



Nahant Town Hall
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August 21, 2020

Dear Nahant Citizens,

The following pages, “Preserving East Point as a Wildlife Preserve, Second Statement of the Nahant Board of Selectmen,” compares the cost of executing Eminent Domain to the cost of allowing Northeastern to develop East Point. This document demonstrates that it will cost Nahant’s taxpayers less to fund eminent domain than it will to host an expanded Northeastern University. In other words, in the long run your tax burden will be less if East Point remains undeveloped via eminent domain.

As a reminder, the voters of Nahant designated all of East Point as a Natural Resource area nearly 30 years ago by a Town Meeting vote. Building in Natural Resource areas is not permitted (except for recreational buildings) by Nahant’s Zoning Bylaws. However, Massachusetts’ “Dover Amendment” allows nonprofit educational institutions like Northeastern to circumvent certain local zoning. While we would argue otherwise, Northeastern is proceeding to override our Natural Resource District protections.

There is no escaping the fact that the largest development in Nahant’s history, in a Natural Resource area by a university that does not pay real estate taxes, will come with a cost to the Town.

The logical question is: What will it cost Nahant to host an expanded Northeastern? A financial assessment has been performed that sets the costs over 40 years as \$17-\$22 million. Therefore, if this expansion is not stopped, the best case scenario is that taxpayers of Nahant would be paying Northeastern’s unreimbursed \$17M over the next 40 years. \$17M over 40 years works out to approximately \$250 per year per household.

The Board of Selectmen (BOS) has submitted an application to the Community Preservation Committee (CPC) and the CPC voted to advance this application to Town Meeting. With the guidance of experienced professionals, the BOS has determined that the total budget for eminent domain is \$4.5M, which provides ample funds for both the fee paid to Northeastern and any resulting legal costs. Most of this \$4.5M will be paid by private donors and State match, so Nahant taxpayers’ contribution would be a total of \$1.7M over 30 years (which works out to \$35 per year per household). It is important to remember that this \$35 per year per household will come out of the existing Community Preservation Act funds and thus does not increase real



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estate taxes nor draw from the Town's general funds. Over the 30 year term of the bond, the annual payment will consume 17% of the CPA budget, leaving 83% of CPA budget for other projects in Nahant.

Another consideration is that if property values decrease in the residential areas near Northeastern as a result of the expansion, the rest of the Nahant's taxpayers would need to make up the difference in lost property taxes, potentially adding additional tax burden to Town residents beyond the neighborhoods surrounding East Point.

The facts are clear: It will cost you more on your taxes to host an expanded Northeastern than taking part of the property by eminent domain. Would you rather fund \$35 per year from your existing tax bill to save East Point forever or add \$250 per year to your tax bill so Northeastern can develop East Point?

All of these financial assessments take no account for the incredible beauty of this special place. East Point is the last undeveloped headland between Boston and Maine and should be preserved for future generations of people, birds, and animals. Nahant has very limited open space and East Point is the largest privately owned Natural Resource area in Nahant. It will soon be developed unless you use your vote to prevent it. You can save this place forever or you can watch it be developed. Nahant voters, the simple choice is yours:

Save money and save the place

OR

Lose money and lose the place.

Sincerely,

Joshua A. Antrim

On behalf of Nahant Board of Selectmen



Preserving East Point as a Wildlife Preserve

Second Statement of the Nahant Board of Selectmen



Prepared by the Nahant Board of Selectmen
June 24, 2020

Preserving East Point as a Wildlife Preserve
Second Statement of the Nahant Board of Selectmen

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Second Statement of the Nahant Board of Selectmen

Introduction

This is our Second Statement, on the Town of Nahant's plan to preserve East Point.¹

We again preface our remarks with our acknowledgement of the gravity of the situation the COVID-19 pandemic has presented. We in Nahant are not simply a group of statistics to be reported at a daily news conference. We are a small community that knows and cares for one another. We grieve for those whom we have lost, and we are grateful for the people in our small Town who are demonstrating concern, compassion, acts of kindness and sacrifice in these unprecedented times.

This profound crisis reinforces what we value most: family, friends, those putting their lives on the line so that we may preserve something of our normal lives during this time of upheaval, the teachers, the healthcare workers and the first responders among us.

The recent beautiful weather energizes us to again be outside (taking precautions, of course) in our beautiful habitat that we call home. Place helps bring us together, connects us, invigorates us, and creates a strong sense of belonging. We are bound together as a community because of the special place in which we live.

For these reasons, we are moving forward to save East Point

The Situation

Northeastern University continues to press forward with its plans to construct a 55,000 square foot building on top of the historic Murphy Bunker, to drill 80 geothermal wells in the midst of the meadow to the East of Murphy Bunker, to construct parking for 125 vehicles bordering wetlands, to construct a 6,000 square foot pump house and dive lockers and an expanded seawater intake system, as well as modified tie-ins to the Town's water and sewer systems. After more than two (2) years of impasse, the Board of Selectmen has proposed a plan to protect Nahant's largest unprotected open space² and our access to Canoe Beach in perpetuity. By using Community Preservation Act (CPA) funds neither the operating budget of the Town nor real estate tax rates will be affected. The cost of the bond to residents of the Town would be \$35.00 per household per year, an amount already included in the annual CPA surcharge, and that surcharge will not increase.



We know that there are many questions surrounding this plan. Through a series of communications we will answer those questions over the coming days and weeks. While our goal is to preserve East Point and our access to it, we understand that the financial implications for the community are of utmost importance. Therefore this, our second statement, focuses on the financial impacts of preserving East Point.

¹ All prior communications can be accessed at http://www.nahant.org/departments/selectmen.shtml#p7GPc1_4

² The Town has taken the position that the Wildlife Preserve is parkland protected under Article 97 of the Massachusetts Constitution. Northeastern University contests that position.

Preserving East Point as a Wildlife Preserve

Second Statement of the Nahant Board of Selectmen

The Implications of Preserving East Point

The decision to move forward to protect some 12 acres of land at East Point and access to Canoe Beach through a possible eminent domain process is not a decision we come to lightly. It is consequential to the Town in many ways. There are a complicated set of circumstances at work here. People may look at those circumstances from different points of view and come to different conclusions. In this analysis, however, we have made every effort to rely only on the most current and accurate information available, using Northeastern University supplied data where applicable, and on the advice and guidance of experienced professionals in the areas of finance, government, law, risk management, real estate and municipal planning.

