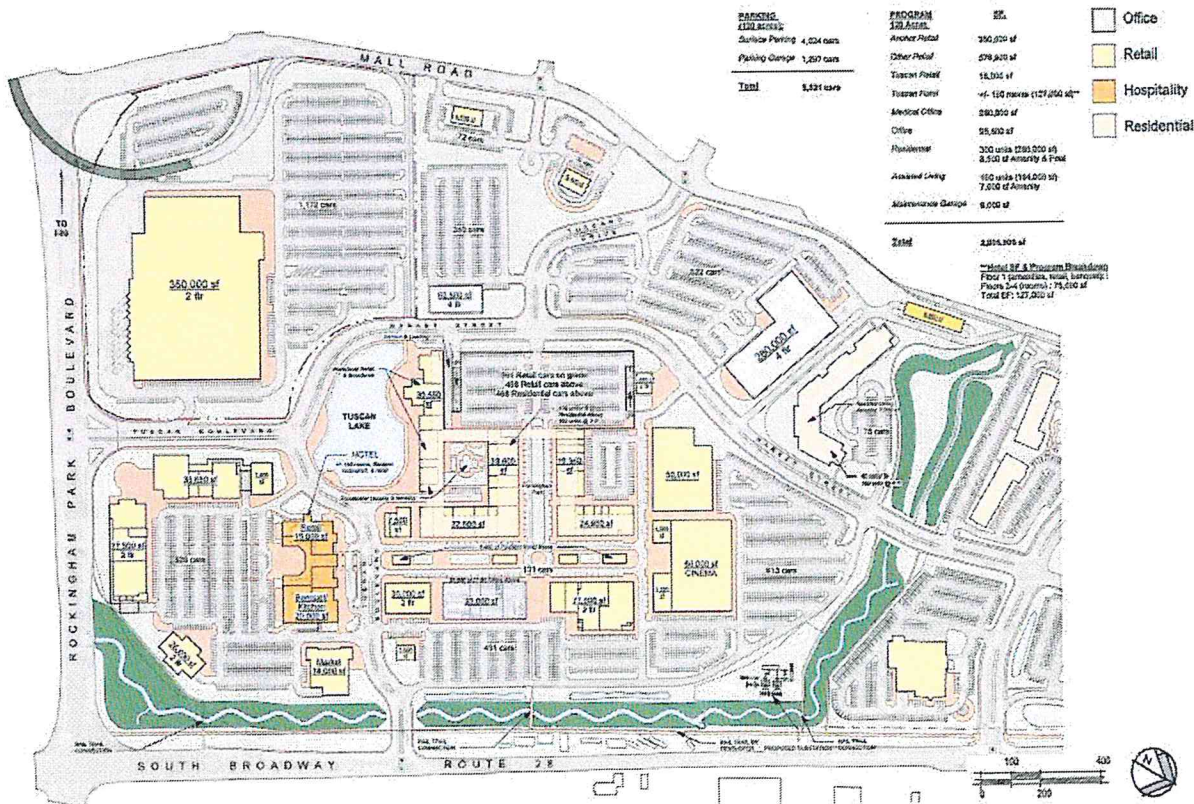
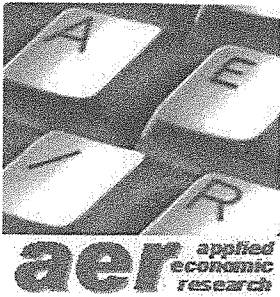


# Tuscan Village Fiscal and Service Impacts With Medical Office Space

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 Replacr 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,
			<b>199,965</b>	<b>\$ 138</b>	<b>27,600,</b>

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 in the range of the Horseshoe Pond and Concord Hospital 2 facilities.

