

TECHNICAL MEMORANDUM

TO: Jacob LaFontaine, Assistant Planner
Salem Municipal Office Building
33 Geremoney Drive
Salem, NH 03079

DATE: July 31, 2023

SUBJECT: Fiscal Impact Analysis – Tuscan Village Master Plan Update 2.0

RKG Associates (RKG) was retained by the Town of Salem, New Hampshire, to prepare an analysis of the potential fiscal impacts associated with a proposed change in the development mix and uses for the Tuscan Village development project, referred to as the Tuscan Village Master Plan Update 2.0 (or Plan 2.0) for the Town's continued assessment of this project and its impacts within the community.

Executive Summary of Net Fiscal Impacts

The findings of this current fiscal impact analysis reflect the net changes between the previous plan and Plan 2.0. For example, if the previous plan called for 200 residential units and Plan 2.0 calls for 500 residential units – this analysis measures the increment, or the 300 units and their associated taxes and municipal costs. Changes are inclusive of the development mix in Building #1300 and Building #4000, as well as proposed changes throughout the remainder of Tuscan Village.

At the specific request of the Town, this analysis utilizes an average cost approach in developing the Town costs with respect to providing Town services at the Tuscan Village development, specifically:

- An **Average Cost Approach** indicates that the Town's experiences to date with providing services to Tuscan Village may be best reflected by using the full cost of potentially impacted Town Departments, whereby:
 - Costs to the Town for providing residential services = **(\$1,179.89)** per housing unit
 - Costs to the Town for providing non-residential services = **(\$480.52)** per employee

Table 1 and Table 2, respectively, offer a summary of the estimated net fiscal impacts of Plan 2.0 for the Town of Salem and for Local Education.¹

Table 1 – Summary Town Fiscal Impact Reconciliation – Tuscan Village 2.0

Tuscan Village Master Plan 2.0 - Summary Fiscal Reconciliation (FY 2022 \$)	Net New Residential	Net New Non-Residential	Combined Net New Total
Number of Units or SF (cost approach)	579	463,764	1,149,124
Valuation of Development (cost approach)	\$145,070,000	\$50,784,065	\$195,854,065
Parking Valuations (1) (Δ spaces)	\$11,897,174	\$1,062,586	\$12,959,760
Underground 100% residential, 0% commercial (90)	\$2,160,000	\$0	\$2,160,000
Garage 84% residential, 16% commercial (114)	\$9,169,574	\$1,746,586	\$10,916,160
Surface 0% residential, 100% commercial (548)	\$0	(\$684,000)	(\$684,000)
Building #1300 Underground	\$567,600	\$0	\$567,600
Total Valuation	\$156,967,174	\$51,846,651	\$208,813,825
Town Taxes (2)	\$797,393	\$263,381	\$1,060,774
from Building Improvements	\$736,956	\$257,983	\$994,939
from Parking Components	\$60,438	\$5,398	\$65,836
Town Costs (3)	(\$683,156)	(\$507,823)	(\$1,190,979)
Town "savings"	\$0	\$1,092,935	\$1,092,935
NET Fiscal Impact	\$114,237	\$848,494	\$962,731

Source: Town of Salem RKG (2023)

(1) - distribution of parking spaces, by residential and commercial, and costs/space, as offered by Tuscan Village Development Sal

(2) - Town tax rate of \$5.08 per \$1,000 in valuation

(3) - there will be Town costs for non-residential, however these are offset by the "savings" from a reduction in FTE's from the Previc

Note - if the Life Science component, or any portion thereof, were tax exempt this would reduce taxable valuation and net taxes

Town Impacts - the net fiscal reconciliation(s) utilizing the Average Cost Approach may be summarized as follows²:

- A positive net fiscal benefit to the Town of **\$114,389** from the residential component.
- A positive net fiscal return to the Town, from the non-residential components, and assuming that the Life Science component is 100% taxable = **\$848,178**.³
- This results in a combined (residential and non-residential) net positive fiscal benefit to the Town of **\$962,567**.

¹ All analyses presented assumes full build-out and stabilization and is in constant FY 2022 dollars.

² Metrics in red equate to a loss, cost, or decline.

³ Much of the net positive fiscal benefit to the Town from the non-residential components is a result of "savings" to the Town from a reduction in overall FTE employment from the Previous Plan.

Local Education Impacts - in summary (Table 2), the estimated net return to Local Education is a positive **\$1,624,327**.⁴

Table 2 – Local Education Fiscal Impact Reconciliation – Tuscan Village 2.0

Tuscan Village Master Plan 2.0 - Summary Fiscal Reconciliation (FY 2022 \$)	Total for local Education
Proposed Development	
Residential Units	579
Non- Residential SF (excludes SF of garages)	463,764
Total Valuation of Development (cost approach)	\$208,843,825
School Taxes	\$1,902,567
Estimated New Students	37
Estimated Education Costs	(\$278,240)
NET Fiscal Impact	\$1,624,327

Source: RKG (2023)

Regarding both the estimated net Town fiscal impacts and the estimated net Local Education impacts, the Town of Salem may consider some mitigation contingency or payment-in-lieu-of-taxes (PILOT) under the assumption that the Life Science component, or any portion thereof, were tax-exempt.

For the Town, there will be costs associated with providing services to the Life Science component (based on the FTE employees). The Life Science component is a major contributor to the Town's estimated Local Education tax receipts, due to its estimated valuation.

Additionally, while this analysis offers an estimate of Town service costs, for both residential and non-residential components, these are indexed to the 2022 expenditures as provided by the Town of Salem (refer to Table 12). Should these expenditures increase over time, the resulting Town costs per housing unit and per FTE employee would also be impacted. However, it is also possible that over time the Town of Salem may reassess property values and/or tax rates, resulting in a net benefit to the community.

Further, this analysis recognizes the potential for additional staffing in various Town Departments, particularly Police and Fire. Both Departments may also require additional spending for equipment and facilities, which have not been quantified in this analysis. For a further discussion of these items, the reader is directed to input offered by the respective Chiefs of each Department.

⁴ If the Life Science component, or any portion thereof, is tax exempt, this would diminish the taxable valuation of Plan 2.0 and thereby diminish taxable revenues for Local Education.

