

**TOWN OF NAHANT  
Advisory and Finance Committee**

**Members**

Robert Vanderslice, Co-Chair  
John Fulghum, Co-Chair  
Barbara Beatty  
Dewitt Brown  
Jeff Lewis  
Dana Sheehan  
Julie Tarmy  
Judy Zahora

Thursday January 14, 2021. Meeting Minutes. Joint meeting with BOS.

Members Present: Beatty, Sheehan, Lewis, Zahora, Brown, Vanderslice, Tarmy

Members Absent: Fulghum

Others Present: Barletta, Cullinan, J. Antrim, Canty, M. Capano, J. Mellen, V. Patek, B. D'Orlando, A. Nieto, K. Carangelo, E. Berman, K. Marden, S. Solomon, E. Potts, B. Sweeney, J. Coulon, D. Monteith, deverjj, S. Hawkes, R. Merrill, A. Bromer, A. Cort, amurp, S. Macarelli, M. Divoll, D. Dunfee, caller 508-251-2599.

Meeting Called to order 7:06 by FinCom

**Introduction of new Town Accountant**, Allison Nieto, by A. Barletta. Excited to have her on board. Previously Financial Director and Accountant for the Town of Marblehead. Grew up in Nahant.

Reserve fund currently at about \$340K. Town received \$310K from Cares Acct and FEMA relief. Funds were due to expire on 12/21/2020. Town spent down amount due to 'use it or lose it' belief. Purchased supplies for remote work, PPE, etc. On 12/27/20, notified by State that the deadline for spending the award was extended to end of year 2021 without further funding. There is potential for future funding, but no specific dates were given by State.

Request for transfer of \$104K from reserve fund to cover COVID relating expenses for 1<sup>st</sup> qtr 2021 for salaries for Health Nurse and Inspector and testing. COVID costs have been approximately \$100K/qtr. With the surge and everchanging reopening phases, costs have skyrocketed. Testing is key. Having free, local testing is the best way to catch asymptomatic persons who may not know they are positive. It is expensive. Had to suspend testing due to this funding issue. Thankfully, NPT supported two additional days of testing to help us bridge the gap. Spent \$40 between Nov and Dec 2020 for testing. Breakdown for 13 weeks: \$49,530 salaries; \$10K supplies; the rest would be services: testing, special cleanings of Town Hall, FD, PD, vehicles weekly. In order to get our first responders vaccinated, the health nurse is working that facility, so we brought on a second nurse.

Vanderslice: Understanding is this amount will cover through March 31<sup>st</sup>. It's based on our experience year-to-date.

Canty: How much to do testing?

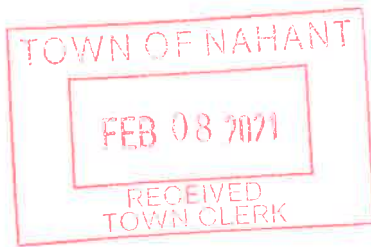
Barletta: \$28K/month, or \$70/test. About \$7K for each testing day

Canty: Are we requesting enough?

Barletta: We can come back to FinCom if needed.

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### TOWN OF NAHANT Advisory and Finance Committee

Nieto: Supplemental Cares Act 2.0: \*\$4.5 Billion for vaccine distribution – must be spent by 2024  
\*\$22Billion for contact tracing – must be spent by 2022. That will be given out to local health depts.  
Uncertain how this will trickle down to local governments.

Zahora: Have we done any prep for vaccine delivery?

Barletta: Not a lot of control – Lynn is committed to us – we will work with them. Distribution of vaccine is about 10 times behind schedule. Gov. outlined goals for who and how vaccine is delivered. We will have to go to Lynn to be vaccinated, but we will have to staff our own part there.

Lewis: Sounds like we are on our own for a while.

Nieto: With transition of new Fed administration, we are in flux.

Vanderslice: What happens when this funding comes in? Does it flow through the general fund?

