

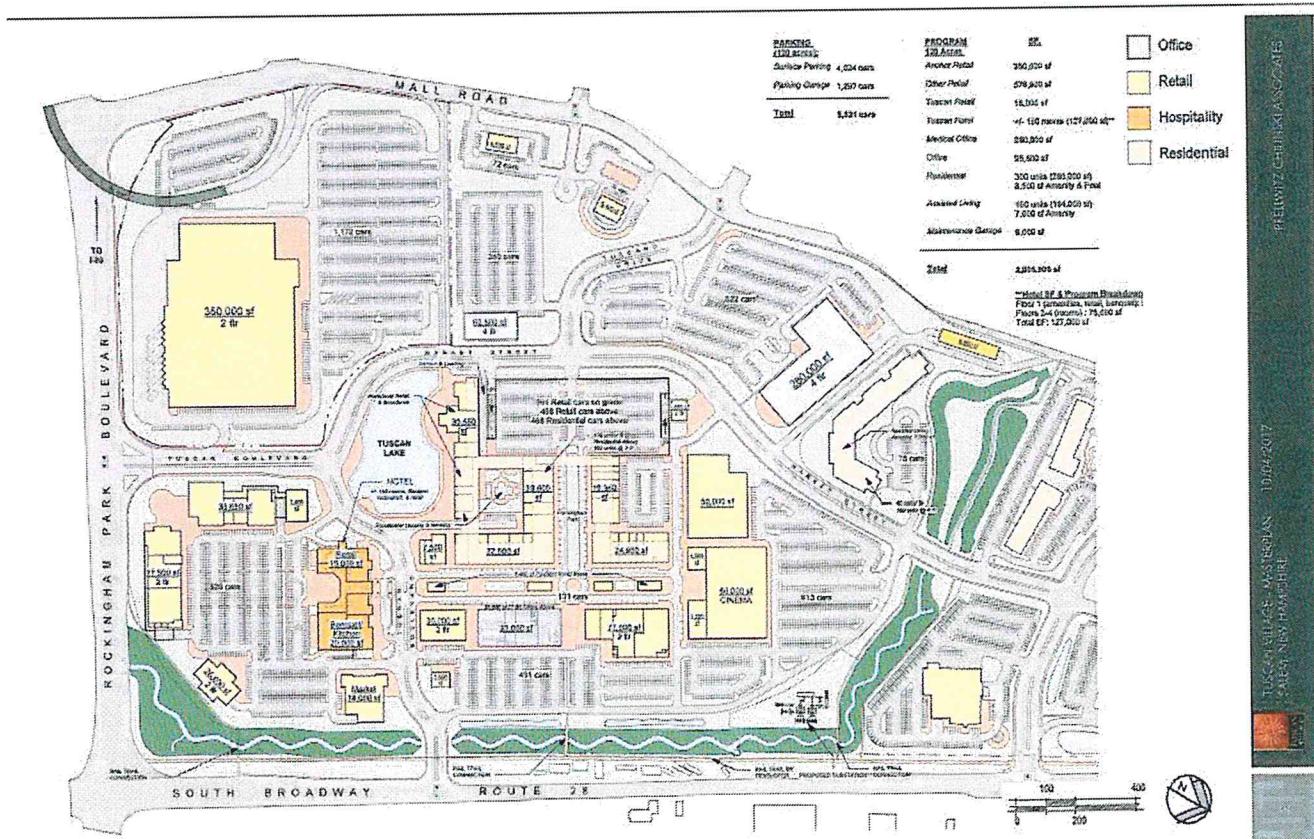
Tuscan Village

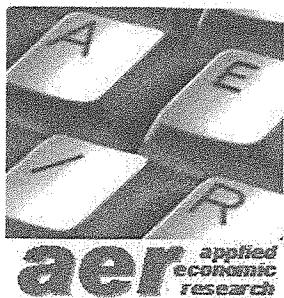
Fiscal and Service Impacts

With Medical Office Space

October 10, 2017

*Prepared for:
Salem NH Planning Board
Prepared By:
Russell Thibeault
Applied Economic Research
Laconia, New Hampshire*





**Economic and
Real Estate
Advisory
Services**

October 10, 2017

Mark G Hebert
Vice President of Development I Principal
Grossman Development Group, LLC
30 Turnpike Road, Suite 12 |
Southborough, MA 01772

RE: Fiscal and Service Impact Update
Tuscan Village

Dear Mark:

Pursuant to your request, I am pleased to provide this update of my September 20, 2017 presentation to the Salem Planning Board and the accompanying September 13, 2017 impact report.

