

Town of North Reading Municipal Wastewater System Financial Assessment Study

Senior Center
Information Session

Wednesday, November 2nd



Agenda

1

Background

2

Betterment Determination

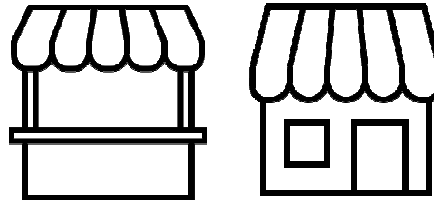
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Return on Investment

Why Do We Need Public Sewer?

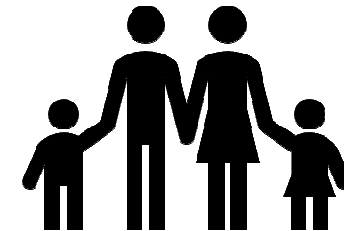
- **Promote Economic Growth**

- Increased services
- Increased job opportunities
- Increased property values



- **Limited Multi-Family Housing on Main St.**

- Guided growth in population density to support business



- **Promote Public Health & Environmental Protection**

- Improve surface and groundwater quality



How Will Existing Residents and Businesses Benefit?



- Increased sewer capacity and no longer have the restrictions of septic
- No septic backups, odors, or maintenance costs
- Increased property value
- New jobs and increased population in the area
- Increased commercial business

What are the Benefits to the Community?

- Economic Growth within the Sewer District
 - More diverse Commercial and Industrial Business District
- New Growth Tax Levy to support Town Services
- Increased job opportunities within the Sewer District



What Will it Cost Me?

- Betterment Costs – for a Single-Family Residential Home
 - ~\$46,000 (***Under worst-case scenario***)
- Cost to abandon existing septic system and connect to sewer.
 - Typical range ~ \$10,000 – \$30,000
 - This is **highly variable** and is based on your property. Your cost could be higher than this. Some key factors include:
 - Where is your septic located?
 - How far away from the street are you?
 - What are the subsurface conditions? Is there ledge?
 - Do you need to cross your driveway?
- Sewer Use Fees (based on water use)
 - This has not been set by the Town, but could be approximately 150% of your water bill
 - Likely to be assessed quarterly

What is a Betterment and What Does it Pay For?

A **Betterment** is a special property tax used for the construction of a public improvement. For sewers, these costs cover:

- **General Benefit Facilities**, such as pumping stations, trunk sewers and force mains, and
- **Special Benefit Facilities**, such as sewer mains and service laterals serving adjacent properties.

Betterments do NOT cover cost to connect to the sewer system, or to decommission your existing septic system.



How Does a Betterment Work?