Barletta: No, we actually have a deficit spending account. We had to go to DLS based on what we were awarded. So we deficit spend on it and then submit for reimbursement.

Lewis: Do we carry that through 2024?

Nieto: We will likely need to reach out for guidance through the State. They are allowing deficits to rollover.

Cares Act funds and FEMA are not loans. They reimbursable spending. Cares Act – 100% reimb, FEMA – 75% reimb.

Nieto: 1<sup>st</sup> round was \$310 – we spent some and was reimbursed. We need to be somewhat frugal until we know how much we will be in future financing.

Sheehan: Can we get a testing site in Nahant? Have we made a case to our Representatives.

Barletta: We have been in touch with our Reps. We worked out a testing program directly with Cataldo. We ran through the money so fast with testing, but this is a vital expense along with contact tracing.

Canty: When we had funding, we were testing twice a week.

Barletta: Yes, at \$14k/week.

Cullinan: Have been tested at various sites. Made appointments. No waiting. Beacon Commonwealth website. Recommended.

**Motion made by Zahora to approved transfer request of \$104K, seconded by Beatty. Unanimous ayes, by roll call.**

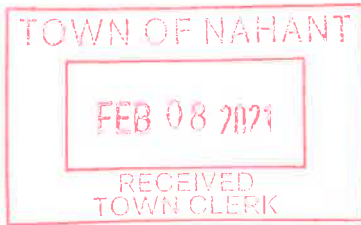
With that transfer, reserve fund is now at: \$236,065.

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## TOWN OF NAHANT Advisory and Finance Committee



Transfer request of \$23,900 to cover salaries. This transfer includes overlap salary for new Acct as well as vacation payout to retiring Acct.

**Motion made by Lewis to approve transfer, seconded by Zahora. Unanimous ayes by roll call.**

Now at a balance of \$212,665

Transfer request of \$12.5K for RKG study of Finance Improvement. After discussion, we will hold on this transfer until Barletta receives actual invoice. The amount of \$12.5K was given over the phone to Barletta.

**Motion to wait for invoice made by Zahora, seconded by Beatty. Unanimous ayes, by roll call.**

Back to COVID expenses. Could we purchase docusign and second weblink? Town invested in more tech, such as ZOOM. We may purchase a second account to facilitate the numerous virtual meetings by town committees. A second account would keep individual members from using their own personal or business accounts for Town meetings.

**Planning for Town Meeting: See attached schedule**

\*Town meeting scheduled for Saturday May 17<sup>th</sup>.

\*meeting may take longer than usual due to the number of articles – possibly two days.

\*still expecting meeting to take place outdoors, if not due to COVID then due to the anticipated number of participants.

\*in just a few weeks, BOS should be sending FINCOM final budget.

BOS meeting Feb 4<sup>th</sup>. Anticipating closing warrant and approving budget.

CPC has met last night – Barletta need to talk to L. Spencer about their schedule – not sure at this time if they are accepting new applications. All work of last year will be transferred to this year.

FINCOM is happy to have this schedule. It is helpful to have this.

Zahora will send note to Coast Guard Com about their plans.

**Content of Town Meeting**

\*depending on COVID, we may not need to be 6' apart

\*all that was postponed in 2020, plus new articles. Might see changes in borrowing articles

\*new capital needs – using cash reserve as opposed to borrowing

\*citizen petitions will now be Selectman articles

Eminent Domain and Coast Guard Housing – expect a lot of debate

Barletta already spoke with vendors for outdoor meeting – we are penciled in with them.



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Cullinan: Good thing is that we have a plan in place that has been reviewed by town committees and can be executed, even though we did not need to execute it to the fullest last year.

Barletta: Hopefully, we can repeat the success of last September's Town Meeting and keep everybody safe on a beautiful spring day.

Clarity on Dept or committee assignments? Vanderslice will create a plan for next meeting. Assign committee liaisons.

