

**Needham Finance Committee
Minutes of Meeting of October 9, 2024**

To view a recording of the meeting on YouTube:
https://youtu.be/tSbjzS4vjWE?si=szH3sXDcJ1f0hb_v

The meeting of the Finance Committee was called to order by Chair Carol Smith-Fachetti at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconferencing.

Present from the Finance Committee:

Carol Smith-Fachetti, Chair; John Connelly, Vice-Chair
Karen Calton, Paul O'Connor, Barry Coffman, Joe Abruzese, Tina Burgos
Absent: Lydia Wu

Others Present:

David Davison, Deputy Town Manager/Director of Finance
Molly Pollard, Finance Committee Executive Secretary
Cecilia Simchak, Assistant Director of Finance
Lee Newman, Director of Planning and Community Development
Artie Crocker, Planning Board, Vice Chair
Katie King, Deputy Town Manager
Heidi Frail, Select Board
Eric Halvorsen, RKG Consultant
Oscar Mertz, Town Meeting Member
Margaret Murphy, Town Meeting Member
Tim McDonald, Director of Health and Human Services
Kate Fitzpatrick, Town Manager

Citizen Request to Address the Finance Committee

Ms. Murphy, a long-time Needham resident of 40 years and former school committee member, expressed her support for the neighborhood plan. With a background in real estate spanning 30 years, she noted the challenges in getting anything built in the town due to ineffective zoning regulations downtown. She emphasized the importance of the neighborhood plan in potentially creating more housing options, mentioning her desire for her four children, to have that opportunity. Ms. Murphy also expressed her wish to sell her house and remain in the town. She urged the meeting attendees to consider adopting the neighborhood plan, describing it as the best option for the town's future development.

Mr. Mertz, a Needham resident for 30 years and a town meeting member, shared his support for the neighborhood housing plan, highlighting his 15 months of involvement with the housing plan working group. He emphasized that the neighborhood plan is the only proposal with metrics that could incentivize development. Reflecting on the three walking tours he participated in over the summer, he noted that any future housing growth would likely involve redevelopment due to the area's already developed state. Mr. Mertz argued that for development to occur, significant incentives are necessary, which he believes the

neighborhood housing plan provides. He expressed doubt that the compliance plan would stimulate meaningful development, given its similar thresholds to current zoning. He concluded by underscoring that while zoning changes alone won't create housing, establishing a framework to facilitate it is crucial. He urged support for the neighborhood housing plan as a valuable investment for the community.

Approval of Minutes of Prior Meetings

Ms. Calton pointed out a correction needed on page 7 to correct “as a right” to “as of right”

MOVED: By Mr. Coffman that the minutes of meeting September 30, 2024, be approved with the correction noted above, subject to technical corrections. Mr. O'Connor seconded the motion. The motion was approved by a vote of 7- 0 at approximately 7:09.

Special Town Meeting Article Discussions

ARTICLE 3: APPROPRIATE FOR STEPHEN PALMER PLANNING

Documents: October 21, 2024 Special Town Meeting: Article 3- Appropriate for Stephen Palmer Planning

Ms. Fitzpatrick explained the Select Board requested \$150,000 to fund two studies regarding the future use of the Stephen Palmer Building at 83 Pickering Street. Built in 1914 and leased to Stephen Palmer Associates in 1977, the building is set to revert to town control when the lease expires on May 2, 2027. She explained that \$50,000 of the requested funds would support a relocation assistance plan to aid tenants in the event of redevelopment, ensuring a smooth transition when the lease ends. The remaining funds would be used to hire a consultant to analyze the building's condition, explore its potential for redevelopment, and gather community input.

Mr. Connelly asked whether the \$50,000 would be used solely to hire a consultant or if any of it would be directed to the tenants themselves to assist with relocation. Ms. Fitzpatrick clarified that the funds are strictly for hiring a consultant to develop the plan and that any direct payments to tenants would likely require additional funding. She also noted that while the consultant might recommend ways to incentivize relocation, this particular allocation wouldn't cover those costs.

