b>	<b>\$109,075,439</b>	<b>\$13,332,874</b>	<b>12%</b>	<b>\$12,666,230</b>	<b>\$1,214</b>

For non-residential development, RKG undertook a similar analytic process utilizing the same budget figures and incremental percentages as show in Table 3 for residential units. The primary difference with non-residential cost allocation is the percentage share of the budget allocated to non-residential uses is 3.7% following the town’s total assessed value split. The second difference is that costs are now allocated to new employees from the projected non-residential development compared to units under the residential scenario. Here we take the total non-residential budget share of \$493,316 and divide that by Belmont’s total 2023 employment count (8,063) as documented by the Massachusetts Executive Office of Labor and Workforce Development (EOWLD). We use 2023 employment counts because those are the latest full annual counts available from the state as we are still in the 2024 employment year.

Table 4: Incremental Expenses by Town Department per Employee

Expense Category	FY 2025 Budget	Incremental Share of Budget	Incremental % of the Budget	Non-Residential Proportional Share @ 3.7%	Per Employee Incremental Cost
General Gov’t	\$19,005,988	\$2,496,154	13%	\$92,358	\$11
Public Safety - Fire	\$6,610,701	\$4,513,295	68%	\$166,992	\$21
Public Safety - Police	\$7,848,149	\$4,638,422	59%	\$171,622	\$21
Public Works	\$27,135,724	\$1,685,004	6%	\$62,345	\$8
Other	\$48,474,876	\$0	0%	\$0	\$0
<b>TOTALS</b>	<b>\$109,075,439</b>	<b>\$13,332,874</b>	<b>12%</b>	<b>\$493,316</b>	<b>\$61</b>

The municipal costs for the non-residential build out in each scenario can also now be compared to the gross property tax revenues described on the prior pages to begin the process of calculating the net fiscal impact to the town from each development scenario.

**SCHOOL COST ASSUMPTIONS**

Recognizing education costs are often the single largest line item in a town’s budget, RKG developed estimates for the number of school aged children that could result from the addition of each residential unit in the MBTA districts and an incremental cost per pupil. School costs, like municipal costs, are then deducted from the gross property tax estimates for each District to project the net fiscal impact of the build-out of each district.

The industry standard for developing estimates for new school children is to use school aged children (SAC) ratios that are applied to new development on a per unit basis. To develop the SAC ratios for Belmont’s residential development components RKG utilized a sample of seven existing multifamily developments in Belmont. RKG requested the School Department to send the total number of students registered to the address of each multifamily property. Lastly, RKG worked with the Town’s assessor to determine the number of multifamily units at each address. The SAC ratio is then calculated by taking the total number of students and dividing that by the total number of units at the address.

Table 5: SAC Ratios by Unit Type

Unit Size	SAC Ratio per Unit
Studio – MKT	0.00
One Bedroom – MKT	0.30
Two Bedroom – MKT	0.30
Three Bedroom – MKT	0.30
Condo– MKT	0.30
Townhome– MKT	0.43
Studio - AFF	0.00
One Bedroom – AFF	0.30
Two Bedroom – AFF	0.30
Three Bedroom – AFF	0.30
Condo – AFF	0.30
Townhome – AFF	0.43

**For example:**

**100 students / 300 units = 0.33 SAC ratio**

The multifamily properties used to generate Belmont’s SAC ratio are shown in Table 6 along with their total units, total student count, and corresponding SAC ratio.

Table 6: Multifamily Properties Used to Calculate the SAC Ratio

Address	Units	Total Students	SAC Ratio
375 Acorn Park Drive	300	99	0.33
525 Common Street	38	15	0.39
485 Common Street	54	13	0.24
63 Moraine Street	24	2	0.08
300 Trapelo	22	1	0.05
43 Burnham Street	11	6	0.55
120 Trapelo	20	6	0.30
<b>TOTALS</b>	<b>469</b>	<b>142</b>	<b>0.30</b>

The SAC ratio of 0.30 is then applied to all one, two, and three-bedroom apartment units and condo units in the residential component of each development scenario. RKG used the 2017 Residential Demographic

Multipliers report for Massachusetts to derive the SAC ratio for townhomes. At the request of the Selectboard, RKG also ran two other scenarios to sensitivity test the SAC ratio which included a ratio of 0.25 and 0.35. Those results are presented alongside the scenario using a 0.30 mid-range SAC ratio.