Plan 2.0 Development Mix

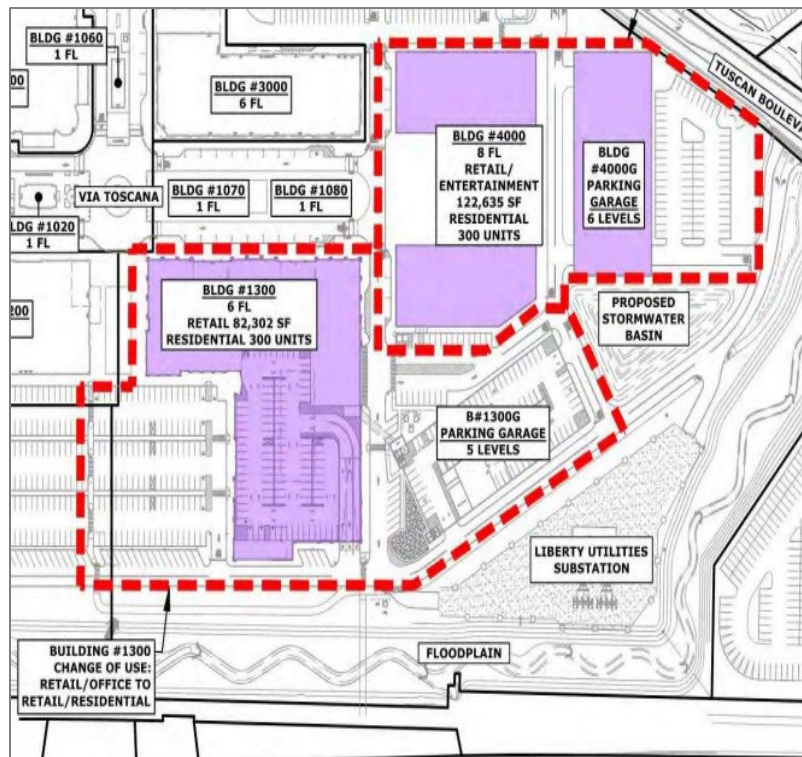
The primary focus of Plan 2.0⁵ consists of the following (Figure 1):

Building #1300 – to move from a two-story development of 88,000 SF to a six-story development of 464,564 SF (an increase of 376,564 SF). Increases are proposed for retail and restaurant uses and a decrease is proposed for office use.

Notably, Plan 2.0 also calls for an additional 300 residential units, totaling 358,217 gross SF, which were not part of the previous building program⁶ (Table 3).

Building #4000 – to move from a five-story development to an eight-story development and from 299,900 SF of development to 471,835 SF (an increase of 171,935 SF overall).

Figure 1 – Proposed Buildings # 1300 & # 4000



Notably, 300 new residential units are proposed at 349,200 gross SF, which were not part of the previous plan⁷ (Table 3). Increases in retail/restaurant use are proposed (refer to Table 4), there is an elimination of office/medical office use(s) and a new 61,272 SF of entertainment use is proposed (refer to Table 5).

Table 3 – Proposed Residential Mix

Tuscan Village Master Plan Update 2.0 - Residential Mix	Building #1300	Building # 4000
Studio Units	30	30
One Bedroom Units	150	150
Two Bedroom Units	120	120
TOTAL	300	300

Source: Tuscan Village Development Salem and RKG (2023)

⁵ A preliminary concept rendering of Tuscan 2.0 is presented in Figure 2 at the end of this memorandum.

⁶ Gross SF is inclusive of the market rate rental residential units, as well as, utility chases, elevators/stairs, lobby, common area and other.

⁷ Ibid.

Table 4 – Selected Retail and Restaurant Changes

Tuscan Village Master Plan Update 2.0 - Proposed Specialty Bars/Restaurants	Gross SF
Piano Bar	5,545
Sports Bar with Interactive activities	33,840
Specialty Bar	9,648
TOTAL	49,033

Source: Tuscan Village Development Salem and RKG (2023)

Table 5 – Building # 4000 – Entertainment Mix

Update 2.0 - Entertainment Mix (gross SF)	Building # 4000
Performing Arts/Live Music Venue	33,089
Comedy/Improv Venue	9,570
Axe Throwing Venue	7,000
Virtual Golf Venues	11,613
TOTAL	61,272

Source: Tuscan Village Development Salem and RKG (2023)

In addition to the proposed change of use/development for Buildings #1300 and #4000, as noted by the developer⁸, there are to be several changes in proposed uses in terms of unit count and/or SF of development elsewhere throughout Tuscan Village, excluding the aforementioned buildings, including the following:

Non-Residential Components – an increase of 371,282 SF of development in the retail/restaurant/fitness sectors and the Life Science use, while there is to be an elimination of 257,217 SF in the office and medical office sectors. As a result, the net change is an additional 114,065 SF.⁹

Residential Components – the inclusion of 70 units of owner condominiums in the Central Village section of Tuscan Village. These units are currently proposed in lieu of 91 renter units as proposed under the previous plan. When taken into consideration with the 300 units proposed, each, for Buildings #1300 and #4000 (600 in total) the net change in residential units for Plan 2.0 (compared to the previous plan) is 579 units.

Parking Spaces – a total of 6,513 parking spaces (excluding Building #1300 underground) representing a net increase of 524 spaces from the previous plan. Parking for Plan 2.0 is to consist of 220 underground spaces (an increase of 90 spaces); a total of 3,191 surface

⁸ Memorandum from Mark S. Gross, Director of Permitting/Entitlements (Tuscan Village Development Salem) and dated November 7, 2022.

⁹ Retail/restaurant/fitness sector from 476,399 SF to 502,241 SF for a net change of 25,842 SF. Life Science component from 867,700 SF to 1,213,140 SF for a net change of 345,440 SF. Combined net change for these uses 371,282 SF. Office and medical office sector from 406,808 SF to 149,491 SF for an overall decline of 257,217 SF. In total (all these uses) the net change in development is 114,065 SF.

parking spaces (a decline of 114 spaces); and 3,102 garage spaces (an increase of 548 spaces).

Note: The proposed Building #1300 development is to include approximately 30 underground parking spaces *which are not included* in the above information regarding parking counts. However, the impacts of these 30 underground parking spaces are included in the metrics for this fiscal impact analysis – these are referenced, where applicable, throughout the tabular information in this report and noted as “Building #1300 – Underground Parking”.

