

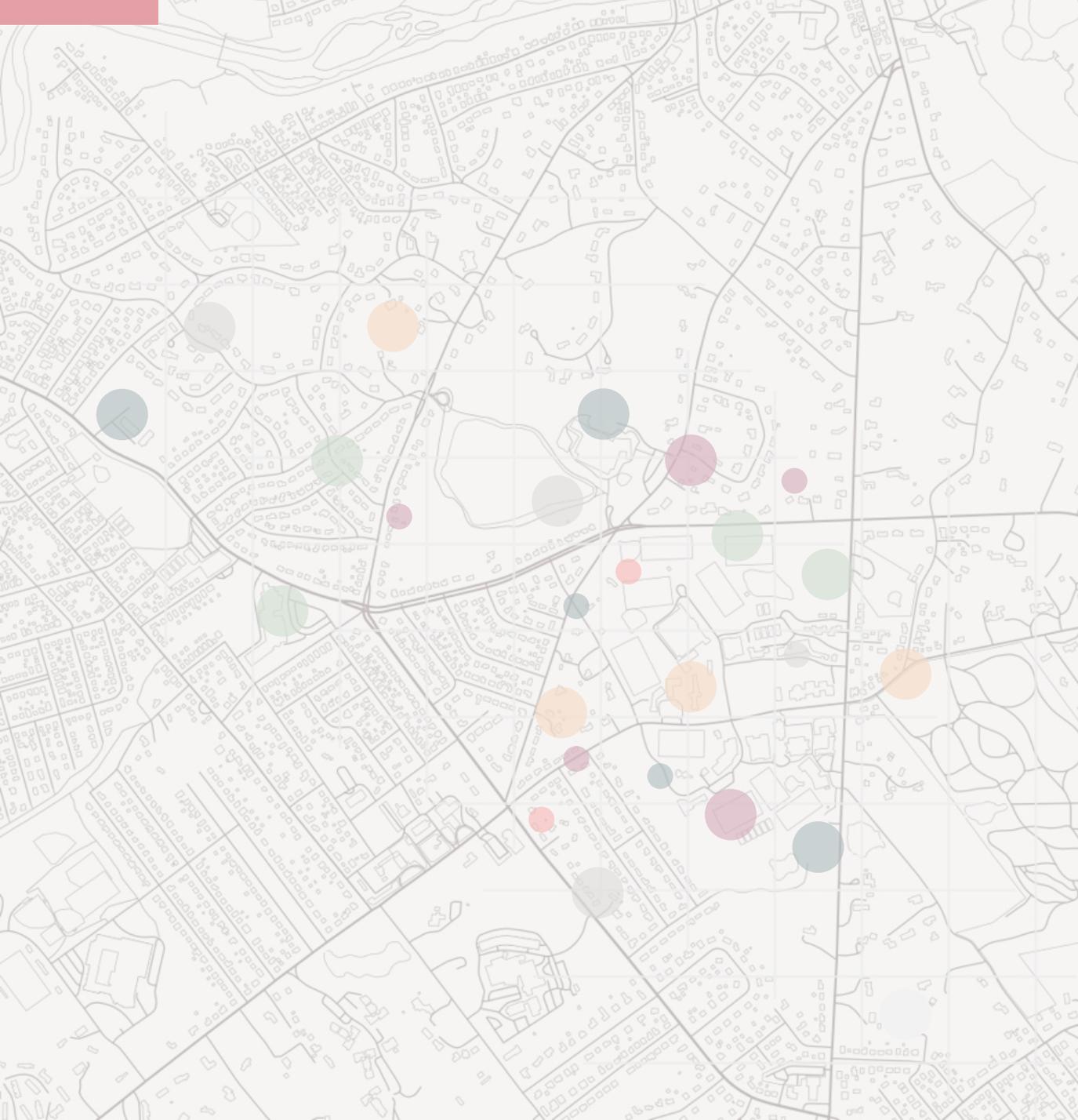


# **Town of Winthrop, MA**

## **Fiscal Impact Analysis**

# **Summary Report**

June 2025



# Fiscal Impact Analysis Overview & Methodology

# FISCAL IMPACT MODEL METHODOLOGY

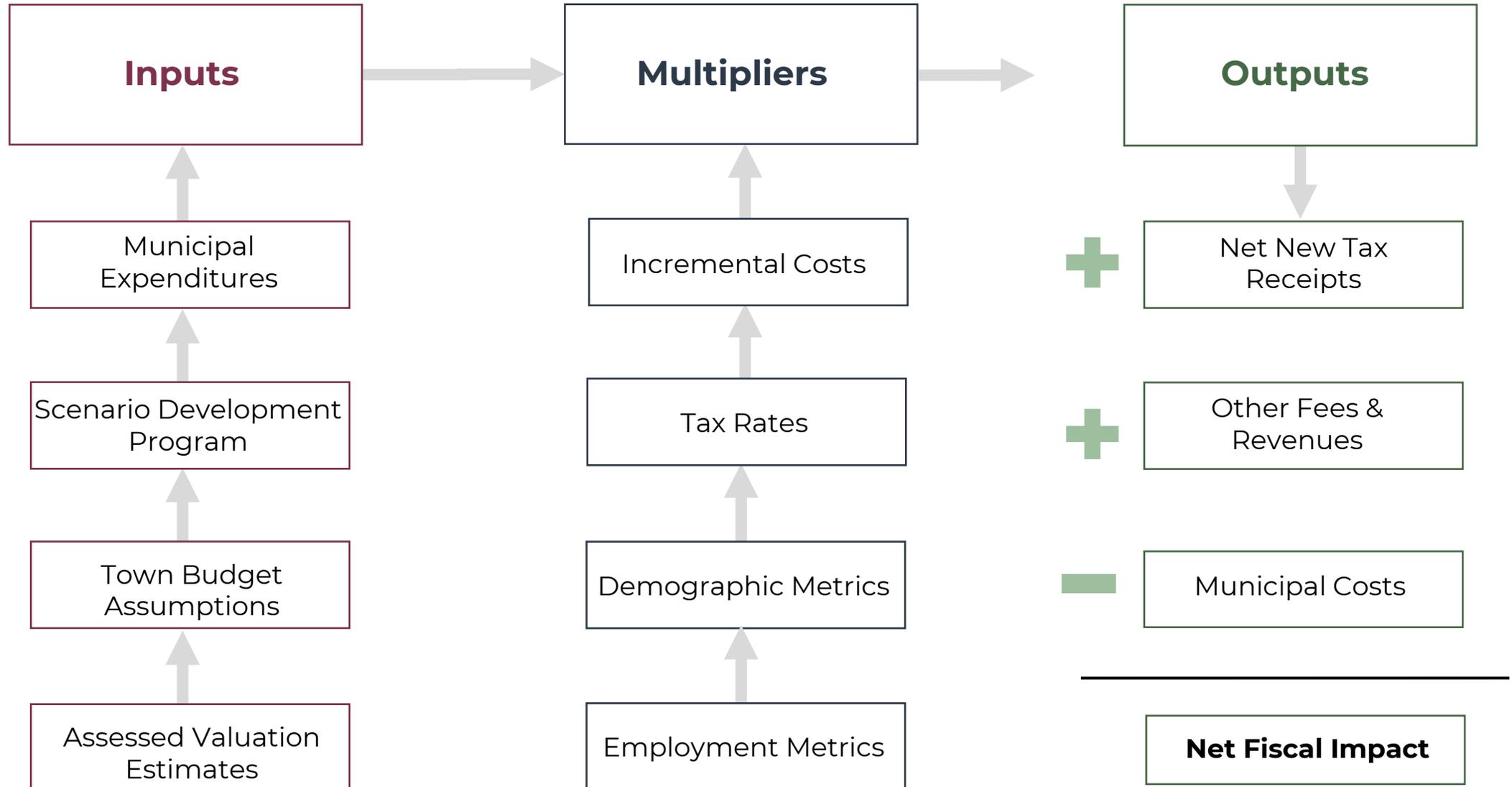
A fiscal impact analysis estimates the municipal revenues and costs associated with new development. Revenues include local taxes (property, excise, etc.) and various fees and other payments, while costs include the provision of municipal services (public safety, education, public works, general government,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

