
HANCOCK VILLAGE FISCAL IMPACT ANALYSIS

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Community Opportunities Group, Inc.
Boston, Massachusetts

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FISCAL IMPACT SUMMARY

Revenue. At full build-out, in current (real) dollars, the proposed Hancock Village development would generate approximately \$1,121,350 in recurring revenue to the Town of Brookline. This includes approximately \$1,020,550 in property taxes and \$100,800 in motor vehicle excise taxes. Our report assumes that Brookline will not realize a direct gain in any other sources of General Fund revenue due to the improvements at Hancock Village. Arguably some additional gains are possible, but other revenue sources that may benefit from the expansion of Hancock Village are volatile and very difficult to predict, and they would involve comparatively small amounts revenue growth even under strong economic conditions. The notable exception is building permit fees which, while significant, will provide a temporary benefit to the Town. Short-term revenue from building permit fees cannot be treated as an offset to the long-term, recurring cost of municipal and school services.

Expenditures for Community Services. At full build-out, in real dollars, the proposed Hancock Village development would require an expenditure of approximately \$1,884,800 per year. This assumes direct, recurring education costs and the cost of additional personnel in the Brookline Fire Department. The project will place demands on other municipal services as well, but as discussed in our report, we do not believe Brookline will need to increase the capacity of other town departments in order to meet these demands. Hancock Village also will have short-term impacts on operations such as the Building Department. These impacts will be offset, at least in part, by temporary revenues from the project. If there are needs in other departments that will experience short-term or temporary increases in demand, the developer should provide compensatory payments to the Town. Finally, there will be capital improvements required in order to accommodate the new residents at Hancock Village. Our report assumes these needs will be addressed through developer contributions to the Town, most likely as payments secured through a development agreement or, where appropriate, conditions of a special permit.

Net Revenue. The Hancock Village development's net fiscal impact on the Town of Brookline, in real dollars at full build-out, is approximately -\$763,450. This negative net revenue assumes recurring revenues and costs and excludes temporary and non-recurring impacts. The cost-revenue ratio for the project is 1.68, which means that for every \$1 in revenues generated by the project, the Town will spend approximately \$1.68 on municipal and school services.

Debt Service. Hancock Village will contribute to Brookline's future school space needs. At full build-out, the project will generate about 118 additional public school students, mainly elementary school students. The recently completed school facilities master plan assumes future enrollment growth of 535 students by FY 2019 (2018-2019 school year). Among the plan's assumptions is that on average, Brookline's housing inventory will continue to grow by approximately 67 new housing units per year. Although the facilities plan projections do not account in a direct way for the proposed expansion of Hancock Village, it is inaccurate to assume that all 466 new units at Hancock Village will be in addition to the number of new units considered in the plan's school enrollment forecast. This is because infusing 466 new housing units into Brookline's market is likely to affect production elsewhere. Accordingly, it would be inaccurate to assign to Hancock Village the entire cost of school facility space to serve 118 students. Our report acknowledges that Hancock Village will have an impact on school

construction debt service in Brookline, but we have separated debt service from community service expenditures and the net revenue calculation for this project. We believe it is premature to determine how much debt service should be assigned to Hancock Village due to the number of unknowns involved. This is discussed in greater detail in our report.

BACKGROUND

Hancock Village is a 789-unit rental development on an 80.8-acre site that straddles the boundary between Brookline and Boston. Most of the land (49.7± acres) and the existing housing (530 units) are located in Brookline. The present owner, Chestnut Hill Realty Trust, plans to redevelop and expand the project by demolishing and replacing fourteen existing units and adding 466 new units in Brookline, for a total of 480 new housing units. The proposed project would be constructed over ten years (at least), substantially as shown in Table 1.

Table 1
Proposed Hancock Village Redevelopment and Expansion

Construction Phase	Total Units	Unit Size	
		1 Bedroom	2 Bedrooms
2012	50	50	0
2014	48	48	0
2014	62	31	31
2016	100	50	50
2019	<u>220</u>	<u>110</u>	<u>110</u>
Total	480	289	191

Source: Joseph Geller to Jeffrey Levine, Memorandum, August 11, 2009.

Note: The 220 units slated for construction in 2019 include the 14 units to be demolished.

Hancock Village was constructed in the late 1940s on a former golf course. Designed and built by the John Hancock Insurance Co. as a low-rise garden village, the development was promoted as a solution to “the serious housing shortage” that existed in postwar Brookline. The project resulted in construction of a new public way, Independence Drive, extending southward from the intersection of Grove Street and Russett and Beverly Roads to VFW Parkway in Boston. Neighborhood commercial uses serving the project are located on the Boston (West Roxbury) side of the property.

Hancock Village currently offers one-, two-, and three-bedroom townhouses in fifty-five residential buildings along a series of drives connected to Independence Drive, Gerry Road, Thornton Road, and Sherman Road (which crosses into Boston). Consistent with an agreement reached by the original developer and the Town, most of the site is open land. Compared with newer multi-family developments in the Boston metro area, Hancock Village is a low-density neighborhood, with a range of eight to thirteen units per acre on the four parcels that make up the Brookline side of the site. This relatively low average density is achieved by clustering the townhouse buildings, landscaping, and leaving large portions of the site undisturbed. Nearby conservation land, cemeteries, and a school yard further reduce the impression of density and intensity of use.

By contrast, the proposed expansion of Hancock Village – which we refer to throughout this report as Hancock Village II – would add 466 multi-family flats and 855 parking spaces to the project in Brookline. Low-rise infill housing is proposed near the lot line closest to the single-family homes along Beverly Road, yet some of the open space buffer that currently defines the edge of Hancock Village would be developed for tenant parking. The owner proposes to

construct taller buildings on the western and southern portions of the site (closer to the Boston city line), together with structured and surface parking.

We think it is critical to note that Hancock Village and Hancock Village II are different projects. If Hancock Village II proceeds as planned, it will change both the visual character of the site and the make-up of the tenant households. The demographic differences will be seen primarily in the characteristics of Hancock Village II households, but the near-doubling of the density on this site could eventually change the tenant mix in the existing townhouses, too. Housing is a product that attracts some markets and discourages others. Although our estimates of the Hancock Village II household population and school-age children take into account conditions on the site today, we have not simply drawn population multipliers from the existing tenant households and applied them to the proposed units. Doing so would be deceptively simple – and methodologically incorrect.

UNDERSTANDING FISCAL IMPACT

The purpose of this report is to estimate the fiscal impact of Hancock Village II on the Town of Brookline. We were not asked to examine the project's fiscal impact on other units of government, notably state revenues and expenditures. In our experience, people have quite different ideas about what a fiscal impact analysis is and the assumptions a fiscal impact analyst should use. It seems appropriate to provide some working definitions, assumptions, and caveats for the benefit of readers.

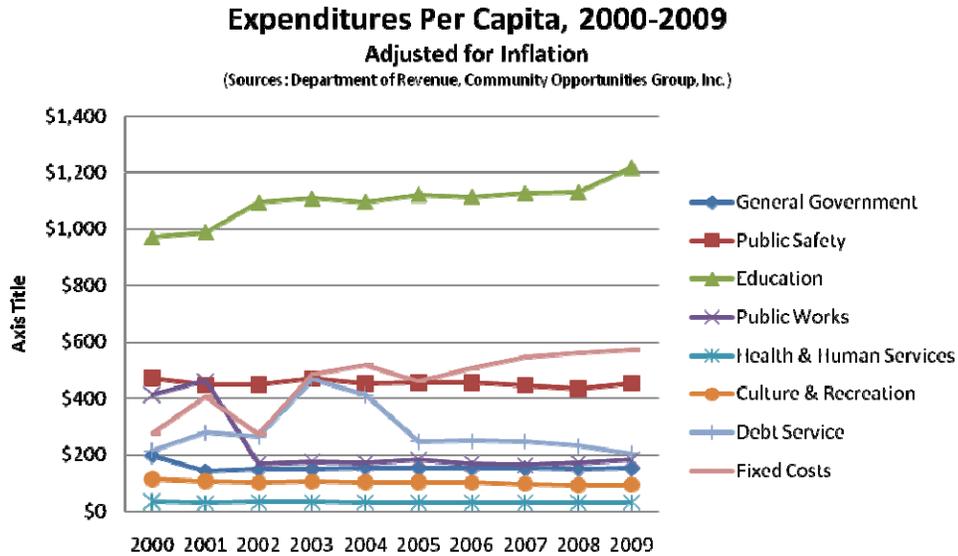
- **Net Revenue.** Fiscal impact measures the *net revenue gain or deficit* directly associated with a given land use. The relationship between costs and revenue is expressed in a ratio. When the ratio >1.00, total costs exceed total revenues, i.e., a negative fiscal impact.
- **Direct Impacts.** A fiscal impact analysis looks at *direct* cost and revenue impacts. It does not capture other (non-fiscal) types of development impacts or indirect or secondary impacts, including those which may involve a change in municipal costs and revenues.
- **Foreseeable Conditions.** A fiscal impact analysis of a multi-phase development often involves a higher risk of inaccuracy than small or single-phase developments. Despite an analyst's best efforts, sometimes conditions change in ways that could not be foreseen when a project was originally reviewed. If Hancock Village II had been proposed several years ago, many of today's assumptions would have been different: estimates of state aid, local receipts, and free cash, and possibly the Town's own school enrollment projections.
- **Real vs. Nominal Values.** Fiscal impact studies usually report future costs and revenues in today's (current, or real) dollars. Studies of large, multi-year developments and comparison projects, e.g., two alternative land use proposals for the same site or land use prototype studies, often report the net present value of net revenue (the difference between costs and revenues) by using a discount rate to capture the time value of money. All cost and revenue calculations in this report are based on 2010 dollars, extended over the ten-year project completion period that we were asked to consider. For at least two reasons, we did not use nominal (inflation-adjusted) dollars. First, increasing costs and revenues for inflation can mask real change, and second, it is very difficult (and debatable) to forecast longer-term

inflation rates due to the number of variables involved and the unpredictability of the economy. Historic averages are not necessarily a valid indicator of the future.

A fiscal impact analysis should not be the sole - or even the primary - basis for making a major public policy decision. Several caveats need to be considered by readers of this study and any other estimate of the fiscal impact of Hancock Village II:

- **Competing Public Interests.** Some types of development provide social or environmental benefits that matter more to a community's decision-makers and residents than municipal revenues. Hancock Village II exemplifies this challenge. There is no question that Hancock Village II will cost more in services than the total amount of revenue it generates, yet the project offers public benefits, too, notably the provision of affordable housing and the accommodation of new housing units on a site with existing multi-family units.
- **Different Assumptions.** Fiscal impact studies provide an estimate of net revenue based on a series of assumptions. If the assumptions change, the net revenue may change as well. Two practitioners can study the same development and reach different conclusions simply because their analytical models involve different assumptions.
- **Local Policy Decisions.** The conclusions of a fiscal impact analysis do not guarantee that a town will actually commit new revenues to the services that experience new demand. Our task is to identify and quantify a project's net operating impact on municipal and school services, but clearly we do not control decisions made by a community's legislative body. Town meetings make appropriation choices based on local policies and priorities, not on estimates and projections reported by fiscal impact analysts.
- **Long-Term Variables.** Changes in the economy, technology, state aid policies, and federalism play a significant role in the long-term fiscal impact of development on local governments. For example, the state's abandonment of partial reimbursement for public school transportation means that local governments have changed the way they pay for school bus service. Similarly, the shift in aid policies under the Quinn Bill have forced cities and towns to absorb a cost that was historically subsidized with state revenues. As a result, forecasting the total cost to expand police services today requires a different set of assumptions than those used five years ago. Furthermore, forecasting future revenues before Proposition 2 1/2 was not the same as forecasting future revenues after 1981.
- **Existing Fiscal Conditions.** Standard fiscal impact models do not account well for a town's overall fiscal well-being, yet the real impacts of a project are largely determined by the demographic and financial characteristics and trends of the receiving community. The background information about Brookline's finances and municipal employment history in this report is typically omitted in a fiscal impact analysis; we think it is crucial.
- **Bias.** The history of fiscal impact practice is replete with "advocacy" studies, or models that support a particular conclusion.
- **Causal Fallacies.** In all communities, operating costs increase even without population and household growth. The best example of this is the rapid acceleration in shared or "fixed" costs such as employee health insurance over the past eight or nine years. From Fiscal Year

(FY) 2000 through FY 2009, Brookline’s total general fund operating expenditures increased at an average annual rate of two percent per capita, adjusted for inflation. However, fixed costs increased at an average annual rate of approximately thirteen percent per capita.¹



There are several ways to estimate revenue and service costs. Some models work best for analyzing residential costs and revenue and others are designed primarily for non-residential development. Regardless, all fiscal impact models rely to some extent on existing conditions and assumptions to estimate future outcomes. For example, nearly all non-residential models assume that a proportional relationship exists between the assessed value of a land use and its associated community service costs (the proportional valuation method). Analyzing a residential development such as Hancock Village II can involve one of two approaches: estimating future expenditures by multiplying a population growth increment by current spending per capita (an “average cost” approach), or identifying service gaps that will likely be created or exacerbated by new development and assigning the cost of filling those gaps to the proposed project (a “marginal cost” approach). Both approaches have strengths and limitations, and due to the assumptions they embrace they should never be combined in one study. In general, the marginal cost method generally provides a more accurate look at near-term (five- to ten-year) impacts. For a typical municipal finance horizon, the marginal cost analysis is the preferred tool.