Mr. Connelly followed up by inquiring how the amount of \$50,000 was determined. Ms. Fitzpatrick responded that the figure was suggested by a planning consultant familiar with the property, alongside the community housing specialist, who estimated this amount based on their extensive experience with similar projects.

Turning to the second study, Mr. Connelly asked about the rationale behind the \$100,000 budget and the timeline for this work. Ms. Fitzpatrick explained that if the funding is approved, both studies would begin promptly, aiming to deliver results by early 2025. The budget estimate was prepared in consultation with the Senior Director of Design Construction, who reviewed similar projects to determine the appropriate funding level for a comprehensive evaluation.

Mr. Abruzese questioned whether the town could negotiate with the current property management company to handle the tenant relocation. Ms. Fitzpatrick explained that the lease terms make the town the landlord upon expiration, making the town responsible for the tenants.

Ms. Calton asked for clarification on whether the \$50,000 would directly assist the tenants with relocation or simply fund a study to determine the best approach. Ms. Fitzpatrick confirmed that the funds are

intended to develop a plan, not to provide direct financial assistance to the tenants. If the study costs less than expected, remaining funds could potentially be redirected to assist with relocation.

Ms. Smith-Fachetti asked about tenant turnover in the building. Ms. Fitzpatrick noted that turnover is relatively low because, despite the units being older and not fully accessible, they are still in demand due to their affordability.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of ARTICLE 3: APPROPRIATE FOR STEPHEN PALMER PLANNING in the amount of \$150,000 for consulting services for the Stephen Palmer conversion process. Mr. Coffman seconded the motion.

DISCUSSION: Mr. Abruzese expressed concerns about how this expenditure aligns with other capital improvement priorities. Mr. Connelly argued that this funding is more of a preparatory measure to facilitate informed discussions about future capital investments in the building rather than an immediate capital expenditure. Mr. Coffman agreed with Mr. Connelly. Ms. Smith-Fachetti added that there are liabilities associated with becoming a landlord, to which Mr. Connelly agreed and added that planning at this stage is prudent.

The motion was approved by a vote of 7-0 at approximately 7:26pm.

ARTICLE 2: APPROPRIATE FOR COMMUNITY OPIOID SETTLEMENT FUND PROGRAM

Documents: Memorandum to Finance Committee: Behavioral Health Peer Support Specialist

This article has been previously discussed.

Mr. McDonald clarified confusion from the last meeting regarding the total request and salary specifics. He explained that the funding aims to transition a current part-time employee into a full-time Behavioral Health Peer Support Specialist, increasing weekly hours from 19.5 to 37.5 hours per week plus benefits. The expansion of the role will need to be funded through FY 2025 using opioid funds via this warrant article.

Mr. Connelly asked if the position would be included in next year's budget. Mr. McDonald responded that it would not; instead, a warrant article would be used to ensure the restricted opioid funds are applied correctly, as confirmed by Mr. Davison.

Ms. Smith-Fachetti confirmed the request amount would be \$82,000, to cover the salary and additional activities. Mr. McDonald noted that the request would align with the annual town meeting for a full fiscal cycle.

Ms. Calton asked about the role transition, seeking clarity on whether the same person would fill both the current and new full-time positions. Mr. McDonald affirmed that the current employee, trained in recovery, is well-suited for the new role. The full-time position would focus on the opioid strategic plan and recovery coaching once a new part-time prevention specialist is hired.

Mr. Coffman inquired if the position would only last as long as funding is available. Mr. McDonald noted funding is secure through 2038 and suggested evaluating the role's impact over the next few years to determine its long-term viability.

Ms. Smith-Fachetti emphasized that the opioid strategic plan aims for harm reduction and long-term solutions. Mr. McDonald agreed, highlighting the plan's focus on improving treatment and recovery services, and offered to share the finalized strategy soon.