Since my September 20 presentation the development program has changed for the south 120-acre portion of the overall program. The major change is the introduction of 280,000 square feet of medical office space and a reduction in other elements of the development program, per the table in the Addendum to this report. The medical space will consist primarily of outpatient services and will not be a hospital with overnight stays.

The overall development program as currently defined is depicted on the following page.

In analyzing the impact of this configuration, I did examine the assessment placed on other medical office complexes in New Hampshire with the following results:

Facility	Location	Community	Finished Area	Replacement Cost/SF	Total Replacement Cost
Laconia Clinic	724 Main St	Laconia	24,771 \$	114 \$	2,819,
Spear Hospital at Boulder Point	103 Boulder Point Drive	Plymouth	29,368 \$	90 \$	2,643,
Spear Hospital Office Building	9 Hospital Road	Plymouth	5,583 \$	92 \$	513,
Horseshoe Pond Building 1	60 Commercial Street	Concord	52,750 \$	201 \$	10,602,
Concord Hospital Office-1	250 Pleasant Street	Concord	32,558 \$	117 \$	3,800,
Concord Hospital Office-2	250 Pleasant Street	Concord	54,935 \$	131 \$	7,221,
			<hr/>	<hr/>	<hr/>
			199,965 \$	138 \$	27,600,

Recognizing that the medical office space on this site will be new and incorporating advanced features, I have concluded a square foot value of \$150, which is in the range of the Horseshoe Pond and Concord Hospital 2 facilities.

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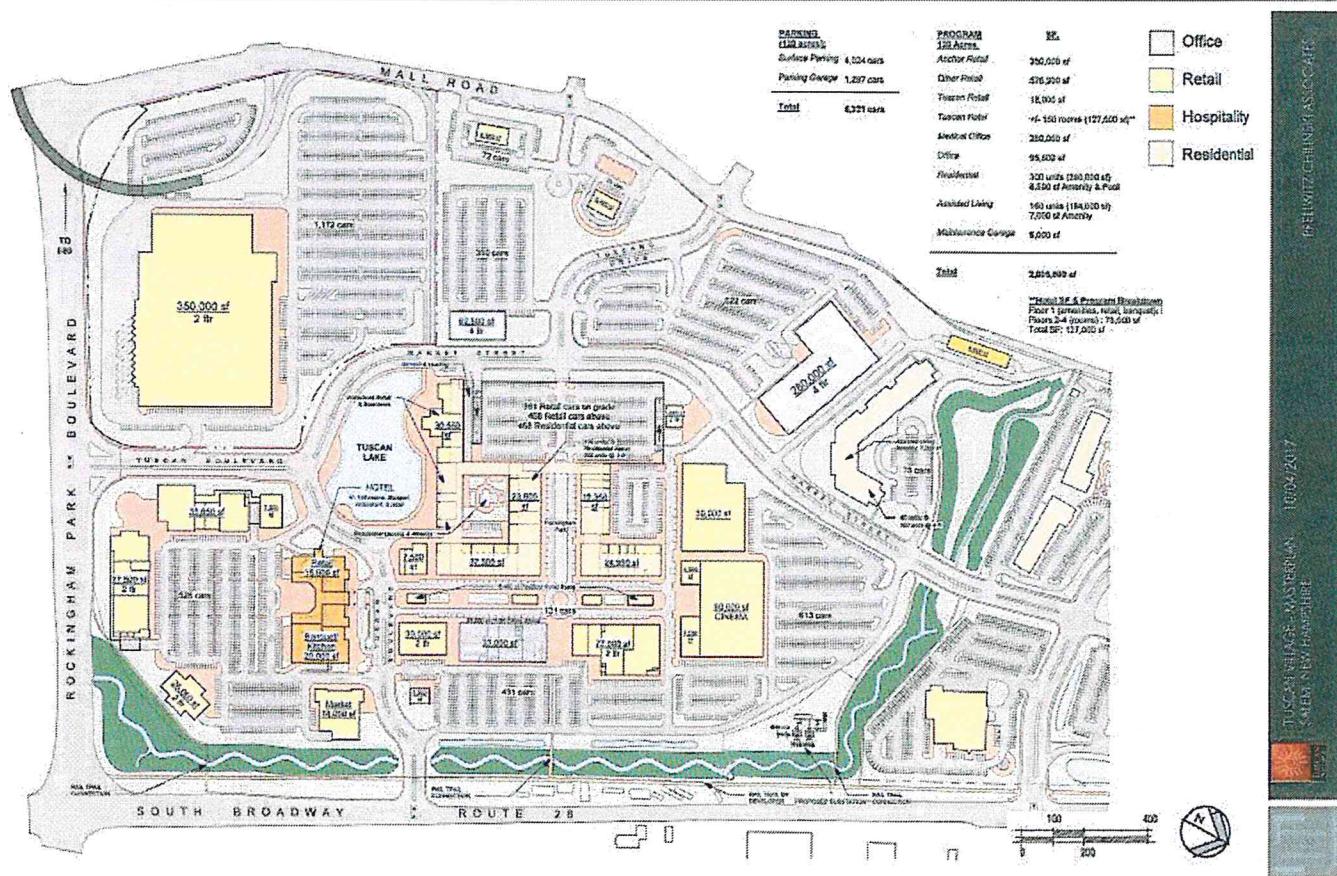
10/10/2017