In approaching these issues, we understand that the Board of Selectmen may be perceived as breaking new ground for the Town of Nahant. That is not entirely true. In the late 1980's, faced with the loss of the Golf Course property and a subdivision of more than 100 house lots, the Town voted overwhelmingly to authorize the Board of Selectmen to acquire the property either by negotiating an agreement with the then owners or by taking the property by eminent domain. While in that case, under the threat of eminent domain, the Town was able to negotiate an agreement to purchase the property, there are significant parallels to the situation we find ourselves in today. Like East Point, the Golf Course property had been taken by the Federal Government to be used as a military installation. Like East Point, the Town had allowed the property to fall into



private hands without appropriate legal safeguards to preserve the open space and prevent development.³ In 1986 the Golf Course property was the largest privately owned undeveloped tract of open land in Nahant. Today, the wildlife preserve at East Point is the largest privately owned undeveloped tract of open land in Nahant. It is not difficult to imagine how devastating the loss of the Golf Course property would have been to the Town of Nahant. We think the loss of East Point would be no less devastating. The Town spent \$1.25M through borrowing to ward off development and maintain open space for the Golf Course in 1992. This is now roughly \$3.0M in today's dollars, without the benefits of a CPA state match or substantial private donations. Most people believe this was a wise choice for Nahant.

Finally, there is an urgency to pursuing eminent domain should a negotiated settlement not be possible. NU is intent on beginning the building process but moreover, the University stated, in response to the Massachusetts Secretary of Environmental Affairs suggestion, that at this time it has no plans to consider placing a conservation restriction on a portion of open space at East Point, including areas containing wetlands. NU also stated it has no plans for further development beyond its proposed development "at this time," offering no guarantees for East Point's future. If we do not act now, the future of East Point is uncertain.

³ The Town has taken the position that the Wildlife Preserve is parkland protected under Article 97 of the Massachusetts Constitution. Northeastern University contests that position.

Preserving East Point as a Wildlife Preserve

Second Statement of the Nahant Board of Selectmen

Executive Summary

In this *Second Statement on the East Point Wildlife Preserve*, we examine the financial implications of Northeastern moving forward with its proposed project from the Town's perspective, or alternatively having the Town acquire whatever rights are necessary to keep the Preserve undisturbed, protected and accessible to the public in perpetuity. We have concluded that it is in the Town's best interest to acquire those rights, and, if necessary to do so through the exercise of the power of eminent domain.

- ▶ **Negotiated solution preferred, but if not successful then eminent domain.** While we would prefer to acquire those rights through a negotiation process with Northeastern, we are prepared, with authorization from the town's voters, to move forward to acquire the rights to protect approximately 12 acres of East Point and access to Canoe Beach. We propose to do this through the exercise of an eminent domain process at a valuation established by independent professional appraisal processes and funded through the use of a 30-year \$1.5 million bond of Community Preservation Act funds coupled with the gift of \$3 million in private donations, reflecting the deep commitment of these individuals to the preservation of East Point.
- ▶ **Northeastern does not pay the Town for municipal services.** Northeastern University has been in Nahant for more than 50 years. While traditionally a good neighbor, Northeastern, as a non-profit educational institution, pays no real estate taxes and has provided over those 50 years but scant financial support to the Town of any kind. Only recently has Northeastern offered 2 half-year scholarships a year and limited funding for Johnson School programs but nothing for the many services the Town provides (i.e. Police, Fire, Department of Public Works, water and sewer infrastructure, etc.).
- ▶ **The new project will increase Northeastern's unreimbursed Town costs.** If the Northeastern project moves forward as proposed, the consumption of Town services by Northeastern University will increase.
- ▶ **Northeastern's \$6 million offer, spread over 40 years, will not cover Town costs.** Several months ago, Northeastern discussed with Town officials a highly conditioned proposal to make payments to the Town of \$6 million over a 40-year period.⁴ The proposal, even had it been accepted by the Town (which it was not), would not come close to covering the estimated additional costs that the Town will have to bear as a result of the added size, staffing, students and traffic.
- ▶ **Northeastern's additional unreimbursed Town costs likely will exceed \$10 million.** Under the best of circumstances the Town is projected to bear additional costs over the 40-year period of between \$16.9 and \$21.7 million dollars if the project were to proceed as proposed. Even if the town were to receive the \$6 million Northeastern proposed, the net cost to the Town would still exceed \$10 million in a best case scenario basis, and significantly more on a worse case basis.
- ▶ **Cost to Town of eminent domain is substantially less than allowing the project to proceed.** The projected cost of an eminent domain taking is dramatically lower than the costs that the Town

⁴ There is no proposal pending, and it is not clear that Northeastern would be willing to make such a proposal at this time.