RKG then calculated an incremental education cost specific to Belmont’s school budget based on the FY25 budget information provided by the Belmont School Department. Using local costs only (net of state aid and grants), the estimated incremental cost to educate a child in the Belmont District was **\$13,051**. This accounts for **75%** of the full cost to educate a child in Belmont of **\$17,383**.

Table 7: School Cost Assumptions

Budget Category	FY 2025 General Fund Budget	FY 2025 General Fund Incremental Costs	% of Incremental School Budget	Incremental Per Pupil Cost
Administrator	\$4,308,461	\$0	0%	\$0
Contract Allowance	\$293,724	\$0	0%	\$0
Contract Services	\$1,335,202	\$12,707	0%	\$3
Other Expenses	\$1,184,404	\$0	0%	\$0
Other Salaries	\$5,415,993	\$4,239,725	7%	\$958
Professional	\$40,956,939	\$37,987,267	66%	\$8,587
Secretarial/Clerical	\$1,697,955	\$0	0%	\$0
Sped Expenses	\$1,275,995	\$1,275,995	2%	\$288
Stipends	\$787,463	\$0	0%	\$0
Supplies	\$2,497,153	\$773,024	1%	\$175
Transportation	\$3,869,933	\$3,740,443	6%	\$845
Tuition	\$12,698,423	\$9,127,200	16%	\$2,063
Tutoring	\$580,000	\$580,000	1%	\$131
Utilities	\$0	\$0	0%	\$0
<b>TOTALS</b>	<b>\$76,901,645</b>	<b>\$57,736,361</b>	<b>75%</b>	<b>\$13,051</b>

RKG then estimates total education costs by multiplying the local incremental cost to educate a child by the number of school children in the residential portion of the development scenario. These costs, along with municipal costs, are then netted against the gross property tax revenue for each scenario to provide an estimate of the net fiscal impact of each development scenario.

## FISCAL IMPACT ANALYSIS RESULTS

Now that the revenue assumptions are in place and the municipal and school costs are established, RKG can calculate the estimated fiscal impact of each development scenario. For this exercise, RKG worked with town staff to develop four potential development scenarios combining the town's MBTA Communities unit capacity estimate with non-residential market opportunities as identified by RKG Associates. This resulted in the following four scenarios organized by level of development intensity.

### 1. Full Build Scenario

The full build scenario represents a much more proactive approach to attracting and permitting new development in Belmont. This scenario envisions the most favorable economic conditions for commercial real estate, lowered interest rates, and an environment where potential returns on investment meet or exceed market expectations. To enable this new growth, Belmont will have developed an innovative and developer-friendly Zoning Bylaw with largely as-of-right uses and instituted reforms to expedite the internal permitting process and decision-making timeframes for regulatory boards. The town will have in place a set of economic development programs to match zoning reforms with financial incentives for commercial development. Lastly, the town will have adopted the full MBTA Communities and experienced development of 1,152 new multifamily housing units representing the net gain above units that already exist in each district today.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 1,152 Multifamily Residential Units (Net Gain from MBTA Full Build Out)
- b. 220 Additional Multifamily Residential Units (10 Year Residential Build Out Based on the Past 20 Years of Multifamily Permitting in Belmont)
- c. 193,000 SF of Retail Development (Potential Retail Demand from RKG's Market Analysis)
- d. 212,000 SF of Office Development (Potential Office/Medical Office Demand if Belmont was able to capture twice as much office demand as it has in the past)
- e. 2 Hotels Totaling 200 Rooms/Keys (Potential Demand from RKG's Market Analysis)

### 2. Mid-Range Scenario

The mid-range scenario tests the financial impacts of development at half the level of the full build scenario above. There are still some favorable zoning changes that occur and some economic incentives for commercial development, but not to the level of the full build scenario. The town passes the MBTA Communities zoning, but only half the units from the full build scenario are built as well as half of the residential units from the town's typical 10-year build out. Only one hotel is constructed under this scenario as well.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 576 Multifamily Rental Residential Units (Half of Belmont's Net Gain from MBTA Full Build Out)
- b. 110 Additional Multifamily Residential Units (Half of Belmont's 10 Year Projected Trend)
- c. 96,500 SF of Retail Development (Half of the Potential Retail Demand from the Full Build Scenario)
- d. 106,000 SF of Office Development (Half of the Potential Office/Medical Office Demand from Full Build Scenario)
- e. 1 Hotel Totaling 100 Rooms/Keys (Half of the Potential Demand from Full Build Scenario)