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Development Program
Square Feet

	South 10/2/2017	North: Per 9/5/2017	Plan	Total	Units
Anchor Retail	350,000	80,000		430,000	
Other Retail	576,900	80,700		657,600	
Other Retail Auto Dealership			38,000		38,000
Conventional Office	95,500		-	95,500	
Medical Office	280,000			280,000	
Hotel	127,000			127,000	
Tuscan Retail	18,000			18,000	
<i>Subtotal: Nonresidential Square Feet</i>	<i>1,447,400</i>	<i>198,700</i>		<i>1,646,100</i>	
Residential Multi Family-Units (300 Units South, 256 North)	280,000	266,000		546,000	556
Assisted Living (160 Units)	184,000			184,000	
Residential Townhouses (96 units)	-	288,000		288,000	96
Total Square Feet	1,911,400	752,700		2,664,100	652

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I have analyzed the impact of this proposal using the same methodology as in my September 13 analysis—a per capita and per employee marginal cost analysis, per the recommendation of the town's peer review consultant, RKG. The calculations I have undertaken are depicted in the Addendum to this letter report.

My conclusions as to the ongoing fiscal impact of the proposal, with the medical office component are:

Synopsis of Annual Impact Upon Completion				Combined: Town -wide
	Municipal	School		Impact
Incremental Revenues	\$ 3,214,000	\$ 6,238,000		\$ 9,452,000
Incremental Costs	\$ (1,940,880)	\$ (226,200)		\$ (2,167,080)
Excess of Revenues Over Costs	\$ 1,273,120	\$ 6,011,800		\$ 7,284,920

(In constant 2017 dollars)

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with medical office.xlsx]Sheet1

As was the case in my presentation to the planning board, the figures indicate that revenues will exceed assigned costs upon completion of the development program. The “bottom line” on a combined basis is a sizable excess of \$7.3 million annually to the community, with the school district enjoying a more favorable impact than the town, per se. This compares to a very similar conclusion of \$7.6 million in my September 20 presentation to the planning board.

I have also estimated the impact fees the development will generate under this program as follows:

Total Residential+Non Residential Impact Fees

Town Functions

Public Safety	\$ 1,563,900
Recreation	\$ 446,100
Traffic	\$ 4,663,400
Subtotal: Town	\$ 6,673,400

Schools	\$ 1,828,600
Total	\$ 8,502,000

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Details setting forth the calculation of these fees are in the Addendum to this report. The total fees are less than in my prior report because of the changes in the development program and also because the prior report calculated public safety impact fees on both the north and south sites, whereas the public safety impact fees do not apply to the northerly site because the timing of the adoption of the fees.