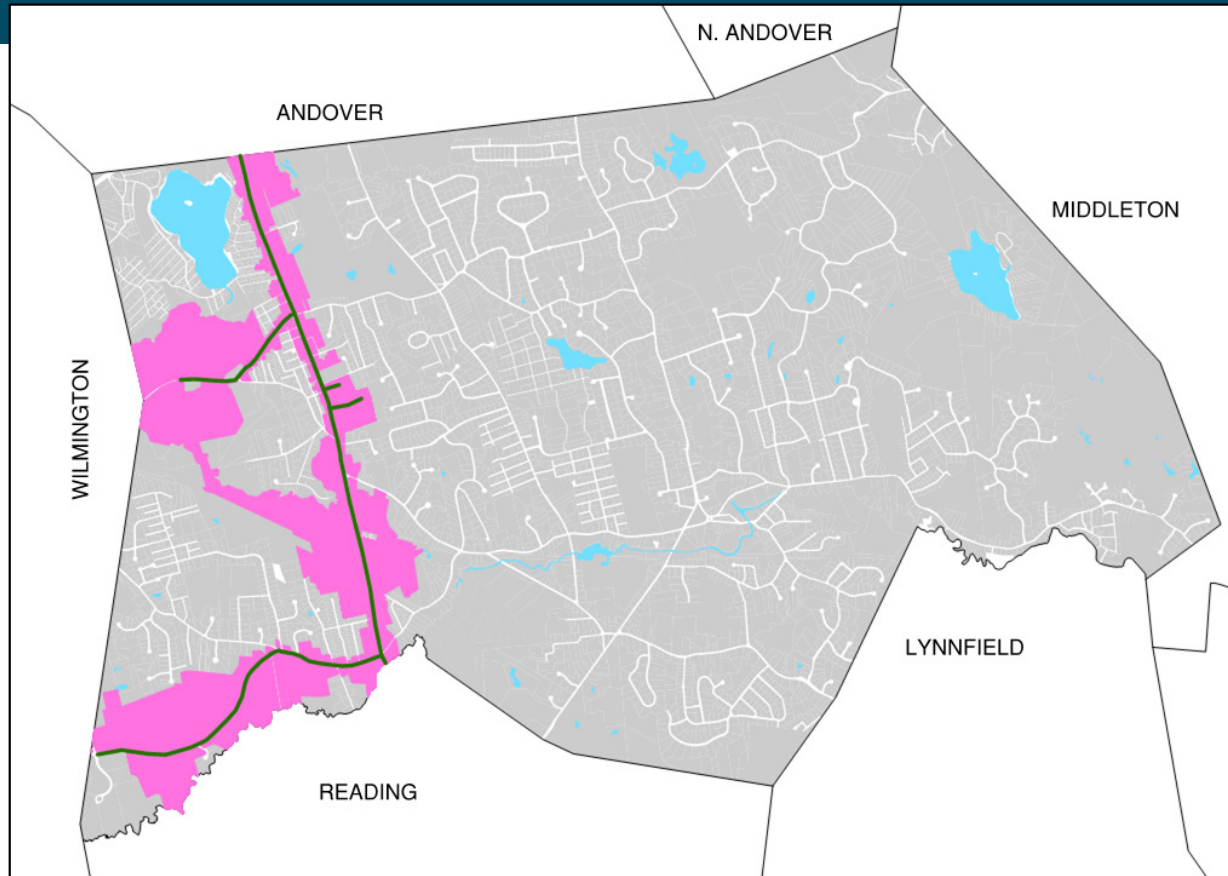
A betterment is a **municipal lien** on a property, determined once all project costs are finalized. The property owner may elect to pay all or a portion of the lien when assessed, stretching the remainder over the bonding period, or portion thereof.



Typically, this lien is paid at time of sale if the property is sold.

The Town is investigating special legislation that would allow for passing the lien on to the buyer.

Who is Assessed a Betterment?



All parcels abutting the proposed sewer main may be assessed a betterment to help cover the costs of the project.

Who Decides on a Betterment?

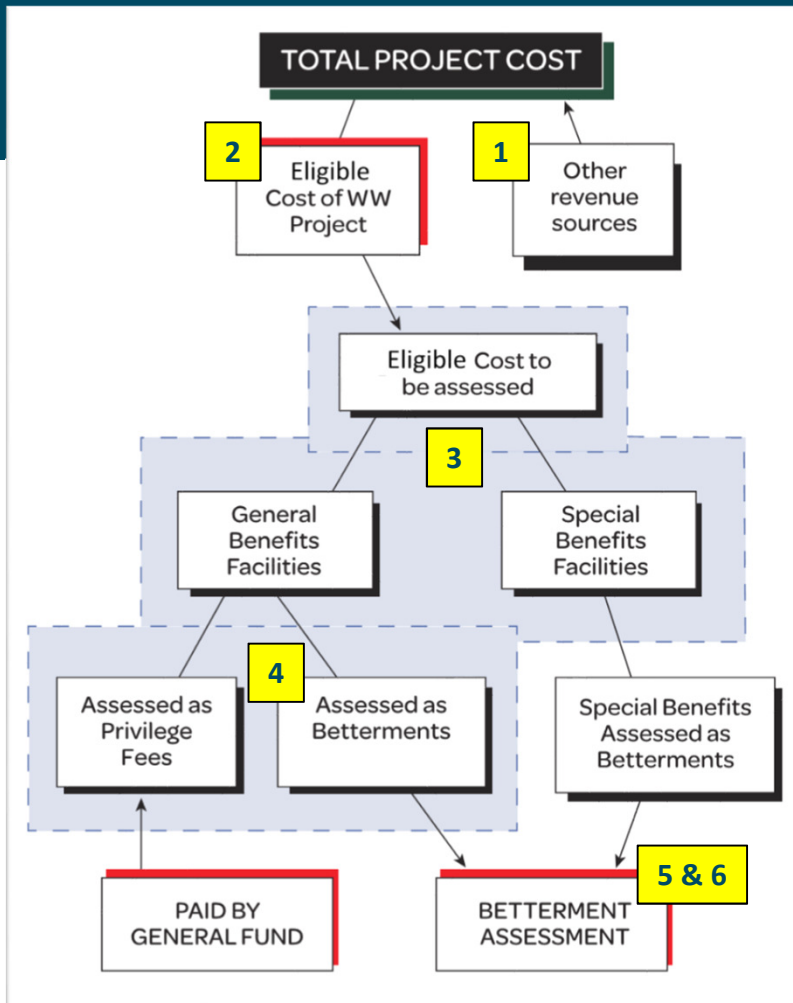
Town Meeting, and a Special Election if required, will vote whether or not to approve funding for the Sewer Project and the Assessment of Betterments.