Barletta: Suggests locking up schedules to reserve zoom. Perhaps meet over a three-hour zoom on a Saturday.

Lewis extended offer to Allison and Tony on the Water/Sewer articles. 'Welcomed'

**RKG report – see attached report**

Vanderslice went through a comparison of RKG numbers and original FinCom numbers. **See three-page document attached**

Chairman of BOS/Town Admin/Town Counsel has not heard from NU in a while. We do not have actual numbers re: personnel, usage, final footprint. Need to understand that FinCom and RKG estimates are just that – estimates of cost impact based on the information we have. RKG high estimates are higher than FinCom. Their process was different.

Zahora: We also need to give people the cost of NOT doing Eminent Domain. Explain Why It Matters.

On January 28<sup>th</sup>, there will be a Q & A on Eminent Domain through ZOOM by Eminent Domain Atty. It will also be broadcast on cable tv. Start time is set for 6:30 p.m.

**Public Forum**

Carangelo: Numbers in comparison don't seem to jibe. Vanderslice will reach out to Ken to discuss discrepancies/differences.

B. Rogers: When is Eminent Domain Final? Cullinan and Barletta gave a quick explanation of Eminent Domain and suggested she watch on 1/28/21.

S. Solomon: FEIR does talk about lab classrooms and wet labs.

A. Cort: NU's current population at East Point cost the town about \$323,139/year just to what they are doing now. RKG's low estimate based on taking NU's statement about population. Numbers keep changing.

Sheehan: Current cost to town if NU moves, do we have extra \$ in cash reserves?

Cullinan: Town not currently getting any money.

Antrim: Interesting question from Sheehan.

**Motion to adjourn by FinCom 9:12 p.m. by Zahora, seconded by Beatty. Unanimous ayes by rollcall.**

**Motion to adjourn by BOS. 9:12 p.m.**



## **Introduction**

Comparison of Nahant estimate to RKG estimate

- In April 2020 the Town of Nahant contracted with RKG Associates to prepare an estimate of the financial impact of the proposed Northeastern University (NU) expansion of their Marine Science Center at East Point in Nahant.
- The objective of the RKG estimate was to obtain an independent estimate, prepared by specialists in real estate planning and municipal finance, for comparison with the preliminary estimate prepared by the Town (see Selectmen's Second Statement).
- In December 2020 the Town received the RKG estimate and this document compares the Town's preliminary estimate with the RKG specialist estimate.



## Comparison of Nahant estimate to RKG estimate

	Low				High			
	Nahant	RKG	\$ Difference	% Difference	Nahant	RKG	\$ Difference	% Difference
<b>Expenses</b>								
Operating expenses	14,400,000	14,840,816	440,816	3%	18,500,000	26,687,432	8,187,432	44%
Capital expenses	2,500,000	Not estimated			3,200,000	Not estimated		
<b>Revenue</b>								
Incentive payment	6,000,000	0	-6,000,000	-100%	0	0	0	0%
Permit fees	660,000	220,000	-440,000	-67%	660,000	220,000	-440,000	-67%
<b>Net expense, excluding capital</b>	<u>7,740,000</u>	<u>14,620,816</u>	6,880,816	89%	<u>17,840,000</u>	<u>26,467,432</u>	8,627,432	48%

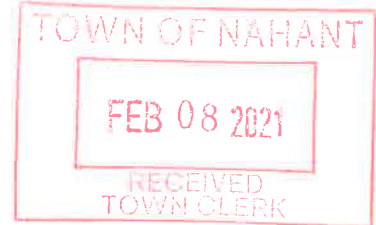
- A. Both RKG and Nahant used same estimating approach – per capita cost
- B. RKG used a different approach for calculating the low/high range than Nahant. Nahant used a simple percentage range from low of -15% to high of +10% around a base dollar estimate. RKG used a range of NU population from a low of 114 (NU claimed population) to a high of 205 (RKG estimate based on typical square foot occupancy)
- C. RKG did not estimate capital costs. RKG acknowledges that there will be capital costs, but does not have the capability to evaluate the engineering aspects of such projects.
- D. RKG estimate of NU construction costs is \$18 million, lower than the Nahant estimate of \$55 million, resulting in less permit fee revenue.
- E. RKG did not include an incentive payment from NU, noting “no documentation memorializing this offer was provided and it is therefore not considered further in this analysis.”