The primary focus is on the town's General Fund since that is typically where tax revenues and most municipal service costs are accounted. RKG applied an incremental cost approach to Winthrop's General Fund budget which covers both town costs and school costs. From there, we can determine the costs borne by the town resulting from both residential and commercial development. The approach involves looking at the individual line-items in the town's budget to determine if an expenditure is either fixed or incremental. Fixed costs are costs which would occur irrespective of development, an example being the salary of the Police Chief, this is unlikely to be impacted by new development. Conversely, the costs associated with police officer wages and equipment are classified as incremental as they are likely to change based on the addition of more residents in town that may result from new residential development.

Fiscal impact approaches are 'static', that is, they assume that the project or scenario is fully built-out and development is occupied. This assumption allows a comparison of the financial effect of the entire scenario on municipal costs and revenues. While larger-scale developments are often constructed over a multi-year period, municipal costs and revenues occur in equal proportions, therefore this steady-state approach does not detract from the appropriateness or accuracy of this method. It should also be noted that the fiscal impact analysis is only concerned with local public costs and expenditures, and not with state or other jurisdictional funding.

The diagram on the next page illustrates at a high level the flow of information and inputs that go into RKG's fiscal impact model.

# FISCAL IMPACT MODEL FLOW



# FISCAL IMPACT MODEL ASSUMPTIONS

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

To estimate municipal revenues, RKG utilized the town's most recent FY25 property tax rate and constructed an income-based valuation model to determine a future assessed value. RKG used data from CoStar<sup>1</sup> to calculate rents, vacancy rates, and cap rates and information from our prior financial analyses to estimate sale prices and operating expenses.

For municipal and school costs, RKG was provided with the town's FY25 municipal budget spreadsheet covering all departments and municipal costs. Each line item in the budget was assigned a value of fixed or incremental to derive per household and per employee costs in the fiscal impact model.

## KEY MODEL ASSUMPTIONS

- Town tax rates
- Assessed valuation assumptions
- Incremental governmental expenditures
  - General Government
  - Police
  - Fire
  - Public Works
  - Library
  - Council on Aging
  - Schools
  - Other
- Student generation rates per residential unit
- Development scenario inputs

<sup>1</sup> CoStar is a company that provides comprehensive commercial real estate information, analytics, and market data.

# FISCAL IMPACT MODEL ASSUMPTIONS

To derive potential property taxes, RKG had to develop estimates for future assessed values. RKG utilized an income-based approach to valuation which calculates an estimated Net Operating Income (NOI) for all rentable property types and a cap rate to generate an estimate of assessed value for tax purposes.

RKG utilized an estimated sales value per square foot for condominiums based on recent sales as reported by Redfin.

The tables on the right illustrate some of the values that go into calculating the estimated assessed value for each land use class.

To calculate the assessed value, a valuation is created for each component of the development program. From there, RKG applied the town's FY25 residential tax rate of \$10.23 per \$1,000 in value to derive total gross property taxes.

## ASSESSED VALUE ASSUMPTIONS

| Use Category               | Gross SQFT per Unit | Rent/Value per SQFT | Value per Unit |
|----------------------------|---------------------|---------------------|----------------|
| Market Rate Studio Apts    | 550                 | \$4.33              | \$344,136      |
| Market Rate One Bed Apts   | 660                 | \$3.46              | \$330,038      |
| Market Rate Two Bed Apts   | 1,050               | \$2.85              | \$432,120      |
| Market Rate Three Bed Apts | 1,250               | \$2.65              | \$478,200      |
| Market Rate Condominiums   | 1,200               | \$495               | \$594,000      |
| Affordable Studio Apts     | 550                 | \$4.21              | \$278,950      |
| Affordable One Bed Apts    | 660                 | \$3.51              | \$278,950      |
| Affordable Two Bed Apts    | 1,050               | \$2.52              | \$318,550      |
| Affordable Three Bed Apts  | 1,250               | \$2.38              | \$358,300      |
| Affordable Condominiums    | 1,200               | \$495               | \$594,000      |

Source: CoStar 2025, RKG Associates.