Summary of Plan 2.0 Development Mix Changes

In total, the Plan 2.0 development mix and changes are presented in Table 6, noting the change(s) over the previous plan:

- A decline of 543,617 SF in office and medical office space.
- An increase of 118,324 SF for retail, restaurant, and entertainment uses.
- Expansion of the Life Science component by an additional 345,440 SF.
- A net additional 579 residential units (renter and owner combined).
- A net increase of 524 parking spaces, primarily from an increase of 548 garage spaces from the previous plan.

Table 6 – Tuscan Village Master Plan 2.0 Development and Change from the Previous Plan

Tuscan Village Master Plan 2.0 Update - Development Plan	Previous Plan	Plan 2.0	Change in Development
Building 1300 (SF)	88,000	464,564	376,564
Retail/Restaurant	44,000	71,347	27,347
Office	44,000	0	(44,000)
Market Residential (1)	0	358,217	358,217
Underground Parking	0	35,000	35,000
Building 4000 (SF)	299,900	471,835	171,935
Retail/Restaurant	57,500	61,363	3,863
Office	242,400	0	(242,400)
Market Residential (2)	0	349,200	349,200
Entertainment Use	0	61,272	61,272
Commercial (SF)	1,777,907	1,891,972	114,065
Retail/Restaurant/Fitness	476,399	502,241	25,842
Medical Office	180,250	80,250	(100,000)
Office	226,558	69,341	(157,217)
Life Sciences	867,700	1,213,140	345,440
Maintenance Buildings	27,000	27,000	0
Residential (units) **	632	611	(21)
Rental (outparcels)	541	541	0
Rental (Central Village)	91	0	(91)
Owner (Central Village)	0	70	70
Parking (spaces)	5,989	6,513	524
Underground	130	220	90
Surface	3,305	3,191	(114)
Garage	2,554	3,102	548

Source: Tuscan Village Development Salem and RKG (2022) (note - some rounding may occur)

** - when the 600 units for Buildings #1300 and #4000 are included the net change is 579 units (valuations for these units are under Building #1300 and #4000 tabs)

(1) - 300 units at gross SF of 358,217 inclusive of utility, elevator/stairs, lobby, common area and other - **Costs at per unit basis**

(2) - 300 units at gross SF of 349,200 inclusive of utility, elevator/stairs, lobby, common area and other - **Costs at per unit basis**

Summary of Key Findings – Development Mix and Fiscal Impacts

The changes in the development mix for Plan 2.0, inclusive of Buildings #1300 and #4000, as well as the proposed changes in the development mix throughout the remainder of Tuscan Village, are estimated to result in the following, relative to the previous plan (all in constant 2022 dollars, also refer to Table 1).¹⁰

Residential Units – an additional 300 market rate rental units, each, as a part of the proposed Building #1300 and Building #4000 component (or 600 units in total). Another 70 owner units as part of the Central Village, replacing the decline of 91 renter units under

¹⁰ Town of Salem FY 2022 Town tax rate of \$5.08 per \$1,000. Town of Salem FY 2022 tax rate for local portion of Education at \$9.11 per \$1,000. Estimated variable costs per student of \$7,520.

the previous plan. Total new residential units, under Plan 2.0, results in 579 units (with stabilized occupancy¹¹ estimated at 550 units).

Residential Valuations and Gross Town Tax Receipts – these 579 residential units are estimated to result in an additional \$145.07 million in property valuations which then translates to an estimated \$736,956 in gross (unadjusted) Town property tax receipts.

Residential Costs and Net Town Tax Receipts – the estimated Town service costs per residential unit, for the 579 units are approximately **(\$1,179.89)** per housing unit indicating an overall cost of approximately **\$683,156**. When deducted from the previously noted \$797,546 in gross residential taxes (with the parking elements), the net residential impact is a positive net fiscal benefit of \$114,237 (***note this is the net residential impact only***).

Non-Residential Development – the total Plan 2.0 non-residential development mix, exclusive of parking SF, results in an estimated additional 463,764 gross SF over the previous plan. This is net of the estimated loss of 543,617 gross SF associated with the proposed elimination of office and medical office use(s).

Non-Residential Valuations and Gross Town Tax Receipts - the estimated change in non-residential valuations, inclusive of the parking elements, and net of the loss (from office/medical use(s) and some parking spaces) results in an estimated \$51.85 million increase in valuations from the previous plan. Unadjusted and gross Town property tax receipts are then estimated to be approximately \$263,381 (again, noting and net of the estimated loss from the aforementioned uses).

Non-Residential Costs and Net Town Tax Receipts – the Plan 2.0 non-residential development results in an estimated 1,057 additional FTE employees representing Town costs of approximately \$480.52 per FTE employee, indicating an overall cost of approximately **(\$507,823)**.

However, these are offset by an estimated loss of 2,274 FTE employees associated with the loss of office and medical use(s) and as such represent a “savings” to the Town of 2,274 FTE employees X \$480.52 per FTE employee = \$1,092,925 as compared to the previous plan.

As a result, while the Plan 2.0 development will result in Town services costs for non-residential development, there is an estimated annual savings from the loss of employment in the office and medical office use(s) sectors from the previous plan. As a result, the estimated net costs to the Town for providing services to the non-residential development of Plan 2.0 are costs of **(\$507,823)** plus savings from the previous plan of \$1,092,935 = net savings of \$848,494.

As a matter of note, associated Town costs and Local Education costs are typically benchmarked against a set of common metrics, as follows:

¹¹ At 95%.

- **Residential Town Costs** - the average cost per housing unit X the number of housing units. In this analysis the average cost per housing unit is **(\$1,179.89)**.
- **Non-Residential Town Costs** - the average cost per FTE (or full-time equivalent) employees X the number of employees. In this analysis the average cost per FTE employee is **(\$480.52)**.
- **Education Costs** - the average variable cost per student X the number of students. In this analysis the average variable cost per student is **(\$7,520)**.

Comparison of Town Costs for Non-Residential

The Plan 2.0 development mix reflects an overall reduction of approximately 543,617 SF of office and medical office uses, from the previous plan, which in turn equates to an estimated net decline of 1,218 FTE employees overall. Despite other changes in the non-residential mix for Plan 2.0, this overall loss of office and medical office sector employment actually results in a net savings to the Town (Table 7) with respect to costs for providing municipal services to non-residential uses.