### 3. Low Range Scenario (Baseline Trends)

Under the low range scenario, the town and region experience slower economic growth and financial metrics such as interest rates, construction costs, and rent and lease rates remain flat. Belmont does not make any zoning changes and continues with a use table that primarily utilizes Special Permits with a slow and inefficient permitting system. Staff capacity in the planning and building departments are not expanded so there it takes more time to move projects through the permitting process. Lastly, the town does not pass MBTA Communities zoning and only experiences their typical 10-year trends in housing production.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 220 Multifamily Rental Residential Units (10 Year Residential Build Out Based on the Past 20 Years of Multifamily Permitting in Belmont)
- b. 32,348 SF of Retail Development (10 Year Retail Build Out Based on the Past 20 Years of New Retail Space Built in Belmont)
- c. No New Office Development (No New Office Space Constructed in Past 20 Years in Belmont)
- d. No Hotel Development

### 4. Low Range Scenario with MBTA Communities Full Build Out

This final scenario takes the low range scenario from above and adds the full build out under the proposed MBTA Communities zoning.

The following scenario represents a hypothetical build out of each land use component to understand the potential fiscal impact a build out of this magnitude could have on the town's finances.

- a. 1,152 Multifamily Rental Residential Units (Belmont's MBTA Full Build Out)

- b. 220 Multifamily Rental Residential Units (10 Year Residential Build Out Based on the Past 20 Years of Multifamily Permitting in Belmont)
- c. 32,348 SF of Retail Development (10 Year Retail Build Out Based on the Past 20 Years of New Retail Space Built in Belmont)
- d. No New Office Development (No New Office Space Constructed in Past 20 Years in Belmont)
- e. No Hotel Development

For each development scenario, the following calculations were completed to estimate the net fiscal impact to the Town of Belmont:

Figure 2: Fiscal Impact Analysis Calculation Model

Number of Units	X	Per Unit Revenue	=	Gross Property Tax Revenue		
Number of Units	X	Per Unit Municipal Costs	=	Municipal Costs		
Number of Units	X	SAC Ratio	X	Per Child School Costs	=	Education Costs

**Gross Property Tax Revenue - Municipal Costs - Education Costs = Net Fiscal Impact**

## NON-PROPERTY TAX CALCULATIONS

In addition to the property tax calculations for each scenario, RKG also calculated other potential tax revenues that could result from new development in Belmont.

### Motor Vehicle Excise (MVE) Tax

The MVE tax is a local excise tax charged on the value of any vehicle registered within the Town of Belmont. The following table shows a hypothetical calculation of a 200-unit multifamily development for the purpose of illustrating the math behind the calculation. The use of two vehicles per unit may be high for new multifamily development and emerging trends of lower car ownership, however this is all dependent upon local parking policies, incomes of new residents, and job locations/accessibility by public transportation.

Table 8: Example Motor Vehicle Excise Tax Calculation

Metric	
A. Number of Occupied HHs	10,431
B. Total Number of MVE Bills	21,000
C. Number of MVE Bills per Unit (B/A)	2
D. Total MVE Receipts Collected	\$3,823,770
E. Average MVE Revenue per Unit (D/B*C)	\$367
F. Scenario Occupied Unit Count	200
<b>Project Est. Annual Motor Vehicle Taxes (F*E)</b>	<b>\$73,263</b>

### Local Options Room Tax

Massachusetts levies a state room occupancy tax of 5.7% on room rentals of 90 days or less in hotels, motels, bed and breakfast establishments, and lodging houses. The room occupancy tax is collected and paid to the Department of Revenue (DOR) by the operator of the establishment. In addition to the state room tax, cities and towns are also allowed to adopt a local room occupancy tax up to a maximum amount of 6.0%. For the purposes of this fiscal impact analysis, RKG assumed if a hotel was built in Belmont the town would vote to adopt a local options rooms tax at the maximum levy of 6.0%. Table 9 shows how that tax would benefit the town using a hypothetical 100 room hotel with occupancy and room rates pulled from comparable properties in Belmont's hotel market.