The Select Board can pre-determine how Betterments are to be Assessed by holding a meeting to vote on certain criteria that affect the ultimate cost of Betterment Assessments.

The Betterment Vote must decide on issues such as:

1. Percentage of Eligible Project Costs to Collect through Betterments
2. Method to Assess Betterments
3. Interest rate charged to unpaid balance of Apportioned Betterment Assessments (Allowed up to 2% over borrowing interest rate)

What Decisions Must Be Made?



Decision Points:

1. Establish Alternative Revenue Sources
2. Determine Eligible Project Costs
3. Determine Cost Distribution Between General and Special Benefits
4. Determine % of General Benefits Facilities Costs Assessed as Betterments
5. Select Betterment Methodology
6. Calculate Betterments Costs Once Project Costs are Finalized

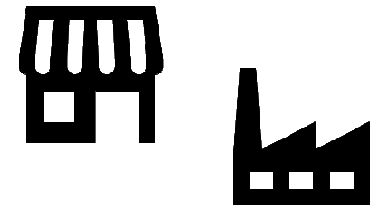
How is a Betterment Determined?

Once the division of costs is determined and costs are finalized, the cost will be divided by the total number of equivalent sewer units.



Flow from a single-family residential home = 1
equivalent sewer unit

- **Unit Uniform Method**: Each property is assigned a number of equivalent sewer units based on estimated wastewater contributions.
 - Single-Family Residential Home = 1 Sewer Unit
 - Residential Condominiums = 0.75 Sewer Units
 - Commercial Condominiums
 - All else based on historical water use



Water Use Method

$$\text{No. of Sewer Units} = \frac{\text{Historical Water Use}}{\text{Equivalent Sewer Unit Flow}}$$

Example: A store using 390 gpd is assessed 3 sewer units.
 $390 / 130 = 3$

Notes:

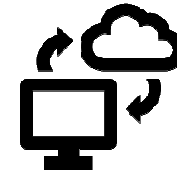
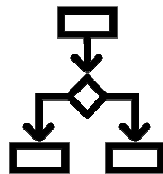
1. Average Water Use for Single-Family Homes = 130 gpd = 1 Equivalent Sewer Unit
2. All single-family homes assigned 1 sewer unit
3. All condo units assigned 0.75 sewer units
4. Commercial & Industrial Properties are Assigned a number of sewer units based on historical water use
5. Sewer Units rounded up to nearest 0.25

$$\text{Cost (\$) Per Sewer Unit} = \frac{\text{Total Betterment Assessment Cost}}{\text{Total Number of Sewer Units}}$$

