

# TOWN OF SOUTHBOROUGH



## NEARY BUILDING COMMITTEE

TOWN HOUSE · 17 COMMON STREET · SOUTHBOROUGH, MASSACHUSETTS 01772-1662  
(508) 485-0710 · FAX (508) 983-7752 · <mailto:nbc@nsboro.k12.ma.us>

May 7, 2025

This letter represents the final written communication regarding the proposed Neary School project cost from the Neary Building Committee Finance subcommittee. This letter will focus solely on the projected cost of the recommended project and the other options considered, and ancillary financial concerns that have been expressed by residents. Much more detailed cost information can be found at [Nearybuilding.com](http://Nearybuilding.com).

### Cost Projection

The current estimated cost of the project is \$108,517,025. The project cost was last estimated in early February by two independent experienced firms who each do many of the school project estimates in Massachusetts. The Town's share of the estimated project cost is \$68,202,266 after applying the state approved grant of \$ 35,279,062 and the anticipated rebates from both the federal government and Massachusetts (totaling \$5,035,697) for use of a geothermal system for heating and cooling. (More on that later). The state grant from the Massachusetts School Building Authority (MSBA ) was approved by a unanimous vote of the full MSBA Board on 4/30/25.

The annual debt service on the \$68.2MM bond is estimated to be approximately \$4.07MM per year assuming a 4.25% interest rate. The cost of reopening Finn as a town occupied building is estimated to be \$3MM. The cost of making the changes to Woodward to accommodate younger students is estimated to be \$500,000. The operational savings from combining the operations of two schools is estimated to be approximately \$1.2MM annually from the reduction in staff needed to operate one school instead of two. The net impact of the annual debt service on the new school bond, the Finn work, the Woodward work and the reduction in headcount is approximately \$ 3.1MM per year. That annual impact declines over time as the cost savings from the headcount reduction increase and the \$500k for Woodward is quickly paid.

A calculator has been developed to assist you in understanding the projected tax impact of the project on your real estate tax bill. See [here](#). The calculator estimates your total tax bill thru FY 32 assuming the project passes and assuming the project fails. The calculator also

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estimates the impact of the project itself on your taxes. For example, in FY 31 (the year of the largest impact in the seven years) the portion of your total estimated taxes attributable to the building of the new four grade school is 3.1%. The calculator compares your estimated taxes if the project is approved to your taxes if the project is not approved and Neary is kept open and only funds necessary to keep the building operational are spent – approximately \$6.1MM over the next 7 years.

There is a link on the calculator to the detailed seven-year projected budget including the assumptions used in the seven-year projection. The current Town capital plan is included.

### Comparative Costs of Other Options

There has been much discussion about the cost of other project options. We looked at the cost of two other options over the summer: (1) completely renovate existing Neary and expand to include two more grades; and (2) demolish Neary and build a new two grade school. We also asked our design team to estimate the cost of a base repair to the existing school that would include bringing the current school up to all current building codes – the base repair option.

The most recent cost estimate of the alternative projects considered over the summer which were used by the NBC to make its recommendation to the MSBA were:

- (1) Complete renovation of existing Neary and expansion to a four-grade school - \$77,870,828.**
- (2) New two grade school - \$62,907,592 (No operational savings from headcount reduction from consolidated school);**
- (3) Base repair of existing school - \$48,195,000 (No operational savings from headcount reduction from consolidated school)**

**Note that the estimated net cost of these three options (i.e. after projected MSBA grant) has not been updated since August 2024 when the Preferred Design Program (PDP) was submitted to the MSBA. And the costs of (2) and (3) do not reflect the anticipated savings from the headcount reduction in the consolidated school. If the**

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**present value of the headcount reduction savings year after year was netted with the cost of the new four grade school – that project would cost LESS than the new two grade school.**

We rejected (1) because it was clear that substantial renovation would cost more than a new build. (Neary is in very poor shape.) Additionally, the physical limitations of the current building would restrict design choices.

We rejected (2) in large part because there was a large economy of scale in building the four-grade school that also provided significant educational benefits not available in the new two grade school.

We rejected (3) because the cost was very significant, and we would have a school that didn't met the educational needs of today's students.