Table 9: Example Local Options Rooms Tax Calculation

Metric	
A. Number of Potential Hotel Rooms	100
B. Average Room Occupancy	74%
C. Average Daily Room Rate	\$228
D. Days per Year	365
E. Total Hotel Room Night Revenues (A*B*C*D)	\$6,158,280
F. Maximum Local Rooms Tax Rate	6.00%
<b>Projected Local Rooms Tax to Belmont (E*F)</b>	<b>\$369,497</b>

**Local Options Meals Tax**

Similar to the local options room tax, cities and towns in Massachusetts can also adopt a local options meals tax. Belmont adopted a 0.75% local options tax on meals in 2010. This fiscal impact analysis does not quantify the impact of that tax for each scenario as it is impossible to predict the share of future commercial space that would serve food. It is also impossible to predict amount of sales from those establishments. Any commercial space in the future serving food would be subject to this local tax and only add to the revenue brought to the town.

**Community Preservation Act (CPA) Tax**

The Community Preservation Act is a locally enacted property tax that cities and towns in Massachusetts can vote to add more funding in for affordable housing, open space, historic preservation, and recreation projects. Belmont adopted the CPA tax in 2010 and imposes a 1.5% surcharge on local real estate taxes. It is important to note that the first \$100,000 in assessed value for a residential property is exempt from the CPA tax.

For this analysis, RKG did calculate the potential CPA tax amount for each scenario but did not remove the first \$100,000 in valuation. Since the fiscal impact model is looking at each development scenario in totality, it is impossible to know how many individual projects would comprise the full build-out of each scenario. Therefore, it was not possible to remove the first \$100,000 in assessed value from each individual property/project. While the CPA estimates may be overstated in this analysis, they provide an estimate of potential new CPA funds nonetheless.

## FISCAL IMPACT SCENARIOS

The following tables illustrate the estimated fiscal impacts of the Full Build Scenario:

Table 10: Full Build Scenario Summary

Use Type	Scenario Build Out	Estimated School Aged Children @ 0.25	Estimated School Aged Children @ 0.30	Estimated School Aged Children @ 0.35
Residential Units	1,372 Units	309	371	432
Retail Space	193,000 SF	-	-	-
Office Space	212,000 SF	-	-	-
Hotel Rooms	200	-	-	-

Table 11: Full Build Scenario Fiscal Impact Results

Net Fiscal Impact Summary	0.25 SAC Ratio	0.30 SAC Ratio	0.35 SAC Ratio
Project Estimated Residential Real Property Taxes	\$6,012,315	\$6,012,315	\$6,012,315
Project Est. Commercial Real & Personal Property Taxes	\$1,911,829	\$1,911,829	\$1,911,829
Estimated Motor Vehicle Taxes	\$477,797	\$477,797	\$477,797
Estimated Local Option Room Tax	\$738,994	\$738,994	\$738,994
<b>NET NEW ANNUAL MUNICIPAL REVENUES</b>	<b>\$9,140,935</b>	<b>\$9,140,935</b>	<b>\$9,140,935</b>
Residential Costs of Municipal Services	-\$1,666,002	-\$1,666,002	-\$1,666,002
Commercial Costs of Municipal Services	-\$126,555	-\$126,555	-\$126,555
Project Costs of Public Schools	-\$4,032,671	-\$4,841,815	-\$5,650,959
<b>NET NEW ANNUAL MUNICIPAL COSTS</b>	<b>-\$5,825,228</b>	<b>-\$6,634,372</b>	<b>-\$7,443,517</b>
<b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>	<b>\$3,315,707</b>	<b>\$2,506,563</b>	<b>\$1,697,418</b>
Estimated CPA Taxes	\$118,862	\$118,862	\$118,862

The following tables illustrate the estimated fiscal impacts of the Mid-Range Scenario:

Table 12: Mid-Range Scenario Summary

Use Type	Scenario Build Out	Estimated School Aged Children @ 0.25	Estimated School Aged Children @ 0.30	Estimated School Aged Children @ 0.35
Residential Units	686 Units	154	185	216
Retail Space	96,500 SF	-	-	-
Office Space	106,000 SF	-	-	-
Hotel Rooms	100	-	-	-