Preserving East Point as a Wildlife Preserve

Second Statement of the Nahant Board of Selectmen

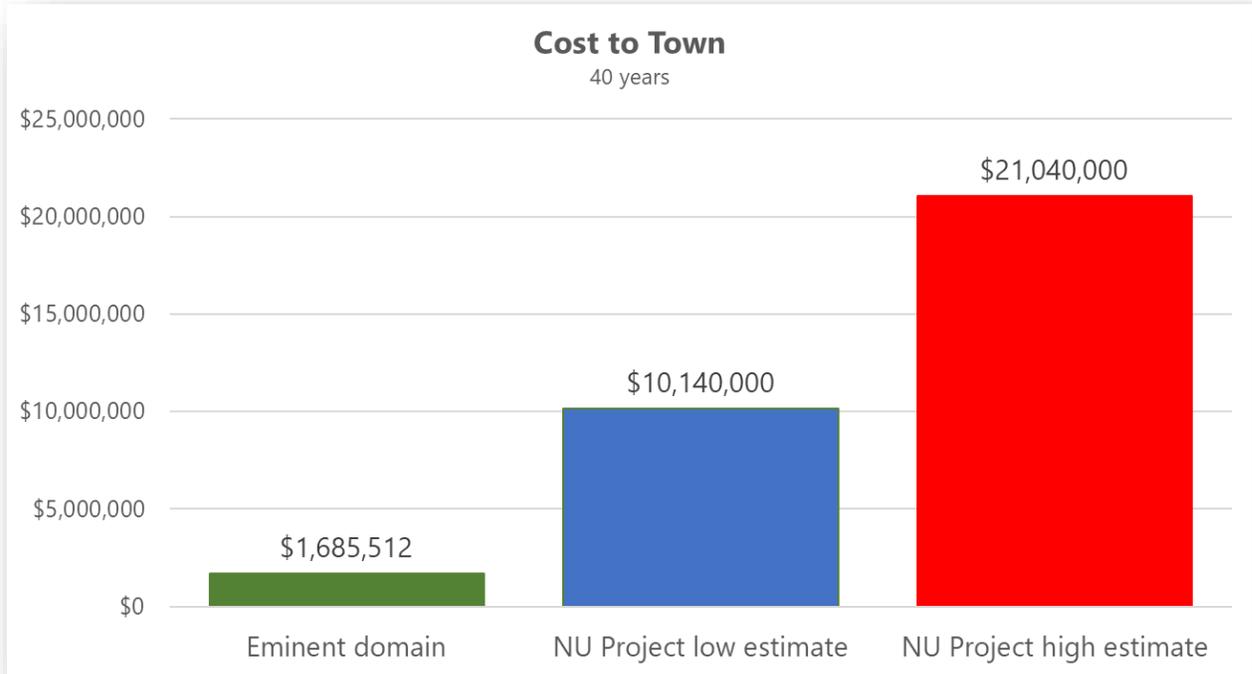
would need to bear by allowing the Northeastern project to proceed. Thus spending ~\$2.5M (including interest) over 30 years to save \$10M over 40 years is a prudent financial choice.

- ▶ **A \$3 million matching gift is available from generous private donors.** By taking advantage of the \$3 million gift from private donors and the State match of Town generated Community Preservation Act funds, the Town will be paying only a small fraction (31%) of the cost to save the property.
- ▶ **Projected cost of eminent domain to average taxpaying household is approximately \$35.00 per year.** By taking advantage of the \$3,000,000 gift from private donors and the State match of Town generated Community Preservation Act funds, the Town's share of the borrowing, including interest, over the thirty year repayment period would be \$1,685,512, an average of \$56,184/per year or approximately \$35.00 annually (10 cents per day) per taxpaying household, without raising property taxes.
- ▶ **Community Preservation Funds are ideal, cost effective and do not affect real estate taxes.** The use of Community Preservation Act funds for the preservation of open space is appropriate, cost effective, and will not affect the operating budget or real estate tax rate of the Town now or over the 30-year period of the proposed bonding.
- ▶ **Northeastern has many viable options other than on top of the Murphy Bunker.** The inability to construct a 55,000 square foot building at East Point will have no impact on Northeastern University's climate studies and research. There is no imperative that this work be done in Nahant as there are many known alternatives.
- ▶ **Our plan to preserve East Point will not disrupt the existing Northeastern facility.** Our plan to preserve East Point will leave the Marine Science Center in place as an educational institution without disruption of their current operations, while, at the same time, continuing the more than fifty year history of the East Point wildlife preserve being maintained as open space parkland for generations to come, forever.
- ▶ **Nahant has the opportunity to control its future by preserving East Point** -- doing it without affecting the Town's operating budget or raising taxes and leaving Northeastern in place to continue to operate in its current footprint.

However, we must act now!

Preserving East Point as a Wildlife Preserve
Second Statement of the Nahant Board of Selectmen

What the Town would spend...



What the Town would get...

Eminent Doman

- East Point conservation land preserved. Guarantee of no building in preserved land.
- Public access to preserved land.
- Continued access to Canoe Beach.
- Existing Northeastern University Marine Science labs remains.

Northeastern University Project

- 55,000 square foot building on top of the bunker in conservation land.
- 125 additional parking spaces in two new, paved lots.
- Geothermal well field with 80 wells in East Point conservation land.
- 114 additional full-time students or faculty (plus undisclosed number of event participants. Building size could likely accommodate more).
- 350 additional daily trips per day from East Point.
- No guarantee regarding further expansion.

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Alternative 1: Costs of Eminent Domain

1. What have we budgeted for the eminent domain taking?

We have budgeted \$4.5 million dollars to complete an eminent domain taking. That \$4.5 million will consist of \$1.5 million of Community Preservation Funds to be bonded and repaid over a 30-year period and a \$3 million gift. Of that amount, up to \$4 million has been budgeted for use in purchasing the property rights, necessary to protect the land forever, and \$500,000 has been budgeted to pay legal and other professional fees and costs.

2. How was that budget developed?

A. Cost of the land acquisition

The budget process began more than twelve months ago by the prior Board of Selectmen. First, even though Northeastern is tax exempt, the Town's tax assessors are required to value the property at full and fair market value. For FY 20, the assessed value for the entire property is \$5,388,500, including both land and buildings. The land component is \$3,421,300 for the 20± acres. Through counsel, the Board then consulted with independent appraisal professionals regarding the wildlife preserve land only, keeping in mind that the property is in a Natural Resource District and is not zoned for development of any sort, commercial, residential or institutional, meaning simply, there is no underlying developmental value. That consultation preliminarily confirmed the reasonableness of a value of the wildlife preserve in the neighborhood of \$150,000 per acre. By law, in order to proceed with an eminent domain taking, the Town is required to have a formal real estate appraisal prepared of the property rights being acquired. That appraisal will establish the value of those property rights being acquired and the likely payment (*pro tanto*) to Northeastern University. The formal appraisal process is currently underway. At the moment, we think that the property rights to be acquired will cover between 12 and 15 acres of land (including access rights to Canoe Beach). A formal survey is also currently being prepared. Based on the estimate of \$150,000 per acre, those property rights would cost approximately \$2.25 million. Our budget assumes a contingency. Any excess monies beyond the \$3 million of donated funds will be returned to Community Preservation.