**TO:** Jeffrey Blake, Jonathon Whitten  
KP Law  
101 Arch Street, 12<sup>th</sup> Floor  
Boston, MA 02110

**FROM:** Craig Seymour  
RKG Associates, Inc.

**DATE:** December 16, 2020

**SUBJECT:** Fiscal Impact of Proposed Northeastern Facility  
Town of Nahant, MA



### **Purpose and Understanding**

RKG Associates, Inc. (RKG), a real estate planning and economic development consulting firm, was contracted by KP Law on the behalf of the Town of Nahant to provide an independent review of a preliminary financial analysis by the Nahant Board of Selectmen (BOS) with respect to a Northeastern University (NU) proposal to construct a 55,000 SF facility as part of their existing marine research campus on East Point in Nahant.<sup>1</sup>

As RKG understands the issue, the Town is seeking to acquire property on the east end of Nahant, now owned by NU and proposed for additional development and build-out. The Town desires to preserve the property and public access to it in perpetuity, either through a negotiated agreement with NU or through the use of eminent domain, using a combination of private donations and Town bonding supported by the use of Community Preservation Act funds. This approach by the Town is described in a report issued by the BOS in March of this year.<sup>2</sup> The area sought by the Town includes the existing Murphy Bunker, currently used by NU, and directly abuts the Town-owned Henry Cabot Lodge Park.

According to the documents reviewed and research undertaken by RKG for this analysis, NU is proposing to construct an approximate 55,000 square foot research and teaching facility, on and adjacent to the underground Murphy Bunker, as well as other improvements to the property. According to NU's various regulatory filings under the Massachusetts Environmental Policy Act (MEPA),<sup>3</sup> the proposed project will purportedly result in a doubling of the number of personnel now working at the site, from 114 to 228, consisting of faculty, staff and graduate student researchers. As a qualifying not-for-profit educational institution, under state rules, NU is exempt, with limited exceptions, from local property taxes as well as local zoning codes under G.L. Chapter 40A, Section 3 (the "Dover Amendment").

At the outset, RKG's review of the document offered by the BOS (the Report), notes that it is well presented in a summary format, and was supported by worksheets detailing the assumptions used and calculated findings that were provided separately.<sup>4</sup> The Report

<sup>1</sup> *Preserving East Point as a Wildlife Preserve*, Second Statement of the Nahant Board of Selectman, prepared by the Nahant Board of Selectmen, dated June 23, 2020.

<sup>2</sup> *Taking the First Step in Saving East Point as a Wildlife Preserve FINAL*, dated March 19, 2020.

<sup>3</sup> These documents include the final *Environmental Notification Form*, dated May 31, 2019; the *Supplemental Memorandum to the ENF* dated July 9, 2019 and the *Final Environmental Impact Report*, EEA#16046, March 16, 2020.

<sup>4</sup> *Northeastern - financial impact to Town5.xlsx*, provided to RKG by Robert Vanderslice, a member of the Advisory and Finance Committee.

concludes that the proposed NU expansion will have a serious detrimental fiscal impact on the Town as a result of increased municipal service costs and capital improvements for infrastructure required to support the additional activity resulting from the construction and operation of the proposed facility.