Table 13: Mid-Range Scenario Fiscal Impact Results

Net Fiscal Impact Summary	0.25 SAC Ratio	0.30 SAC Ratio	0.35 SAC Ratio
Project Estimated Residential Real Property Taxes	\$3,003,819	\$3,003,819	\$3,003,819
Project Est. Commercial Real & Personal Property Taxes	\$955,915	\$955,915	\$955,915
Estimated Motor Vehicle Taxes	\$238,899	\$238,899	\$238,899
Estimated Local Option Room Tax	\$369,497	\$369,497	\$369,497
<b>NET NEW ANNUAL MUNICIPAL REVENUES</b>	<b>\$4,568,130</b>	<b>\$4,568,130</b>	<b>\$4,568,130</b>
Residential Costs of Municipal Services	-\$833,001	-\$833,001	-\$833,001
Commercial Costs of Municipal Services	-\$63,278	-\$63,278	-\$63,278
Project Costs of Public Schools	-\$2,022,861	-\$2,427,433	-\$2,832,005
<b>NET NEW ANNUAL MUNICIPAL COSTS</b>	<b>-\$2,919,139</b>	<b>-\$3,323,712</b>	<b>-\$3,728,284</b>
<b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>	<b>\$1,648,990</b>	<b>\$1,244,418</b>	<b>\$839,846</b>
Estimated CPA Taxes	\$59,396	\$59,396	\$59,396

The following tables illustrate the estimated fiscal impacts of the Low Range Scenario:

Table 14: Low Range Scenario Summary

Use Type	Scenario Build Out	Estimated School Aged Children @ 0.25	Estimated School Aged Children @ 0.30	Estimated School Aged Children @ 0.35
Residential Units	220 Units	50	60	69
Retail Space	32,348 SF	-	-	-
Office Space	0 SF	-	-	-
Hotel Rooms	0	-	-	-

Table 15: Low Range Scenario Fiscal Impact Results

Net Fiscal Impact Summary	0.25 SAC Ratio	0.30 SAC Ratio	0.35 SAC Ratio
Project Estimated Residential Real Property Taxes	\$960,148	\$960,148	\$960,148
Project Est. Commercial Real & Personal Property Taxes	\$124,033	\$124,033	\$124,033
Estimated Motor Vehicle Taxes	\$76,615	\$76,615	\$76,615
Estimated Local Option Room Tax	\$0	\$0	\$0
<b>NET NEW ANNUAL MUNICIPAL REVENUES</b>	<b>\$1,160,795</b>	<b>\$1,160,795</b>	<b>\$1,160,795</b>
Residential Costs of Municipal Services	-\$267,143	-\$267,143	-\$267,143
Commercial Costs of Municipal Services	-\$9,896	-\$9,896	-\$9,896
Project Costs of Public Schools	-\$652,536	-\$783,043	-\$913,550
<b>NET NEW ANNUAL MUNICIPAL COSTS</b>	<b>-\$929,575</b>	<b>-\$1,060,082</b>	<b>-\$1,190,589</b>
<b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>	<b>\$231,220</b>	<b>\$100,713</b>	<b>-\$29,794</b>
Estimated CPA Taxes	\$16,263	\$16,263	\$16,263

The following tables illustrate the estimated fiscal impacts of the Low Range with MBTA Communities Full Build Out Scenario:

Table 16: Low Range + MBTA Scenario Summary

Use Type	Scenario Build Out	Estimated School Aged Children @ 0.25	Estimated School Aged Children @ 0.30	Estimated School Aged Children @ 0.35
Residential Units	1,372 Units	309	371	432
Retail Space	32,348 SF	-	-	-
Office Space	0 SF	-	-	-
Hotel Rooms	0	-	-	-