# ESTIMATING MUNICIPAL COSTS

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

RKG identified all costs that are likely to vary (incremental costs) with the addition of new development as a subset of the Town's total operational budget. Our variable costs account for 37% of the Town's departmental budgets as of the date of this analysis.

The "Other" category accounts for items such as debt service, unemployment, retirement, benefits, and insurance. RKG considered worker's compensation, unemployment, group insurance, Medicare, and police/fire medical insurance to be incremental costs as it applies to current and future employees. One-time costs such as capital expenditures, state assessments, and retirement were considered fixed costs.

Once the incremental budget is established, it must be apportioned to residential and non-residential uses to properly account for the impact of residential and non-residential development. For that we use a breakout of assessed value from the MA Department of Revenue (DOR) which shows 93.9% of Winthrop's assessed value driven by residential with 6.1% driven by commercial/industrial/personal property.

## Incremental Costs by Town Department (FY25)

| Use Category     | Total Budget        | Incremental Budget | % of Total |
|------------------|---------------------|--------------------|------------|
| General Gov't    | \$5,201,925         | \$182,493          | 4%         |
| Public Works     | \$1,832,555         | \$282,050          | 15%        |
| Police           | \$4,611,385         | \$3,206,493        | 70%        |
| Fire             | \$3,856,995         | \$3,028,195        | 79%        |
| Library          | \$625,392           | \$106,650          | 17%        |
| Council on Aging | \$214,846           | \$14,950           | 7%         |
| Other            | \$8,330,299         | \$2,215,057        | 27%        |
| <b>TOTALS</b>    | <b>\$24,673,398</b> | <b>\$9,035,888</b> | <b>37%</b> |

Source: Town of Winthrop FY25 Budget, RKG Associates.

## Assessed Value by Property Class (FY25)

| Class                                | Value                  | % of Total    |
|--------------------------------------|------------------------|---------------|
| Residential                          | \$3,579,579,300        | 93.9%         |
| Commercial/Industrial/Personal Prop. | \$232,022,480          | 6.1%          |
| <b>Total</b>                         | <b>\$3,811,601,780</b> | <b>100.0%</b> |

Source: MA DOR 2025, RKG Associates.

# ESTIMATED MUNICIPAL COSTS

After calculating the incremental costs by department and the share of the incremental budget allocated to residential uses, we must calculate municipal costs on a per occupied housing unit basis. This forms the basis of our estimates for calculating future costs of the residential development under each scenario.

The cost allocation table by residential use to the right summarizes the calculations used to estimate the per unit costs. The incremental budget for impacted departments is aggregated into seven primary cost categories:

- General Gov't
- Public Works
- Police
- Fire
- Library
- Council on Aging
- Other

The incremental budget for each cost category is multiplied by the residential share of total assessed value on the prior page and then divided by the total number of occupied housing units in Winthrop. This formula provides the incremental costs that new housing units may generate.

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

## Total Households in Winthrop

| Category                     | Totals |
|------------------------------|--------|
| Total Occupied Housing Units | 8,467  |

Source: US Census 2019-2023 Estimates.

## Incremental Cost per Unit

| Cost Category    | Residential Incremental Budget | Cost per Unit  |
|------------------|--------------------------------|----------------|
| General Gov't    | \$171,361                      | \$20           |
| Public Works     | \$264,845                      | \$31           |
| Police           | \$3,010,897                    | \$356          |
| Fire             | \$2,843,475                    | \$336          |
| Library          | \$100,144                      | \$12           |
| Council on Aging | \$14,038                       | \$2            |
| Other            | \$2,079,939                    | \$246          |
| <b>TOTALS</b>    | <b>\$8,484,699</b>             | <b>\$1,002</b> |

Source: Town of Winthrop FY25 Budget, RKG Associates.

# ESTIMATING EDUCATION COSTS

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

The industry standard for developing estimates for new school children is to use school aged children (SAC) ratios that are applied to new development on a per unit basis. To develop the SAC ratios for Winthrop’s model, RKG worked with the Winthrop Public School Department to gather the total number of students currently enrolled in the public schools for nine (9) multifamily rental and condominium developments in Winthrop. These buildings included a range of unit types and numbers of units from 7 to 393 units providing a range of comparisons for estimating school-aged children of new development in town.