The Report concludes that the proposed NU facility will result in total additional costs to the Town of between \$16.9 and \$21.7 million over a 40-year period. These costs include additional municipal operating expenses as well as recurring upgrades and improvements to the Town's sewer and road infrastructure. The Report also discusses a potential loss of property values in the vicinity of the NU project, and the impact on the Town's tax base, but does not include these estimates in the final tally of costs. The Report discusses Payments in Lieu of Taxes (PILOTs) as a means of having NU, as a not-for-profit institution not subject to property taxes, pay for its share of the purported costs, as is done in other jurisdictions. It further describes an apparent offer by NU to offset any costs to the Town of \$6 million paid over a 40-year period. The Report states in a footnote that *"There is no proposal pending, and it is not clear that Northeastern would be willing to make such a proposal at this time."* No documentation memorializing this offer was provided and it is therefore not considered further in this analysis.

As a preliminary review of the materials provided to or obtained by RKG, and conversations with the department heads from fire, police and public works, we offer the following:

#### **Municipal Service Costs**

The Report estimated potential operating costs associated with the NU expansion by utilizing a per capita average cost approach. This methodology calculated the average cost of providing services across many of the various Town departments, as laid out in the Town budget statements, and divided by the Town's population, resulting in an average cost of \$2,835 per person, as indicated in Table 1 below. This total excludes education costs which are assumed not to be impacted by the project.

This per capita cost was then multiplied by the reported number of new employees at the new NU facility (114), resulting in an annual cost of \$323,139, which was then added over a 40-year period (without inflation) to total \$13.3 million. This same methodology was also used to calculate the impacts using the higher employment estimate reported in NU's Initial ENF/DEIR filing of 147, resulting in a forty-year total cost of \$17.2 million. Applying a 2.5 percent inflation rate to this 40-year total increases the costs to \$22.4 million and \$28.9 million, respectively. The report only looked at the new facility and did not include the existing 114 employees at the NU Marine Research Center, who by extension are costing the Town an equivalent amount to support on an annual operating cost basis.



<b>Table 1</b>		<b>per capita</b>
<b>General Fund Expenditures</b>		
Public safety	\$2,818,800	\$802
DPW	\$565,210	\$161
Debt	\$865,137	\$246
State assessments	\$236,357	\$67
Debt shift and stabilization	\$1,483,384	\$422
Health and retirement	\$2,388,472	\$680
Town Government	\$1,600,413	\$456
<b>Total</b>	<b>\$9,957,773</b>	<b>\$2,835</b>

Source: supporting spreadsheet for 6/23/20 BOS Statement

The methodology utilized in the report by the BOS assumed that employees at the NU are the equivalent of residents – implying that they utilize municipal services in a similar fashion. According to NU's filings, the research and education activities at the facility take place on a continual daily basis over the course of the year. As such, there is activity at the facilities at all times, requiring the Town to provide services on a 24/7, 365 day basis, similar to residents.

Although NU's MEPA filing indicated a total of 114 new staff, faculty and student researchers, the size of the proposed facility warrants a discussion of other activities that could take place within it and estimates of its maximum supportable capacity. As a research and teaching facility, it is likely to be utilized in a variety of different ways – for conducting on-going research in its labs, for teaching classes or hosting educational seminars and conferences, or potentially for other uses such as office space. As NU is exempt from strict conformance with Nahant's Zoning Bylaw, it could conceivably use the facility for virtually any use that supports the University's educational mission.

An analysis undertaken by two MIT faculty members (and Nahant residents) for the Nahant Preservation Trust (NPT)<sup>5</sup> concluded that the proposed facility was over-sized for the uses described in NU's filings, and that the uses proposed could be accommodated in a building of 30,479 to 35,734 gross square feet. Based on the proposed 114 faculty, staff and students that will be at the facility, this amounts to 267 to 313 square feet per person. Applying these factors to the proposed 55,000 square foot facility indicates that it could support 175 to 205 people.