Betterment Determination Variables

Town Decision Points

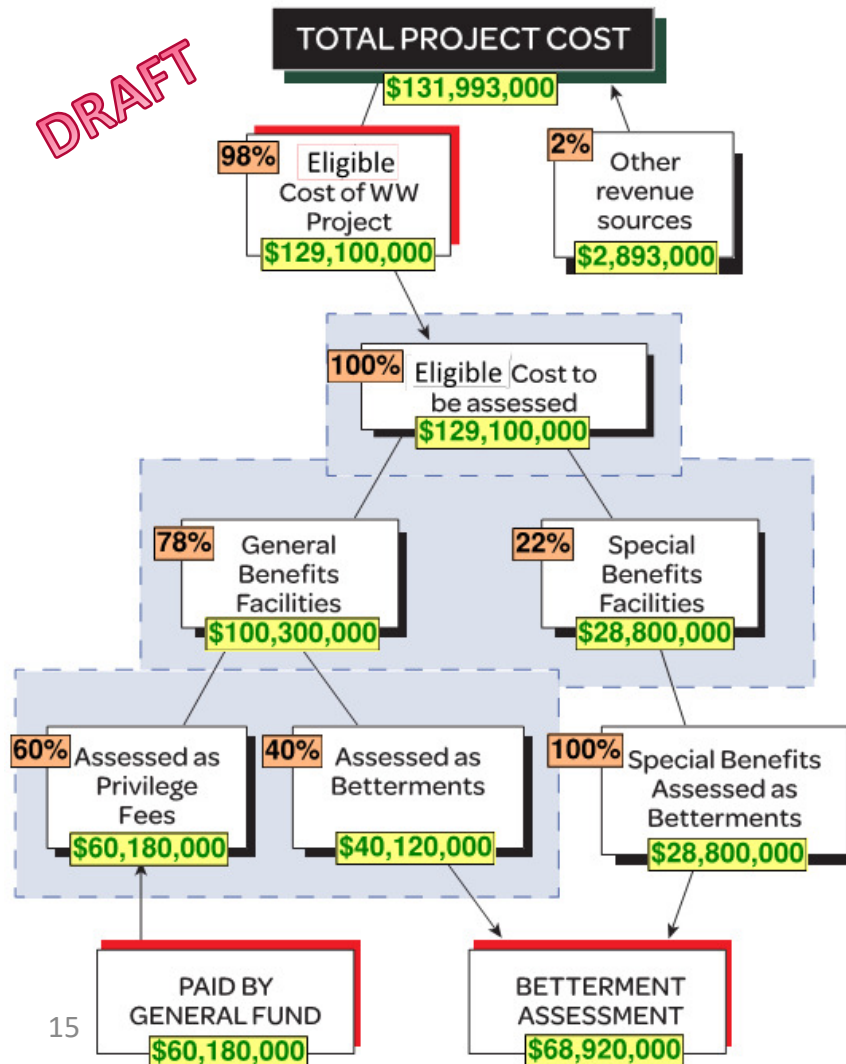
- Project Cost Allocations
- Betterment Methodology
- Loan Period and Interest Rate
- Parcels Assessed a Betterment



Base Model Assumptions

- \$129.1 Million Eligible Project Costs
- Approx. \$68,900,000 Assessed as Betterments
- Water Use Method
- 30-Year Loan Period
- 5% Interest Rate

Base Model Cost Allocations



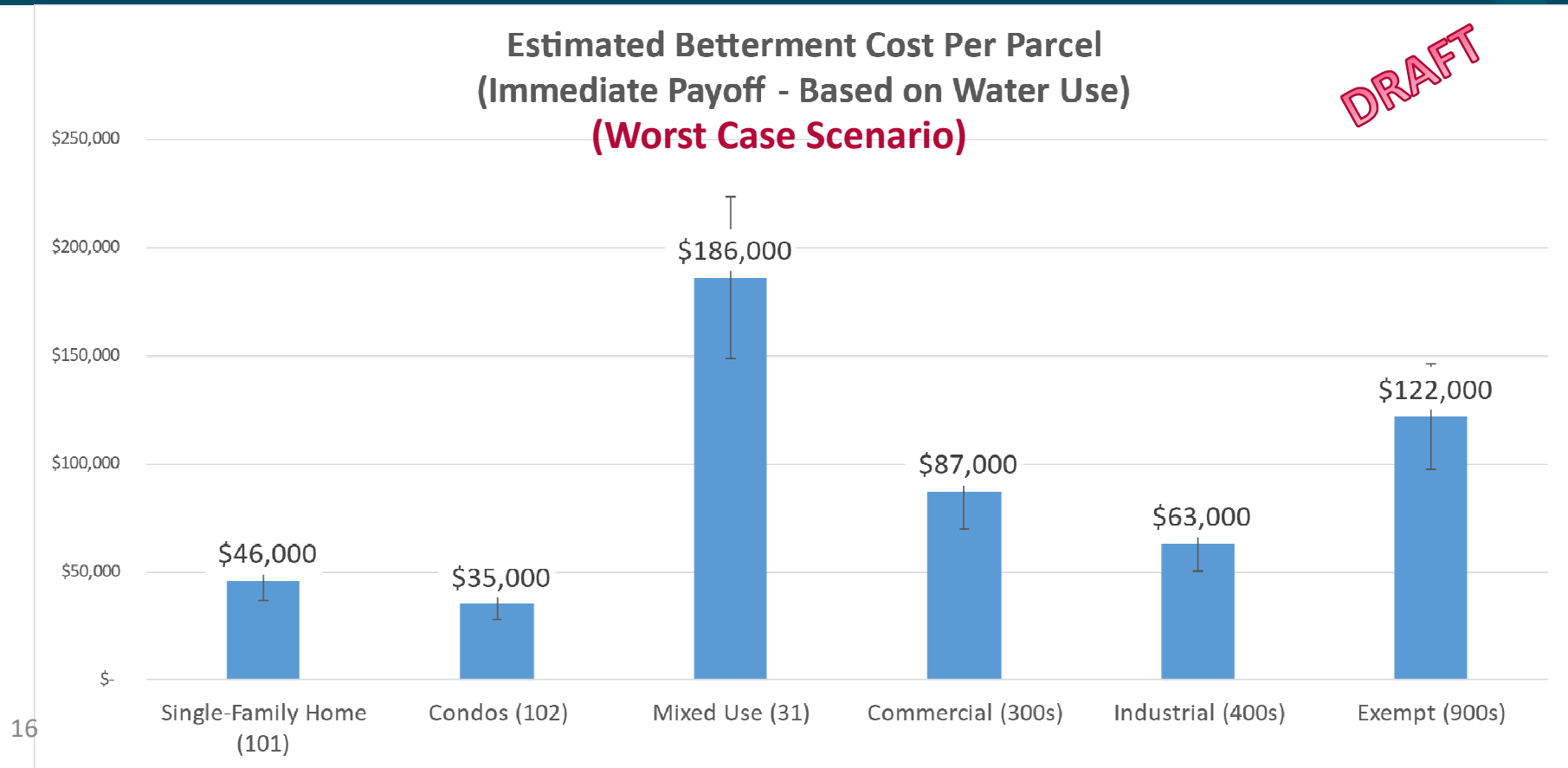
**Base Model Assumptions for
Demonstrative Purposes Only**