Like municipal costs, RKG calculated an incremental education cost specific to Winthrop’s school budget based on the FY2024 budget information available through the Massachusetts Department of Elementary and Secondary Education (DESE) and adjustments provided by the Winthrop School District. Developing an incremental per pupil school cost utilizes the same process described in the municipal cost section. For example, RKG would consider administrative staff as a fixed cost (not likely to increase with new students), but would consider new textbooks, equipment, teachers, aides, or transportation costs to be incremental (would likely increase with new students). This analysis is only concerned with incremental costs as it is highly unlikely Winthrop would hire another superintendent or high school principal if enrollment increased as a result of new multifamily development.

Using local General Fund expenditures only (net of state aid and grants), the estimated incremental cost to educate a child in the Winthrop School District was **\$13,422**. This accounts for 70% of the full cost to educate a child in Winthrop of **\$19,172**. The full cost is equivalent to taking the entire local school budget divided by the total enrollment. The incremental cost only takes those costs that are likely to increase with new students divided by the total enrollment.

By multiplying the local cost to educate a child by the number of school children in each scenario we can estimate total education costs. These costs, along with municipal costs, are then then netted against the gross property tax revenue for each scenario later in this analysis.

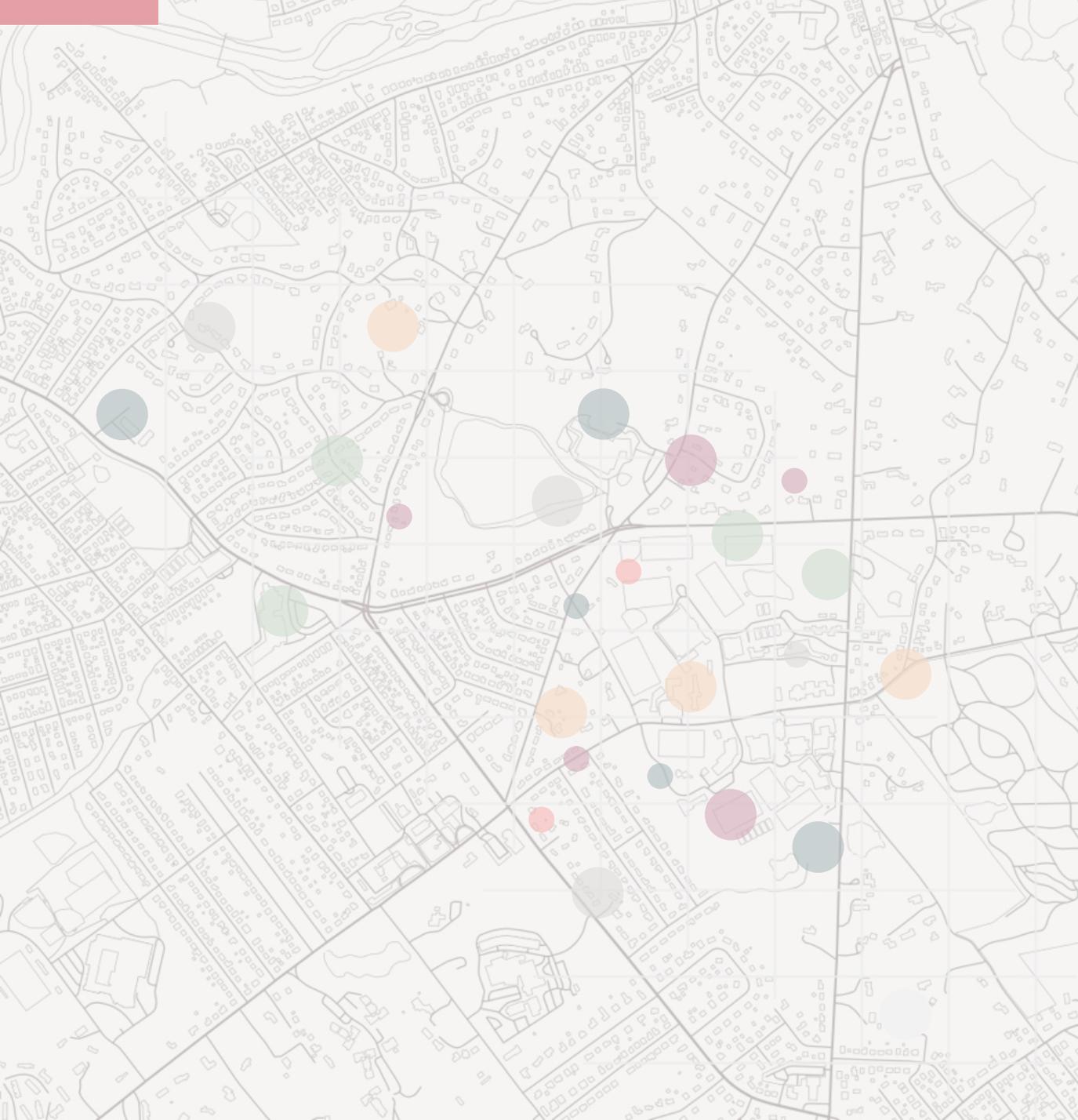
## STUDENT RATIO ASSUMPTIONS

| Unit Type      | Student Ratios per Unit |
|----------------|-------------------------|
| Studio Apt     | 0.00                    |
| 1 Bed Apt      | 0.19                    |
| 2 Bed Apt      | 0.19                    |
| 3 Bed Apt      | 0.19                    |
| Condo/Townhome | 0.19                    |

Source: Town of Winthrop, Winthrop Public School District.

| Budget Category           | FY25 Incremental School Budget | % of Total School Budget | Per Pupil Cost  |