Similarly, if the proposed 55,000 square foot facility is built for use as traditional office space, and applying industry standards of a 75 percent efficiency factor (i.e. 25 percent of the space is for circulation, bathrooms, storage and mechanical systems) and an average occupancy of 250 square feet per employee, the facility could support as many as 165 employees.

<sup>5</sup> 5 Nahant Preservation Trust Response to Northeastern University's Coastal Sustainability Institute Draft Environmental Impact Report, Alternative 1 Review, Dec. 31, 2019 (Ex.2 Alternatives analysis.pdf)

There are several approaches available for determining fiscal impacts; all based on the same general assumptions:

- First, current local operating costs and revenues are the best basis for determining future costs and revenues.
- Second, the proposed project is at full build-out and occupancy. This allows for a comparison of the financial effect of the entire project on municipal costs and revenues, as if existing today. While many projects are constructed over a multi-year period, municipal costs and revenues generally occur in equal proportions, therefore this steady-state approach does not detract from the appropriateness or accuracy of this method.
- Third, costs should be directly or indirectly related to the proposed project based on relevant metrics such as usage, activity, or size and to other similar types of uses in the community.

It should also be noted that fiscal impact analysis is only concerned with local public costs and expenditures. All state aid, grants, and non-local one-time sources of revenue are removed from the calculations. Further, fiscal impact analysis focuses on the Town's general fund, which directly impacts the community's tax base. Although specialized funds, such as utility enterprise funds, may also be impacted, those impacts are treated separately from the general fund

RKG used the same average per capita approach to estimate the municipal service costs, utilizing data from the Town's Fiscal Year 2019 general fund expenditures as reported in the Town's published financial statements. These costs were then adjusted as follows:

- Education costs were not included since no school-age children are expected to live at the NU facilities.
- Pension and benefit costs were reduced by subtracting the proportional share of education-related costs (33% of general fund expenses).
- Debt service costs were reduced by subtracting school-related debt share of total debt (27%).

The results of RKG's adjustments are shown in Table 2 below and total \$1,931 per capita.

	2019 General Fund	Adjusted	Per Capita
General Government	\$1,354,329	\$1,354,329	\$386
Public Safety	\$2,653,444	\$2,653,444	\$755
Education (1)	\$3,771,071	\$0	\$0
Public Works	\$464,747	\$464,747	\$132
Health & Human Services	\$83,108	\$83,108	\$24
Culture and Recreation	\$287,562	\$287,562	\$82
Pension Benefits (2)	\$834,826	\$556,265	\$158
Employee Benefits (2)	\$934,405	\$622,617	\$177
Insurances	\$214,570	\$214,570	\$61
State and County Charges	\$128,930	\$128,930	\$37
Debt Service (3)	\$574,611	\$419,505	\$119
<b>Total</b>	<b>\$11,301,603</b>	<b>\$6,785,076</b>	<b>\$1,931</b>

(1) - Education costs excluded  
 (2) - Adjustment for Education Share of Benefits  
 (3) - Adjustment for Education Share of Debt Service  
 Source: Nahant FY19 Financial Statements, RKG Associates

This per capita cost can then be multiplied by the anticipated users of the proposed NU facility to estimate the total annual municipal service costs to the Town of Nahant associated with it use. Based on the discussion above, the population of the facility and the estimated fiscal impacts has been split into three scenarios:

- Low – 114, the number of users reported in NU's recent documentation
- Medium – 147, the number reported in NU's earlier EIS/MEPA filings
- High – 205, the maximum occupancy based on the analysis undertaken by NPT.

These totals are shown below in Table 3.

Scenario	Population	Annual Cost	40 Year Total (constant dollars)	40 Year Total (2.5% inflation)
Low	114	\$220,182	\$8,807,272	\$14,840,816
Medium	147	\$283,919	\$11,356,746	\$19,136,842
High	205	\$395,941	\$15,837,639	\$26,687,432

Source: RKG Associates

Because Northeastern does not pay property taxes or otherwise contribute to the Town's general fund revenues, the net fiscal impact on the Town is negative. This analysis further implies that the existing NU facility, with 114 employees, is also costing the town over \$220,000 annually to provide municipal services.

