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## Understanding the Basics of the MBTA Law's Financial Impact

In the Fall, Carlisle's FinCom will release their study of the MBTA Law's financial impact. They will draw on input from the various town boards to assemble their report. We trust the FinCom's report to be impartial and objective, but what they provide us can only be as reliable as the information they're given by the other town boards. For the sake of transparency, we have shared our analysis with them.

Carlisle residents need to be informed as soon as possible on the financial impact of this new law. We have, therefore, assembled our own projections using assessment data and other financial data we have gathered from various town sources.

### Here are the fundamental facts on how the town budget currently works:

1. The largest expense by far is the school budget. It costs about \$22,000 on average to educate a student per year in the Carlisle school system and in the regional system after state reimbursement.
2. Other municipal expenses like police, fire, DPW, and administrative overhead average around \$5,000 per household per year.
3. The average tax bill in town is about \$17,000 per year per household.
4. An average household with one child in our public schools is, therefore, a net loss for the town of about \$10,000.
5. Carlisle is an aging community with approximately 40% of its households having children in our public schools.
6. The remaining 60% of empty-nester households are what allow the town to balance its budget.

### So, what impact with the MBTA law have on our town?

The operating budgetary impact will be approximately \$1 million for any development and \$1.5 million for the overlay option. This is per year. This is 3%-4% of our current budget. This estimate is supported by the analysis set forth below. It is also supported by the experience of the earliest towns to adopt MBTA Communities zoning such as Lexington. By late 2024, after only a year, Lexington's Appropriations Committee estimated an impact per 1000 MBTA Communities housing units of \$4 to \$12 million per year, or about \$1,000 per household annually at the higher end of that range.

How did we derive this estimate? The answer to this question depends on five important factors.

They are:

1. How much housing will get built under the law?
2. How many school children will each new household enroll on average?
3. How many empty-nester properties will be removed from the tax base to make room for MBTA dense development?
4. How much will the new properties be assessed for?
5. How much were any lost properties assessed for?

Let's now consider these factors in more detail:

### **How much housing will actually get built under the law?**

If a plan is approved that isn't designed to minimize development, the likely answer is nearly all of it. The evidence for this outcome is what has happened to early adopter towns like Lexington and Bedford. Both communities were caught off guard by the high demand and the rapid pace of development. Lexington is now dramatically scaling back its zoning after a community backlash. Bedford had 68 new units either approved or under review in just 6 months. That's over 70% of Carlisle's quota. Nearly all this development was in overlay districts.

### **How many school children will each household enroll on average?**

This question is the most important and the hardest to answer. The responses we've heard from the planning board have ranged from as little as 0.2 per household to as high as 1.7 per household! We believe a sensible estimate lies somewhere close to the average of these two extremes. Here's why:

1. Lexington, a more urbanized community, has already experienced a lot of MBTA buildout and now uses a factor of 0.7 in its planning.
2. As previously noted, Carlisle has a sizeable aging population that chooses to remain in town. Nonetheless, Carlisle has school age children in 40% of its households.
3. Carlisle has first rate public schools, so it is entirely reasonable to believe that new housing will draw in residents who want the school systems for their children.

4. The new housing will likely average 2-3 bedrooms. A reasonable assumption is that the average children per house count might look like the bedroom count minus one. We do not believe that there are many parents who would intentionally choose to double up on the number of school age children in a single bedroom as was commonly done many years ago.

For these reasons, we believe an estimate of 1 child per unit is reasonable.

### **How many empty-nester properties will be removed from the tax base to make room for MBTA dense development?**

The answer to this question depends entirely on the plan that is proposed.

If the plan incorporates overlay districts like the Planning Board's favored Multi-family Conservation Cluster plan (MFCC), the answer is likely close to 32. The occupants of these properties would not typically be selling out with kids still in school, so it's sensible to assume that nearly all of them would be empty nesters who would sell opportunistically if offered a premium on their property and to avoid paying the inevitable higher property taxes that would ensue later.

If another plan is put forth on undeveloped land, then the answer is likely zero.

### **How much will the new properties be assessed for?**

The evidence from Lexington, Bedford and Kay's Walk in Carlisle suggests these properties won't be cheap. Bedford's MBTA units on Loomis Street are selling for \$1.4 million each. Of course, the eventual price will depend on the size of the units, but Carlisle is a desirable real estate market with high-end housing and an excellent school system, so it is appropriate to assume that the new units will be high-cost ones.

### **How much were any lost properties assessed for?**

Lost properties are only a factor if a plan like MFCC is adopted. The evidence from Bedford suggests that average value properties are desirable candidates to be repurposed, so we think a safe assumption is to use the town average Carlisle assessment of approximately \$1,250,000.

## **Conclusion**

By far the biggest impact on the town's budget will come from the number of new students enrolled in our schools. Our conclusions using the data and assumptions cited above yield the following:

- A development of 95 units on currently undeveloped land will add about \$1,000,000 in additional net budgetary burden to the town.

- A development of 95 units in overlay districts will add about another \$500,000 to the net budgetary burden due to the loss of empty nester properties. That in total is over 4% of our current budget.
- A plan that is approved resulting in no development has zero impact on town budget.

There are two important caveats in this analysis to consider.

1. This analysis only considers operating expenditure (opex). It does not consider the possibility of capital expenditure (capex). We understand that both the municipal and regional school systems are nearing their effective capacity, so the possibility of unanticipated capex expense is very real and should not be disregarded.
2. All towns in Massachusetts are now subject to the new ADU law which allows ADUs of up to 900 square feet to be built by right. If these are constructed in large numbers, they will compound the budgetary pressure.