While there will still be Town costs associated with providing services to the non-residential components of Tuscan Village, in summary, they will be less than what was estimated under the previous plan, as a factor of the overall reduced FTE employment.

Table 7 – Plan 2.0 – Change in Town Costs for Non-Residential (FTE)

Tuscan Village Master Plan 2.0 Update - Development Plan	Change in Development	Estimated Employment Metrics			Reconciliation of Town Non-Residential Costs		
		SF/FTE	Δ in FTE	Δ in Costs	Previous Plan	Plan 2.0 (all)	Δ in Costs
Building 1300 (SF)	376,564		(121)	(\$58,290)	\$126,858	\$68,568	(\$58,290)
Retail/Restaurant	27,347	500	55	\$26,282	\$42,286	\$68,568	\$26,282
Office	(44,000)	250	(176)	(\$84,572)	\$84,572	\$0	(\$84,572)
Market Residential (1)	358,217						
Underground Parking	35,000						
Building 4000 (SF)	171,935		(787)	(\$378,081)	\$521,176	\$143,095	(\$378,081)
Retail/Restaurant	3,863	500	8	\$3,713	\$55,260	\$58,973	\$3,713
Office	(242,400)	250	(970)	(\$465,916)	\$465,916	\$0	(\$465,916)
Market Residential (2)	349,200						
Entertainment Use	61,272	350	175	\$84,122	\$0	\$84,122	\$84,122
Commercial (SF)	114,065		(310)	(\$148,741)	\$2,252,935	\$2,104,194	(\$148,741)
Retail/Restaurant/Fitness	25,842	500	52	\$24,835	\$457,842	\$482,677	\$24,835
Medical Office	(100,000)	200	(500)	(\$240,262)	\$433,072	\$192,810	(\$240,262)
Office	(157,217)	250	(629)	(\$302,186)	\$435,466	\$133,280	(\$302,186)
Life Sciences	345,440	450	768	\$368,871	\$926,556	\$1,295,427	\$368,871
Maintenance Buildings	0		na	na	na	na	na
Residential (units) **	(21)						
Rental (outparcels)	0						
Rental (Central Village)	(91)						
Owner (Central Village)	70						
Parking (spaces)	524						
Underground	90						
Surface	(114)						
Garage	548						
Summary Total(s)			(1,218)	(\$585,113)	\$2,900,969	\$2,315,857	(\$585,113)

Source: Tuscan Village Development Salem and RKG (2022) (note - some rounding may occur)

Approach to Fiscal Impact Analysis

The approach to this fiscal impact update includes the consideration of Plan 2.0 considering the most recent available budget information from the Town of Salem and Salem Public Schools and to specifically:

- Recalibrate baseline assumptions regarding estimated assessed valuations of the net change in uses under Plan 2.0 relative to the previous plan.
- Utilize current Town tax rates for estimating gross property taxes. The FY 2022 tax rate is \$16.05/\$1,000 in valuation, with a focus on the Town tax rate **only** of \$5.08/\$1,000 and the Local Education tax rate of \$9.11/\$1,000.
- This approach encompasses the identification and comparison of both municipal service costs (at full costs as directed by the Town and as provided by the Town) related to the proposed change in development mix, and the potential public revenues (Town and Local Education, only). The “net” fiscal impact is the difference in revenues less costs measured in constant dollars. The estimated costs are benchmarked against a per housing unit basis (residential); per FTE employment basis (non-residential); and per pupil costs for any new students to the public school system.¹²
- Lastly, this analysis focuses on fiscal impacts only as related to the Plan 2.0 development mix and does not address other issues or concerns as may be related to traffic or other issues.

Estimated Valuations and Property Taxes

The primary source of ongoing revenues for the Town of Salem and the Salem schools (Local Education) are represented by the property taxes resulting from the proposed development mix changes of Plan 2.0. For this analysis, the estimated construction costs of the development were used to represent an initial estimate of valuation reflecting a cost-based approach to valuation.

Once the Plan 2.0 development elements are fully built and stabilized, the Town Assessor is likely to reevaluate the assessments reflecting either an income-based or comparable-sales approach to valuation, and as such these initial valuations are subject to revision.

This analysis primarily utilized construction costs estimates as offered by Tuscan Village Development Salem¹³ and as supplemented with cost estimates from *Marshall & Swift Valuation Services*, an industry leader in such construction cost metrics.

As presented (and rounded) in Table 8:

¹² This analysis is conducted using an average cost approach, additionally, while the Plan 2.0 development is likely to be realized over a multi-month (or year) time period, this analysis makes the specific assumption that all development is fully built and stabilized.

¹³ Estimated retail and restaurant construction were estimated to range from \$150 per SF to \$250 per SF – in this analysis the midpoint of \$200 per SF was utilized.

- The net change in valuation for Building #1300 (as now proposed) is a positive \$62.8 million primarily reflecting the 300 residential uses, despite a loss of (\$12.3 million) from the elimination of office use.
- The net change in valuation for Building #4000 (as now proposed) is a positive \$14.2 million primarily reflecting the 300 residential uses, despite a loss of (\$67.9 million) from the elimination of office use.
- Other commercial uses reflect a positive net contribution of \$112.5 million, due in large part to the expansion of the Life Science uses and the related construction costs on a per SF basis. The combined elimination of office and medical office uses equate to a reduction of \$70.59 million in valuation from the previous plan.
- The expansion of residential units, excluding the combined 600 units in Buildings #1300 and #4000, adds approximately \$7.1 million in valuation. This reflects the addition of 70 owner units (\$28.0 million in valuation) and the loss of 91 renter units (\$20.9 million in valuation).
- The net increase of 524 parking spaces results in an additional \$12.39 million in valuation, *excluding* Building #1300 (the latter estimated to add another \$567,600 in valuation).
- In summary, the net change in valuation of the new development mix for Plan 2.0 (inclusive of the parking components) equates to an overall increase of \$208.81 million in valuation¹⁴ which is then the benchmark used for estimating Town property taxes and Local Education property taxes.

¹⁴ Residential = \$147.05 million from building improvements **and** nearly \$12.90 million parking elements = **\$156.97 million**.
Non-residential = \$50.78 million from building improvements **and** \$1.06 million from parking elements = **\$51.85 million**.