109 Court Street  
Laconia, NH 03246

Tel 603.524.1484  
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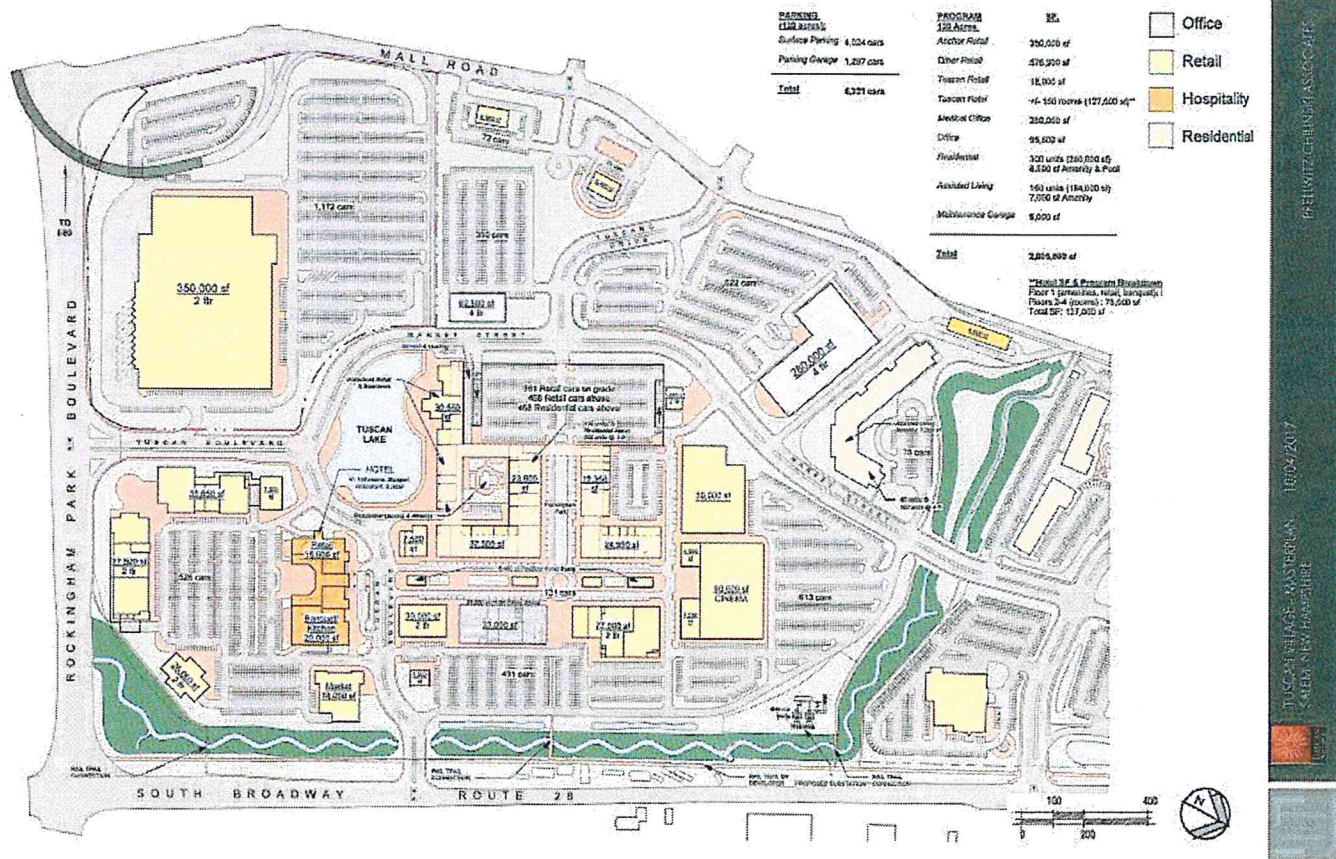


**Development Program**  
**Square Feet**

North: Per 9/5/2017

	South 10/2/2017	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	
<b>Subtotal: Nonresidential Square Feet</b>	<b>1,447,400</b>	<b>198,700</b>	<b>1,646,100</b>	
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
<b>Total Square Feet</b>	<b>1,911,400</b>	<b>752,700</b>	<b>2,664,100</b>	<b>652</b>

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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.

10/10/2017

Page 3

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

**Synopsis of Annual Impact Upon Completion**

	<b>Municipal</b>		<b>School</b>		<b>Combined: Town -wide Impact</b>
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.



10/10/2017

Page 4

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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impact fees both parcels corrected for unit count with medical.xlsx]Sheet1

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

#N/A

10/10/2017

Page 5

### **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

A handwritten signature in cursive script, appearing to read "Russell W. Thibeault".

Russell W. Thibeault  
President

10/10/2017

Page 6

## **Addendum**

**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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Valuation per Square Foot

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

**Estimated Departmental Variable Costs**

<b>Police Variable Costs</b>	<b>Amount</b>	<b>Budget Reference</b>
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.)	<u>\$ 1,505,148</u>	Page 108
	\$ 8,517,918	
<b>Fire Department Variable Costs</b>		
Suppression	\$ 8,582,018	pages 132 less salaries on page135
Communications	\$ 526,820	page 132
Inspectional Services	<u>\$ 734,011</u>	page 132
	\$ 9,842,849	
<b>Municipal Services Variable Costs</b>		
Streets/Shops	\$ 2,053,060	page 168
Municipal Services Fleet	\$ 452,469	page 168
Engineering	\$ 528,410	page 168
Parks/Property	<u>\$ 382,376</u>	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	<u>\$ 3,382,308</u>
Total	\$ 6,201,682
Salem Students	<u>3,568</u>
Variable Cost per Student	\$ 1,740
Students Generated	<u>130</u>
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	<u>4,150</u>		
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		\$	<u>1,940,880</u>



### 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		
<b>Residential</b>							
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	\$ 4,577	\$ 439,400
<b>Total Residential</b>	<b>812</b>		<b>\$ 446,100</b>	<b>\$ 725,400</b>	<b>\$ 1,828,600</b>		<b>\$ 3,000,200</b>

	Square Feet	Public Safety: See Below	Per Square Foot Traffic	Total Per Square Foot	Fees
<b>Non Residential</b>					
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
<b>Total Non Residential</b>	<b>1,485,400</b>		<b>\$ 3,938,018</b>		<b>3,959,298</b>

#### 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
	<u>1,447,400</u>		<u>\$ 1,563,914</u>

#### Total Residential+Non Residential Impact Fees

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

\* South site only

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<u>Program Component</u>	<u>07-25-17 Plan</u>	<u>Current Plan</u>	<u>Deviation +/-</u>
Anchor Retail	505,000 sf	350,000 sf	- 155,000 sf
Other Retail	505,000 sf	576,900 sf	+ 71,900 sf
Tuscan Retail	38,000 sf	18,000 sf	- 20,000 sf
Tuscan Hotel	160,000 sf 175 rooms	127,000 sf 150 rooms	- 33,000 sf - 25 rooms
Office	204,000 sf	95,500 sf	- 108,500 sf
Medical Office	--	280,000 sf	+ 280,000 sf
Residential	380,000 sf 300 units	280,000 sf 300 units	- 100,000 sf N/C
Assisted Living	184,000 sf 160 units	184,000 sf 160 Units	N/C N/C
Maintenance Garage	--	9000 sf	+ 9000 sf