**This shows worst case with no additional
funding.**

**Based on an estimated Total Project Cost of \$131,993,000. The final cost allocations will be determined by the Select Board after final construction costs are known. Values have been rounded.*

Betterment Estimates: Immediate Payoff

**Based on an estimated Total Project Cost of \$131,993,000.
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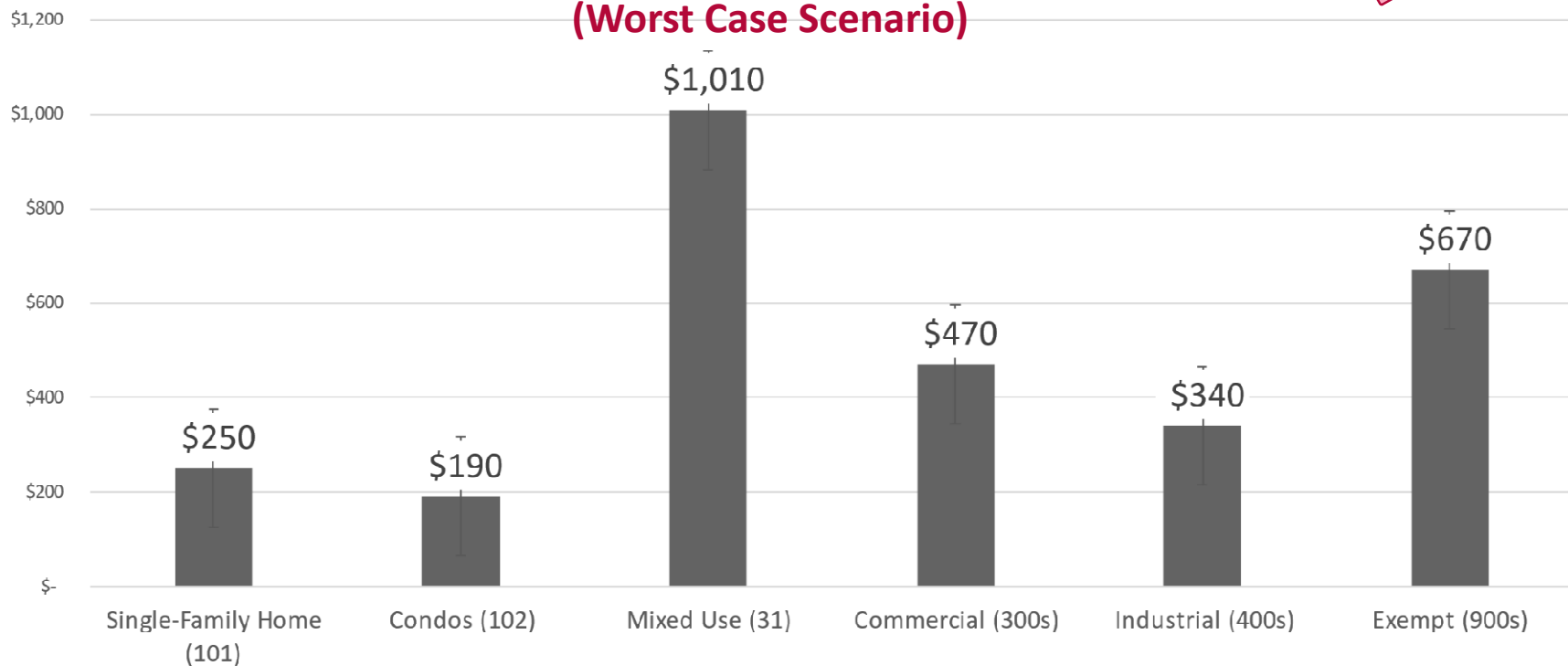