Table 8 – Tuscan Village Plan 2.0 – Change in Development Mix and Valuations

Tuscan Village Master Plan 2.0 Update - Development Plan	Previous Plan	Plan 2.0	Change in Development	Construction Costs (3)	Change in Value (4)
Building 1300 (SF)	88,000	464,564	376,564	<i>na</i>	\$62,747,000
Retail/Restaurant	44,000	71,347	27,347	\$200	\$5,469,400
Office	44,000	0	(44,000)	\$280	(\$12,320,000)
Market Residential (1)	0	358,217	358,217	\$230,000	\$69,000,000
Underground Parking	0	35,000	35,000	\$19,920	\$597,600
Building 4000 (SF)	299,900	471,835	171,935	<i>na</i>	\$14,155,000
Retail/Restaurant	57,500	61,363	3,863	\$200	\$772,600
Office	242,400	0	(242,400)	\$280	(\$67,872,000)
Market Residential (2)	0	349,200	349,200	\$230,000	\$69,000,000
Entertainment Use	0	61,272	61,272	\$200	\$12,254,400
Commercial (SF)	1,777,907	1,891,972	114,065	<i>na</i>	\$112,479,665
Retail/Restaurant/Fitness	476,399	502,241	25,842	\$200	\$5,168,400
Medical Office	180,250	80,250	(100,000)	\$305	(\$30,500,000)
Office	226,558	69,341	(157,217)	\$255	(\$40,090,335)
Life Sciences	867,700	1,213,140	345,440	\$515	\$177,901,600
Maintenance Buildings	27,000	27,000	0	<i>na</i>	\$0
Residential (units) **	632	611	(21)	<i>na</i>	\$7,070,000
Rental (outparcels)	541	541	0	\$230,000	\$0
Rental (Central Village)	91	0	(91)	\$230,000	(\$20,930,000)
Owner (Central Village)	0	70	70	\$400,000	\$28,000,000
Parking (spaces)	5,989	6,513	524	<i>na</i>	\$12,392,160
Underground	130	220	90	\$24,000	\$2,160,000
Surface	3,305	3,191	(114)	\$6,000	(\$684,000)
Garage	2,554	3,102	548	\$19,920	\$10,916,160
Summary Total(s)					\$208,843,825

Source: Tuscan Village Development Salem and RKG (2022) (note - some rounding may occur)

** - when the 600 units for Buildings #1300 and #4000 are included the net change is 579 units
(valuations for these units are under Building #1300 and #4000 tabs)

(3) - as offered by Tuscan Village Development Salem and Marshall & Swift Valuation Services

(4) - construction costs X change in development for Plan 2.0

na - not applicable

Based on the change in valuations for the Plan 2.0 development mix, the FY 2022 taxes (prior to any adjustments) are \$1.06 million to the Town and \$1.90 million for public schools, Local Education, as in Table 9.

Table 9 – Plan 2.0 Change in Valuation and Resulting Town/Local Education Tax Receipts

Tuscan Village Master Plan 2.0 Update - Development Plan	Previous Plan	Plan 2.0	Change in Development	Construction Costs (3)	Change in Value (4)	Estimated Taxes	
						Town (5)	Schools (6)
Building 1300 (SF)	88,000	464,564	376,564	<i>na</i>	\$62,747,000	\$318,755	\$571,625
Retail/Restaurant	44,000	71,347	27,347	\$200	\$5,469,400	\$27,785	\$49,826
Office	44,000	0	(44,000)	\$280	(\$12,320,000)	(\$62,586)	(\$112,235)
Market Residential (1)	0	358,217	358,217	\$230,000	\$69,000,000	\$350,520	\$628,590
Underground Parking	0	35,000	35,000	\$19,920	\$597,600	\$3,036	\$5,444
Building 4000 (SF)	299,900	471,835	171,935	<i>na</i>	\$14,155,000	\$71,907	\$128,952
Retail/Restaurant	57,500	61,363	3,863	\$200	\$772,600	\$3,925	\$7,038
Office	242,400	0	(242,400)	\$280	(\$67,872,000)	(\$344,790)	(\$618,314)
Market Residential (2)	0	349,200	349,200	\$230,000	\$69,000,000	\$350,520	\$628,590
Entertainment Use	0	61,272	61,272	\$200	\$12,254,400	\$62,252	\$111,638
Commercial (SF)	1,777,907	1,891,972	114,065	<i>na</i>	\$112,479,665	\$571,397	\$1,024,690
Retail/Restaurant/Fitness	476,399	502,241	25,842	\$200	\$5,168,400	\$26,255	\$47,084
Medical Office	180,250	80,250	(100,000)	\$305	(\$30,500,000)	(\$154,940)	(\$277,855)
Office	226,558	69,341	(157,217)	\$255	(\$40,090,335)	(\$203,659)	(\$365,223)
Life Sciences	867,700	1,213,140	345,440	\$515	\$177,901,600	\$903,740	\$1,620,684
Maintenance Buildings	27,000	27,000	0	<i>na</i>	\$0	\$0	\$0
Residential (units) **	632	611	(21)	<i>na</i>	\$7,070,000	\$35,916	\$64,408
Rental (outparcels)	541	541	0	\$230,000	\$0	\$0	\$0
Rental (Central Village)	91	0	(91)	\$230,000	(\$20,930,000)	(\$106,324)	(\$190,672)
Owner (Central Village)	0	70	70	\$400,000	\$28,000,000	\$142,240	\$255,080
Parking (spaces)	5,989	6,513	524	<i>na</i>	\$12,392,160	\$62,952	\$112,893
Underground	130	220	90	\$24,000	\$2,160,000	\$10,973	\$19,678
Surface	3,305	3,191	(114)	\$6,000	(\$684,000)	(\$3,475)	(\$6,231)
Garage	2,554	3,102	548	\$19,920	\$10,916,160	\$55,454	\$99,446
Summary Total(s)					\$208,843,825	\$1,060,927	\$1,902,567

Source: Tuscan Village Development Salem and RKG (2022) (note - some rounding may occur)

** - when the 600 units for Buildings #1300 and #4000 are included the net change is 579 units (valuations for these units are under Building #1300 and #4000 tabs)

(3) - as offered by Tuscan Village Development Salem and Marshall & Swift Valuation Services

(4) - construction costs X change in development for Plan 2.0

(5) - FY 2022 Town tax rate of \$5.08 per \$1,000

(6) - FY 2022 Local Education tax rate of \$9.11 per \$1,000

na - not applicable

Current Town of Salem Valuations

Town of Salem 2022 property valuations (by broad category of use)¹⁵ were used to develop a benchmark metric for allocation of potential municipal costs to residential and non-residential development (Table 10). According to information provided by the Town of Salem, Townwide property valuations amount to approximately \$6.65 billion (excluding utilities).