MOVED: By Mr. Connelly that the Finance Committee recommend adoption of ARTICLE 2: APPROPRIATE FOR COMMUNITY OPIOID SETTLEMENT FUND PROGRAM. Mr. Coffman seconded the motion, The motion was approved by a vote of 7-0 at approximately 7:34pm.

ARTICLES 8-11: ZONING CHANGES REGARDING MBTA COMMUNITIES ACT

Documents: Powerpoint: Town of Needham Finance Committee: MBTA Communities Act Zoning Oct 9, 2024; Student Projections vs Actuals: Expanded Analysis 10.3.2024; Email: Follow up items for FC; Summary of MBTA Communities Compliance; Correspondence: Re: Town of Needham: Pre-Adoption Review Application for Compliance with MBTA Communities/Section 3A of the Zoning Act; School Capacity Analysis w/ current; Units Allowed Under Existing & Proposed Zoning; FY 2024 Income Limits Documentation System

Ms. Connelly asked if the treatment of 100 West Street was the same in both the base plan and the neighborhood compliance plan. Ms. Newman confirmed that it was identical in both, allowing discussion within the base plan alone.

Ms. King noted they covered much of the school enrollment at the last meeting and proposed reviewing slides prepared by Eric Halvorsen of RKG consultants. She explained RKG's role in fiscal impact studies related to residential development, including examples like Assembly Row in Somerville and a mixed-use development in Dedham. She emphasized the broader economic benefits of redevelopment, including workforce retention, job creation, and increased local spending, though a full analysis of new growth property taxes wasn't yet available.

Ms. Smith-Fachetti confirmed they lacked a comprehensive analysis of new growth property taxes. Ms. King clarified that RKG had compared the impact of transitioning commercial properties to residential under the new zoning, which would be presented.

Mr. Halvorson explained that the propensity for change model assesses the likelihood of redevelopment based on the difference between current property values and potential future values under proposed zoning. This model uses financial metrics like revenue, costs, and land value to determine redevelopment feasibility.

Mr. Connelly asked whether the analysis included development costs, which Mr. Halvorson confirmed, noting that all expenses were factored into the pro forma. He then described how properties with more than a 50% value increase under the new zoning were deemed more likely to redevelop.

The presentation covered district-specific scenarios, showing that areas with more flexible zoning under the neighborhood housing plan had a higher propensity for redevelopment. Mr. Halvorson emphasized that these models help project fiscal impacts by considering both maximum and more likely development

scenarios. He highlighted that properties with significant zoning changes, like 100 West Street in Avery Square, were particularly poised for redevelopment under the new guidelines.

Mr. Halvorsen discussed the Chestnut Street districts, showing results under two scenarios. He noted that the neighborhood housing plan led to three districts for Chestnut Street, breaking them down into finer details based on public feedback, which suggested adjusting heights according to nearby neighborhood uses. He highlighted that the zoning changes proposed for Chestnut Street West created significant value compared to the current situation, indicating a high potential for change and a transition toward a more walkable residential area.

Mr. Halvorsen then shifted to discussing the industrial districts, noting that the zoning proposed under the base scenario showed little difference from the bonus scenario, except that the latter offered more nuanced distinctions. Ms. Smith-Fachetti asked if the propensity to change models considered additional infrastructure needs like sidewalks or pedestrian amenities. Mr. Halvorsen confirmed that these models solely focused on zoning, units, and floor area ratios (FARs), without factoring in additional infrastructure.

Mr. Halvorsen wrapped up the discussion on propensity models, explaining that they were meant to educate both the public and the working team on potential build-outs, leading to the fiscal impact analysis. Mr. Connelly inquired about the modeling and if it is standard across the industry as well as how competitors answer similar questions. Mr. Halvorsen mentioned that their modeling approach was similar to competitors in the mid-Atlantic market, based on a 50% land value threshold indicating redevelopment potential.