B. Legal and other professional fees and associated expenses

With input from Town counsel we have budgeted legal and other professional fees and associated expenses at \$500,000, the greatest percentage of which has been budgeted for any post-taking valuation challenge by Northeastern. While Northeastern University will have three years to challenge the valuation, the eminent domain process has defined parameters and we are comfortable that the amount budgeted is reasonable.

3. What is the Cost to the Town of the eminent domain taking?

We need look only to the cost to the Town of the \$1.5 million of Community Preservation Act Funds to be bonded and repaid over a 30-year period. (The balance of the \$4.5 million budget is the gift of \$3 million). Bond counsel has put together a detailed set of projections setting forth, amongst other things, the Town's repayment obligations over the 30-year period of the bond. Bond counsel's projections show that over the thirty year period, the Town's repayment obligations would total \$2,528,268, which total includes the \$1.5 million of principal and an interest expense of \$1,028,268. (Bond counsel has

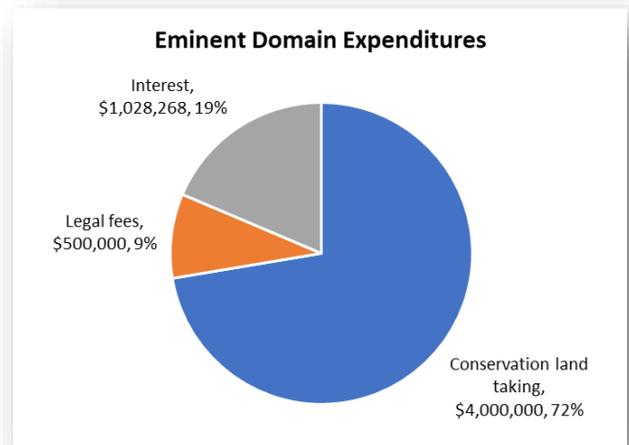
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assumed an interest rate of 4.5% beginning in year three of the 30-year borrowing with years one and two, reflecting a lower borrowing rate using short term Bond Anticipation Notes). We have attached bond counsel's detailed set of projections, including that of principal and interest payments, as Appendix A to this document.

While the cost to the Town in present day dollars is the \$1.5 million of Community Preservation Act Funds being used for the acquisition of the property rights. It is reasonable to consider the cost of the borrowing itself, the \$1,028,268 interest cost over the 30-year repayment period, as an added cost of the eminent domain proceeding. Viewed in that manner, the thirty year total of the cost of eminent domain would be \$5,528,268, consisting of the following three elements:

- The budgeted cost of the land acquisition (\$4,000,000);
- Budgeted legal and other professional fees and associated expenses (\$500,000); and
- Interest expense on the \$1.5 million borrowing (\$1,028,268).



4. How will the Town fund the 30-year borrowing cost of eminent domain?

Funding for the 30-year cost of the eminent domain taking (including interest expense) of \$5,528,268 will come from two sources:

- The original gift from private donations of \$3,000,000; and
- Community Preservation Act Funds payable during the 30-year repayment period totaling \$2,528,268.

We will discuss each of these funding elements below.

A. Private donations

We wish to thank the private donors (who have requested anonymity) for their commitment of \$3 million towards the preservation of the wildlife preserve at East Point. Their gift, at a level of two times what the Town is being asked to commit in the way of Community Preservation Act funds, has given us the opportunity to implement a plan to preserve East Point without affecting the Town's Operating Budget or raising taxes.

B. Community Preservation Act Funds

The Board of Selectmen applied to the Community Preservation Committee (CPC) for a grant of \$1.5 million of Community Preservation Act Funds to be borrowed and repaid over a thirty (30)

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year period, as permitted by statute. The CPC approved the grant conditioned on the Town receiving the \$3,000,000 gift discussed above, and will make a recommendation to Town Meeting to such effect.

What is Community Preservation Act Funding?

The Community Preservation Act, enacted by the Commonwealth of Massachusetts in 2000, allows any city or town in The Commonwealth of Massachusetts that adopts the Act to generate monies for Community Preservation Act purposes⁵ through the implementation of a local CPA property tax surcharge, which surcharge then will be supplemented with annual matching funds from a dedicated statewide CPA Trust Fund created by the Act. Only communities that have adopted the Community Preservation Act are eligible to receive these matching funds each year.

In 2004, Nahant became the sixty-second (62nd) community in Massachusetts to adopt the Community Preservation Act. In accepting the Act, the Town established a 3% surcharge to Town property taxes, with an exemption for the first \$100,000 of assessed value and with a further exemption for property owners who would qualify for low-income housing or low or moderate-income senior housing. The CPA surcharge is fixed at 3% in Nahant and is charged only after the tax rate has been established and property tax bills have been calculated; it has absolutely no effect on the tax rate.

As discussed above, under the Community Preservation Act the State matches a portion of the Nahant CPA property tax surcharge from a dedicated statewide CPA Trust Fund created by the Act. Only communities that have adopted CPA are eligible to receive these matching funds each year. While the amount of the State CPA Trust Fund match fluctuates year to year, in 2019 Nahant received a 59.3% match (Nahant has received an average 70.8% match over the 15 years of CPA in Nahant).

Because the State provides annual matching funds from the State CPA Trust Fund, the Town-generated CPA funds (as separate and distinct from the State matching funds) raised through the 3% surcharge being used to repay the \$1.5 million bond over the 30-year repayment period is only a fraction of the total repayment obligations. For our purposes Bond Counsel assumed in its projections a constant 50% State CPA Trust Fund match. We believe a 50% State CPA Trust Fund match is reasonable, and frankly conservative for two reasons: first, the amount of State CPA Trust Fund match received historically by the Town of Nahant (Nahant has received an average 70.8% match over the 15 years of CPA in Nahant, and 59.3% match in 2019); and second, the dedicated funding source for the State CPA Trust Fund, surcharges placed on all real estate transactions at the state's Registries of Deeds, were more than doubled as of January 21, 2020 and that increase was projected (pre-pandemic) to more than double the amount generated in the State CPA Trust Fund available for distribution to communities.⁶

⁵ CPA allows communities to create a local Community Preservation Fund for open space protection, historic preservation, affordable housing and outdoor recreation.