When a fiscal impact analysis is based on a development concept plan, which is usually the case for proposals that involve a zoning change, the results must be treated as approximations. By the time a developer prepares and submits detailed plans for site plan review, a project may have fewer housing units, or the mix of housing units may be somewhat different than the mix shown on the conceptual plan. Similarly, what started out as a proposal for homeownership units may

¹ Commonwealth of Massachusetts, Department of Revenue (DOR), Division of Local Services, “General Fund Expenditures,” 2000-2009, *Municipal Data Bank*, <http://www.dls.state.ma.us/mdm.htm>, and Community Opportunities Group, Inc.

become a proposal to build rental housing. Any of these kinds of changes can make a substantial difference between a positive or negative fiscal impact. For purposes of this report, we have assumed that Hancock Village II will remain a rental housing development because we have no reason to think the form of ownership will change in the near future. However, it is important to point out that the same number of multi-family housing units would have a significantly different impact on Brookline if they were developed and sold as condominiums. The differences would be dramatic, and they would be evident both in service costs and revenues.

FISCAL CONDITIONS IN BROOKLINE

Brookline is an affluent urban center and a very desirable place to live. Its population of approximately 60,000² is quite different from that of other inner suburbs around Boston, for Brookline has both the college population characteristics of communities such as Wellesley and Newton and an unusually large share of post-graduates. It also has a large group humorously referred to by some demographers as “web boomers,” or people between the ages of 25 and 34. These qualities help to explain why school-age children make up a relatively small percentage of Brookline’s total population: slightly less than 12 percent. By contrast, school-age children represent 16 percent of the total population in Newton and 20 percent in Wellesley.³

Despite Brookline’s small population percent of school-age children, K-12 enrollment in the Brookline Public Schools continues to grow. The irony of suburban sprawl in Eastern Massachusetts is that in the past eight to ten years, K-12 growth rates have increased in Boston’s wealthy urban centers – the older, maturely developed suburbs along and inside Route 128 – but this is not the case in many of the former high-growth school districts closer to I-495, where enrollments have reached a plateau or begun to decline. Brookline, Wellesley, Newton, Lexington, Belmont, Winchester, and Needham continue to gain students as housing turnover in these communities attracts young, upper-income families. Not surprisingly, enrollment growth in Boston’s core suburbs has triggered an accelerated rate of growth in school spending, both for

² According to intercensal population estimates published by the Bureau of the Census, Brookline’s population decreased from 57,107 in 2000 to 54,896 in 2008, or -3.9 percent. The American Community Survey (ACS) presents a different picture, for ACS places the town’s current (three-year-average) population estimate at 62,225, or a 9 percent *increase*. Since ACS and a proprietary data source, Claritas, Inc., generally agree about Brookline’s current population, we have used the ACS estimate to calculate expenditures per capita for municipal services. It is important to note that during the 1990s, the Census Bureau’s intercensal population estimates for Brookline also reported a population decline, yet the town’s population actually increased 4.3 percent between 1990 and 2000. Further, despite differences between the Census Bureau’s decennial census methods and the sampling methods used to generate ACS estimates, the overall demographic profile of Brookline represented in these sources (and by Claritas) is strikingly similar.

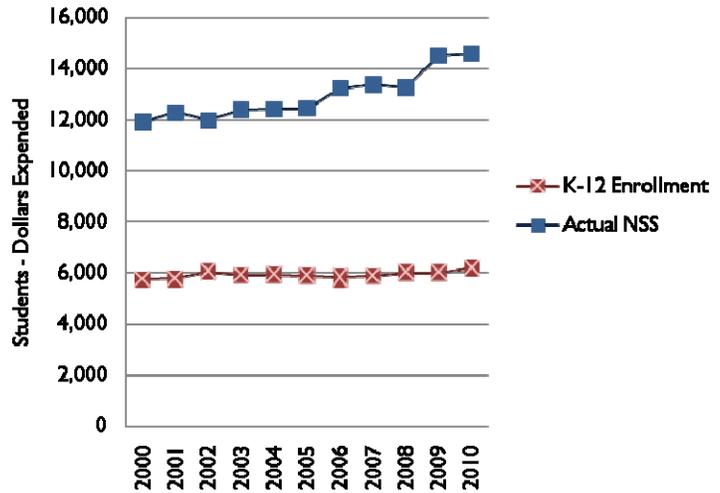
³ U.S. Department of Commerce, Bureau of the Census, American Community Survey (ACS) 2006-2008 Three-Year Estimates, “B01001. Sex by Age.” User-defined query for Brookline and nine regional “peer group” communities (Arlington, Boston, Cambridge, Framingham, Lexington, Medford, Newton, Wellesley, and Weymouth). For historic comparisons, see also: Census 2000, Summary File 1, “P12: Sex by Age.” For source of peer group communities, see Town of Brookline, *Override Study Committee Final Report* (January 2008).

regular and special education services.⁴ In Brookline, for example, total K-12 enrollment growth of 5 percent between FY 2004 and FY 2009 was attended by a 32 percent increase in Actual Net School Spending (Actual NSS) per student (or 17 percent adjusted for inflation). However, the 5 percent increase system-wide masks conditions in the elementary schools, which experienced more rapid enrollment growth of about 11 percent in the same period.⁵

Older built-out suburbs face some unique challenges when they experience waves of population and school enrollment growth. In these communities, growth in demand for municipal and school services sometimes has little to do with housing growth. As a result, the size of the tax base may not change much even though the population grows and exerts more pressure on community services. In Brookline, the total housing inventory reportedly increased by about 720 units between 2000 and 2008,⁶ or a modest 2.7 percent, so it is not surprising that new growth revenue fell below the state average, measured as a percentage of each previous year’s tax levy, during the same period.⁷ For communities like Brookline, the tax base expands in response to incremental changes in land use, such as infill development or intensification of use in older properties (through redevelopment), mansionization, condominium conversions, and one-of-a-kind circumstances such as the conversion of tax-exempt properties to taxable uses. The base also changes if a community approves an override of Proposition 2 ½, as Brookline did in FY 1995 and FY 2009.⁸

K-12 Enrollments and Actual NSS

(Source: Massachusetts Department of Elementary and Secondary Education)



⁴ Commonwealth of Massachusetts, Department of Elementary and Secondary Education (DESE), “Long-Term Trends in Individual District PK-12 Enrollment, FY 1989-2009,” <http://finance1.doe.mass.edu/>.

⁵ Ibid, and DESE, Chapter 70 District Profile, FY 2000-2010, and Per Pupil Expenditure Reports, FY 2007-2009 Three-Year Comparison, Brookline Public Schools.

⁶ Town of Brookline, Department of Planning and Community Development, “Multi-Family Permitting and Construction Activity Report, 2000-2007 (April 2007), <http://www.brooklinema.gov>. Note that according to the Bureau of the Census, Brookline has permitted only 330 units since 2000; “Building Permits by County or Place,” <http://www.census.gov/const/www/permitsindex.html>. User-defined query for Brookline, Massachusetts, CY 1996-2008. We have used data published on the town’s website because we assume it is more accurate. In addition, the number of housing units arrived at by adding Brookline’s data (718 units) to the Census 2000 base of 26,413 produces an estimate (27,131) that is remarkably close to the ACS Three-Year Estimates (27,426).

⁷ DOR, “New Growth Applied to the Levy Limit,” 1992-2010, *Municipal Data Bank*, and Community Opportunities Group, Inc.

⁸ DOR, “Override Votes, FY 1983 to the Present,” *Municipal Data Bank*.

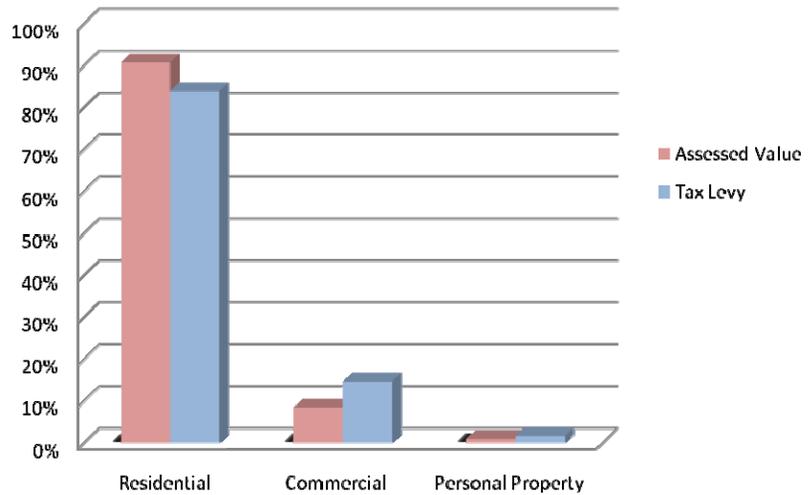
TAX BASE

Brookline is a predominantly residential community. It has locally oriented commercial areas in Coolidge Corner and Brookline Village, smaller commercial nodes at Saint Mary’s MBTA Station, Chestnut Hill, Washington Square, and Harvard Street (JFK Crossing), and virtually no industrial development. Less than 5 percent of Brookline’s land area is used for business purposes, and the combined value of all business properties (including taxable personal property) is just over 9 percent of the town’s total assessed valuation.⁹ These properties support about 1,600 employers, most of which are retail, professional services, education, or health care establishments.¹⁰

Brookline is one of 107 cities and towns with a classified or split tax rate, which means the town transfers a portion of the residential tax burden to commercial, industrial, and personal property (CIP) taxpayers. The procedures for establishing a so-called CIP shift are governed by state law, and Brookline transfers at nearly the maximum rate permitted by the Department of Revenue (DOR). As a result, CIP taxpayers generate approximately 16 percent of

FY 2010 Assessed Values and Tax Levy by Class

(Source: Department of Revenue)



the total tax levy even though their share of the town’s total assessed valuation is much smaller. For example, in FY 2009, the median value of a single-family home in Brookline was \$1,017,000 and the homeowner’s tax bill was \$9,130; by contrast, the median value of a commercial property was \$1,015,600, but the property owner’s tax bill was \$17,590.¹¹ Brookline also has adopted the residential exemption option (M.G.L. c. 59, § 5C), which allows the town to transfer some of the residential tax burden away from modest, older single-family homes and condominiums to more valuable residential properties: apartments, high-end houses and estates, and summer residences.¹²

Residential condominiums are the largest single class of taxpayers in Brookline. The town has approximately 9,500 condominiums, including both garden-style and townhouse units. Consistent with the town’s land use pattern, the vast majority of these units can be found in the

⁹ Brookline Assessor’s Parcel Map, Level II Data, MassGIS, <http://www.mass.gov/mgis/>; DOR, “Assessed Values,” FY 2009, 2010; and Community Opportunities Group, Inc.

¹⁰ Commonwealth of Massachusetts, Department of Labor and Workforce Development, “ES-202: Employment and Wages,” 2008 Annual Data, *Economic Data Programs*, <http://www.detma.org/>.

¹¹ Richard J. Kelleher, Brookline Town Administrator, *Town of Brookline FY 2011 Financial Plan*, III-11.

¹² DOR, “FY 2009 CIP Shift and Amount Shifted.”

densely settled neighborhoods close to Coolidge Corner and Brookline Village. The entire single-family home inventory is less than half the size of the condominium inventory, measured in number of housing units (about 4,500). Two-family, three-family, and other multi-family properties account for 11 percent of all taxable parcels in Brookline and approximately 43 percent of all housing units. Non-residential taxpayers – including the owners of commercial buildings with upper-story housing – constitute less than 4 percent of the total.¹³ In short, Brookline depends primarily on its residents to pay for the municipal and school services that local government provides.

SOURCES OF REVENUE

A crucial element of any fiscal impact analysis is the amount of revenue a development will generate. New developments generate recurring, temporary, and non-recurring revenues and require local governments to make corresponding expenditures. Recurring revenues are those received every year, such as property taxes, motor vehicle excise taxes, and state aid. Temporary revenues are generated in more than one fiscal year, but they do not become part of a project’s permanent revenue contribution, e.g., building permit fees.¹⁴ Non-recurring revenues include sources such as special permit or site plan application fees. In a fiscal impact analysis, these classes of revenue should not be co-mingled.

General Fund Revenue. In local government finance, the General Fund is the primary fund used to account for and report revenues and expenditures authorized by the legislative body. For example, it includes all tax revenue raised and appropriated at town meeting. In Brookline, the General Fund makes up about 88 percent of the annual operating budget.¹⁵ For a fiscal impact study, General Fund revenues and expenditures, and General Fund *net revenue* in particular, are the most important factors to consider. This is because activity occurring within the General Fund directly affects the property tax rate.