Table 17: Low Range + MBTA Scenario Fiscal Impact Results

Net Fiscal Impact Summary	0.25 SAC Ratio	0.30 SAC Ratio	0.35 SAC Ratio
Project Estimated Residential Real Property Taxes	\$6,012,315	\$6,012,315	\$6,012,315
Project Est. Commercial Real & Personal Property Taxes	\$124,033	\$124,033	\$124,033
Estimated Motor Vehicle Taxes	\$477,797	\$477,797	\$477,797
Estimated Local Option Room Tax	\$0	\$0	\$0
<b>NET NEW ANNUAL MUNICIPAL REVENUES</b>	<b>\$6,614,145</b>	<b>\$6,614,145</b>	<b>\$6,614,145</b>
Residential Costs of Municipal Services	-\$1,666,002	-\$1,666,002	-\$1,666,002
Commercial Costs of Municipal Services	-\$9,896	-\$9,896	-\$9,896
Project Costs of Public Schools	-\$4,032,671	-\$4,841,815	-\$5,650,959
<b>NET NEW ANNUAL MUNICIPAL COSTS</b>	<b>-\$5,708,569</b>	<b>-\$6,517,713</b>	<b>-\$7,326,857</b>
<b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>	<b>\$905,576</b>	<b>\$96,432</b>	<b>-\$712,712</b>
Estimated CPA Taxes	\$92,045	\$92,045	\$92,045

## SHIFTING THE TOWN’S TAX BASE

As part of the fiscal impact analysis and scenario modeling exercise, the Town of Belmont requested RKG Associates conduct an analysis to determine the amount of commercial/industrial/personal property (CIP) assessed value needed to shift the town’s valuation split from 95% residential 5% CIP to 90% residential and 10% CIP.

To shift the town’s assessed value to a 90/10 split, the town would need to increase its CIP valuation by over \$665M or 126% over the town’s FY24 CIP valuation (\$527M)<sup>1</sup>. To put this assessed value increase in perspective, the town would need to see an additional 1.9M square feet of commercial and/or industrial development while maintaining the same residential valuation as exists today. If residential values rise faster than commercial values, it will only widen the gap thereby increasing the amount of CIP valuation required.

According to the Town’s property assessment data, Belmont currently has 1,159,374 SF of commercial built space. If another 1.9M SF of space were added, that would represent a 164% increase to what already exists in Belmont today. To put that in perspective, 1.9M SF is equivalent to adding one building the size of the Hancock Tower in Boston or five additional buildings the size of The Royal Belmont.

Table 18: Belmont’s Existing Assessment Split

Category	FY23 Assessment by Land Use	Proportion
Residential	\$10,777,756,500	95.3%
CIP	\$526,953,176	4.7%
<b>Total</b>	<b>\$11,304,709,676</b>	<b>100%</b>