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Under the assumptions presented in Table 3, and reflecting the inflation adjusted 40-year term, estimated municipal costs could range from \$14.8 million to \$26.7 million, as contrasted to the range of \$22.4 million to \$28.9 million in the Report.

These results, and the methodology used in the BOS report, assumes that the NU facility and its personnel uses municipal services in a manner equivalent to that of full-time residents. This is likely true for services such as public safety (which protects lives and property around the clock) and public works. It can be argued that other municipal activities, for example general administrative services such as voter registration or public health services, and fixed costs such as debt service or pension benefits, are not utilized. While this may be true in the short term, over the 40 year period used in the BOS report, all of the Town's general fund expenditures would be impacted by the increase in population and the additional structures/facilities located at NU's East End campus.

### **Capital Costs**

The BOS report indicated that the proposed NU project would require the Town to incur capital costs to undertake major infrastructure projects *"that the Town has no plans to make without the Northeastern project"*.<sup>6</sup> These projects include \$12 million for sewer upgrades, \$750,000 for a pump station upgrade, \$500,000 for repaving Nahant Road and \$800,000 for repair work to the 40 Steps revetment wall. Only the latter three projects were considered directly attributable to the NU project in the report and were assumed to be bonded for either 10 or 20 years and the debt service cost over the 40-year period, which totaled \$2.95 million, was applied as a project cost. No engineering studies that directly tie these impacts to the project were referred to in the Report.

The capital improvements described in the BOS Report would benefit the NU facility (existing and as proposed) and would also benefit other residents and visitors to Nahant. There was no indication provided that the additional estimated 175 vehicle trips generated by the proposed project (as reported in the DEIS) or wastewater generated by the 114 additional employees would result in failure of these infrastructure components. However, it was indicated by the current and the former DPW directors that one of the pump stations serving the East End is at capacity and will need to be replaced should additional flow be added to the system.

Analyzing infrastructure needs and costs is outside RKG's scope and expertise. In order to accurately and fairly allocate potential capital costs for infrastructure to the proposed NU project, RKG recommends that detailed traffic (including on-going daily use and use during construction of the project) and water/sewer usage studies be conducted that specifically calculate the impacts to and costs to repair or upgrade the infrastructure components cited in the BOS Report.

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<sup>6</sup> *6 Financial Summary page 13 from BOS Report.*



### **Other Revenues**

If the project proceeds, NU will be required to pay certain fees for the required building permit to cover the costs of inspections and reviews over the course of construction. Based on the Town's current fee schedule, the building permit fee of \$12 per \$1,000 of cost will generate significant revenue that can be used to offset any additional costs associated with the review and inspection of the building process.

The BOS Report estimated that the cost of the 55,000 square foot building would be on the order of \$55 million, or \$1,000 per square foot. RKG believes this amount to be overstated. Based on construction costs derived from published sources and comparison to other research and educational facilities, RKG estimates the construction cost to be on the order of \$18 million (approximately \$330 per square foot or one-third of that in the Report), resulting in a one-time building permit fee payment of approximately \$220,000. This revenue would be used by the Town for expenses relating to inspections. Commercial construction projects of this magnitude typically include internal inspections and code review by the architects and engineers responsible for the project, or include independent outside review, thereby reducing the amount of effort required by the Town's building inspections staff.

The BOS Report also discussed the alleged NU incentive payment of \$6 million over 40 years. Without a formal proposal or offer from NU to the Town, RKG has not analyzed this further.