Table 2
Summary of General Fund Revenue in Brookline, FY 2007-2010

FY 2007	FY 2008	FY 2009	FY 2010 (Estimated)
\$184,511,814	\$189,738,706	\$198,901,422	\$204,048,949

Source: FY2011 Financial Plan, I-27. FY 2010 estimated revenue number is adjusted down by \$1.2M from FY 2010 Financial Plan.

General Fund revenue consists of:

- Real and personal property taxes;

¹³ DOR, “Parcels by Class of Use,” FY 2000-2009.

¹⁴ “Temporary” revenue is a fiscal impact term for some types of revenue sources that municipal finance officials typically think of as recurring. Building permit fees are the best example. To a fiscal impact analyst, building permit fees are temporary because the project will not continue to generate them following construction. To a municipal finance official, however, building permit fees are a recurring revenue source because communities receive permit fees every year.

¹⁵ Unless otherwise noted, the sources of local financial data reported in this section are the Town of Brookline’s FY 2010 and 2011 Financial Plans.

- State aid;
- Unallocated local receipts (*excluding* receipts accounted for as enterprise revenue);
- Free cash (unexpended funds from previous fiscal years and receipts in excess of the estimates used to establish the current fiscal year operating budget); and
- Other available funds (monies left in other funds and available for appropriation in future years, e.g., the unencumbered balance in a stabilization fund or funds remaining in the overlay reserve and not needed to cover tax abatements).

Property Tax. For wealthy suburbs like Brookline and many of the state’s rural towns as well, property taxes make up the vast majority of General Fund revenue. Unlike other aid sources, as discussed below, the property tax is the most predictable revenue source and the most readily controlled by voters. (*See also, Financial Management.*) The property tax includes taxes on real estate and personal property, which generally refers to equipment used in the operation of non-manufacturing businesses. In Brookline, personal property has generated about 1.6 percent of the total tax levy for the past several years.¹⁶

Table 3
Property Tax Revenue in Brookline, FY 2007-2010

	FY 2007	FY 2008	FY 2009	FY 2010 (Budgeted)	% Change
Total Revenue	\$184,511,814	\$189,738,706	\$198,901,422	\$204,048,949	10.6%
Property Tax	\$128,871,387	\$133,849,950	\$146,542,184	\$152,681,998	18.5%

Source: FY2011 Financial Plan, I-27. FY 2010 estimated property tax revenue adjusted up by \$130,000 from FY 2010 Financial Plan (Original budgeted estimate: \$152,552,834.)

State Aid. State aid tends to make up a large share of the budget in lower-income communities and a relatively small share in affluent communities. The largest state aid account is Chapter 70, or aid for public schools. Other state aid sources include funds generated by the state lottery (now called “Unrestricted General Government Aid”), statutory reimbursements for certain types of local tax relief and veterans benefits, aid for public libraries, payments in lieu of taxes (PILOT) for state-owned property, and payments under the Quinn Bill. In addition, when communities carry out a state-approved school construction project, they receive reimbursement for a portion of the construction cost from the Massachusetts School Building Authority (MSBA). Since MSBA reimbursement is a non-recurring revenue source tied to a capital project, it should not be included in an analysis of ongoing operating budget revenues.

Contrary to popular opinion, most state aid is not distributed on a straightforward per capita basis. Rather, aid programs are governed by various statutory formulas that consider factors such as total population, population density, equalized valuation (EQV) per capita, household wealth, municipal revenue growth, or population (and school enrollment) growth rates relative to overall growth in the Commonwealth. In some cases, aid is based on certified costs incurred by a municipality during the previous fiscal year, e.g., tax exemptions and veteran’s aid. In Brookline, state aid has contributed a declining share of total General Fund revenue for the past several years, as shown in Table 4.

¹⁶ DOR, “Levies by Class,” FY 2000-2009.

Table 4
Revenue from State Aid in Brookline, FY 2007-2010

	FY 2007	FY 2008	FY 2009	FY 2010 (Budgeted)	% Change
Total Revenue	\$184,511,814	\$189,738,706	\$198,901,422	\$204,048,949	10.6%
Property Tax	\$128,871,387	\$133,849,950	\$146,542,184	\$152,681,998	18.5%
State Aid	\$18,023,846	\$18,946,277	\$17,962,793	\$16,536,492	-8.3%

Source: FY2011 Financial Plan, I-27. FY 2010 estimated state aid reduced by \$621,000 from FY 2010 Financial Plan (Original budgeted estimate for state aid: \$17,157,180.)

Unallocated Local Receipts. The largest source of unallocated local receipts, motor vehicle excise tax revenue, is directly dependent on the number of vehicles registered under a Brookline address. Other sources of local receipts include interest earned on investments, various departmental fees and charges, fines, payments in lieu of taxes from tax-exempt entities, and in Brookline, so-called local option taxes and solid waste disposal fees. In general, several sources of unallocated local receipts tend to be both population-sensitive and vulnerable to swings in the economy. From FY 2007 to FY 2009, local receipts revenue decreased 3.5 percent in Brookline, consistent with trends in many communities throughout the state, largely due to a decline in motor vehicle excise taxes and to a lesser extent (in dollars), building permit fees. As a result, Brookline reduced its local receipts estimate by 9 percent for the FY 2010 operating budget and has assumed a further reduction (2.4 percent) for FY 2011.¹⁷

Table 5
Local Receipts in Brookline, FY 2007-2010 (Excluding Enterprise Funds)

	FY 2007	FY 2008	FY 2009	FY 2010 (Budgeted)	% Change
Total Revenue	\$184,511,814	\$189,738,706	\$198,901,422	\$204,048,949	10.6%
Property Tax	\$128,871,387	\$133,849,950	\$146,542,184	\$152,681,998	18.5%
State Aid	\$18,023,846	\$18,946,277	\$17,962,793	\$16,536,492	-8.3%
Local Receipts	\$23,281,093	\$24,524,074	\$22,455,149	\$20,357,125	-12.6%

Source: FY2011 Financial Plan, I-27. FY 2010 estimated property tax revenue adjusted up by \$130,000 from FY 2010 Financial Plan (Original budgeted estimate: \$152,552,834.)

Free Cash. In Brookline, free cash rose fairly steadily after the recession of the early 1990s and peaked in FY 2000. Since then, the town's free cash position has been somewhat erratic, ranging from \$4.5 to \$7 million. By policy, Brookline transfers a modest amount of free cash to reserve funds (including the operating budget reserve) and applies the rest to pay-as-you-go capital improvements. Among other benefits, this policy helps to buffer the operating budget from unpredictable swings in free cash. It also reinforces the town's commitment to capital improvements – a need that too many towns defer year after year, making the cost of some capital projects higher than necessary.

¹⁷ Note: Brookline (like most communities) has historically underestimated local receipts, for actual revenue from local receipts has exceeded the amount budgeted. The resulting surplus (net revenue) contributes to each year's "free cash."

Table 6
Free Cash in Brookline, FY 2007-2010

	FY 2007	FY 2008	FY 2009	FY 2010 (Budgeted)	% Change
Total Revenue	\$184,511,814	\$189,738,706	\$198,901,422	\$204,048,949	10.6%
Property Tax	\$128,871,387	\$133,849,950	\$146,542,184	\$152,681,998	18.5%
State Aid	\$18,023,846	\$18,946,277	\$17,962,793	\$16,536,492	-8.3%
Local Receipts	\$23,281,093	\$24,524,074	\$22,455,149	\$20,357,125	-12.6%
Free Cash	\$5,387,435	\$3,814,792	\$5,954,963	\$7,053,295	30.9%

Source: FY2011 Financial Plan, I-27.

As if to underscore the challenges inherent in relying on free cash for any purpose, Brookline's free cash available for FY 2011 (as of the beginning of FY 2010) dropped considerably: to \$4.6 million. We excluded this from Table 6 because Brookline had not adopted an operating budget for FY 2011 when we conducted our analysis of Hancock Village, but we think it is important to note that free cash, like other non-tax revenue sources, is vulnerable to circumstances that often lie wholly or partially outside of a community's direct control.

Other Available Funds. Brookline captures "other available funds" primarily from inter-fund transfers to the General Fund. Since 2002, all receipts collected from water and sewer ratepayers have been accounted for in an enterprise fund,¹⁸ which means the revenue is legally segregated from the General Fund. However, since Administration & Finance staff manage all transactions associated with the water and sewer fund, the town is allowed to transfer an overhead charge from the enterprise fund to the General Fund. In effect, the water and sewer enterprise provides a modest subsidy for General Fund operating expenses. The same applies to the Golf Enterprise Fund. Similarly, the town transfers money from special (restricted) revenue funds for parking meter receipts, cemeteries, and recreation to the General Fund for the purpose of funding those activities within the operating budget.

The composition of this revenue source has changed quite a bit, largely due to local policies. For example, until a few years ago, Brookline transferred the cost of each year's water and sewer debt service from the enterprise fund to the General Fund and expensed the debt service from there, but this practice changed in FY 2009, accounting for the sharp drop in "other funds" shown in Table 7. Also, the amounts set aside to fund for tax abatements fluctuate from year to year.

Table 7
Revenue from Other Available Funds in Brookline, FY 2007-2010

	FY 2007	FY 2008	FY 2009	FY 2010 (Budgeted)	% Change
Total Revenue	\$184,511,814	\$189,738,706	\$198,901,422	\$204,048,949	10.6%
Property Tax	\$128,871,387	\$133,849,950	\$146,542,184	\$152,681,998	18.5%
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Local Receipts	\$23,281,093	\$24,524,074	\$22,455,149	\$20,357,125	-12.6%
Free Cash	\$5,387,435	\$3,814,792	\$5,954,963	\$7,053,295	30.9%
Other Funds	\$8,948,053	\$8,603,612	\$5,986,333	\$7,420,040	-17.1%

Source: FY2011 Financial Plan, I-27. FY 2010 estimated other available funds adjusted down by \$873,000 from FY 2010 Financial Plan (Original budgeted estimate: \$8,293,101.)

¹⁸ Town of Brookline, "FY97-FY07 Spending History."

LOCAL GOVERNMENT SERVICES

Brookline is a “full-service” suburb with municipal services delivered by professional staff and other employees. Residents serve as volunteers on many boards and committees, and Brookline still elects a relatively large number of local officials. However, day-to-day service delivery is a staff function in Brookline as is the case in most of the maturely developed communities in Eastern Massachusetts. As a result, Brookline’s spending per capita on municipal services is likely to be on the high end of the range for the state as a whole, but roughly similar to spending per capita in other communities like it. This conclusion, albeit general, has been established in other studies as well.¹⁹

Brookline Public Schools

Brookline has one of the most prestigious school districts in Massachusetts. The Brookline Public Schools provide a K-8 education in eight neighborhood schools, a comprehensive program for grades 9-12 at Brookline High School, and a wide range of special education services, including the Winthrop House alternative high school at the Baldwin School building at Chestnut Hill. The Brookline Early Education Program (BEEP) operates inclusion programs for pre-kindergarten students in all eight K-8 schools as well as Brookline High School, and an inclusion preschool at the Lynch Center. As a participant in the Education Collaborative of Greater Boston, Inc. (EDCO), Brookline also has access to special education programs supported by 20 other school districts in the Greater Boston area.²⁰ In addition, Brookline is a member of the Metropolitan Council for Educational Opportunity (METCO) and accepts approximately 300 K-12 students from Boston.²¹ In the current school year, Brookline’s total K-12 enrollment is 6,217.²²

The K-8 neighborhood school model is a long-standing tradition in Brookline and it seems very important to the community. Due to the school district’s excellent reputation and Brookline’s appeal to young householders, the town has experienced significant enrollment growth in all of its elementary schools, and some of the schools have reached or already exceed planned operating (functional) capacity. According to enrollment projections supplied by the school department, Brookline anticipates future enrollment growth of 535 students by the 2018-2019 school year, or an 8.6 percent increase in ten years. The vast majority – 412, or 77 percent – are projected to be K-8 students. This assumes that Brookline will continue to serve about 85 percent of its school-age population in the public schools.²³

Brookline has taken care of its school buildings. In the past fifteen years, the town has carried out several renovation and expansion projects and built a new elementary school. The Edith C. Baker School, located next to Hancock Village, was improved in 2000. Brookline also renovated the Heath School in 1996 and the Lawrence School in 2003-2004, and is currently initiating a \$29.1 million improvements project at the Runkle School. In 1994, the former Lincoln School was replaced by a new building with the same name. Since “Old Lincoln” is still available, it will be

¹⁹ See, for example, *Town of Brookline Override Study Committee Final Report* (January 2008), Appendix III.

²⁰ Educational Collaborative for Greater Boston, Inc., <http://www.edcollab.org/>.

²¹ Brookline Public Schools, METCO Program, Teaching and Learning, <http://www.brookline.k12.ma.us>.