In completing my analysis I did speak to Jeffrey Emmanuelson from the Salem Fire Department and Captain Morin from the Salem Police Department. Both indicated that it is likely that medical office space may generate somewhat greater service demands on their departments than conventional office space or retail space.

The fire department would be responsible for any emergency ambulance calls to or from the facility. The police department would be called upon to assist in any unusual patient disruptions. Similarly, the facility could require more inspection and related services from the Municipal Services Department. I believe that upon completion of the development program, the total revenues of \$3.2 million and the estimated surplus to the town of \$1.3 million annually will be sufficient to meet any inordinate staffing needs not already reflected in the \$1.9 million in incremental town costs incorporated in my analysis.

You will recall that in my prior analyses of the impact of Tuscan Village I noted that it will impose a burden on the current town staffing, particularly the police and fire departments, but that upon completion it will provide sufficient revenues to address the impacts it imposes and help fund alleviation of the current staffing shortfalls which exist even in the absence of Tuscan. This remains the case in my current analysis, incorporating the medical office space.

I have also estimated building permit fees as follows:

Estimated Building Permit Fees		
Total Market Value (Increase in assessment less land)	\$	486,977,900
Less: Infrastructure Allowance	\$	(60,000,000)
Improvement Value	\$	426,977,900
Basic Permit Fee/\$1000	\$	12.00
Basic Permit Revenue	\$	5,124,000
Estimated plumbing, electrical and gas permit fees	\$	500,000
Estimated Building Permit Fees	\$	5,624,000

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The estimated sewer and water fees remain as set forth in my September 20 analysis, falling in an estimated range of \$6.5-9.5 million.

The one time fees under this program, then, total \$20.6-\$23.6 million as follows:

One Time Fees		
Total Impact Fees	\$	8,502,000
Building Permit Fees	\$	5,624,000
Water and Sewer Access Fees		\$6,500,000-9,500,000
Total Fees	\$	20,626,000 to \$ 23,626,000

Conclusion

This letter updates my September 20 presentation to the Salem Planning Board. Although the figures have shifted, the conclusion of this analysis is functionally the same as my September 20 analysis—upon completion, the development will require expanded staffing, but generates sufficient revenues to pay for that staffing. When completed, it will not impose an unfunded service impact upon the community. In addition, the development generates substantial one-time fees to the town and school district.

I am aware the town is examining the timing of the flow of revenues versus the timing of the impacts.

Thank you for retaining me for this analysis.

Sincerely



Russell W. Thibeault
President

Addendum

Development Program				
Square Feet				
	North: Per 9/5/2017		Total	Units
	South 10/2/2017	Plan		
Anchor Retail	350,000	80,000	430,000	
Other Retail	576,900	80,700	657,600	
Other Retail Auto Dealership		38,000	38,000	
Conventional Office	95,500	-	95,500	
Medical Office	280,000		280,000	
Hotel	127,000		127,000	
Tuscan Retail	18,000		18,000	
<i>Subtotal: Nonresidential Square Feet</i>	<i>1,447,400</i>	<i>198,700</i>	<i>1,646,100</i>	
Residential Multi Family-Units (300 Units South, 256 North)	280,000	266,000	546,000	556
Assisted Living (160 Units)	184,000		184,000	
Residential Townhouses (96 units)	-	288,000	288,000	96
Total Square Feet	1,911,400	752,700	2,664,100	652

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Valuation per Square Foot

	South: Per		
	8/11/2017 AER	Analysis	North: Per 7/2016 and 8/11/2017 reports
Anchor Retail	\$ 175	\$ 175	\$ 175
Other Retail	\$ 350	\$ 350	\$ 350
Other Retail Auto Dealership	\$ -	\$ -	\$ 175
Office	\$ 125	\$ 125	\$ -
Medical Office	\$ 150	\$ 150	\$ -
Hotel	\$ 150	\$ 150	\$ -
Tuscan Retail	\$ 200	\$ 200	\$ -
Residential Multi Family-Units (300 Units South, 256 North)	\$ 120	\$ 120	\$ 120
Assisted Living (160 Units)	\$ 160	\$ 160	\$ -
Residential Townhouses (96 units)	\$ -	\$ -	\$ 185