Betterment Estimates: 30-Year Loan, 5% Interest Rate

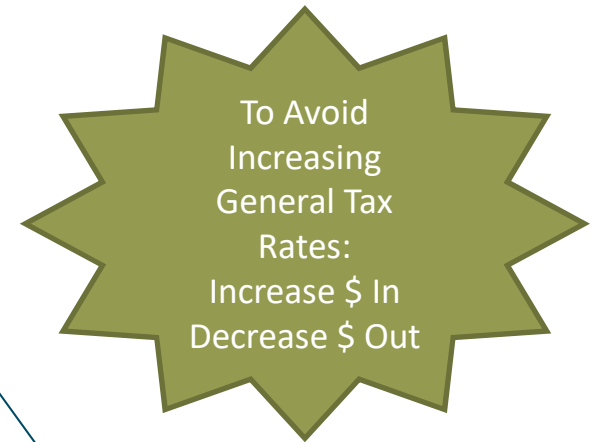
**Based on an estimated Project Cost of \$131,993,000. The final cost allocations will be determined by the Select Board after final construction costs are known. Values have been rounded.*

DRAFT

**Average Monthly Betterment Cost Per Parcel
with 30-Year, 5% Loan Rate
(Worst Case Scenario)**



How Can We Pay Off the Remaining Debt?



Betterments

Residential New
Growth Tax Levy

Alternative Revenues
(Grants, Land Sale)

Existing Property Value
Increase Tax Levy

Commercial New
Growth Tax Levy

Potential Impact on Residential Taxes

No Alternative Funding Scenario
(No grants, land sale, revenue from projected growth)

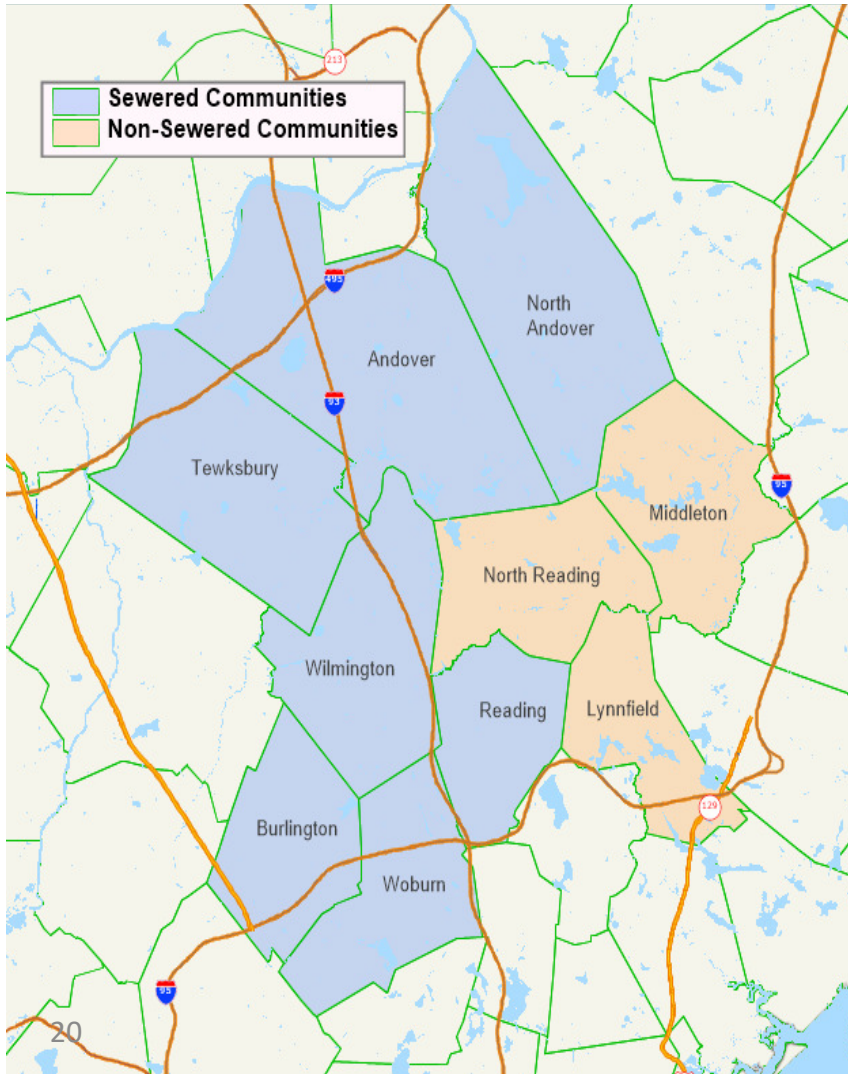
FY 22 Tax Rate: \$15 / \$1,000 Evaluation