The combined (land and building) residential¹⁶ valuations equate to nearly \$4.84 billion or 72.75% of the referenced total. The combined (land and building) commercial/industrial valuations equate to \$1.50 billion or 22.57% of the referenced total. In this manner, if a particular municipal service cost were \$1.00, then approximately \$0.73 (rounded) would

¹⁵ As provided to RKG from the Town of Salem – Salem Summary Inventory of Valuation (MS-1 for 2022) – New Hampshire Department of Revenue Administration.

¹⁶ This excludes residential building valuations that are considered as manufactured housing.

be apportioned to residential costs and \$0.23 (rounded) would go to commercial/industrial costs.

This reflects an allocation of Town costs relative to the percent distribution of property valuation Townwide for residential and non-residential uses. This tax base distribution method is a common approach to allocating municipal expenditures across different departments. Other than public safety services (i.e., Police, Fire and EMT), most municipal departments do not track their service delivery and expenditures by land use type (e.g., residential, commercial, office, industrial, etc.). As such, RKG applied the tax base allocation percentages to the General Government and the Department of Public Works.

Table 10 – Allocation of Town Service Costs – Salem, NH

2022 Valuations (MS-1 sheet)	Value	%
Land Valuations	\$2,372,172,066	100.00%
Residential	\$1,694,713,464	71.44%
Commercial/Industrial	\$605,202,106	25.51%
Other Taxable Land	\$140,172	0.01%
Tax Exempt	\$72,116,324	3.04%
Building Valuations	\$4,275,336,826	100.0%
Residential (not manufactured)	\$3,141,096,386	73.5%
Commercial/Industrial	\$894,910,290	20.9%
Other Taxable Buildings	\$66,355,800	1.6%
Tax Exempt	\$172,974,350	4.0%
Combined	\$6,647,508,892	100.00%
Residential	\$4,835,809,850	72.75%
Commercial/Industrial	\$1,500,112,396	22.57%
Other Taxable	\$66,495,972	1.00%
Tax Exempt	\$245,090,674	3.69%
excludes Utilities	\$140,977,500	
All (with utilities)	\$6,788,486,392	

Source: Town of Salem, NH and RKG (2022)

A separate methodology for allocating Town costs for the Salem Fire Department and the Salem Police Department have been used in this revised analysis (Table 11), reflecting residential and commercial costs relative to the call volumes as reported by the respective departments.

As shown in Table 11, the Salem Fire Department service calls totaled 5,883 calls with 3,310 (56.26%) provided to selected residential uses. In addition, the service calls related to selected commercial uses totaled 1,054 calls or 17.92%. The remaining 25.82% of Salem Fire Department calls were for development uses which are not part of the Tuscan Village development program (e.g., nursing homes, libraries and museums, etc.).

Also depicted in Table 11, the Salem Police Department service calls (excluding traffic related calls) totaled 15,099 calls with 5,439 (36.02%) provided to residential uses. In

addition, the service calls related to commercial/industrial uses totaled 8,704 calls or 57.65%. The remaining 6.33% of the Salem Police Department calls were for parks, schools and municipal-related, as examples.

For each respective department, the residential and the non-residential call volumes (percent) were applied to the respective departmental budgets to arrive at costs benchmarks per housing unit and/or per FTE for residential elements and non-residential elements of Plan 2.0.

Table 11 - Call Volume Allocation – Salem Fire / Police Department

Call Volume Allocation by Department (2022)	Salem Fire Dept.		Salem Police Dept. (1)	
	Calls	% of Total	Calls	% of Total
TOTAL	5,883		15,099	
Residential	3,310	56.26%	5,439	36.02%
1 or 2 Family Dwelling	2,246	38.18%		
Multi-Family Dwelling	1,064	18.09%		
Commercial	1,054	17.92%	8,704	57.65%
Mercantile/Offices	718	12.20%		
Eat and Drink	19	0.32%		
Restaurants	98	1.67%		
Bars / Nightclubs	4	0.07%		
Total Amusement	30	0.51%		
Movie Theatre / Entertainment	26	0.44%		
Health Club	7	0.12%		
Medical Offices	152	2.58%		
Other	1,519	25.82%	956	6.33%

Source: Town of Salem and RKG (2023)

(1) - call volume January 1, 2022 - July, 9, 2023 **excludes** traffic related calls

Cost of Town Services

As offered by the Town of Salem, general fund budget expenditures for 2022 were applied and then allocated to residential and commercial/industrial uses utilizing the metrics previously identified in Table 10 for residential and non-residential components at Tuscan Village. The total 2022 Town departmental expenditures, for selected departments,¹⁷ was indicated as approximately \$30.54 million (in full).

These Town cost were then indexed to residential development (on a per housing unit basis) and to non-residential development (on a per FTE basis) as presented in Table 12, noting the distinction of utilizing call volume activity for the Salem Fire Department and for the Salem Police Department.¹⁸

¹⁷ As identified and recommended for inclusion in discussions with representatives of the Town of Salem (updated memorandum dated June 30, 2023).

¹⁸ In part, using the percent of call volume approach for allocating costs to the Town Safety Departments resulted in total impacted costs of approximately \$25.91 million as opposed to the \$30.54 million.