|---------------------------|--------------------------------|--------------------------|-----------------|
| All Budgeted Expenditures | \$26,346,860                   | 70%                      | \$13,422        |
| <b>Totals</b>             | <b>\$26,346,860</b>            | <b>70%</b>               | <b>\$13,422</b> |

Source: DESE Per Pupil Expenditure Budget, FY2024.



# Fiscal Impact Model Demo

(The following slides do not represent an actual development proposal).

# ESTIMATING IMPACTS – HYPOTHETICAL DEVELOPMENT SCENARIO

To test the fiscal impact model, RKG ran four hypothetical development scenarios to show the estimate of the potential revenues and costs of new development. We chose to run one set of scenarios analyzing the impact of 100 units of new multifamily rental or multifamily condominium development. The second set of scenarios analyzes the impacts if the full MBTA Communities build-out were to occur in Winthrop under a multifamily rental and condominium typology.

The table below describes each of the four scenarios.

## Hypothetical Development Scenario

| Use Type               | Scenario 1<br>(Units) | Scenario 2<br>(Units) | Scenario 3<br>(Units) | Scenario 4<br>(Units) |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Multifamily Apartments | 100                   | 0                     | 890                   | 0                     |
| For-Sale Condominiums  | 0                     | 100                   | 0                     | 890                   |

# SUMMARY OF RESULTS

The table shown below illustrates the results of the fiscal impact analysis for the 100-unit hypothetical development scenarios. The overall findings show a **net positive** fiscal impact on the town’s finances with revenues covering the incremental municipal and school costs. The condominium scenario shows a higher net positive impact to the town due to the higher sale prices per unit compared to the per unit values of multifamily rental. Since several of Winthrop’s larger-scale residential developments are condominiums, we felt it would be valuable to show the two different housing types.

$$\text{Net Fiscal Impact} = \text{Gross Property Tax Revenue} + \text{Vehicle Excise Tax} - \text{Total Municipal Costs} - \text{Total School Costs}$$