²² Brookline Public Schools, “Enrollment Overview,” October 2009.

²³ *Ibid.*

used as temporary school space during the Runkle School renovations project. Brookline plans to upgrade the Devotion School in 2012-2013. The School Facilities Master Plan that Brookline commissioned a year ago (2009) calls for more renovations and the addition of two pre-kindergarten classrooms at the Baker School in 2016-2017, and improvements to other K-8 buildings as well. The estimated cost of all K-8 capital projects is \$145 million.²⁴

Municipal Services

Brookline offers all of the traditional town services one would expect to find in large, well-established suburb. The following briefly describes these services and their current-year operating budget and capacity, measured in personnel. Unless stated otherwise, dollars and personnel reported in this section reflect General Fund appropriations, i.e., excluding enterprise funds.

Administration & Finance

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$7,813,706	\$7,360,231	66.24	-4.4%

Local government in Brookline is headed by a five-member board of selectmen and directed on a day-to-day basis by a professional town administrator. The selectmen have authority over the executive functions of government, issuing licenses and permits, and setting the operating and financial policies that guide the budget process. The town administrator is the chief administrative officer of the town, responsible for carrying out the selectmen’s goals and policies, preparing the town’s annual financial plan and capital improvements plan, making recommendations to the board for employee hirings, committee appointments, and so forth. Other traditional administration and finance functions in Brookline include:

- *Human Resources.* Serves as the town’s personnel department, assisting with employee recruitment and hiring decisions, administers employee benefits, negotiates union contracts, provides management training, and administers and enforces a variety of employment policies.
- *Information Services.* Manages the town’s computer infrastructure and applications, provides technical support to town and school department employees, and oversees specialized functions such as Geographic Information System (GIS) databases.
- *Finance Department.* Handles all aspects of financial management: financial accounting, the treasurer-collector (billing, collections, investments, and disbursements), purchasing, and assessing;
- *Legal Department.* Provides in-house town counsel services.
- *Town Clerk.* The official keeper of the record, responsible for elections and voter registration.

²⁴ MGT of America, Inc., *Public Schools of Brookline Facilities Master Plan* (2009),

Planning and Community Development

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$593,196	\$628,455	12.10	-1.5%

Brookline's Department of Planning and Community Development has broad responsibility for planning, zoning, and design review; providing support to the Planning Board, Board of Appeals, and Preservation Commission during the development review process; providing technical assistance and staff support to the Housing Advisory Board, Preservation Commission, and Economic Development Advisory Board; managing the town's \$1.6 million Community Development Block Grant (CDBG) allocation and Home Investment Partnership (HOME) funds received from the West Metro HOME Consortium in Newton; and preparing the Five-Year Consolidated Plan, a HUD requirement.

Building Department

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$6,965,036	\$6,986,849	33.01	-4.5%

The Building Department's primary responsibility is to protect the public by reviewing construction plans, issuing building, gas, electrical, and plumbing permits, monitoring building construction (including demolition), conducting inspections prior to issuing certificates of occupancy, and enforcing state and local codes. By law, the Building Department is required to conduct annual inspections of certain types of properties, such as public buildings, hotels and restaurants, and nursing homes. In Brookline, the Building Department also oversees maintenance of municipal and school buildings and daily operations of three town facilities (Town Hall, the Health Center, and the Public Safety Building).

Police Department

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$14,680,250	\$14,397,219	177.30	-0.8%

The Brookline Police Department, located in the Public Safety Building at 350 Washington Street, is responsible for crime prevention, law enforcement, criminal investigations, parking enforcement, 911 dispatch, community relations and public education, and animal control. It includes a financial management office that serves both the police and fire departments. By far, the Police Department's primary function is patrol, both for enforcement and crime prevention purposes. It currently has 104 FTE patrol officers, reflecting a reduction from 108 as of FY 2009. Under current operating policies, the department has 17 patrol officers on duty during daytime hours, 14 during the evening shift, and 13 overnight.²⁵

Last July (2009), the state significantly reduced its support for the "Quinn Bill," legislation that has historically provided a financial incentive to police officers who pursue higher education. Like other cities and towns, Brookline plans to absorb the Quinn Bill funding gap within its own operating budget.

²⁵ The Police Department also has one officer whose position is funded by a grant.

Fire Department

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$12,280,892	\$12,129,414	161.00	-4.2%

The Brookline Fire Department provides fire suppression, fire prevention, and emergency medical services and maintains a full-time training unit. In any given year, the Fire Department responds to about 7,500 calls. It shares headquarters space with the Police Department at 350 Washington Street and operates five neighborhood fire stations: 140 Washington Street (Brookline Village), 665 Washington Street (Washington Square), 49 Babcock Street (Coolidge Corner), 827 Boylston Street (Chestnut Hill), and 962 Hammond Street, which is the closest station to Hancock Village.

All fire stations are equipped with at least one fire engine and various other apparatus. An in-house maintenance division services the department's apparatus. Two stations have ladder trucks, and two other stations house Advanced Life Support (ALS) ambulances for Fallon Ambulance Company, which is under contract with Brookline for emergency medical transport. The Fire Department's firefighters are certified as Emergency Medical Technicians (EMTs) and they also respond to emergency medical calls. However, under the Town's ambulance service contract, Fallon Ambulance Company receives all of the ambulance fees paid by insurance companies, i.e., emergency medical response by Town staff is not offset by any third-party revenues. Finally, the department has statutory responsibility for issuing various fire safety permits, conducting inspections of public buildings, multi-family housing, and facilities such as nursing homes and day care centers, and investigating fires.

Due to budget constraints, the town reduced the number of budgeted firefighters from 121 to 115 in FY 2010. In May 2010, Brookline hired thirteen firefighters, including eleven to fill existing vacancies (budgeted but not staffed positions) and two additional firefighters with federal stimulus funding.²⁶

Public Works

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$13,896,651	\$12,859,892	134.86	-7.6%

The Department of Public Works maintains the town's infrastructure: roads, water and sewer, cemeteries, parks and public land, and solid waste and recycling facilities. It consists of the following divisions:

- *Highway.* Maintains public roads, provides snow and ice removal, street cleaning, and signage and street lights, and handles routine maintenance of all town-owned vehicles.
- *Engineering.* Manages design, bidding, and oversight of public works projects and provides technical support to the town's Transportation Board.
- *Parks and Open Space.* Maintains all parks, playing fields, and grounds of municipal and school buildings, as well as the town skating rink and public cemeteries.

²⁶ J. Hilliard, " Brookline Fire adds 13 firefighters, one new truck," *Brookline Tab* [online], May 14, 2010.

- *Sanitation.* Manages solid waste and recycling facilities and services.
- *Water and Sewer Enterprise.* Maintains the town’s water distribution system, sewer collection system, and stormwater drainage facilities. Brookline purchases water and sewer service from the Massachusetts Water Resources Authority (MWRA), but the town is responsible for its own infrastructure. The DPW’s water and sewer functions are paid for entirely with water and sewer receipts, which are accounted for through an enterprise fund. Accordingly, the town’s FY 2010 appropriation of \$23,953,37 from the water and sewer enterprise fund and the 40.5 FTE employees in this division of the DPW are in addition to the amounts shown above.

Health and Human Services

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$2,248,680	\$2,202,089	26.68	-8.8%

As a fairly large suburb with a diverse population, Brookline offers a comprehensive approach to human services. These services include:

- *Health.* The Brookline Health Department provides environmental, community, and clinical health services, public education, and hazardous emergency response planning. It also is responsible for a wide range of licensing, permitting, and inspectional functions, most of which are required by state law, e.g., food service establishments, day care centers, and housing inspections and housing code enforcement.²⁷
- *Veterans Services.* Massachusetts cities and towns are required to provide certain types of assistance to qualifying veterans and their dependents. In Brookline, these responsibilities are handled by the Veterans Services Department, which provides financial aid, assistance with medical bills, and VA program referrals for eligible applicants. The state provides partial (75 percent) reimbursement for the Veterans Department’s assistance.
- *Council on Aging.* The Council on Aging serves residents 60 years and over by providing health, recreation, and social programs, meals, transportation, social services, and information and referral. The department’s administrative offices and programs are located at the Brookline Senior Center, 93 Winchester Street.²⁸
- *Human Relations-Youth Resources.* Brookline has had a Human Relations-Youth Resources Commission for nearly forty years. The Commission’s responsibilities include programming and services in intergroup relations, civil rights, and youth advocacy. It has one staff member, the director, who has several civil rights-related duties: affirmative action, Americans with Disabilities Act (ADA) compliance, fair housing, and helping lower-income residents obtain social and financial assistance.

²⁷ The Health Department also has 5.3 FTE positions funded by a grant.

²⁸ The Council on Aging has 3.18 FTE positions funded by a grant.

Library

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$3,489,100	\$3,461,306	52.75	-1.1%

The Brookline Public Library is overseen by a board of library trustees and managed by a professional library director and staff. It includes the main library at 361 Washington Street and branch library facilities at Coolidge Corner and on West Roxbury Parkway (Putterham), which is close to Hancock Village. The Public Library's holdings include more than 350,000 books, an extensive collection of magazine subscriptions, audiocassette, tapes, and compact discs. Brookline's membership in the Minuteman Library Network (MLN) gives local residents access to the collections of 40 other libraries in the Boston metro area.

In addition to town funding and support from private friends groups, the library receives state grant funds. The grant funds (approximately \$40,000) are in addition to the General Fund budget reported above.

Recreation

FY09 Actual	FY10 Budgeted	FY10 Budgeted FTE	FTE Change FY06-FY10
\$912,909	\$970,754	12.00	-14.3%

Brookline's Recreation Department is overseen by the Parks and Recreation Commission and managed by a professional recreation director and staff. The department is responsible for providing year-round recreation programs for residents of all ages, and toward that end, it has authority to design programs, charge and collect user fees, and recruit, hire, and train program instructors or leaders. Program revenues and expenditures are accounted for through a revolving fund separate from (in addition to) the amounts shown above. The recreation department also maintains and operates the town swimming pools and oversees the operation of the town golf course (Putterham Meadows). All golf course revenues and expenditures are accounted for and reported as enterprise fund activity during the fiscal year, and surplus receipts are transferred to the General Fund at the end of each fiscal year.²⁹

FINANCIAL MANAGEMENT

Brookline is an exceptionally well managed town. It has maintained an Aaa bond rating from Moody's Investors Service continuously since 1995 – a claim that can be made by only a handful of Massachusetts communities. Three factors contribute to Brookline's outstanding credit position: its overall financial health, affluence, and conservative debt practices.³⁰ The Town has a comprehensive financial plan and makes budget decisions in accordance with a series of published financial policies. These policies include an agreement to allocate revenue growth evenly between town departments and the Brookline Public Schools. In many ways, Brookline is the poster child of excellence in local government. To combat the components of structural

²⁹ The Recreation Department also oversees 13.6 FTE positions under the Recreation Revolving Fund and 9.9 positions under the Golf Enterprise Fund.

³⁰ DOR, "Moody's Bond Rating: FY 1986-2009," *Municipal Data Bank*. For analysis of credit rating criteria, see Moody's Rating, Brookline, Massachusetts, March 20, 2009 and February 17, 2010.

deficit, Brookline has reorganized and consolidated services, reduced personnel through attrition and hiring freezes, instituted retirement incentives, raised fees, outsourced some municipal functions, changed its group health insurance plan for municipal employees, controlled wage increases, reducing spending, increased local option taxes, and maintained its reserves.³¹ It also has used the override and debt exclusion tools of Proposition 2 ½ sparingly.

A noteworthy feature of Brookline's approach to financial management is that despite recent fiscal stress, the town remains committed to the high quality of its schools. While school spending may not be the best measure of school quality, it makes a telling statement about the culture of support for public education. Considering all expenses, including both the school budget and appropriations for shared costs such as insurance, building maintenance, employee benefits, and energy costs, Brookline devotes about 55 percent of its operating budget to the schools.³² Its average per-pupil expenditure of \$16,847 (FY 2009) – including grant expenditures – ranks highest among fifteen districts with similar characteristics, as reported by the Massachusetts Department of Elementary and Secondary Education (DESE). (See *Appendix Table A-2.*) Excluding grants, revolving funds, and other sources outside the town's General Fund, Brookline's average per pupil expenditure in FY 2009 was approximately \$14,575.³³

In the past few years, both the schools and town departments have been forced to curb budget increases and in some cases they have absorbed personnel reductions as well. Constrained revenue growth, largely due to the recession, has affected all communities and Brookline is no exception. Slow growth in local aid and more recently, local aid cuts have contributed to this problem, but Brookline has also witnessed a decline in local receipts, e.g., fees for some types of departmental services, licenses and permits, motor vehicle excise taxes, and interest earned on investments. These conditions and others contributed to the elimination of funded positions in many town departments, including public safety (mainly the Brookline Fire Department), administration and financial operations, public works, culture and recreation, and health and human services. Overall, there has been a municipal workforce reduction of thirty positions (5 percent) since FY 2003, expressed as full-time equivalents (FTE). Ten of the positions were eliminated in the police and fire departments, reportedly leaving both at staffing levels that existed in FY 1981, when Proposition 2½ went into effect.³⁴ However, these recent workforce reductions seem to be part of a longer-term pattern in Brookline. According to one published source, municipal employment in Brookline decreased 16.8 percent between FY 1981 and FY 2009 while school employment rose by 36.5 percent.³⁵

But for the predictability of property tax revenue and the town's willingness to pay for quality services, Brookline's fiscal condition would be similar to that of less affluent communities, which rely more heavily on other revenue sources. About 78 percent of Brookline's General Fund revenue comes from the tax levy, and unlike FY 2010, it is the only revenue source that is

³¹ Kelleher, *Town of Brookline FY 2010 Financial Plan*, I-2 to I-20 *passim*.