	Valuation		
	South	North	Combined
Anchor Retail	\$ 61,250,000	\$ 14,000,000	\$ 75,250,000
Other Retail	\$ 201,915,000	\$ 28,245,000	\$ 230,160,000
Other Retail Auto Dealership		\$ 6,650,000	\$ 6,650,000
Subtotal: Retail			
Office	\$ 11,937,500	\$ -	\$ 11,937,500
Medical Office	\$ 42,000,000	\$ -	\$ 42,000,000
Hotel	\$ 19,050,000	\$ -	\$ 19,050,000
Tuscan Retail	\$ 3,600,000	\$ -	\$ 3,600,000
			\$ -
Residential Multi Family-Units (300 Units South, 256 North)	\$ 33,600,000	\$ 31,920,000	\$ 65,520,000
Assisted Living (160 Units)	\$ 29,440,000	\$ -	\$ 29,440,000
Residential Townhouses (96 units)		\$ 53,280,000	\$ 53,280,000
Total New	\$ 402,792,500	\$ 134,095,000	\$ 536,887,500
Less: Pre Development Assessment	\$ (42,731,500)	\$ (7,178,100)	\$ (49,909,600)
Net Increase	\$ 360,061,000	\$ 126,916,900	\$ 486,977,900

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Incremental Revenues		
Tax Rate (2016)		
Municipal	\$	6.60
Local School	\$	10.42
State School	\$	2.39
Subtotal: School	\$	12.81
Projected Municipal Revenues		
Incremental Assessed Value	\$	486,977,900
Municipal Tax Rate	\$	6.60
Municipal Revenues	\$	3,214,000
Projected School Revenues		
Incremental Assessed Value	\$	486,977,900
School Tax Rate	\$	12.81
School Revenues	\$	6,238,000
Total Revenues	\$	9,452,000

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Estimated Municipal Variable Costs

Assessing	\$ 253,500	Total Budget
Planning	\$ 247,100	Total Budget
Police	\$ 8,517,900	AER Compilation
Fire	\$ 9,842,800	AER Compilation
Municipal Services	\$ 3,416,300	AER Compilation
Total Variable Costs	\$ 22,277,600	

Variable Municipal Costs Per Capita and Employee

Residential Variable Costs per Unit

Total Variable Costs	\$ 22,277,600
Percent Residential	68%
Dollars Residential	\$ 15,171,000
Total Population	28,752 NH OEP 2016
Variable Costs per capita	528
Population per Multi Family Unit	1.78 Mayberry Impact Fee Analysis p 30
Variable Cost per Multi Family Unit	940

Variable Costs per Employee

Total Variable Costs	\$ 22,277,600
Percent Commercial	32%
Dollars Commercial	\$ 7,107,000
Total Employees	\$ 22,000 NH Employment Security
Variable Cost per Employee	320

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Estimated Departmental Variable Costs		
Police Variable Costs	Amount	Budget Reference
Patrol	\$ 5,581,295	Page 101 and 115
Investigative Services	\$ 1,431,475	Page 101 and 121
Support Services (training, uniforms, equipment, personnel, gas and oil, vehicle maintenance, etc.)	\$ 1,505,148	Page 108
	\$ 8,517,918	
Fire Department Variable Costs		
Suppression	\$ 8,582,018	pages 132 less salaries on page 135
Communications	\$ 526,820	page 132
Inspectional Services	\$ 734,011	page 132
	\$ 9,842,849	
Municipal Services Variable Costs		
Streets/Shops	\$ 2,053,060	page 168
Municipal Services Fleet	\$ 452,469	page 168
Engineering	\$ 528,410	page 168
Parks/Property	\$ 382,376	Page 198
	\$ 3,416,315	

Estimated School Enrollment

	Units	Students per Unit	Students
Multi-family	556	0.1992	110
Townhouse	96	0.2428	20
Total	652		130

Calculated Tuscan School Variable Costs

Transportation	\$ 2,819,374
Student Support Services	\$ 3,382,308
Total	\$ 6,201,682
Salem Students	3,568
Variable Cost per Student	\$ 1,740
Students Generated	130
Variable Education Costs	\$ 226,200

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Calculated Tuscan Municipal Variable Costs