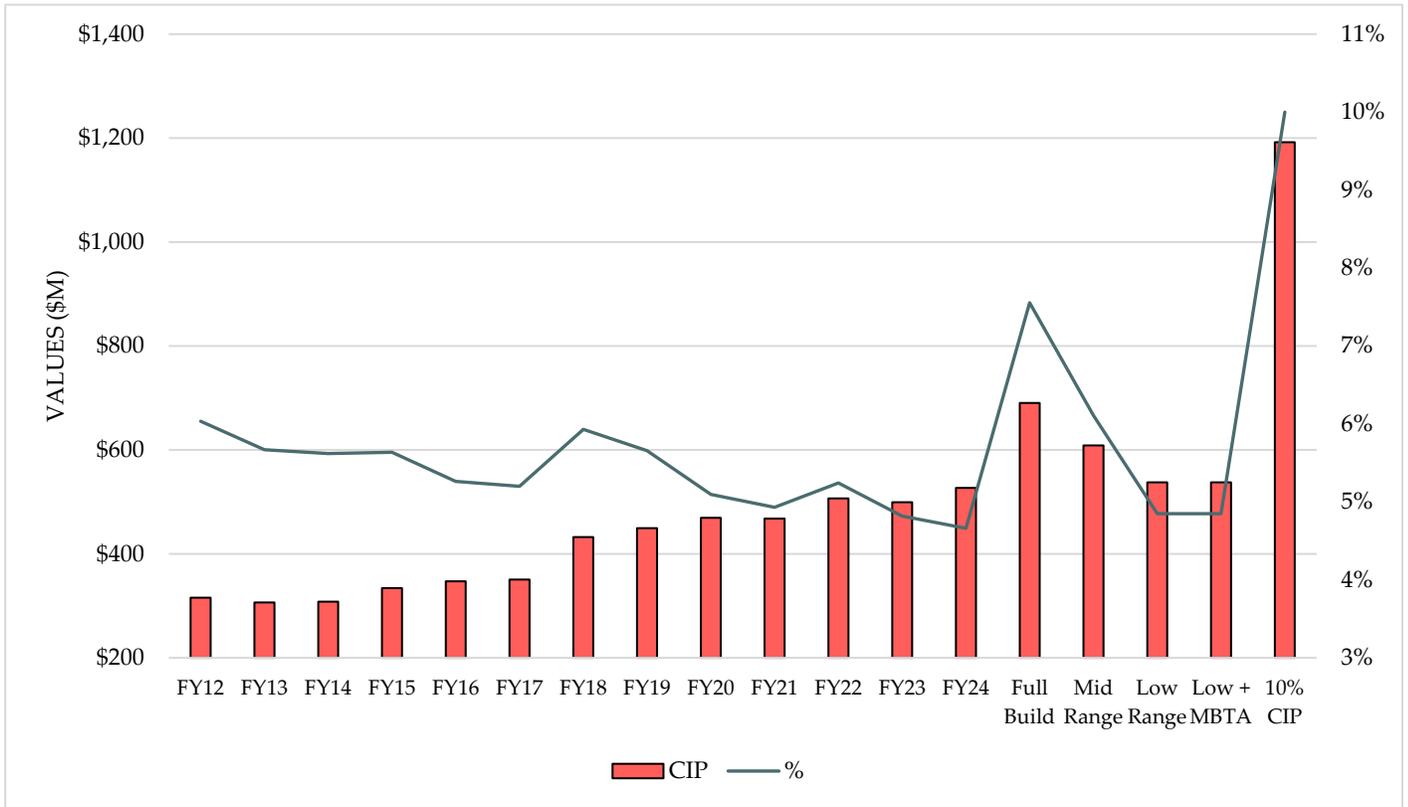
Table 19: Belmont’s Assessment Split at 90/10

Category	Future Assessment by Land Use	Proportion
Residential	\$10,777,756,500	90%
CIP	\$1,191,998,000	10%
<b>Total</b>	<b>\$11,969,754,500</b>	<b>100%</b>

<sup>1</sup> RKG used an average commercial assessed value of \$350/SF to estimate future value of commercial development.

RKG also calculated the impact on CIP from each of the four development scenarios illustrated in Tables 10, 12, 14, and 16 to understand how those could shift the town’s total CIP assessment. The results of that analysis are shown in Figure 3 below.

Figure 3: CIP Assessed Values and % of Total Assessment Over Time



## CONCLUSION

RKG's fiscal impact analysis for the Town of Belmont shows future development scenarios that offer a balance of residential and commercial development can have a positive financial impact and generate more property tax revenue compared to the cost of services to the town. Each scenario is bolstered by the commercial component which carries less municipal service costs, and no school costs compared to residential development.

Belmont is unique in the region with a relatively high SAC ratio of 0.30 across existing multifamily developments. The quality of the school district and the community, as well as proximity to major employment centers in Cambridge, Boston, and the Route 128 beltway position Belmont as a very desirable place to live and raise a family. So much so, that families are living in multifamily rental buildings due to the high cost barrier to purchasing a home in Belmont, availability of housing to purchase, or their own personal preference for where to live. That said, the higher student ratios in multifamily housing do result in more projected students and higher costs each housing development has to offset with its projected property taxes. If student ratios do not materialize as projected in this analysis or costs to serve students come down over time, the fiscal impact of multifamily residential development would increase further.

This analysis represents a snapshot in time of where Belmont's current budget position stands, tax rate is set, assessed valuations are set, and school enrollment is measured. While RKG utilized a very conservative approach of calculating municipal and school costs, that is to say we aired on the side of using a higher incremental budget number, these metrics will change over time. It is important to monitor those changes to see how new developments perform and adjust town policy or zoning accordingly to ensure a balance of new growth that is beneficial to the town.

Lastly, in RKG's opinion a fiscal impact analysis should never be the sole reason a development is approved or not approved. It is one piece of information about the *potential* financial performance of a development or development scenario. There are many other considerations and reasons communities should use when evaluating whether a development will "pay for itself". This is particularly true for housing, which plays an important role in the social fabric of the community and provides places for individuals and families to live.