⁶ At the time of this writing, as a result of the pandemic, the Department of Revenue has issued recent guidance suggesting a much lower amount for 2020, and advising communities for planning purposes to plan for a first round match based solely on revenues collected through April for an 11% first round match. As a 3% surcharge community Nahant is eligible through a complicated formula for a second and third round match as

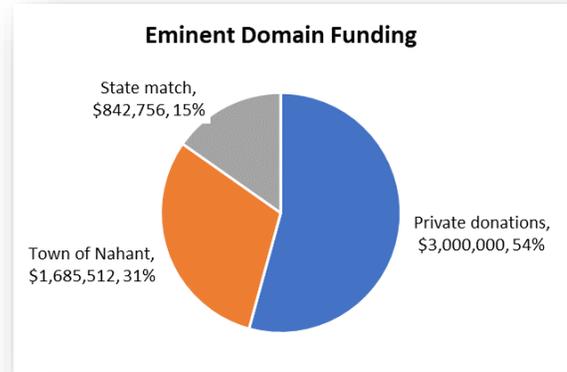
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C. What then is the Town’s actual 30-year cost of the eminent domain taking?

As discussed above, we have budgeted \$4.5 million dollars to complete an eminent domain taking. Of that amount \$3 million is a gift from private donors. The balance of \$1.5 million is to be borrowed and repaid over a 30- year period. Assuming a constant 50% State CPA Trust Fund match to the Town generated CPA surcharge, the Town’s share of the principal and interest payments over the 30-year period would amount to \$1,685,512, while State matching funds would account for \$842,756. The chart below depicts that calculation.

	2020 Authorized Town Meeting	Total Interest 2021 to 2051	Total
Private donations	\$3,000,000		\$3,000,000
CPC Borrowing			
Nahant share	1,000,000	685,512	1,685,512
State match	500,000	342,756	842,756
Total borrowing	1,500,000	1,028,268	2,528,268
Grand total	\$4,500,000	\$1,028,268	\$5,528,268



What becomes obvious in this analysis is that by use of the mechanism of a 30-year bond, and taking advantage of the anticipated State match, the Town’s share to be paid over the 30-year period of the borrowing, including interest on the bond, would be \$1,685,512, an average of \$56,184/per year or approximately \$35 annually per taxpaying household.

5. What are the benefits of using Community Preservation Act funds?

- The use of CPA funds does not affect the operating budget of the Town. CPA funding is outside of the Town operating budget process with its own funding and expenditure approval mechanisms (see question 4, above).
- The use of CPA funds will not increase the real estate tax rate now or over the 30-year period of the bond. The CPA surcharge has been fixed at 3% since Town Meeting adopted the Community Preservation Act in 2004.
- The State matches a portion of the Nahant CPA property tax surcharge, thus reducing the total Town cost of the eminent domain taking. Community funding under the Community Preservation Act is matched by State funding through the Community Preservation Trust Fund, a dedicated funding source administered by the Department of Revenue, which provides distributions each year to communities that have adopted CPA. (See question 4 above).
- The use of CPA funds to acquire and protect open space and conservation lands is precisely what the Act originally was enacted to do. The Act specifically limits the use of CPA funds to certain areas of need. The CPA legislation specifically states that the acquisition of open space or conservation land is a permitted use of CPC funds. Past history of eminent domain takings and the

well, which historically have increased the first round match by a factor of 250%. Because payments on the 30-year bond will not begin before July 1, 2021, we do not think an adjustment in Bond counsel’s projections are warranted.

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use of conservation restrictions is a well-documented use of Community Preservation Act funds in Massachusetts. Further, the preservation of the historic Murphy Bunker also would be an eligible activity under the historic preservation mandates of the Act.

- The CPC surcharge rate of 3% will not increase. It is fixed at 3%. Whether those funds are allocated to the acquisition of property rights at East Point, or for some other eligible purpose, will not affect the amount of taxes paid by a Nahant taxpayer.
- The chart prepared by Bond counsel and attached as Appendix A is instructive for another reason. As the chart makes clear during the 30-year repayment period there will always be at least \$230,000 of Community Preservation Act funds available for other eligible projects (i.e. approximately two-thirds of total CPA funds), and the impact of this borrowing will grow smaller and smaller over time as annual payments decline over the 30-year repayment term and CPA funds increase.

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Alternative 2: The Costs of the Northeastern Proposal

By contrast, what would be the financial impacts of the proposed Northeastern project?

We have considered the alternative, which is to allow the Northeastern expansion to move forward. That alternative also comes with a cost. It is disingenuous to suggest otherwise. The attendant added size, staffing, students and traffic from the proposed project comes with a substantial true cost, not only in terms of the loss of irreplaceable open space in a Natural Resource District, but also in terms of the financial burden to the Town, including the added tax burden to residents for services not consumed by residents, but by Northeastern. We have come to understand that this alternative is considerably more expensive than an eminent domain proceeding is likely to be.

Under State law, Northeastern University, an educational institution, is exempt from local real estate taxes. Accordingly, Northeastern is not required to pay for services it consumes in Town, such as Police, Fire, DPW and infrastructure, all of which costs, by extension, would be borne by the Nahant taxpayer. Several months ago, Northeastern discussed with Town officials a highly conditioned proposal to make payments to the Town of \$6 million over a 40-year period. As you can see from the chart on the following page⁷, under the best of circumstances, over that 40-year period, the Town would have to bear approximately \$16.9 million dollars of costs that would not be reimbursable by Northeastern (and under a less favorable analysis, the Town would bear as much as \$21.7 million in costs). Even if the town were to receive the \$6 million discussed, under the best case scenario, the net cost to the Town would still exceed \$10 million.

The analysis reflected on the following chart uses population numbers set forth by Northeastern University in various submissions made to the Massachusetts Secretary of Energy and Environmental Affairs as required by the Massachusetts Environmental Protection Act, and applies those numbers to a per capita allocation of Nahant's budgeted Police, Fire, DPW and debt expenses, to derive its calculations of \$14,400,000 of added operating expense on a best case scenario basis over 40 years and \$18,500,000 on a worst case basis.⁸ While these numbers on their face seem high, consider if you will, a simple example, the Town's need to hire one additional policeman as a result of the added flow of people coming to the new Northeastern University facility. That single policeman will cost the Town, on average, something in the range of \$100,000 per year, \$4 million over the course of 40 years, and that is just one policeman.