³² *Ibid*, II-5.

³³ DESE, *Per Pupil Expenditure Reports, FY 2009 State Average Comparison, Brookline Public Schools*; and Community Opportunities Group, Inc.

³⁴ Richard J. Kelleher, *Town of Brookline FY 2011 Financial Plan*, I-6, I-7, I-11.

³⁵ *Report of the Other Post Employment Benefit (OPEB) Task Force* (June 2009), 5.

expected to increase in FY 2011.³⁶ The decline in other revenue sources typically used to balance the budget means that Brookline homeowners pay extraordinarily high taxes. In FY 2009 when the most recent Proposition 2½ override went into effect, the median single-family tax bill increased 8.2 percent, to \$9,130 – about 2.6 times the median for the state as a whole – and the median condominium tax bill rose 8 percent, to \$2,786.³⁷

ANALYSIS OF IMPACTS

BROOKLINE PUBLIC SCHOOLS

Brookline officials report that their primary concern about Hancock Village II is the project's potential to trigger significant school enrollment growth. Under the proposed plan – with 289 one-bedroom units and 191 two-bedroom units – we estimate that upon completion and at full occupancy, Hancock Village will house approximately 118 K-12 students over and above the 300± reportedly living there during the 2009-2010 school year.³⁸ Three factors help to explain the difference between the size of the development's school population today and that of the proposed project:

- Just over half of Hancock Village's current housing units consist of two- or three-bedroom townhouses, but the new project would be composed entirely of garden-style flats, with 60 percent limited to one bedroom.
- The new project includes mid-rise structures (four or more stories), and well over half of the proposed apartments will be located in them.
- The rents for the new market-rate units would be much higher than rents charged for the existing units.

In any given year, the actual number of school students could easily vary by 8 to 10 percent, i.e., from a low of about 105 students to a maximum of 130. What is unlikely to vary is the age mix of the children. Consistent with Brookline's experience with Hancock Village today, the vast majority of the development's children will be elementary school students, and about half will be in the lower grades (K-4). This kind of profile is fairly typical of multi-family rental developments, though the percentage of elementary students at Hancock Village (78± percent) is somewhat larger than the norm. The explanation for Hancock Village's large population of young children is straightforward: the next-door presence of the Edith C. Baker School. The Korean English Language Learners Program at the Baker School is important to many families at Hancock Village, too.³⁹ The school's proximity to this development suggests that expanding

³⁶ DOR, "Revenues by Source" and "General Fund Revenues," FY 2000-2010, *Municipal Data Bank*.

³⁷ *Town of Brookline FY 2010 Financial Plan*, III-11.

³⁸ Brookline Public Schools, 2009.

³⁹ According to DESE, 29 percent of all students at the Baker School are Asian and 35.8 percent are native speakers of a language other than English. The Baker School also houses a system-wide Cognitively

Hancock Village will result in more school-age population growth than one would expect to find in most new rental developments in the Greater Boston area. However, we do not believe the project will generate as many new school students as some people imagine.

Variables Affecting Estimates of School-Age Children

It seems universally true that people associate multi-family housing with scores of families with children. Analysts can arrive in a community equipped with data and case studies that indicate the contrary, and people will still argue that multi-family housing is the straw that threatens to break the school district's back. The concerns about Hancock Village II make sense because the existing development houses such a large share of the children who attend the Baker School. However, we think the Town, the School Department, neighbors, and others with an interest in the fate of Hancock Village need to step back from the proposed project long enough to consider the significant differences between Hancock Village as it exists today and Hancock Village II. The expansion project will obviously have school-age children – and more than Brookline can accommodate at the Baker School – but not as many children as the existing development.

At least three studies of multi-family housing and school-age children have been published in Massachusetts over the past several years. One study relied on older federal census data, and two studies relied upon federal data from two sources – the most recent decennial census and the Census Bureau/HUD American Housing Survey⁴⁰ – as well as information obtained directly from school districts and rental housing property managers.⁴¹ In addition, our firm has tracked the number of school students in thirty-two multi-family housing developments every year since 2003 (none directly comparable to Hancock Village). Perhaps the most helpful supplement to all pre-existing sources of data is the Census Bureau's new American Community Survey (ACS), which is already providing "rolling" demographic estimates for larger communities throughout the country and will soon provide the same information at the block group level every year. Some general findings can be gleaned from these sources:

1. Households in new multi-family developments differ from their counterparts in older multi-family developments. The differences range from household size and composition to

Impaired Special Education Program. Most of Brookline's elementary schools have at least one system-wide English language support program or special education program.

⁴⁰ The American Housing Survey (AHS) is conducted by the Bureau of the Census for the U.S. Department of Housing and Urban Development (HUD) between federal census periods. Initiated in 1973, the AHS provides detailed housing and household characteristics for all metropolitan areas in the U.S., roughly in six-year intervals. The most recent AHS report for the Boston metro area is based on samples taken in 2007. See U.S. Department of Commerce, Bureau of the Census, American Housing Survey for the Boston Metropolitan Area: 2007, Current Housing Reports H170/07-3, February 2009. Data sets available for use by analysts may be found at HUD Office of Policy Development and Research (PD&R), <http://www.huduser.org/datasets/ahs.html>.

⁴¹ All three studies were prepared for the Citizens Housing and Planning Association (CHAPA). The studies include Robert Nakosteen, James Palma, et al., *The Fiscal Impact of New Housing Development in Massachusetts: A Critical Analysis* (February 2003); Community Opportunities Group, Inc., *Housing the Commonwealth's School-Age Children* (September 2004); and University of Massachusetts Donohue Institute, *The Fiscal Impact of Mixed-Income Housing Developments on Massachusetts Municipalities: A Report for Citizens' Housing and Planning Association* (May 2007).

household income and employment characteristics. A key factor separating older from new developments is that the former are frequently designed to cater to families. This can clearly be seen at Hancock Village: a low-rise townhouse development offering a mix of housing sizes and plentiful open land.

2. The number of school-age children in multi-family housing is driven primarily by the size of the dwelling units (number of bedrooms) and, in more recent projects, whether the units are subject to age restrictions. For non-age-restricted housing, three-bedroom units almost always attract families with children, including school-age children; two-bedroom units attract a mixed population, including some families with school-age children; and one-bedroom units rarely have older children. Brookline is somewhat different, for data supplied by the town show that at least at Hancock Village, there are school-age children living in some of the one-bedroom units. Compared with the number of children in the two- and three-bedroom townhouses, however, the school-age population in one-bedroom units is very small.⁴²
3. In addition to unit sizes, new multi-family developments have a greater or lesser tendency to attract families based on:

Location. Multi-family developments near schools, playgrounds, or traditional neighborhoods of single-family homes tend to have more students than developments in isolated areas or on the edge of industrial parks, in commercial centers, or near highway interchanges. This finding seems to be corroborated by the fact that Hancock Village has so many young children today: a conspicuously larger school population than one would expect to find in almost any new multi-family development, including townhouse developments. Its location next to an elementary school and so many single-family homes makes the site very desirable for families.

Density. Higher-density developments tend to have fewer children of any age than lower-density developments. However, this seems to correlate with unit size because very high-density developments are usually dominated by one- and two-bedroom units. As presently configured, Hancock Village is not a dense development. It may be dense compared with the surrounding single-family development pattern, but by current multi-family standards, Hancock Village is, at best, a moderately compact neighborhood.

Building height. When families with children live in newer multi-family developments, they are far more likely to occupy first- and second-floor units than upper-story units. The taller the building, the less likely it is to generate many children. It makes sense that Hancock Village has so many families with children; the development consists of two-story townhouses.

School district prestige. Families of all income levels tend to gravitate toward communities with prestigious schools. As a result, sometimes units that would be relatively “child-free” in most towns will have children, including school-age children, if the public school system has

⁴² The developer’s FIA consultant, John Connery, cross-tabulated a list of student addresses from the Brookline Public Schools with the property manager’s rent roll. In our opinion, his conclusions are reasonable. They largely confirm other multi-family housing data that are available from public sources.

an exceptionally strong reputation. This can be seen in a few high-end suburbs around Boston, notably Brookline, Winchester, Lexington, Belmont, and Wellesley.

Other choices in the housing market. Since new multi-family developments are so often designed to discourage family occupancy, families seeking rental housing will choose other options (if available) in the same market area. Units in older, established neighborhoods, such as the small multi-family buildings and rowhouses constructed for factory workers a century ago, tend to have many families even though the units lack the amenities offered by new rental developments. Hancock Village is not century-old housing, but relative to other housing in Brookline – and especially in South Brookline – it is about the only modestly priced choice for families priced out of the market.

Housing costs. In a given market area, the higher the rent, the more likely it is that a renter household will not have school-age children. Older multi-family developments are more likely to house families with children because the rents tend to run below market, and sometimes they are subsidized. Although the existing rents at Hancock Village are not low, they are not as high as prevailing market rents for one- and two-bedroom units in many parts of Brookline.⁴³ Moreover, they are nowhere near the “luxury” rents anticipated for the proposed one- and two-bedroom units in Hancock Village’s expansion buildings.⁴⁴ In fact, the proposed rents are not consistent with the rent ranges one finds in family-oriented developments we are familiar with in any Boston-area suburb.

We conducted an extensive literature search in an effort to corroborate our assumptions about the number of school-age children in the proposed buildings. Unfortunately, we found very little existing, readily available information about projects similar to Hancock Village. The development is unique because of its Brookline location, with an elementary school next door and proximity to single-family home neighborhoods, and its low-rise buildings and open space. For most developments in the size range of Hancock Village, the density is much higher; the land use, more intensive; and the setting, more urban and more likely to be composed of mixed uses. The available data for higher-density multi-family housing seems more appropriate for estimating the school-age population at Hancock Village II, but often, the data sets do not account well for the “Brookline factor,” i.e., the enviable draw of the Brookline Public Schools.

To compensate for the shortage of data for comparable projects, we considered data from our own project studies, state and national research that we conducted for the Metropolitan Area Planning Council (MAPC) in 2003,⁴⁵ and data sets available from HUD’s *American Housing Survey*, which are often better suited for a housing impact study than decennial census data published by the Bureau of the Census. However, we also conducted an analysis of household composition using Geographic Information System (GIS) software to study differences in household size and composition at the census block level both in the Boston area and several high-ranking urban and suburban school districts nationally. The districts were selected with

⁴³ Based on a simple survey of Brookline apartments listed for rent on the internet, February – March 2010.

⁴⁴ As reported in a memorandum from Joseph Geller to John Connery, Jeff Levine, “Plan Outline for Fiscal Analysis,” August 11, 2009.

⁴⁵ *Peer Review of the South Weymouth Naval Air Station Village Center Plan* (January 2005).

basic educational quality and performance indicators in a U.S. Department of Education database because we wanted to focus the relationship between high-achieving schools and multi-family household characteristics. After choosing a range of school districts that offered both highly rated schools and a diverse housing mix, we used GIS to map housing and land use patterns within the districts in order to locate areas or neighborhoods with higher-density development. We focused on these areas for the purpose of drawing school-age population samples. Since census blocks are so small, it is possible to compare neighborhoods by household type and size, householder age, and population age distribution.⁴⁶

Table 8
Estimate of New School-Age Children by Building Type, Hancock Village II

New Units	Structure Type	1BR Units	Average Per Unit	2BR Units	Average Per Unit	Total School-Age Children
50	Low-Rise	50	0.07	0	1.06	4
48	Low-Rise	48	0.07	0	1.06	3
62	Mid-Rise					
	Lower floors	16	0.07	16	1.06	18
	Upper floors	15	0.05	15	0.22	4
100	Mix					
	Lower floors	25	0.07	25	1.06	28
	Upper floors	25	0.05	25	0.22	7
206	Mid-Rise					
	Lower floors	31	0.07	31	1.06	35
	Upper floors	<u>72</u>	0.05	<u>72</u>	0.22	<u>19</u>
466		282		184		118

Source: Community Opportunities Group, Inc.

Notes:

(a) Numbers may not total due to rounding.

(b) The estimate of school-age children is based on the 466 new units that will be constructed on the site, i.e., excluding the 14 units that will be demolished for construction of a seven-story apartment building.