Table 12 – Allocation and Benchmarking of Estimated Town Service Costs

Salem Town Budget (Expenditures) - Selected Departments/Services (2022)	Totals by Impacted Departments	Cost Allocations by Department		Estimated Net Cost Allocation	
		Residential (1) (A)	Non-Residential (2) (B)	Per Household (3)	Per FTE (4)
General Government	\$2,062,215	\$1,500,261	\$465,442	\$114.22	\$21.48
Assessing Department	\$447,618	\$325,642	\$101,027	\$24.79	\$4.66
Town Clerk	\$229,256	\$166,784	\$51,743	\$12.70	\$2.39
Tax Collector	\$166,842	\$121,378	\$37,656	\$9.24	\$1.74
Collections	\$285,493	\$207,696	\$64,436	\$15.81	\$2.97
Planning	\$379,191	\$275,861	\$85,583	\$21.00	\$3.95
Town Manager	\$553,815	\$402,900	\$124,996	\$30.67	\$5.77
Police Department	\$11,916,603	\$4,292,360	\$6,869,922	\$326.79	\$317.04
Patrol Services	\$7,062,619	\$2,543,955	\$4,071,600	\$193.68	\$187.90
Administration	\$681,482	\$245,470	\$392,874	\$18.69	\$18.13
Investigative Services	\$1,651,268	\$594,787	\$951,956	\$45.28	\$43.93
Support Services	\$2,521,234	\$908,148	\$1,453,491	\$69.14	\$67.08
Fire Department	\$14,197,830	\$7,987,699	\$2,544,251	\$608.12	\$117.41
Fire Suppression	\$11,823,180	\$6,651,721	\$2,118,714	\$506.41	\$97.78
Communications	\$579,239	\$325,880	\$103,800	\$24.81	\$4.79
Administration	\$945,216	\$531,779	\$169,383	\$40.49	\$7.82
Inspectional Services	\$850,195	\$478,320	\$152,355	\$36.42	\$7.03
DPW - Municipal Services	\$2,360,872	\$1,717,534	\$532,849	\$130.76	\$24.59
Administration	\$458,766	\$333,752	\$103,543	\$25.41	\$4.78
Engineering	\$619,607	\$450,764	\$139,845	\$34.32	\$6.45
Street/Shops	\$1,282,499	\$933,018	\$289,460	\$71.03	\$13.36
TOTAL (these departments/services)	\$30,537,520	\$15,497,855	\$10,412,464	\$1,179.89	\$480.52

Source: Town of Salem, NH and RKG (2023)

(A) - as provided by the Town of Salem to RKG - based on 2022 call volumes - Fire at 56.26% selected residential - Police at 36.02% for residential

(B) - as provided by the Town of Salem to RKG - based on 2022 call volumes - Fire at 17.92% selected commercial - Police at 57.65% for commercial

(1) - at 72.75% of Townwide valuation as adjusted for residential (excludes Fire and Police, as noted above)

(2) - at 22.57% of Townwide valuation as adjusted for commercial (excludes Fire and Police, as noted above)

(3) - based Salem housing unit count of 13,135 (as of January 2022 as supplied by Town)

(4) - based Salem employment of 21,669 (2019 as supplied by Town) - FTE equals full-time equivalent (employment)

Local Education

RKG next reviewed the Town of Salem School Board Budget as proposed for 2022/2023 and as provided by representatives of the School Superintendent's Office. The budget totaled approximately \$68.4 million, exclusive of debt service (principal and interest). Per the information provided, estimated school enrollment for the same year is 3,480 students.¹⁹ Based on this student count, the overall and total education expenditure was estimated at \$19,657 per student. However, this is inclusive of all expenses, both fixed and variable - the latter being those most likely to fluctuate with levels of student enrollment. Further culling of the budget estimated that these variable expenses to be \$26.17 million or approximately **\$7,520** per student as based on 3,480 students (Table 13).

¹⁹ Overall enrollment estimated distribution is kindergarten 266 students (7.6%); elementary students 1,304 (37.5%); middle school at 777 students (22.3%); and high school at 1,133 students (32.6%).

Table 13 – Town of Salem Schools – Variable Education Costs

Town of Salem School Budget for 2022 / 2023 - Variable Costs	Budget	Per Student
Teacher Salaries	\$19,841,671	\$5,702
Assistant Salaries	\$3,903,053	\$1,122
Temp Teach Salaries	\$275,688	\$79
New Staff / Programs	\$487,194	\$140
Equipment Repair	\$453,450	\$130
Supplies	\$909,449	\$261
Books	\$268,102	\$77
Equipment	\$30,966	\$9
TOTAL	\$26,169,573	\$7,520

Source: Town of Salem Schools and RKG (2022)

RKG next considered the likely number of new students in the public school system as a result of the Plan 2.0 residential development (change over the previous plan). To this end, the Town provided a count of student enrollment specifically as a result of the existing residential development at Tuscan Village. Current enrollment is 41 students on a basis of 625 occupied units²⁰ indicating an average of 0.0656 students/unit (SAC or school-age children) multiplier.

- **SAC Metric** – 41 students ÷ 625 residential units = **0.0656 per unit**

This SAC metric then became the basis for estimating new students and costs resulting from Plan 2.0 (Table 14). Typically, there is some level of flux and vacancy in residential units, notably with renter units. Applying a stabilization factor of 95% in this analysis indicates that of the total 579 units approximately 550 units would be occupied at full build-out and stabilization, potentially resulting in additional students.

- Estimated Plan 2.0 new students – 550 units (stabilized) X 0.0656 (SAC multiplier) = **37 students (rounded up to whole number)**
- Estimated education costs – **(\$7,520)** per student X 37 students = **(\$278,240)**.

Table 14 – Plan 2.0 Estimated Student Count and Education Costs

Tuscan Village Master Plan 2.0 Update - Residential Mix and Students	Plan 2.0 Unit Count Δ	Students (rounded) (1)	Estimated Variable Education Costs (2)
Building # 1300	300	19	\$142,880
Building # 4000	300	19	\$142,880
Residential Rental Central Village	(91)	(6)	(\$45,120)
Residential Owner Central Village	70	5	\$37,600
Totals	579	37	\$278,240

Source: Tuscan Village Development Salem, Town of Salem and RKG (2023)

(1) - SAC multiplier of 0.0656 (rounded) students per unit - rounded up to whole number - and applied to a residential stabilization of 95.0%

(2) - estimated variable cost per student = \$7,520

²⁰ In an e-mail memorandum from the office of the Planning Director, Town of Salem (11 January 2023).

