

# **=EMERGENCY REPORT=**

## EMERGENCY FINANCIAL IMPACT ANALYSIS:

Non-Compliance with G.L. c. 40A § 3A



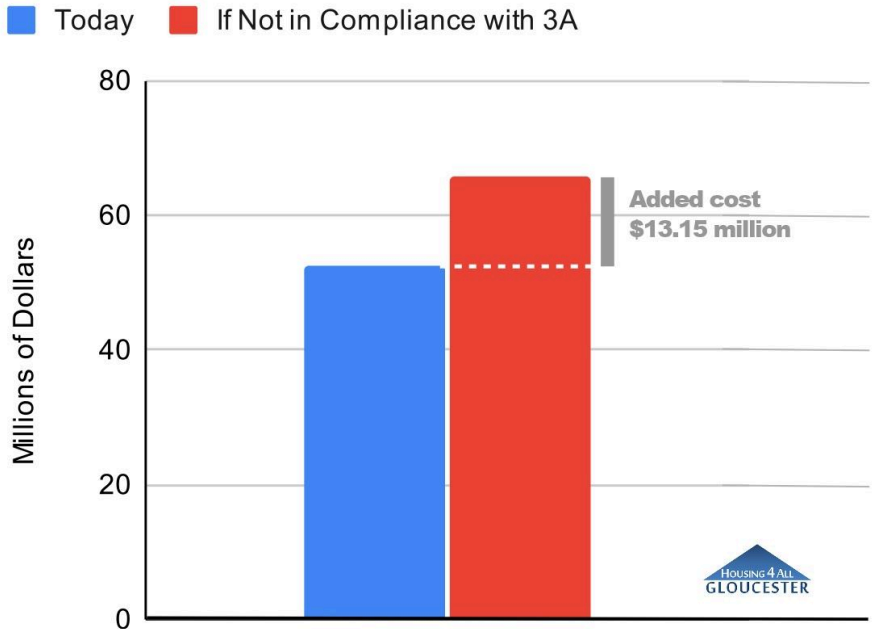
Housing For All Gloucester  
Gloucester, Massachusetts  
[www.housing4allgloucester.org](http://www.housing4allgloucester.org)

# Executive Summary

This analysis estimates that the City of Gloucester, Massachusetts stands to lose approximately \$13.15 million in favorable financing terms for its wastewater treatment project alone if it fails to comply with Massachusetts General Laws Chapter 40A, Section 3A. This loss stems from the loss of grants under the city's Housing Choice designation, which currently affords Gloucester a 0.5% discount on borrowing rates.

## Petition Could Result in \$13 Million Cost to Taxpayers

Wastewater Project Borrowing Costs



# Detailed Analysis

## Project Overview

- Project: Wastewater Treatment Facility Upgrade
- Estimated Total Cost: \$206 million
- Estimated Borrowing Amount: \$175 million
- Loan Term: 30 years

## Current Scenario (advantage of *Housing Choice* Designation)

- Estimated Interest Rate: 2% (example rate, actual rate may vary)
- Total Interest Paid Over 30 Years: \$52.6 million

## Non-Compliance Scenario (losing grants from *Housing Choice* Designation)

- Estimated Interest Rate: 2.5% (0.5% increase due to loss of designation)
- Total Interest Paid Over 30 Years: \$65.75 million

## Financial Impact

- Difference in Total Interest Paid: \$65.75 million - \$52.6 million = \$13.15 million
- This represents a 25% increase in interest costs over the life of the loan.

# Implications

1. Increased Taxpayer Burden: The additional \$13.15 million in interest payments would likely be passed on to Gloucester taxpayers through increased water and sewer rates or property taxes.
2. Opportunity Cost: These funds, if saved, could be allocated to other critical city services or infrastructure improvements.
3. Long-term Financial Planning: The loss of favorable financing terms could impact the city's ability to undertake other large-scale projects in the future without significant tax increases.
4. Fiscal Responsibility: Non-compliance may be viewed negatively by credit rating agencies, potentially affecting the city's credit rating and future borrowing capacity.

## Additional Considerations

- This analysis focuses solely on the wastewater treatment project. The total financial impact of non-compliance is likely to be significantly higher when considering other potential projects and funding opportunities.
- The Housing Choice designation may provide access to additional grants and funding sources not quantified in this analysis.
- Market conditions and interest rates may change, potentially increasing or decreasing the estimated savings.

## Conclusion

Compliance with G.L. c. 40A sec. 3A is not just a matter of following state law; it represents a significant financial benefit to the City of Gloucester and its residents. The estimated \$13.15 million in savings on this single project underscores the importance of maintaining the city's Housing Choice designation. As we consider the future of Gloucester's infrastructure and

financial health, it's crucial to recognize the long-term fiscal implications of our zoning decisions.