(c) "School-age children" means children between 4 and 18 years.

The research process we pursued for this study largely reinforces the findings listed above. That is, greater density, taller buildings, smaller units (especially one-bedroom units), and high housing costs discourage family occupancy and cause developments to house fewer school-age children than lower-density, low-rise developments with larger units and moderately priced rents. These tendencies exist in every urban area we studied, including areas served by school districts with comparable (or higher) educational quality indicators than those associated with the schools in Brookline. Accordingly, we devised school-age children multipliers for Hancock Village II that relate to the types of structures proposed by the developer and the rent ranges contemplated for this project. As shown in Table 8, we did not use a single multiplier for all units of a certain size.

⁴⁶ See Appendix A of this report for a list of the school districts and data sources used to arrive at school-age population multipliers.

Education Costs

To estimate Brookline's cost to educate the children living at Hancock Village II – not including school construction debt service – we used the Town's FY 2010 Actual Net School Spending (Actual NSS) per student, *net of Chapter 70 aid*, as a base cost multiplier (\$13,600, rounded).⁴⁷ The result is shown in Table 9. The Town's actual cost of education for the children at Hancock Village II may be somewhat higher or lower than the estimate presented in Table 9, but for planning purposes, we believe the build-out cost projection of \$1.6 million is reasonable.

Table 9
Estimated Cost of Education, Hancock Village II (FY 2010 Dollars)

Construction Phase	New Units	Additional Students	Cumulative Total, Additional Students	Additional School Expenditures (Cumulative)
2012	50	0	0	\$0
2013		4	4	\$54,400
2014	110	3	7	\$95,200
2015		22	29	\$394,400
2016	100	0	29	\$394,400
2017		18	47	\$639,200
2018		17	64	\$870,400
2019	206	0	64	\$870,400
2020		10	74	\$1,006,400
2021		44	118	\$1,604,800

Sources: Chapter 70 Profile, Brookline Public Schools, FY10 Actual Net School Spending (Actual NSS), and Community Opportunities Group, Inc. Numbers may not total due to rounding.

Notes:

- (a) These costs are likely to increase at a real appreciation rate (adjusted for inflation) of 1.8 to 2 percent per year, based on Brookline's 10-year historic expenditure trends.
- (b) Enrollment growth is staggered because the apartments will not be occupied until the construction of each phase is completed or substantially completed. See also, Table 11.
- (c) See Table 8 notes regarding number of units used to estimate education costs.

Actual NSS per student has limitations. First, it can tend to overstate or understate costs because the student population count on which it is based sometimes differs from a school district's actual K-12 enrollment. Second, its use in a study like this assumes that all of the incoming students will be K-12 placements in the home school district and that all students will use school services at the district-wide average. However, some students may need more support services than others, and the possibility exists that a development (regardless of housing type) will have a family with a child whose severe special needs requires an out-of-district placement. Actual NSS does not include out-of-district placements. Third, Actual NSS is a district-wide measure that does not account for differences between elementary and secondary education costs.

Another criticism of Actual NSS or, for that matter, DESE's year-end per pupil cost statistic, is that adding 118 students will not necessarily require Brookline to spend the full amount per student that is currently spent district-wide. Proponents of this view argue that using Actual NSS

⁴⁷ DESE, Chapter 70 Profile: Brookline Public Schools; and Community Opportunities Group, Inc.

as a cost multiplier overstates what a school district needs to spend in order to accommodate a given number of new students. We disagree. If anything, using Actual NSS as a constant cost multiplier can mask the effects of real appreciation, i.e., the degree to which spending grows independent of inflation. In Brookline, the ratio of inflation-adjusted increases in Actual NSS per student to rate of enrollment growth has been about 3.6 per year over the past few years, i.e., for every 1 percent growth in enrollments, Actual NSS has increased 3.6 percent. We have not incorporated real appreciation in our future cost *or* revenue multipliers, but we think it is important to point out that costs rise for reasons other than inflation – and for reasons other than school enrollment or population growth.

MUNICIPAL SERVICES

Estimating the cost of recurring municipal service demands for Hancock Village II is one of the more challenging aspects of this study. Though it is tempting to use Brookline's existing expenditures per capita as cost multipliers (in current dollars), much like the approach used to estimate school costs, we are hard-pressed to defend a projection of municipal service costs on that basis. We have seen some estimates like this in Brookline - estimates that suggest the Town spends \$3.9 million per year to serve Hancock Village's current population. Without knowing the source or the particular method and assumptions used to create the multipliers, we hesitate to comment on them. However, they create impressions that need to be probed further.

Brookline has added several hundred housing units since 2000 and its population has grown accordingly. Despite the expansion of Brookline's housing inventory and the number of people that local government is expected to serve, the Town has reduced its municipal workforce by some thirty FTE positions in the last five years after increasing employment by approximately eleven FTE positions beginning in the mid-1990s. Doing the same (and perhaps more) with less seems to be a pattern in Brookline and most communities in Massachusetts due to the phenomenon known as structural deficit. Brookline's approach to managing resources in the face of structural deficit is impressive, for the town has taken a comprehensive approach to increasing revenues, controlling costs, and maintaining its commitment both to reserves and capital improvements. Still, as analysts of a new development, we must ask whether an increase of 466 new housing units in the next ten years will cause Brookline to hire more personnel and increase its non-personnel expenditures when the addition of 700± units between 2000 and 2007 was eventually attended by a decrease in budgeted employment.

We do not see how one development with a ten-year phasing plan could fundamentally reverse choices the Town has recently made. This is not to say that Brookline's workforce reductions resulted in optimal operating conditions in any town departments. However, its response to declining state aid, local receipts, free cash, and other sources highlights the hazards of forecasting future costs on the basis of present spending patterns converted to an average cost per person for the population as a whole. Had Hancock Village II been proposed in FY 2005 or 2006, before Brookline eliminated several public safety and public works positions, the average cost per capita used to estimate the cost of police and fire services would have been different from today's cost per capita (adjusted for inflation).

Similarly, all housing types do not generate municipal service demands in the same way or to the same degree. Some services are affected directly and immediately by new single-family home development, yet the same services experience relatively modest demands from new rental

housing. Two examples that come to mind are public library services and recreation programs. In every city and town that we have studied, these services tend to attract larger shares of patrons and participants from owner-occupied housing. Further, single-family homes and condominiums generate one tax bill per unit while rental housing generates one tax bill per parcel. The assessor may experience a workload increase because determining the assessed value of rental property is time-consuming, but the treasurer-collector's job is more likely to be affected by processing payments from multiple homeowners than one payment from a rental housing owner. By contrast, rental housing almost always places more demands than single-family homes on health departments (housing inspections and code enforcement) and public safety personnel.

These general tendencies illustrate that basing a fiscal impact projection on average costs can distort the picture for a project, but they illustrate something more: the average cost per person for *any* municipal service contains an underlying assumption that a community's current population is homogenous, yet this is not true. Average costs per capita can be useful for comparing local government *standards of service*, which is how the federal government and international organizations use this kind of information. However, the average cost per capital is problematic in fiscal impact studies. A second problem with average cost multipliers is their assumption that housing generates the entire demand for community services, yet nonresidential taxpayers and tax-exempt institutions *also* place demands on the same services. Services such as public safety and public works frequently experience more demands from nonresidential development than residential development. In Brookline, we estimate that about 8 percent of the town's operating budget reflects the cost of municipal services to commercial properties.⁴⁸ Before a meaningful cost per capita for residential services can be determined, these costs must be deducted from the total appropriation for each category of service.

Direct, Indirect, and Non-Recurring Impacts

Due to the large number of units to be concentrated in one location, Hancock Village II will place unique demands on some municipal services, i.e., demands less likely to occur, or less obvious if they do occur, when housing growth is geographically dispersed. It makes more sense for Brookline to focus on issues unique to Hancock Village because for many town services, cost growth does not always correspond with population or household growth – or, for that matter, with municipal employment growth. Operationally, town services are quite different from school services and this needs to be accounted for in a fiscal impact analysis.

The organizations most likely to experience a noticeable change in demand from Hancock Village II are the public safety departments. There will be public works impacts from Hancock Village II, too, such as added road maintenance triggered by growth in vehicular use of public ways. These types of costs are typically treated as indirect impacts and most fiscal impact studies do not include them. In our opinion, the direct public works impacts from Hancock Village II will be felt primarily as needs for capital improvements such as pedestrian and bicycle accommodation. These impacts should be addressed through a development agreement. They are not matters for the town's operating budget; they are a *development impact* more than a *fiscal impact*.

⁴⁸ Robert Burchell and David Listokin, *The Fiscal Impact Handbook* (1987), see Proportional Valuation methodology. Data used to run the model are based on Brookline's FY 2010 assessed values, parcels by class, and General Fund operating budget. See Table A-3.

In addition, there will be intermittent impacts on the Planning Department, the Building Department, the Health Department, and possibly the Assessing Department. In some cases, the impacts will be offset in whole or in part by non-recurring revenue sources, but not always. A development as large as Hancock Village II is not the same as a relatively small or inconspicuous housing project. For town staff, it will involve a more complicated plan review process, more public relations and public information efforts, and more coordination. Hancock Village II has *already* consumed many hours of staff time in Brookline, all at taxpayer expense. There is no generally accepted method of assigning a cost to these kinds of sporadic demands unless the cumulative impact requires hiring additional personnel. This will be the case in the Building Department, temporarily, but it is very unlikely that other departments at Town Hall will have to add personnel as a direct result of Hancock Village.

According to the Town's FY 2011 Financial Plan, "losses due to fire and crime are down" despite the public safety personnel cuts that occurred in FY 2009. There may be a variety of reasons for this, but it seems clear from the Town's own representations that its present public safety capacity is basically adequate to meet existing demands. When we met with staff in October 2009, we did not hear what we thought we might hear: that Hancock Village already places a considerable burden on public safety personnel and the new project would simply exacerbate this condition. Instead, we heard that Hancock Village is in a fairly quiet area and it does not generate an unusual number of public safety calls. We perused the Police Department's blog for evidence to the contrary, and found nothing to suggest that Hancock Village generates more demand than other neighborhoods. In fact, we found so few noted incidents in the vicinity of Hancock Village that the existing project seems to have a *de minimis* impact on Brookline's public safety personnel.⁴⁹ We think that while the Police Department will experience a noticeable increase in calls generated from Hancock Village II, there is probably adequate capacity within the department to absorb the demand.

Our meeting with staff did produce some persuasive concerns about municipal services. For example, we heard that Brookline may need fire suppression apparatus to address an incident in a seven-story building in this location,⁵⁰ and second, the probability of an increase in emergency medical calls raises concerns about the Fire Department's response capacity, especially in taller buildings. Third, the Building Department does not have sufficient staff to manage plan review and inspections for the later phases of the project. We note that both the Building Department and the Fire Department will also have ongoing inspectional service obligations once the project is built.

⁴⁹ Note: our meeting included representatives from the Fire Department, not the Police Department. We did not receive information directly from the Brookline Police relative to Hancock Village. The most readily available source of data is the department's blog. Arguably, the blog does not represent a complete picture of the Police Department's incident response history, but some areas of Brookline appear frequently in the blog and others are rarely if ever mentioned. Hancock Village falls in the latter category. See <http://blog.brooklinepolice.com/>.

⁵⁰ The Brookline Fire Department currently owns two ladder trucks: a 105' ladder truck housed at Station 1 and a 75' ladder truck at Station 5.

Public Safety

Fire Department. Hancock Village II will create some growth in demand for emergency medical services and potentially an increase in fire suppression calls. We assume that by the time the last phase of the project is ready to proceed (the seven-story building), the Town will need another aerial ladder truck - presumably by replacing an existing apparatus - and there will be a Fire Department shift impact (personnel) as well.

The cost of a ladder truck depends on the type, whether it is new or used and refurbished, and how it is equipped. One question is whether a ladder truck, however priced, should be acquired and financed by the Town or acquired by Hancock Village II and donated to the Town as part of a mitigation package. The more important question is whether Hancock Village II has *any* obligation to pay for all or a portion of a new ladder truck for the Fire Department. Brookline has a well-established capital plan policy of rehabilitating ladder trucks every ten years and replacing them every twenty years. If Brookline needs another 110-ft. ladder truck in order to provide adequate fire suppression response at Hancock Village and other properties, presumably the Town would account for this when it replaces Ladder #2 in FY 2015.⁵¹ It should be noted that in the current fiscal year (2010), Brookline replaced an older reserve engine with a Quint: a multi-purpose fire suppression apparatus that includes an aerial ladder. In light of actions that are already underway and planned, we do not see how the Town's cost to purchase a ladder truck can be attributed specifically to Hancock Village II. Our conclusion would be different if Brookline had to accelerate its apparatus replacement schedule because of the project, but we have no evidence that this is the case. According to the town's capital improvements plan, Ladder #2 will be replaced before construction of the seven-story building at Hancock Village II.