### **Other Considerations**

The BOS Report also refers to other potential costs associated with the proposed NU project that would be incurred by the Town. These included the potential reduction in property values to nearby homes during the period of construction, and the resulting shift of the property taxes lost onto the rest of the Town's tax base. RKG is not aware of any studies, reports or research that can be used to definitively estimate the impact to housing values and to assessed values. While such an impact is possible in theory, in today's economic environment of rapidly rising home values, Nahant's unique market position and the relatively short-lived period of construction (the actual impacts of which have not been determined), any impact on prices is likely to be negligible, with any impact more related to a property's time on market than price. Any linkage of property value to the construction of the proposed NU facility will require significant additional analysis by a highly qualified specialist based on specific parcels and a detailed construction schedule and plan.

Lastly, the BOS Report discussed Payments in Lieu of Taxes (PILOT) as a means of estimating what NU would pay in property taxes but for its tax-exempt status. The analysis applied the Town's tax rate of \$10.97 per thousand of assessed valuation, less that portion of the tax rate that applies to education costs (\$3.52), to the estimated value of the new facility (\$55 million), resulting in a potential revenue stream over 40-years of \$14.2 to \$18.4 million. In RKG's opinion, the assessed value of the facility, based on construction costs and comparable facilities elsewhere, would be \$20 to \$25 million including personal property (FF&E), resulting in a forgone tax revenue of approximately \$220,000 to \$285,000 annually, or \$8 to \$11 million over 40-years.

Discussions with members of the BOS and others referred to the City of Boston's PILOT formula that is applied to exempt organizations with payment requested on a voluntary basis. RKG's research indicates that Boston encourages exempt organizations to pay a minimum of what they would owe if they were taxable on their tax-exempt property value (typically about one-half of full market value but this varies by use), discounted by approximately 50 percent based on the public benefits provided. Some organizations pay their share while others do not. In FY2019, the City of Boston collected 71 percent of the PILOT requests made from educational institutions in the City.<sup>7</sup>

### **Summary and Conclusions**

Based on the information reviewed and RKG's independent research, the proposed NU expansion of its Marine Research Center on East Point in Nahant will result in a negative fiscal impact to the Town's general fund of approximately \$220,000 to \$395,000 per year, depending on the population of faculty, staff and students who utilize the facility on a daily basis (in addition to the current 114 employees). This fiscal impact estimate would increase—the negative impact would be greater—if NU, now or in the future, expanded the uses and activities on the subject locus beyond that evaluated here. Given the broad latitude granted to educational institutions such as NU by G.L. c.40A, s.3 (the "Dover Amendment"), such an increase in the resulting fiscal impact is reasonably likely, although not ascertainable at this point in time.

The construction of the project will generate one-time fee revenue of approximately \$220,000 from building permit fees, which can be used to cover costs associated with inspections and reviews.

NU will also pay increased water and sewer charges based on any additional usage generated by the new facility and its employees, staff and visitors.

Without more detailed information on the Town's infrastructure systems potentially impacted by the proposed project, RKG cannot estimate any future capital costs that will result from construction and operation of the proposed NU facility.

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<sup>7</sup> See <https://www.boston.gov/finance/payment-lieu-tax-pilot-program>



## *FY22 Budget Preparation Schedule*

**Sunday, January 31, 2021** – Citizen Petition and Committee deadline for Warrant Articles

**Thursday, February 4, 2021** – BOS meeting - Approve Budget and Warrant and send to Advisory & Finance Committee  
8/9 weeks lead time for A&F

**Friday, April 9, 2021** – Advisory & Finance Committee ATM Recommendation Book Final Draft to printer

**Friday, April 30, 2021** – ATM Warrant Posting due date

**Friday, May 7, 2021** – Advisory & Finance Committee ATM Recommendation Book delivery due date

**Saturday, May 15, 2021** – Annual Town Meeting at Flash Road Park

**Monday, May 17, 2021** – Potential Day 2 of Annual Town Meeting

**Saturday, May 22, 2021** – Rain Date for Annual Town Meeting

**Monday, May 24, 2021** – Rain Date Potential Day 2 of Annual Town Meeting