⁷ This analysis is the final draft, based on months of discussions, from the Advisory and Finance Committee, subject to peer review. The Board of Selectmen, jointly with the Nahant Advisory and Finance Committee, have decided to engage an independent third-party professional who is experienced in municipal planning, to complete a peer review and further analysis of the financial impacts to the Town from NU's proposed expansion at East Point.

⁸ The more-detailed Estimate of the Financial Impacts to Nahant of Northeastern University East Point Expansion is attached to this document as Appendix B.

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Financial Impacts of the Proposed Northeastern Expansion

This presentation is to inform Nahant citizens about the financial impacts of the Northeastern expansion project. These estimates are forward-looking and based on the best information available, using Northeastern supplied data where possible. They include only the impact to the Town from the new construction and are projected over 40 years. Please refer to the analysis in this summary for more details regarding assumptions and calculations.

REVENUE

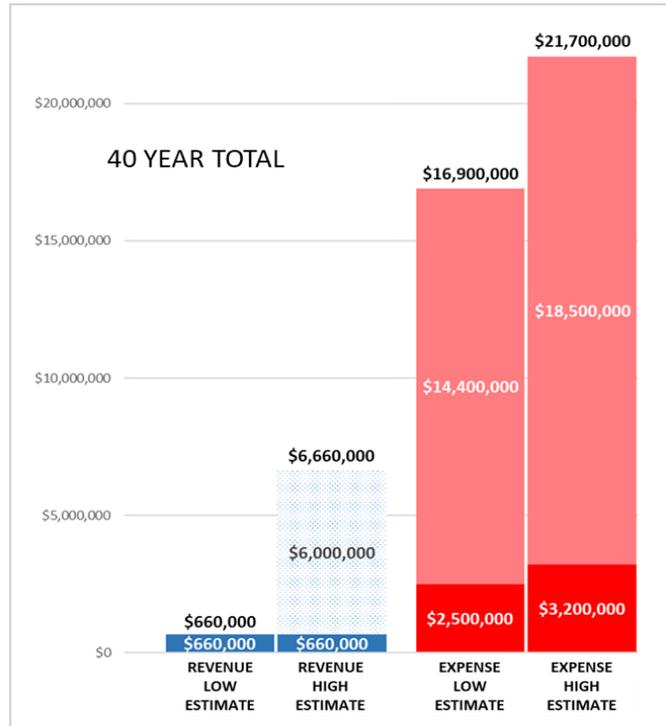
Building permit – A building permit fee of \$660,000 is the only certain revenue from the Northeastern expansion project.

Incentive Payment – Several months ago Northeastern discussed with Town officials a payment of \$4 to \$6 million payable over 40 years. This was not a binding offer and included conditions. There have been no discussions of this offer for several months.

EXPENSE

Infrastructure expenses– Improvements required by the Northeastern project that the Town has no plans to make without the Northeastern project. These include pumping station upgrades, 40 Steps revetment, repaving Nahant Road post-construction, and interest. (\$2.5 to \$3.2 million)

Operating expenses – Per capita allocation of Police, Fire, DPW, and debt expenses. Excludes Town services such as school and Town government which Northeastern does not directly consume. This estimate includes only the additional costs related to the new construction. (\$14.4 to \$18.5 million)



PAYMENT IN LIEU OF TAXES

Under State law, Northeastern, an educational institution, is exempt from local real estate taxes. Thus, Northeastern does not pay for the Town services it consumes, such as Police, Fire, DPW and infrastructure. Institutions such as Northeastern can agree to make payments in lieu of taxes (PILOT) as contributions to their host municipality to offset their tax burden on residents. In the past few years, Northeastern has offered Nahant residents two, one-half scholarships in lieu of real estate taxes.

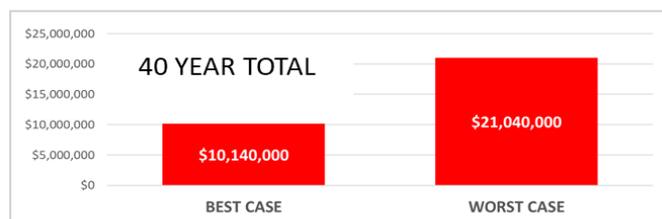
Using a method similar to Boston’s PILOT (which removes school expenses from the tax rate and applies the adjusted rate to the value of the property), Northeastern’s PILOT for the new facility would be \$14.2 to \$18.4 million over 40 years.

PROPERTY TAX SHIFT

Under Proposition 2 ½ any reduction in property values will reapportion the associated lost property tax revenue to all other areas of Town, thus shifting most of the property tax cost from impacted households to all other households. A 5% reduction in property values for Nahant Road, Swallow Cave Road, Vernon Street and Cliff Street due to construction disruptions and on-going noise, traffic, light and view impacts would shift \$5 to \$8.1 million from those properties to other areas of Town over 40 years or a tax increase of \$119 per year for the properties whose value does not decrease.

SUMMARY – NET COST TO TOWN

The best case estimate which includes the unlikely \$6 million incentive is a net cost to the Town of \$10.1 million or \$6,340 per household over 40 years. The worst case estimate is a net cost to the Town of \$21 million or \$13,370 per household over 40 years.



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Using a PILOT Program Analysis produces a similar result

Looking at the situation using a slightly different methodology interestingly produces a very similar set of findings. As discussed earlier, under State law educational institutions like Northeastern University are exempt from local real estate taxes. In response, the City of Boston several years ago implemented a payment in lieu of taxes (PILOT) program for educational institutions maintaining facilities within its borders. The Boston PILOT program removes school expense from the tax rate and applies the adjusted rate to the value of those facilities within its borders maintained by the particular exempt institution.

Applying the Boston methodology to Northeastern's proposed project would result in the need for Northeastern to make a PILOT payment to the Town of Nahant of between \$14.2 million to \$18.4 million dollars over the 40-year period. As you can see, this methodology produces results very close to the per capita approach analysis reflected in the attached chart. In contrast Northeastern University has offered Nahant residents over the last few years, two (2) half-year scholarships a year and limited funding for a Johnson School program.