If the Fire Department has to respond to more calls, the Town may need to increase its fire suppression and emergency medical response capacity. Under Brookline's local operating policies, staffing an aerial ladder truck requires a four-person team.⁵² If the Town funds additional firefighter/EMT positions in order to ensure adequate staffing, the new positions would benefit the rest of the area served by the Hammond Street fire station, too. Hancock Village II will generate demands on emergency services, but the volume of calls will not be so large as to tie up a ladder truck and four firefighters for an entire day. In a situation such as this, assigning the full cost of the additional personnel to one project is not appropriate, yet dividing the cost among all affected property owners implies that other taxpayers will be willing to pay for their "fair share" of the benefit. The true fiscal impact of the "new" costs (whether apparatus or personnel, or both) is the impact on the tax rate of total costs minus Hancock Village's share, based on the project's proportional demand for services. This assumes that Brookline would actually appropriate the funds to hire more firefighters.

According to the Fire Chief, providing enough capacity to staff a ladder truck safely would require a recurring municipal expenditure of approximately \$1.4 million per year.⁵³ Allocating a percentage of that cost to any beneficiary is a debatable exercise, but given the land use pattern in

⁵¹ Town of Brookline, *Capital Improvements Program 2011-2016*, VII-27-28.

⁵² Note: staffing four firefighter/EMT positions requires adding five personnel because of coverage for vacation, sick time, training, and so forth. Source: Peter Skerry, Brookline Fire Chief, May 5, 2010.

⁵³ Ibid.

the area served by the Hammond Street station, we do not think it is unreasonable to assume that as much as 20 percent of the total demand for services would be generated by Hancock Village. As noted before, Brookline recently filled eleven Fire Department vacancies and committed federal stimulus funds to hire two more firefighters. Filling vacant positions is not the same as a net increase in personnel; rather, it brings the Fire Department to its budgeted capacity. The hiring of two additional firefighters "off budget" - that is, with a federal grant - also is not the same as a net increase in personnel. In Brookline's case, given prior-year reductions in force, the two additional hires move toward restoring lost capacity. We think the Town should anticipate that Hancock Village II will have a noticeable impact on Fire Department operations. For planning purposes, the impact should relate to the staffing requirements for a ladder truck due to the height of at least one of the proposed structures. Accordingly, we have applied 20 percent of the cost of a net increase in Fire Department capacity to Hancock Village II, as shown in Table 10.

Building Department. The Building Department has experienced a workforce reduction of 2.62 FTE personnel since FY 2007. Although Hancock Village II is not responsible for restoring capacity in the Building Department to pre-2007 levels, the project is responsible for the demands it will create for plan review and inspections during construction. We assume that at least for the two-story building construction phases from 2012 to 2014 (98 units), the Building Department will be able to manage the workload with existing personnel. As the project moves toward taller, larger buildings in 2014, the Building Department will need additional support. We note that for most large-scale projects we have reviewed, the developers *wanted* to provide funds for additional capacity in the Building Department so they could be guaranteed a quick response when they needed construction inspections.

Hancock Village II will generate a considerable amount of building permit revenue (about \$1.8 million over the ten-year construction period) and on one level, this is more than adequate to cover the cost of an additional inspector. One problem with representing another building inspector as an expense offset by building permit receipts is that Town Meeting has to appropriate the funds in May, but depending on the economy and the market, the revenue may not materialize until much later in the same fiscal year (if at all). A second consideration is that building permit receipts, like other unallocated non-tax revenue, flows to the General Fund and cannot be segregated. Third, operating budgets do not carry over from fiscal year to fiscal year. A building permit fee paid in FY 2014 will count as a local receipt in FY 2014 until June 30, 2014, at which point the "surplus" - the amount of the fee exceeding the pro-rated salary of a new building inspector - will become unrestricted revenue and eventually, free cash, which cannot be appropriated until certified by DOR. In short, the timing of local government's legislative and fiscal cycle and the project's needs may not coincide as well as some would imagine.

If every construction project could lay claim to the specific FTE capacity it needs for inspectional services, based on its share of building permit revenue, the Town would find it quite difficult to manage its financial and human resources. Brookline will need to make a policy-level decision about this matter because the developer may expect the Town to cover the cost of additional personnel with building permit revenue. For our purposes, we have treated the cost of an additional building inspector as a temporary expense associated with Hancock Village, not an ongoing need of the Town.

Table 10
Estimated Change in Public Safety Costs (FY 2010 Dollars)

Construction Phase	New Units	Cumulative Units	Fire Department (Personnel Costs)	Building Department (Personnel Costs)
2012	50	50		
2013				
2014	110	160		
2015				
2016	100	260		\$94,500
2017				\$94,500
2018				\$94,500
2019	220	480	\$280,000	\$94,500
2020			\$280,000	\$94,500
2021			\$280,000	\$94,500

Sources: Community Opportunities Group, Inc. Cost basis for each category of personnel taken from Town of Brookline FY 2010 Financial Plan.

Notes:

(a) These costs are likely to increase at a real appreciation rate (adjusted for inflation) of approximately 1.2 percent per year, based on Brookline’s historic 10-year expenditure trends for public safety.

(b) Unlike Tables 8 and 9, Table 10 reports all 480 units because the demand on the Building Department will be based on construction for the entire project.

REVENUES

Real Estate Taxes. As a rental housing development, Hancock Village II is unlikely to generate the amount of revenue that would be required to match the cost of services used by its residents. The issue is not high service costs; rather, it is the manner in which investment properties are appraised. Hancock Village is currently assessed at \$150,000 per unit (rounded), which means the project pays about \$1,600 per unit in real estate taxes.⁵⁴ Even with the higher rents that Chestnut Hill Realty expects to charge for market-rate units in Hancock Village II, we do not foresee this development paying more than an average of \$2,100 per unit in real estate taxes, based on our analysis of the project and a survey of vacancy rates and average taxes per unit for high-end apartment developments in the Boston area.⁵⁵ By contrast, the median condominium tax bill in Brookline is \$2,853. From a land use perspective, apartments and condominiums are the same use – multi-family housing – but from an appraisal perspective, they are a different product.

⁵⁴ Town of Brookline, Assessor’s Department, Online Database, <http://www.brooklinema.gov/> and Community Opportunities Group, Inc.

⁵⁵ The \$2,100 figure reported here is a weighted average for market-rate and affordable apartments, assuming the rent ranges provided by the developer. Communities surveyed to establish ranges of taxes per unit for recently built or redeveloped rental housing include Newton, Wellesley, Watertown, Cambridge, Natick, Dedham, and Lexington. We reviewed the tax bills for existing apartment developments in Brookline as well, though many buildings developed for rental occupancy have been converted to condominiums. It is very difficult to locate a rental development comparable to Hancock Village.

Motor Vehicle Excise Taxes. Hancock Village II also will generate growth in motor vehicle excise taxes. For purposes of this review, we assumed 1.4 vehicles per unit, corresponding to the project's minimum parking requirement. The project may also generate some revenues to the Recreation Enterprise Fund and miscellaneous local receipts, e.g., refuse fees, dog licenses, but the effect of these revenues will be *de minimis* because they will either be used to cover corresponding costs or to provide a minor subsidy for general operating costs. As with the need to focus on direct and measurable service costs, we urge the Town to focus on direct and measurable revenues. These include real estate and motor vehicle excise taxes. Any other recurring revenue source that may be associated with the project will be indirect or insubstantial.

Table 11
Estimate of Recurring Revenue Sources, Hancock Village II (FY 2010 Dollars)

Phase	Units	Percent Complete	Cumulative Tax Revenue	Excise Tax Revenue	Total Revenue
2012	50	25%	\$62,250		\$62,250
2013		75%	\$139,950	\$10,500	\$150,450
2014	110	25%	\$197,700	\$20,580	\$218,280
2015		75%	\$370,950	\$33,600	\$404,550
2016	100	25%	\$423,450	\$33,600	\$457,050
2017		50%	\$528,450	\$38,850	\$567,300
2018		25%	\$580,950	\$54,600	\$635,550
2019	220	25%	\$674,050	\$54,600	\$728,650
2020		50%	\$905,050	\$66,150	\$971,200
2021		25%	\$1,020,550	\$100,800	\$1,121,350

Source: Community Opportunities Group, Inc.

Notes:

(a) Real estate taxes at an average of @2,100/unit.

(b) In 2012, real estate taxes have been adjusted to reflect the change in land value triggered by the zoning change. (An increase of approximately \$36,000 in land taxes.)

(c) Motor vehicle excise taxes @ \$210/unit (1.4 vehicles * \$150).

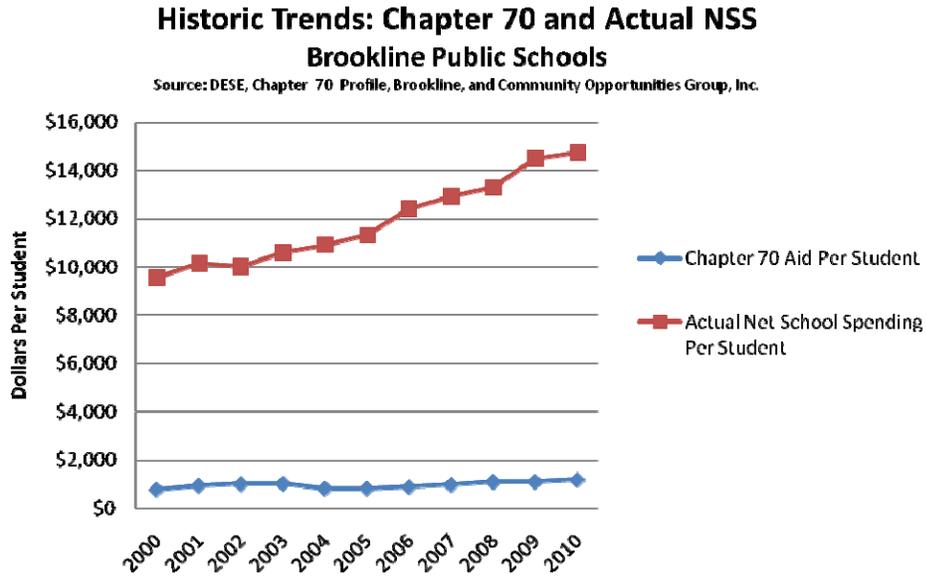
(d) In 2019, tax revenue calculation reduced by \$22,400 (in real 2010 dollars) to capture the loss of revenue from 14 existing units with average tax payment of \$1,600 per unit. The 2019 gain in taxes for new construction is net.

(e) The Town anticipates annual revenue growth of <3% and tax levy growth of ~3% per year through FY 2016. However, to be consistent with Tables 9 and 10, revenues in Table 11 are not adjusted.

Comments on State Aid. Some may wonder why our analysis omits a factor for state aid, which has historically contributed 8 to 10 percent of Brookline's total operating revenues each year. As previously noted, the major state aid accounts include Chapter 70 and unrestricted local aid. The simple answer is, Chapter 70 aid is not distributed on a per pupil basis and unrestricted local aid is not distributed on a straight per capita basis.

The Chapter 70 calculation is based on a fairly complex formula that ranks all of the Commonwealth's school districts by household wealth, EQV per capita, and local revenue growth. Wealthy communities like Brookline receive a comparatively small amount of Chapter 70 aid, though under current DESE policy, all districts are supposed to be guaranteed Chapter 70 funding at least equal to 17.5 percent of their Education Reform foundation budget (which is

calculated on a per-pupil basis). Despite Brookline’s net growth in student enrollments over the past several years, Chapter 70 aid has been erratic and slow to increase. By contrast, Brookline has witnessed significant non-school aid reductions in the past two years, yet its population is growing. This is because the state directs local aid to communities with the greatest need, defined in terms of wealth indicators.



Due to the impact of the economy on state revenues, it is widely speculated that unrestricted local aid will decline further in FY 2011 while some modest growth may occur in Chapter 70 aid. We note that Brookline’s FY 2011 Financial Plan assumes essentially no change in Chapter 70 aid over FY 2010 conditions, and we are inclined to make the same conservative assumption. Even if the Town’s Chapter 70 aid does increase, however, the amount will not be based on a straight per-pupil cost increment. No individual housing development will cause school aid to rise or decline because of the way Chapter 70 aid is calculated.⁵⁶ Furthermore, Brookline has no control over decisions the legislature makes to fund the Chapter 70 program. The DESE formula for allocating Chapter 70 aid is only one part of the process by which education aid is provided to Massachusetts cities and towns. Ultimately, the legislature determines the total amount of funding that will be available for DESE to distribute.

In light of this, we need to emphasize that our calculation of additional school costs assumes a FY 2010 per-pupil expense *net* of FY 2010 Chapter 70 aid, calculated per student (approximately \$1,180). It would not be fair to calculate Brookline’s cost to educate Hancock Village II students without making a deduction for Chapter 70 aid unless we also *add* Chapter 70 to the sources of revenue generated by the project. We cannot do this because Hancock Village II will not "generate" Chapter 70 aid. Although there is some risk of distorting the Town’s true cost by treating the Chapter 70 deduction as an average per student, we do not think the distortion - if any - is substantial.