Nonresidential

Retail Square Feet	1,143,600
Employees per 1000 Square Feet	2
Retail Employees	2,300
Conventional Office Square Feet	95,500
Employees per 1000 Square Feet	4
Employees	400
Medical Office Space SF	280,000
Employees per 1000 Square Feet	5
Employees	1,400
Hotel Employees	50
Total Employees	4,150
Municipal Cost per Employee	\$ 320
Incremental nonresidential Municipal Costs	\$ 1,328,000

Residential

Total Units	652
Municipal Cost per Unit	\$ 940
Incremental Residential Municipal Costs	\$ 612,880
Incremental Municipal Costs	\$ 1,940,880

Synopsis of Annual Impact Upon Completion

	Municipal	School	Combined: Town - wide Impact
Incremental Revenues	\$ 3,214,000	\$ 6,238,000	\$ 9,452,000
Incremental Costs	\$ (1,940,880)	\$ (226,200)	\$ (2,167,080)
Excess of Revenues Over Costs	\$ 1,273,120	\$ 6,011,800	\$ 7,284,920

(In constant 2017 dollars)

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Estimated One-Time Impact Fees: Tuscan Village

	Units	Per Unit Fees				Fee/Unit	Fees
		Public Safety (See Below)	Recreation	Traffic	Schools		
Residential							
Multi Family Rental	556		\$ 659	\$ 995	\$ 2,792	\$ 4,446	\$ 2,472,000
Assisted Living	160			\$ 555		\$ 555	\$ 88,800
Townhouse	96		\$ 830	\$ 869	\$ 2,878		\$ 439,400
Total Residential	812		\$ 446,100	\$ 725,400	\$ 1,828,600		\$ 3,000,200

	Square Feet	Public Safety: See Below	Per Square Foot Traffic	Total Per Square Foot	Fees
Non Residential					
Tuscan Retail (Market)	18,000		\$ 3.57	\$ 3.57	\$ 64,260
Lodging	127,000		\$ 2.57	\$ 2.57	\$ 326,390
Auto Dealership	38,000		\$ 2.57	\$ 3.13	\$ 118,940
Office	95,500		\$ 1.65	\$ 1.65	\$ 157,575
Medical Office	280,000		\$ 1.65	\$ 1.65	\$ 462,000
Anchor Retail	350,000		\$ 3.85	\$ 3.85	\$ 1,347,500
Other Retail	576,900		\$ 2.57	\$ 2.57	\$ 1,482,633
Total Non Residential	1,485,400		\$ 3,938,018		\$ 3,959,298

Public Safety Impact Fees (South Site Only)

	Units	Fee per Unit	Fee
Multi Family Residential	\$ 300	\$ 845.00	\$ 253,500
Assisted Living	\$ 160	\$ 2,425.00	\$ 388,000
Tuscan Retail (Market)	18,000	\$ 0.56	\$ 10,080
Lodging	127,000	\$ 1.50	\$ 190,500
Office	95,500	\$ 0.54	\$ 51,570
Medical Office	280,000	\$ 0.54	\$ 151,200
Anchor Retail	350,000	\$ 0.56	\$ 196,000
Other Retail	576,900	\$ 0.56	\$ 323,064
	1,447,400		\$ 1,563,914

Total Residential+Non Residential Impact Fees

Town Functions

Public Safety*	\$ 1,563,900
Recreation	\$ 446,100
Traffic	\$ 4,663,400
Subtotal: Town	\$ 6,673,400
 Schools	 \$ 1,828,600
Total	\$ 8,502,000

* South site only

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Program Component	Current Plan	Proposed Plan	Maintainance, Garage
Residential Units	150 units	160 units	M/W
Assisted Living	184,000 sf	280,000 sf	M/W
Medical Office	390,000 sf	280,000 sf	M/W
Office	204,000 sf	127,000 sf	M/W
Tucson Hotel	175 rooms	150 rooms	M/W
Other Retail	38,000 sf	71,900 sf	M/W
Other Residential	505,000 sf	350,000 sf	M/W
Anchor Retail	155,000 sf	155,000 sf	M/W
Current Plan	922,25-17,7 Plan	900,000 sf	M/W
Proposed Plan	900,000 sf	900,000 sf	M/W