Town of Salem Department Head Interviews

Discussions with representatives of the Town of Salem and representatives of the Police Department and the Fire Department, on 16 December 2022, were held to review the Plan 2.0 development changes and mix of uses. To summarize those discussions:

- **Staffing** – both Fire and Police note that there are existing shortfalls in their Department staffing. The existing shortfalls would be exacerbated with the buildout of Plan 2.0.
 - **Fire** - prior analyses²¹ and discussions with the Fire Department indicated a staffing metric of approximately 2.30 personnel per 1.0 million SF of development and resulted in an estimated need for an additional seven (7) Fire Department personnel reflecting the development mix as of 20 January 2021. The current discussions with the Fire Department indicated that the Department has been able to replace vacancies in their staffing, because of retirement and/or turnover, but that new staffing has not otherwise occurred. Applying the 2.30 personnel per 1 million SF metric to the Plan 2.0 SF changes (inclusive of the earlier estimated 608,131 SF of residential for the 579 units as a part of the Central Village, but exclusive of parking garages) results in an estimated need for an additional three (3) Fire personnel directly attributable to the Plan 2.0 changes.

The previous analysis identified a shortfall of seven (7) Fire Department personnel. The addition of three (3) personnel identified in this current analysis brings the total staffing shortfall to ten (10) Fire Department personnel.

This is an estimate based on the previously established metrics and *does not reflect* an estimate of staffing needs directly from the Town of Salem Fire Department. For example, it is likely that the density of building development and building heights at Tuscan Village may necessitate additional equipment and fire-fighting apparatus, which in turn would require further staffing needs (as noted below and further discussed in a memorandum from Chief Best of the Salem Fire Department).²²

The current discussions with representatives of the Fire Department indicated that there will be a need for additional staffing, equipment (necessitated in part by building heights) and station facilities associated with the Plan 2.0 changes, but these have yet to be quantified.

- **Police** - prior analyses²³ and discussions with the Police Department indicated a staffing metric of approximately 2.55 personnel per 1.0 million SF of development and resulted in an estimated need for an additional

²¹ As dated August 11, 2017, and subsequently updated January 20, 2021.

²² As dated December 30, 2022, Chief Best of the Salem Fire Department, offered a more detailed discussion and review/update of the anticipated impacts that the Plan 2.0 updates, as well as Tuscan Village overall, may have on the capacities of the Fire Department (as well as Inspectional Services) to adequately provide services to the development. ***The reader is referenced to that memorandum for its full discussion. However, some highlights from that memorandum are presented in this current analysis and so noted.***

²³ As dated August 11, 2017, and subsequently updated January 20, 2021.

seven (7) Police Department personnel reflecting the development mix as of 20 January 2021. Applying the 2.55 personnel per 1.0 million SF metric to the Plan 2.0 SF changes results in an estimated need for an additional four (4) Police Department personnel directly attributable to the Plan 2.0 changes.

The previous analysis identified a shortfall of seven (7) Police Department personnel. The addition of four (4) personnel identified in this current analysis brings the total staffing shortfall to eleven (11) Police Department personnel.

This is an estimate based on the previously established metrics and does not reflect an estimate of staffing needs directly from the Town of Salem Police Department, such as may be associated with a developing need for an on-site station facility (as noted below).

The current discussions with representatives of the Police Department indicated that there will be a need for additional staff, support staff, cruisers and equipment associated with the Plan 2.0 changes, but these have yet to be quantified. Although, the Police Chief indicated that when Tuscan Village is fully built-out it would likely represent its own response district and necessitate a dedicated officer and facility.

Further, for both the Fire Department and the Police Department, the estimated additional staffing requirements do not factor in any existing shortfall in Department personnel townwide and otherwise irrespective of the Tuscan Village development.

- **Call Activity** – the current discussions with the Fire Department indicate that approximately 4% of their call activity is directly related to the Tuscan Village development and year-to-date for 2022 translates to 210± response calls (inclusive of EMS services). In Chief Best's memorandum (dated December 30, 2022), once fully built and stabilized, the total Tuscan Village development is estimated to result in 600± to 700± emergency calls, effectively equating to an approximate 13% annual increase.

Further, in the same memorandum, Chief Best commented that the uncertainty (as of now) concerning the mix of use(s) and occupancies of the Life Sciences component, would most likely result in additional, yet unquantified, response call activity for Fire and EMS services.

For the Police Department, approximately 3.5% of their call activity is directly related to the Tuscan Village development and year-to-date translates to approximately 1,300 response calls.

- **Inspection Services** – As part of Plan 2.0, there will be building permit and other fees which typically cover the costs of inspection services as a part of the capital costs and buildout during the construction phase(s) of the project. However, these do not cover ongoing and operational costs associated with annual or other inspections, such as may be associated with restaurant uses (two inspections per

establishment annually)²⁴ and general commercial use turnover. Although not quantified at this time, the concern was there may be a need for additional staffing as reflected by an overall increase in the density of development as well as additional restaurant and entertainment use(s).

As a comparative example, Chief Best (memorandum of 30 December 2022) noted that the Mall at Rockingham Park, regarding overall SF, occupancy mix and turnover, continues to require approximately 300± to 400± inspections annually.

- **Traffic** – As noted previously, Plan 2.0 reflects a decline of approximately 543,617 SF in office and medical office uses, and by inference, in the traffic generated by related employment declines. As noted in current conversations, however the proposed increase in residential development (and associated automobiles) may result in increased traffic volumes such that the net effect is unimpacted. What is likely to change in Plan 2.0 is the nature of the traffic and related call response activity and the peak periods of demand.

As indicated in this analysis, the Plan 2.0 development mix, will result in associated costs for providing Town (and Local Education) services relative to the previous plan, but will also generate incremental increases in property tax revenues to offset such costs. As stated in the current discussions, such services and any associated costs are likely to be realized incrementally, and concurrent with phase(s) of the build-out, while any potential offsets, through increased property tax receipts, would not necessarily be received until property valuations are complete and taxes levied, more on an annualized and ongoing basis.

In this manner, there will be a time gap between incurring costs and realizing some level of property tax offset. As concluded in the discussions of 16 December 2022, the Town may consider potential impact and/or mitigation fees, along with a potential developer's agreement to mitigate this time gap.

²⁴ In addition to existing on-site restaurant uses, Plan 2.0 calls for an additional 31,210 gross SF, as part of Buildings # 1300 and # 4000, which may include but necessarily be limited to a piano bar, a sports bar with interactive venues and a specialty bar.

Figure 2 – Tuscan Village Master Plan Update 2.0 – Overall Concept Rendering