## 100 Multifamily Rental Units

### Net Fiscal Impact Summary (2025 Dollars) Winthrop, MA

|  |                  |
|--|------------------|
| Project Estimated Residential Real Property Taxes      | \$385,832        |
| Project Est. Commercial Real & Personal Property Taxes | \$0              |
| Estimated Local Rooms Tax                              | \$0              |
| Estimated Motor Vehicle Taxes                          | \$27,872         |
| <b>NET NEW ANNUAL MUNICIPAL REVENUES</b>               | <b>\$413,703</b> |
| Residential Costs of Municipal Services                | \$100,209        |
| Commercial Costs of Municipal Services                 | \$0              |
| Projected Costs of Public Schools                      | \$241,591        |
| <b>NET NEW ANNUAL MUNICIPAL COSTS</b>                  | <b>\$341,800</b> |
| <b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>      | <b>\$71,903</b>  |

Source: RKG Associates 2025

## 100 Condominium Units

### Net Fiscal Impact Summary (2025 Dollars) Winthrop, MA

|  |                  |
|--|------------------|
| Project Estimated Residential Real Property Taxes      | \$613,008        |
| Project Est. Commercial Real & Personal Property Taxes | \$0              |
| Estimated Local Rooms Tax                              | \$0              |
| Estimated Motor Vehicle Taxes                          | \$27,872         |
| <b>NET NEW ANNUAL MUNICIPAL REVENUES</b>               | <b>\$640,880</b> |
| Residential Costs of Municipal Services                | \$100,209        |
| Commercial Costs of Municipal Services                 | \$0              |
| Projected Costs of Public Schools                      | \$255,013        |
| <b>NET NEW ANNUAL MUNICIPAL COSTS</b>                  | <b>\$355,222</b> |
| <b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>      | <b>\$285,658</b> |

Source: RKG Associates 2025

# SUMMARY OF RESULTS

The table shown below illustrates the results of the fiscal impact analysis for the 890-unit hypothetical development scenarios. The overall findings show a **net positive** fiscal impact on the town's finances with revenues covering the incremental municipal and school costs. The condominium scenario, again, shows a higher net positive impact to the town due to the higher sale prices per unit compared to the per unit values of multifamily rental.

$$\text{Net Fiscal Impact} = \text{Gross Property Tax Revenue} + \text{Vehicle Excise Tax} - \text{Total Municipal Costs} - \text{Total School Costs}$$

## 890 Multifamily Rental Units

### Net Fiscal Impact Summary (2025 Dollars) Winthrop, MA

|  |                    |
|--|--------------------|
| Project Estimated Residential Real Property Taxes      | \$3,433,904        |
| Project Est. Commercial Real & Personal Property Taxes | \$0                |
| Estimated Local Rooms Tax                              | \$0                |
| Estimated Motor Vehicle Taxes                          | \$248,057          |
| <b>NET NEW ANNUAL MUNICIPAL REVENUES</b>               | <b>\$3,681,961</b> |
| Residential Costs of Municipal Services                | \$891,860          |
| Commercial Costs of Municipal Services                 | \$0                |
| Projected Costs of Public Schools                      | \$2,053,525        |
| <b>NET NEW ANNUAL MUNICIPAL COSTS</b>                  | <b>\$2,945,385</b> |
| <b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>      | <b>\$736,576</b>   |

Source: RKG Associates 2025

## 890 Condominium Units

### Net Fiscal Impact Summary (2025 Dollars) Winthrop, MA

|  |                    |
|--|--------------------|
| Project Estimated Residential Real Property Taxes      | \$5,455,771        |
| Project Est. Commercial Real & Personal Property Taxes | \$0                |
| Estimated Local Rooms Tax                              | \$0                |
| Estimated Motor Vehicle Taxes                          | \$248,057          |
| <b>NET NEW ANNUAL MUNICIPAL REVENUES</b>               | <b>\$5,703,829</b> |
| Residential Costs of Municipal Services                | \$891,860          |
| Commercial Costs of Municipal Services                 | \$0                |
| Projected Costs of Public Schools                      | \$2,281,694        |
| <b>NET NEW ANNUAL MUNICIPAL COSTS</b>                  | <b>\$3,173,555</b> |
| <b>NET NEW ANNUAL MUNICIPAL SURPLUS/(DEFICIT)</b>      | <b>\$2,530,274</b> |

Source: RKG Associates 2025



## **Winthrop Fiscal Impact Analysis**

Winthrop, MA

June 2025