The decrease in property values caused by Northeastern University's proposed project could further shift the burden to other residents' tax bills.

Under Proposition 2 1/2, any reduction in property values will reapportion the associated lost property tax revenue to all other areas of Town, thus shifting most of the property tax cost from impacted households to all other households in Nahant. A conservative estimate of a 5% reduction in property values for Nahant Road, Swallow Cave Road, Vernon Street and Cliff Street (due to construction disruptions and ongoing maintenance, noise, traffic, light and view impacts) could shift \$5 million to \$8.1 million in value from those properties to other areas of Town over 40 years, resulting in a potential tax increase of some \$119 per year/household, for all the residents outside of these impacted neighborhoods.

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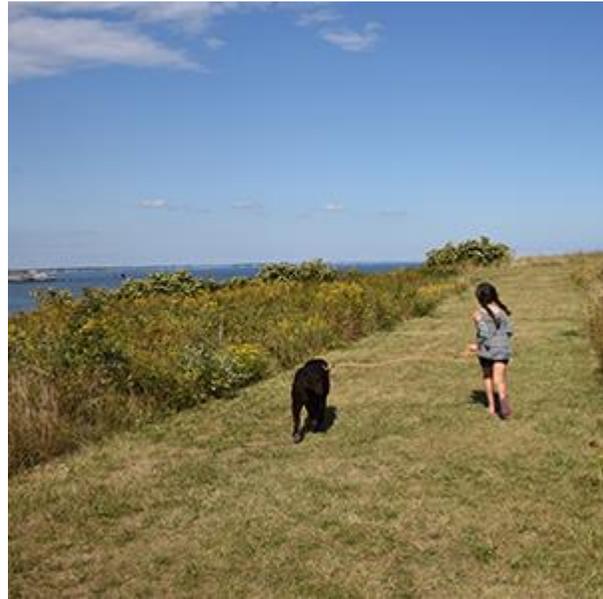
In Conclusion

While for many of Nahant residents, the issue of whether to preserve East Point transcends financial considerations. For those people, East Point is irreplaceable and its loss unfathomable. At a personal level, the Selectmen are unanimous in holding that view. We want to preserve East Point for future generations of Nahanters. We want to preserve East Point forever.

We understand, however, that as Selectmen we have a fiduciary duty to represent the entire Town, and for some, the financial implications for the Town are of utmost importance.

With this analysis we now are convinced that proceeding with an eminent domain process (if that becomes necessary) is a better alternative for the Town of Nahant. Not only does it offer the Town the opportunity to control its future by preserving East Point forever - it does so without affecting the Town's operating budget or raising taxes - it leaves Northeastern in place to continue to operate in its current footprint – and it does so with a projected cost to the Town substantially less than the cost of allowing the project to proceed.

It is necessary for us to move forward. We cannot repeat the mistakes of our predecessors. We must save East Point.



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Appendix

Appendix A

Community Preservation Act Bond Council Projections
Commonwealth of Massachusetts
Town of Nahant FY21 – FY51

Fiscal Year	Estimated Surtax	Estimated State Share	Estimated Interest	Debt 1.5 Million 30 Years	Estimated Revenue CPC	Available CPC Funds Remaining
FY21	220,938	110,469	1,000	332,407	0	332,407
FY22	226,461	113,231	1,025	340,717	45,000	295,717
FY23	232,123	116,061	1,051	349,235	78,750	270,485
FY24	237,926	118,963	1,077	357,966	126,150	231,816
FY25	243,874	121,937	1,104	366,915	123,450	243,465
FY26	249,971	124,986	1,131	376,088	120,750	255,338
FY27	256,220	128,110	1,160	385,490	118,050	267,440
FY28	262,626	131,313	1,189	395,127	115,350	279,777
FY29	269,191	134,596	1,218	405,006	112,650	292,356
FY30	275,921	137,961	1,249	415,131	109,950	305,181
FY31	282,819	141,410	1,280	425,509	107,250	318,259
FY32	289,890	144,945	1,312	436,147	104,550	331,597
FY33	297,137	148,569	1,345	447,050	101,850	345,200
FY34	304,565	152,283	1,379	458,227	89,376	368,851
FY35	312,180	156,090	1,413	469,682	87,126	382,556
FY36	319,984	159,992	1,448	481,424	84,876	396,548
FY37	327,984	163,992	1,485	493,460	82,626	410,834
FY38	336,183	168,092	1,522	505,797	80,376	425,421
FY39	344,588	172,294	1,560	518,441	78,126	440,315
FY40	353,203	176,601	1,599	531,403	75,876	455,527
FY41	362,033	181,016	1,639	544,688	73,626	471,062
FY42	371,083	185,542	1,680	558,305	71,376	486,929
FY43	380,361	190,180	1,722	572,262	69,126	503,136
FY44	389,870	194,935	1,765	586,569	66,876	519,693
FY45	399,616	199,808	1,809	601,233	64,626	536,607
FY46	409,607	204,803	1,854	616,264	62,376	553,888
FY47	419,847	209,923	1,900	631,671	60,126	571,545
FY48	430,343	215,172	1,948	647,462	57,876	589,586
FY49	441,102	220,551	1,996	663,649	55,626	608,023
FY50	452,129	226,065	2,046	680,240	53,376	626,864
FY51	463,432	231,716	2,098	697,246	51,126	646,120
Total	\$ 10,163,207.82	\$ 5,081,603.91	\$ 46,000.27	\$ 15,290,812.00	\$ 2,528,268.00	\$ 12,762,544.00

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Appendix B

Please refer to the notes on subsequent pages for how these amounts were estimated.