Lastly for (2) and (3) if Neary remained a two-grade school substantial capital expenditures in the next ten years would be required to keep Finn open as a school. That is not the case if Finn is a town building. Keeping the current four school K-8 grade configuration will require another big picture capital discussion on schools in the next ten years. Approving the new four-grade school would most likely solve our school capital needs for the next 25 years outside of normal maintenance such as roofs and/or an unexpected significant increase in student enrollment.

### **Discussion of Macroeconomic Risks in Cost Projections**

Concerns have been expressed recently by residents as to the impact certain macroeconomic factors could have on the estimated project cost. Specifically concerns about the impact of federally imposed tariffs and overall inflation have been common themes.

If the project is approved with the votes on 5/10 and 5/13 the next major step is to select a Construction Manager. The NBC has voted to use a Construction Manager at Risk (CMR) type of contract. A CMR contract is currently also recommended by the MSBA. The CMR contract has many advantages but most importantly the risk of unexpected increased

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project costs can be shifted to the Construction Manager post establishment of the guaranteed maximum price (GMP). Conversely, any cost reductions post GMP contract could inure to the benefit of the Town.

The Construction Manager will work collaboratively with our design team to develop the detailed drawings necessary to obtain the construction bids. The development of the detailed drawings will take almost a year. During that year nine separate cost estimates will be obtained at three specified phases of the design development (three separate estimates for each phase.) At each phase the design team guided by the construction manager will have the ability to make needed design adjustments (value engineering) to reflect any cost concerns that are identified with the estimates **including the imposition of tariffs** that affect materials to be used in the school construction. The design team and construction manager will continually be required to work within the cost estimate approved on 5/10 and 5/13 of \$109MM (rounded).

The risk of increased inflation in all costs has also been a frequently expressed concern. Our recent cost estimates include a roll forward of costs to the midpoint of the construction period (i.e. June 2027) using a seven percent annual inflation assumption. \$3,153,597 has been added to the estimated project cost to offset the overall inflation of all project costs during the two-year construction period.

Third, the current project cost estimate includes total cost contingencies of \$12,321,231 to be used for unforeseen costs.

Finally, if the construction bids received a year from now exceed the cost cap approved on 5/10 and 5/13 – either design adjustments will be made to reduce the cost or the project cannot proceed without town meeting approval and MSBA support for additional funding.

Once the construction bids are received and the GMP has been established much of the risk of any further cost increases that exceed the project contingencies are expected to be borne by the construction manager.

### **Expected Rebates from Use of Geothermal HVAC System**

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Some have expressed concern with using projections of rebates from the federal government to reduce the estimated project cost. (The Massachusetts expected rebates from the MassSave program are already funded).

The expected rebate check from the federal government is from incentives included in the Inflation Reduction Act (IRA) enacted during the Biden administration. The IRA is law and therefore would need to be repealed or amended by Congress to be changed. The IRA is not subject to change thru an Executive Order of the President.

We continue to be optimistic about the receipt of the approximate \$4MM of federal rebates from the project for two other reasons:

- (1) 21 GOP representatives have come out to publicly oppose repeal of the Inflation Reduction Act's clean energy tax credits as part of the party's upcoming reconciliation bill; and
- (2) Current U.S. Secretary of Energy Chris Wright has voiced strong support for geothermal energy.

In the end we will have a choice of using a less expensive HVAC system if we believe the geothermal energy system rebates are not available.

## Summary

The Neary Building Committee and its Finance Subcommittee have striven to bring forth the project that we feel best solves the Neary School issue. This project does not prevent us from spending needed funds on other town capital needs such as roads and sidewalks. The major drivers of projected tax increases over the next seven years do not include this project.

Twelve different options were studied before the new four grade school option was selected by a unanimous vote of the seven member NBC. We worked diligently throughout the process to reduce the cost of the project. The MSBA staff has stated that the Neary project is the most efficient project that they have reviewed in a long time. We have

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reduced the square footage per student from 201 in the current Neary to 164 in our recommended project but provided a much better school educationally than the current Neary. We believe that when all factors are considered, we have brought forth the best project for the Town. We ask for your support on May 10<sup>th</sup> and May 13<sup>th</sup>.

On behalf of the Neary Building Committee Finance Subcommittee

Kathryn M. Cook - Chair