Mr. Connelly asked if conversations with developers were a part of the model. Ms. Frail mentioned that the committee had spoken with developers to gather information, though this was not directly part of the modeling. Mr. Halvorsen added that their work with developers on pro forma and feasibility analyses often involved gathering data on construction costs, interest rates, and other financial metrics, which informed their models.

Mr. Halvorsen then explained the fiscal impact model, highlighting that they used an incremental or variable cost model rather than a full or average cost model. This approach selectively identifies budget line items that might increase with new households, such as police officers or equipment, versus fixed costs like the salary of a police chief. He emphasized that this method offers a more detailed and realistic assessment of fiscal impacts. He discussed the assumptions behind their fiscal impact analysis, including tax rates, future property values, and construction costs. He noted that the assessed value of multi-family housing is typically based on an income-based approach, using rent to determine the property's value. For this analysis, they estimated construction costs at around \$300 per square foot, reflecting regional standards.

Mr. Connelly inquired about the impact of construction costs on property valuation, noting that using higher costs like \$500 per square foot would increase the overall value, while lower costs would reduce it. Mr. Halvorsen agreed and explained the conservative approach taken to project property tax assumptions and the importance of evaluating governmental expenditures alongside revenue. He outlined the methodology used to differentiate fixed and incremental costs in the town budget, highlighting that public

safety and education are critical areas for detailed cost analysis. He emphasized the significance of using real data from local developments to estimate student generation rates for schools.

Mr. Halvorsen explained the breakdown of costs into categories such as general government, public safety, and public works, noting that schools represent a significant portion of the budget. He described the importance of separating fixed from incremental expenses, stressing the need to focus on costs likely to change with new developments, such as adding more police officers. He showed slides detailing how these calculations were made in the case of Needham for his model.

Ms. Smith-Fachetti questioned the treatment of employment benefits in the cost calculations, suggesting they were not fully accounted for, while Mr. Coffman sought clarification on the method used to calculate incremental costs. Mr. Halvorsen responded by outlining the efficiency adjustments applied to variable costs and emphasized that their approach is based on extensive experience. He detailed the analysis for determining the impact of new households on town services, concluding that the cost per household aligns with figures from similar communities.

Mr. Coffman raised concerns about the linear approach to cost analysis, suggesting that a historical perspective might offer insights into the relationship between population growth and service demands. Ms. King shared feedback from police and fire chiefs indicating that the need for additional personnel is influenced more by overall demand and specific circumstances than by strict population metrics.

Mr. Halvorsen explained the approach to estimating school budget costs by using data from the Department of Elementary and Secondary Education. The data from 2022 was adjusted based on percentage increases in the school budget for the years 2023 and 2024, focusing mainly on variable costs tied to teachers and classroom needs. He emphasized that most of the budget increase was allocated to salaries for teachers, aides, and special education staff, while other areas like materials and transportation saw smaller increases. The estimated variable cost per pupil was about \$13,500, which represented around 61% of the full cost to educate a child, with the full cost being approximately \$22,000 in Needham after inflation adjustments.

For estimating the number of children likely to live in newly developed housing units, Mr. Halvorsen noted that the analysis was done on a per-bedroom basis, distinguishing between market-rate and affordable units. He mentioned that studios and one-bedroom units generally do not house children, while two-bedroom and three-bedroom units have a higher likelihood of accommodating children, with ratios based on data from existing developments in Needham. The model accounted for various factors, such as unit mix, pricing, and location, which could influence a family's decision to move into a building.

Mr. Halvorsen described how these projections were used to estimate school costs and the overall net fiscal impact, stating that in Needham, the fiscal impact was positive when comparing revenues against municipal and school costs. He also mentioned that the model incorporated potential excise taxes but acknowledged that this is a regressive tax that decreases over time as vehicles depreciate.