Impacts directly attributable to Northeastern project	Cumulative 40 Year Total		Note
	Low	High	
Revenues			
Northeastern incentive payment	\$0	\$6,000,000	2
Permit fees	660,000	660,000	3
Costs			
Additional operating costs	13,600,000	17,600,000	4
Capital costs (principal and interest)			
Pumping upgrades	1,000,000	1,300,000	5
Repave Nahant Road, post construction	700,000	900,000	6
40 Steps revetment, pre-construction	<u>900,000</u>	<u>1,100,000</u>	7
Total capital costs	2,500,000	3,200,000	
Clerk of the works, inspection services	800,000	900,000	8
Other financial impacts			
Property tax shift	5,000,000	8,100,000	9

Preserving East Point as a Wildlife Preserve Second Statement of the Board of Selectmen

Note	Category	Description
1	Objectives and overall assumptions	<p>The objective of this presentation is to inform Nahant citizens about the financial impacts of the Northeastern expansion project. These estimates are forward-looking and based on the best information available, using Northeastern supplied data where possible. They include only the impact to the Town from the new construction and are projected over 40 years.</p> <p>These estimates are forward looking. They estimate future financial impacts and do not include the value of municipal services that the Town of Nahant has provided to Northeastern in the past.</p> <p>These estimates include only the impact of the proposed new construction and do not include the value of municipal services related to the existing Northeastern facility.</p> <p>All of the estimates are the cumulative total over 40 years to match the expected lifetime of Northeastern's incentive payment offer. Expense estimates are assumed to increase 2 ½ percent annually due to Proposition 2 ½.</p> <p>The low and high ranges are -15% (low) and +10% (high) from a base estimate.</p> <p>We encourage Nahant citizens to review these estimates and the assumptions then form their own conclusion regarding the financial impact of the proposed Northeastern project.</p>
2	Northeastern incentive payment	In conversations with Town officials Northeastern has offered \$6 million payable over 40 years, plus some in kind contributions such as maintaining Lodge Park. The offer includes conditions. It was not a binding offer and the timing of the payments is not clear. There have been no discussions of this payment for several months.
3	Permit fees	Building permit fees calculated per the Town's fee schedule of \$12 per \$1,000 of estimated total project cost. Many Towns have a higher building permit fee for non-residential construction than for residential construction. Nahant does not.

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Note	Category	Description
4	Additional operating costs	<p>Estimate of the increase in Town operating budget, excluding school costs and the cost of Town services which Northeastern does not consume.</p> <p>The increase in Town operating costs is difficult to estimate because:</p> <ol style="list-style-type: none"> 1. The Town has little experience with the requirements of a facility the size and scope that Northeastern is planning. Nahant’s police, fire, public works and government services are all sized and staffed for a small, predominately residential town. 2. In their various disclosures and regulatory filings Northeastern has not been consistent regarding the details of the facility, such as size, number of occupants, and programs. We have used the most recent Northeastern data for these estimates. <p>This estimate is based on a bottoms-up approach of adding existing police, fire, DPW, and debt budgets and applying the per capita increase of new Northeastern personnel. It also includes the estimated capital costs of the Lynnway sewer reconstruction (Northeastern does not now pay for their share of water and sewer capital costs as those costs are funded from real estate taxes).</p>
5	Pumping upgrades	<p>Upgrades to three pumping stations that feed Bear Pond collection point. Necessary to support increased volume. Cost \$750,000, borrowed at 2.5% for 20 years.</p>
6	Repave Nahant Road, post construction	<p>Repave Nahant Road post construction, to remedy damage from heavy construction vehicles. As with all road maintenance, this will be a recurring expense, but occurring more frequently due to increased bus and car traffic. To be conservative, only the first, immediately after construction, repaving is included. Cost \$500,000, borrowed at 2.5% for 20 years.</p>
7	40 Steps revetment	<p>Reinforce sea wall in 40 Steps area to support heavy construction vehicles. Similar to all road maintenance, this will be a recurring expense, but occurring more frequently than repaving. To be</p>

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Note	Category	Description
		conservative, only the first revetment is included. Cost \$800,000, borrowed at 2.5% for 10 years.
8	Clerk of the works, inspection services	The Town has no experience with the requirements of a facility the size and scope that Northeastern is planning. Thus, assistance with construction period oversight (clerk of the works) and on-going assistance with inspections and other regulatory requirements will likely be necessary. This amount represents a part time clerk of the works for the anticipated three year construction period and as-needed assistance with inspections over the remaining 37 years.
9	Property tax shift	<p>Any reduction in property values in the impacted area will reapportion the lost property tax revenue to all other areas of Town, shifting a substantial portion of the property tax cost from immediately impacted areas to all other areas of Town. The Town can do nothing about this as it is the result of the operation of Proposition 2 ½.</p> <p>Numerous studies have shown a reduction in real estate values to residential properties in the neighborhood of new commercial construction. New retail properties have the opposite effect because they bring new services and often public transportation. However, the Northeastern development does not provide any retail related amenities.</p> <p>The Finance Committee does not want to project property value impacts because they are less predictable given the multitude of factors that influence property valuations. However, to give residents some sense for the magnitude of a potential issue, we have presented a range of reductions in property values for Nahant Road, Swallow Cave Road, Vernon Street and Cliff Street due to construction disruptions and on-going noise, traffic, light and view impacts of between 5% and 8%.</p>
10	Payments in lieu of taxes	Payments in lieu of taxes (PILOT) are contributions from non-real estate tax paying entities, such as Northeastern University, to their host municipalities to offset the burden placed on taxpayers of the cost of municipal services provided. Municipal services provided include police, fire, public works, snow removal and the capital cost of water and sewer infrastructure, such as the Lynnway sewer improvements.

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Note	Category	Description
		<p>The City of Boston and other municipalities have a formal PILOT program where the municipality requests a voluntary PILOT contribution representing the fair share of municipal services. In 2019, Northeastern University paid 65% of the requested PILOT to the City of Boston, 50% as the value of in kind services and 15% in cash.</p>
		<p>Using a method similar to Boston's, this amount is calculated as (estimated assessed value) * (tax rate without school costs), growing at 2 1/2% per year. Assessed value estimated at \$1,000 per square foot, a conservative estimate for research space. School expenses are removed from the PILOT rate to be conservative, making PILOT rate \$7.42 rather than \$10.94.</p>
	Costs not included:	
	Individual homeowner costs	<p>Individual homeowners will bear the cost of construction damage to their property (cracked plaster, etc.) and reduction in property value. Northeastern reimbursement of such costs has not been discussed to date. This estimate includes only costs borne by the Town. However, it is highly recommended that the Selectmen work with Northeastern to set up a reimbursement fund for homeowners. This is common practice with such projects.</p>

Acknowledgements

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