⁵⁶ Note: An exception would be housing built in an approved Chapter 40R district.

NET REVENUE

Hancock Village II will generate a modest revenue surplus until households begin to occupy the two-bedroom units introduced during the second phase of the project, i.e., between 2015 and 2016. For the first few years of construction, project revenues will track ahead of project costs due to the difference between Hancock Village's obligations to the Town and actual occupancy of the new housing units. The two-bedroom units in the 2014 and 2016 phases of Hancock Village II have an immediate, permanent impact on the development's fiscal position. Even though the number of school-age children in Hancock Village II is relatively small, it is enough to change the project's service demands to a negative revenue position.

Table 12
Fiscal Impact, Hancock Village II – Recurring Costs and Revenues (FY 2010 Dollars)

Phase	Cumulative 2012-2021		
	Recurring Service Costs (Education & Fire)	Recurring Revenues (Real Estate & Excise)	Net Revenue
2012	\$0	\$62,250	\$62,250
2013	\$54,400	\$150,450	\$96,050
2014	\$95,200	\$218,280	\$123,080
2015	\$394,400	\$404,550	\$10,150
2016	\$394,400	\$457,050	\$62,650
2017	\$639,200	\$567,300	-\$71,900
2018	\$870,400	\$635,550	-\$234,850
2019	\$1,150,400	\$728,650	-\$421,750
2020	\$1,286,400	\$971,200	-\$315,200
2021	\$1,884,800	\$1,121,350	-\$763,450

Source: Community Opportunities Group, Inc.

Notes:

(a) Service costs are from Tables 9 and 10.

(b) Revenues are from Table 11.

(c) Expenditure and revenue decreases between 2019-2022 reflect cessation of building permit fees and additional building inspector.

Discounted over ten years at 1.5 percent (real, not nominal, interest rate),⁵⁷ the net present value of the fiscal benefits (surplus revenue) and costs (deficit revenue) is -\$1,263,960.

Throughout the construction process, Hancock Village II will generate approximately \$1.8 million in building permit fees (assuming the developer's construction cost estimate). This is obviously enough to cover the Town's cost for additional inspectional services support, which could be as high as \$567,000.⁵⁸ The issue is whether the funds will be available for appropriation when the

⁵⁷ Congressional Budget Office, Economic and Budget Outlook: Fiscal Years 2010-2020 (January 2010), http://www.cbo.gov/ftpdocs/108xx/doc10871/BudgetOutlook2010_Jan.cfm, and Consensus Economics, Inc.

⁵⁸ This assumes an additional full-time building inspector, including the Town's cost of employee benefits, over six years, beginning with construction of the second phase and ending at substantial completion of the final phase.

Town needs to hire an additional building inspector. If the project goes forward, we recommend that the Town obtain a commitment from the developer to fund the first year of additional inspectional services support, i.e., in addition to building permit receipts. It should be possible to carry the position(s) with building permit fees in subsequent years.

SCHOOL CONSTRUCTION DEBT SERVICE

There is no question that the most difficult aspect of analyzing Hancock Village II involves the School Department's facility space needs. The Town already expects enrollment growth of some 535 school students in the next ten years, including 412 K-8 students, roughly coinciding with the construction phases for Hancock Village. To accommodate this anticipated enrollment growth, Brookline faces a capital improvements program of some \$145 million.

According to data from the Massachusetts School Building Authority (MSBA), the cost to build new elementary schools has been about \$35 million in the past few years. On average, elementary school construction costs in Eastern Massachusetts have ranged from \$225 to \$275 per square foot.⁵⁹ The town could use these figures to arrive at an order-of-magnitude capital cost impact for Hancock Village II, but we do not recommend it, first because there are many unknowns and second, the average experience of other districts may have little relationship to the school facility expectations of Brookline voters. The School Superintendent estimated that a new K-8 facility in Brookline could run as high as \$45 million, and staffing the building would add \$8-\$9 million to the school department's annual operating budget. Even with a 41 percent reimbursement from the Massachusetts School Building Authority (MSBA), the 20-year debt service for Brookline's net cost to build a new school would be approximately \$1.9 million per year. Furthermore, the recently completed school facilities master plan promotes expanding and improving the existing K-8 buildings over new construction for reasons of cost and lack of land for a new school site. A new school does not seem like a realistic option.

Our role is not to question the School Department's enrollment or space needs projections. However, it is methodologically unsound at best, and dubious public policy at worst, to argue that one multi-family development's school children would be the sole cause of needing to construct a new K-8 building, to initiate a significant redistricting plan, or to revisit ideas about a middle school and elementary grade reconfiguration. To make a case for any of these claims, one would have to assume that all of the proposed units at Hancock Village II are in addition to Brookline's average annual housing growth of 67 units and that all 118 new school-age children are in addition to the projected growth of 535 students. The more likely scenario is that while Hancock Village II will cause annual housing growth to accelerate in Brookline, some of the project's new units are already accounted for within the historic 67-unit-per-year average cited in the school facilities master plan, and some of its 118 school-age children are already accounted for in the ten-year projection of 535 new students.

⁵⁹ See Massachusetts School Building Assistance Authority, <http://www.massschoolbuildings.org/>. "New" elementary schools include all new construction as well as projects that include both renovation of existing schools and expansion. An online survey of new elementary schools in twelve Eastern Massachusetts communities suggests that construction costs have ranged from \$225 to \$313 per sq. ft. The communities include Peabody, Needham, Boston, Framingham, Hingham, Lowell, Acton, Woburn, Waltham, North Reading, Dedham, and Billerica.

The Town needs to make some policy decisions about how school construction costs should be assigned to Hancock Village II. Other new housing units will be constructed in the same period that Hancock Village II proceeds, and they also will contribute to the need for additional school space. Debt service for school plant improvements has to be allocated across all of the housing that generates demand for classrooms and teachers; it cannot be assigned to one development. Hancock Village II does present a unique dilemma – the Baker School site has finite capacity for expansion – but if the building is renovated to accommodate K-8 enrollment growth of 103 students by 2018-2019, it would not be fair to say that all of the new capacity is already set aside for children from other housing units. Unfortunately, this would be the effect of saying that Hancock Village II will create school space needs above and beyond the space projections identified in the school facilities master plan.

APPENDIX

Table A-1**School Districts for Mid-Rise Housing Demographic Data**

District	Data Sources
Arlington, VA	Arlington County GIS Bureau of the Census Cartography Library (City of Arlington) Census 2000 PUMS American Housing Survey Washington, DC-MD-VA MSA, 2007 American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series
City of Alexandria, VA	City of Alexandria Maps and GIS Bureau of the Census Cartography Library American Housing Survey Washington, DC-MD-VA MSA, 2007 American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series
Fairfax County, VA (Falls Church, Springfield, Mount Vernon, Vienna; Fairfax County Public Schools Clusters 1, 2, 4, 5, and 6)	Fairfax County GIS Census 2000 PUMS Bureau of the Census Cartography Library American Housing Survey Washington, DC-MD-VA MSA, 2007 American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series
Syracuse, NY	City of Syracuse MIS/GIS Census 2000 PUMS Bureau of the Census Cartography Library American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series
Richmond, VA	City of Richmond Geographic Information Services Census 2000 PUMS Bureau of the Census Cartography Library American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series, Richmond (city) and Richmond MSA
Montgomery County, MD (Districts 1, 6, 7, 10)	Montgomery County GIS Census 2000 PUMS Bureau of the Census Cartography Library American Housing Survey Washington, DC-MD-VA MSA, 2007 American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series
Madison, WI	City of Madison Geographic Information Services Census 2000 PUMS Bureau of the Census Cartography Library American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series, Madison WI

Table A-1
School Districts for Mid-Rise Housing Demographic Data

District	Data Sources
Durham, NC	City of Durham GIS Census 2000 PUMS Bureau of the Census Cartography Library American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series, Durham, NC
West Lafayette, IN	Tippecanoe County Geographic Information Services Census 2000 PUMS Bureau of the Census Cartography Library American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series
Hamilton Southeastern Schools (Fishers, IN)	City of Fishers, IN GIS Census 2000 PUMS Bureau of the Census Cartography Library American Community Survey Three-Year Estimates, 2005-2007 and 2006-2008 Series, Fishers IN

Table A-2
Comparison School Districts

School District	Type	EQV Per Capita (FY08)	State EQV Rank	Median Household Income (2000) ^a	State Income Rank	Overall Wealth Rank	Average # Students ^b	Total School Spending ^c	Cost Per Student ^d
Brookline	K-12	\$268,401	39	\$66,711	87	63	6,394	\$107,711,615	\$16,847
Lexington	K-12	\$272,328	37	\$96,825	18	28	6,332	\$97,304,949	\$15,368
Andover	K-12	\$219,674	67	\$87,683	29	48	6,286	\$82,484,113	\$13,122
Needham	K-12	\$257,604	46	\$88,079	27	37	5,225	\$67,681,744	\$12,955
Natick	K-12	\$204,555	77	\$69,755	74	76	4,884	\$63,132,997	\$12,926
North Andover	K-12	\$170,943	117	\$72,728	62	90	4,732	\$51,804,134	\$10,949
Reading	K-12	\$171,209	116	\$77,059	49	83	4,479	\$48,114,269	\$10,742
Marshfield	K-12	\$192,745	89	\$66,508	89	89	4,829	\$49,471,387	\$10,244
Chelmsford	K-12	\$159,148	131	\$70,207	71	101	5,811	\$59,396,144	\$10,221
Westford	K-12	\$182,453	100	\$98,272	15	58	5,338	\$54,185,705	\$10,151
Franklin	K-12	\$157,554	134	\$71,174	64	99	6,719	\$67,253,926	\$10,010

Source: Massachusetts Department of Elementary and Secondary Education, 2010.

Notes:

- (a) Median household income based on Census 2000.
- (b) Average # Students includes students in out-of-district placements.
- (c) Total school spending includes both Town appropriations and off-budget spending from federal or state grants, and non-departmental costs, e.g., employee benefits and general liability insurance. In addition, it includes a portion of the municipality's administration and finance costs that relate to the schools, such as payroll processing, audit, and so forth.
- (d) Cost per student refers to all sources of revenue to the schools: local, Chapter 70, and off-budget sources (grants and certain revolving funds).

Table A-3

Methodology for Estimating Cost of Nonresidential Services and Per Capita Cost of Residential Services, FY 2010

Methodology Component <i>(Proportional Valuation)</i>	FY10 Appropriation (Rounded)	Departmental Group <i>(Category of Service)</i>	FY 10 Appropriation (Rounded)	Percent Nonresidential (Estimated %)	Nonresidential Share (Rounded)	Residential Share (Rounded)	Residential Service Costs Per Capita
A. Total Operating Budget	\$187,490,395	General Government	\$7,360,000	10.0%	\$1,552,000	\$5,808,000	\$97
B. School Budget	\$68,823,845	Public Safety	\$33,513,000	45.0%	\$6,983,000	\$26,530,000	\$442
C. Fixed Costs Share	\$28,745,000	Education	\$68,824,000	0.0%	\$0	\$68,824,000	\$1,147
D. Debt Service Share	\$8,801,000	Public Works	\$12,670,000	30.0%	\$4,655,000	\$8,015,000	\$134
F. Estimated Municipal Expenditures	\$81,120,550	Health & Human Services	\$1,100,000	1.0%	\$155,000	\$945,000	\$16
G. Non-Residential Real Property Value	\$1,249,969,700	Library	\$3,461,000				
H. Total Real Property Assessed Value	\$14,703,432,300	Health & Human Services	\$2,202,000	0.0%	\$0	\$2,202,000	\$37
I. Ratio (G/H)	0.09	Recreation	\$971,000				
J. Non-Residential Parcels	482	Debt Service	\$12,572,000	6.0%	\$931,000	\$11,641,000	\$194
K. Total Parcels	17,007	Fixed Costs	\$41,064,000	8.0%	\$1,241,000	\$39,823,000	\$664
L. Average Value: Non-Residential Parcel	\$2,593,298	Other	<u>\$3,753,000</u>	0.0%	\$0	<u>\$3,753,000</u>	<u>\$63</u>
M. Average Value: All Parcels	\$864,552	Operating Budget	\$187,490,000	100.0%	\$15,517,000	\$167,541,000	\$2,792
N. Ratio (L/M)	3.00						
O. Refinement Coefficient	2.25						
P. Nonresidential Expenditures (F*I*O)	\$15,517,000						
Q. Residential Expenditures (A-P)	\$171,973,395						
R. Nonresidential Percent (P/A)	8.3%						

Sources: Center for Urban Policy Research, Rutgers University; Town of Brookline FY 11 Financial Plan, and Community Opportunities Group, Inc.

Notes:

(a) Numbers may not total due to rounding.

(b) Assessed values for G and H represent real property only, i.e., excluding the assessed valuation of personal property.

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