Mr. Connelly asked about the impact on the fiscal analysis if the number of students was underestimated and inquired about the effect on school costs if there were more students than projected. Mr. Halvorsen confirmed that an increase in student numbers would significantly reduce the net fiscal impact since each

additional student would cost the town approximately \$13,500. Ms. Smith-Fachetti raised a question about whether the analysis considered turnover in single-family homes that might result in younger families moving in as older adults move to multi-family units. Mr. Halvorsen acknowledged this as a recurring question in planning discussions, indicating a need for a better way to account for such scenarios.

The Committee discussed this omission from the assumptions and considerations regarding the town's development, as well as the ones around the impact of new residents, and how these factors could influence fiscal planning for Needham. They emphasized that while the model makes certain assumptions, there are always uncertainties in predicting how new developments and changes in housing availability will ultimately affect the community.

Mr. Halvorsen addressed the impact on property taxes if commercial properties in the districts were redeveloped under the MBTA community zoning, transitioning to multifamily and thus being taxed at a residential rate, which is lower than the commercial rate. To analyze this, Mr. Halvorsen worked with Ms. King and the assessor to compile data on each parcel in the town, including its assessed value and the amount of property taxes it contributed. They isolated parcels within the MBTA district boundaries, evaluating their total assessed value and current contribution to the town's property taxes.

Mr. Halvorsen detailed that, under the base compliance model, they needed to assume that 43 commercial and industrial properties would redevelop into residential, affecting the assessed values and leading to a decrease of roughly \$149,000 in property taxes. He emphasized that this assumption depends on all those properties redeveloping at the predicted values. He contrasted this scenario with the neighborhood housing plan, which drives more value by generating more units, despite potential costs. Under the full build model, where commercial properties would turn into multifamily residential, the tax differential started to favor residential development due to the higher value generated by multi-story buildings compared to current single-story commercial structures.

Mr. Coffman then questioned how a negative impact from the base compliance propensity model resulted in a positive net fiscal impact, inquiring about the consistency in using these figures for fiscal analysis. Mr. Halvorsen clarified that the fiscal analysis focused solely on future values without comparing to the commercial scenario. Ms. King added that the new growth calculation showed an increase from \$40.6 million to \$58.7 million in assessed value, translating to \$226,000 in new growth based on the residential tax rate. The purpose was to compare potential outcomes if parcels transitioned from commercial to residential under the existing conditions.

Mr. Coffman continued to express confusion regarding the revenue line in the fiscal analysis. Mr. Connelly confirmed that the figures in the current analysis were separate from those previously discussed and should not be combined to derive a total impact. Mr. Halvorsen agreed, noting that the analysis was intended to show the difference between commercial and residential tax scenarios, emphasizing that each should be treated independently.

Ms. King highlighted that commercial growth is particularly valuable for the town, and the decision to exclude key economic centers like Needham center and Avery Square from the rezoning was strategic to

protect these areas' existing functions. This decision was also part of the town's vision for those areas, which communities with a single tax rate did not have to consider.

Mr. Halvorsen clarified that under the MBTA communities guidelines, if communities adopt the MBTA districts, no more than 10% of the units can be set aside as deed-restricted affordable housing, known as inclusionary zoning. He explained that Needham already has a 12.5% inclusionary zoning policy and expressed that the state allows communities to exceed the 10% threshold if they can prove that this does not negatively impact a developer's ability to make a project financially viable. Needham conducted an economic feasibility analysis to assess the impact of maintaining the 12.5% rate, which they submitted to the state as part of the town's pre-compliance application. The state responded positively, indicating that while formal approval couldn't be given until after the Town Meeting, Needham was on the right track.

Ms. King added that despite the state's initial feedback suggesting they should perform an Economic Feasibility Analysis (EFA), they clarified that Needham had already done so, and the state verbally confirmed that it was satisfactory.