Over 30-Years

Average +\$0.96 / \$1,000 Evaluation
or approximately

+\$660 Increase in Annual Tax for Average Single-Family Home

Part II – Property Valuation and New Growth



- FXM Projected Commercial / Industrial, and Multi-Family Residential Growth in the Sewer District is based on Projected Demand in Surrounding Sewered Towns
- Not a feasibility study – for long term planning purposes on
- Assumes constant tax rate of \$15 / \$1,000 valuation

Conclusion: There is sufficient demand within the market area to absorb the projected commercial SF potential and number of units projected

Part II – Property Valuation and New Growth

Summary Findings Potential Financial Impacts of Proposed Wastewater Management System Commercial & Industrial Properties				
	Retail	Industrial/Flex	Office	TOTAL
Potential Increases in Value of Existing Properties (\$2022)	\$ 126,325,000	\$ 41,618,000	\$ 22,118,000	\$ 190,055,000
Potential Net New Growth (2026-2056)	Retail	Industrial/Flex	Office	TOTAL
Inventory (SF)	359,000	1,954,000	305,000	2,618,000
Property Values	\$ 127,841,000	\$ 624,790,000	\$ 149,845,000	\$ 902,476,000
Tax Revenues	\$ 1,918,000	\$ 9,372,000	\$ 2,248,000	\$ 13,537,000

Projections Define
100% Potential Residential Growth,
100% Potential Commercial Growth

Market Demand Potential Only
Actual Growth Impacted By Town Decision Making

Summary Findings Potential Financial Impacts of Proposed Wastewater System Multifamily Residential Properties				
Potential Net New Growth (2026-2056)				
Inventory (number of units)			1,302	
Property Values		\$ 698,587,000		
Tax Revenues		\$ 10,479,000		

ROI Sewer Related New Growth

30 Year Average Percentage of New Growth Potential ¹	30 Year Total Debt Obligation ²	30 Year Total Sewer Related Prop 2 1/2 New Growth Tax Revenue	30 Year ROI Calculation
25% Residential 25% Commercial	\$133,871,000	\$110,250,000	0.8
50% Residential 50% Commercial	\$133,871,000	\$220,500,000	1.6
75% Residential 75% Commercial	\$133,871,000	\$330,748,000	2.5
100% Residential 100% Commercial	\$133,871,000	\$440,997,000	3.3

- 22 (1) Based on market demand potential for new growth evenly distributed over 30 years.
 (2) Assuming 0% residential opt-out and betterments payments evenly distributed over 30 years

Where can you find out more?

For additional information refer to the Town's website:

<https://www.northreadingma.gov/new-sewer-information>

Join us at a workshop! (Additional details to follow)

- Community Information Session, **Tuesday, October 11th**
- Resident Information Session, Tuesday, October 18th
- Business Information Session, Tuesday, October 25th
- Senior Center Information Session, **Wednesday, November 2nd**
- Virtual Community Information Session, Wednesday, November 2nd, 7:00 pm