Mr. Connelly raised questions about the school master plan, specifically concerning the potential need to expand Mitchell School to four sections instead of the currently planned three. Ms. King noted that the capacity projections suggested that three sections would be sufficient based on the elementary school capacity analysis. She also explained that the town has factored in a contingency for enrollment numbers by building in 180% of the projected students in the capacity analysis.

Mr. Connelly expressed concerns about the timeline of the school projects, highlighting that by the time students arrive in four years, the current schools might not be ready to accommodate them, especially since the elementary schools would not be built until later in the process. He questioned whether the focus on Pollard as the first project was the right approach, considering the need for elementary school capacity would be more immediate. Mr. Connelly also asked about any capital plans needed for Chestnut Street.

Ms. King confirmed that there is currently no capital plan for Chestnut Street and noted that any potential project there would be similar to the complete streetscape project on Needham Street. The DPW gave her an estimate of 10-20 million dollars for the project. She mentioned that the Mobility Planning Committee is discussing design guidelines for streetscapes that might influence future projects.

Ms. Smith-Fachetti inquired whether the neighborhood housing plan, if approved, would affect the design and cost of the quiet zones. Ms. King responded that while the zoning changes are not expected to impact the quiet zones, related projects like the Highland and Great Plain projects are still early in design, allowing for adjustments to incorporate any zoning impacts.

Mr. Crocker then suggested that the Finance Committee consider the town's long-standing goal of creating a walkable and vibrant community. He mentioned that the larger development project discussed would likely contribute more to that vibrancy compared to the smaller one, even though there are concerns about its impact.

Ms. Smith-Fachetti asked about the likelihood that developers might seek tax incentives to move forward with projects given the 12.5% affordability threshold and land acquisition costs, referencing a situation in Lexington.

Ms. Frail pointed out that Lexington's situation is different due to its larger land rezoning, emphasizing that the challenges for development are greater in Needham due to limited redevelopment space. Mr. Davison clarified that there are no tax incentive agreements for residential development like there are for commercial projects and that the only area where negotiation might happen is with the affordability requirements.

Mr. Coffman mentioned that the height restrictions and the value of the land in the area could be limiting factors for development unless developers can build taller buildings. Ms. Frail noted that the special permit process is a significant barrier to development for smaller developers. She explained that eliminating this process would likely encourage more developers to proceed with projects, although larger developers might not be as affected by this change. Ms. Frail emphasized that development will not happen overnight, referencing the example of Lexington, where only a few projects moved forward despite significant rezoning.

Mr. Connelly reiterated the importance of planning for potential future scenarios, even if they seem unlikely. Ms. Frail agreed that while planning for the worst-case scenario is necessary, it's also important to recognize that the actual outcome may differ. The discussion concluded with concerns about school capacity for future development projects, with Ms. Frail suggesting that there could be ways to phase construction to accommodate future needs.

The Finance Committee decided to review the information and delay a vote until next week.

Finance Committee Business

The Committee appointed Ms. Calton to the General By-Law Committee.

The Committee appointed Ms. Burgos to the Large House Review Study Committee.

Adjournment

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Ms. Calton seconded the motion. The motion was approved by a vote of 7-0, at approximately 9:10 p.m.

Documents: October 21, 2024 Special Town Meeting: Article 3- Appropriate for Stephen Palmer Planning; Memorandum to Finance Committee: Behavioral Health Peer Support Specialist; Powerpoint: Town of Needham Finance Committee: MBTA Communities Act Zoning Oct 9, 2024; Student Projections vs Actuals: Expanded Analysis 10.3.2024; Email: Follow up items for FC; Summary of MBTA Communities Compliance; Correspondence: Re: Town of Needham: Pre-Adoption Review Application for Compliance with MBTA Communities/Section 3A of the Zoning Act; School Capacity Analysis w/ current; Units Allowed Under Existing & Proposed Zoning; FY 2024 Income Limits Documentation System

Respectfully submitted,

Molly Pollard

Executive Secretary, Finance Committee