

MEMORANDUM

TO: Ross Moldoff, Planning Director
 Town of Salem, NH

FROM: RKG Associates, Inc.

DATE: June 14, 2018

SUBJECT: Review of Tuscan Village - Revised Master Plan MHF # 404016

The Town of Salem provided RKG with a revised master plan for the 120 acres of the proposed Tuscan Village development.¹ This revised plan reflects several changes in the development program, as previously analyzed from the plan dated December 19, 2017, including a net addition of 121,450 square feet (SF) among the program components.² The purpose of this memorandum is to offer a reconciliation of these changes for the May 2018 plan (NEW) versus the December 2017 plan (OLD), as summarized in Table 1, noting that:

- Estimated property taxes are net of existing property taxes, or approximately - \$282,000 for Town taxes and -\$445,300 for education taxes (also refer to Table 4).

Table 1 – Reconciliation of NEW Plan versus OLD Plan

FACTORS for Tuscan Village (120 acres)	RECONCILIATION			
	NEW	OLD	NEW vs OLD #	NEW vs OLD %
commercial SF (1A)	1,483,500	1,497,050	(13,550)	-0.91%
maintenance garage SF (2)	18,000	9,000	9,000	100.00%
residential SF	542,500	416,500	126,000	30.25%
Total SF	2,044,000	1,922,550	121,450	6.32%
commercial FTE (1B)	4,625	3,960	665	16.78%
residential units (all)	535	452	83	18.36%
hotel keys	160	135	25	18.52%
FISCAL (FY 2016) - note that estimated property taxes are less "as is"				
TAXES				
Town (5)	\$ 2,581,976	\$ 2,384,281	\$ 197,695	8.29%
less commercial costs \$	\$ (1,479,936)	\$ (1,267,296)	\$ (212,640)	16.78%
less residential costs \$	\$ (502,900)	\$ (424,880)	\$ (78,020)	18.36%
NET Town impacts	\$ 599,140	\$ 692,105	\$ (92,965)	-13.43%
Education (3) (5)	\$ 4,076,393	\$ 3,764,274	\$ 312,118	8.29%
students	70	60	10	16.67%
less education costs \$ (4)	\$ (121,313)	\$ (103,982)	\$ (17,330)	16.67%
NET Education impacts	\$ 3,955,080	\$ 3,660,292	\$ 294,788	8.05%
NET TOTAL fiscal impacts	\$ 4,554,220	\$ 4,352,397	\$ 201,822	4.64%

Source: AER, Town of Salem and RKG (2018)

(1A) Reflects retail, entertainment, hotel and office/medical office square feet (SF)

(1B) Reflects estimated employment based on SF metrics

(2) Reflects maintenance garage only

(3) AER included \$2.39 per \$1,000 as State school component, RKG has excluded

(4) AER costs reflect transportation and student support services only

(5) NEW includes 2,050 space structured garage, *not reflected in OLD*

¹ E-mail memorandum dated May 25, 2018.

² This excludes (in terms of SF) a proposed parking garage with a total of 370-spaces at grade and another 1,680-spaces in a structured facility. This will be further discussed elsewhere in this memorandum.

While RKG's prior peer review of the OLD plan, as offered by Applied Economic Research (AER), noted some questions and concerns,³ in general, RKG concurred that the inputs and assumptions used by AER were reasonable and as such they have been applied in this current analysis (NEW plan), unless otherwise noted. The results of this reconciliation (refer to Table 1) indicate that the development of the 120 acres continues to render a net positive fiscal impact for the Town of Salem and for education, approximately 5% or \$201,800 greater than the OLD plan (primarily due to the inclusion of the structured parking facility as a program component of the NEW plan, which was not included in the OLD plan). All fiscal impacts reflect FY2016 tax rates and assume that the project is "fully built" and contributing to the Town's assessed values and resulting taxes. Summary observations and comments of note include the following:

- The presentation of the OLD plan findings reflects the originally submitted AER analysis, RKG has not recalibrated any of the metrics in the OLD plan.
- There is a modest reduction in total commercial SF, reflecting a loss of -380,100 SF in retail/entertainment development and an increase of 362,550 SF in office/medical development.⁴
- The maintenance garage doubled in SF from 9,000 (OLD) to 18,000 (NEW).
- The residential SF increased by 30%, or approximately 126,000 SF. This in turn results in an additional 83 units, including a small increase in the number of assisted living units (13) and the inclusion of 20 senior housing units (NEW).
- The total estimated commercial full-time equivalent employment (or FTE) count is up 665 from 3,960 (OLD) to 4,625 (NEW), or 17%. This includes the reduction in retail employment that is offset by an increase in office employment.⁵
 - Subsequent discussions with the Town of Salem and representatives of the Applicant, noted that the retail component includes 115,000 SF of entertainment uses. In the NEW plan analysis prepared by RKG, a factor of three employees per 1,000 SF (as opposed to the generic two employees per 1,000 SF for general retail) has been applied. This metric is consistent with other projects reviewed by RKG.
- The count of hotel rooms (keys) is up modestly by 25.
- Utilizing the AER student factor of 0.1992 students per unit, the estimated number of students increases by 10. No students have been assumed for either the assisted living units (20 units) or for the senior (55+) residential units (165 units).
- The New plan analysis includes the 2,050-space structured parking facility, which was not included in the OLD plan analysis. Representatives of the Applicant

³ For example, the AER analysis included that State property tax component, of \$2.29 per \$1,000, for education as a "revenue" to the Town of Salem. RKG does not consider this as a Town revenue and has excluded it in the current analysis and "backed it out" of the prior AER analysis.

⁴ In both the NEW plan and the OLD plan, commercial SF is represented by the sum of retail, office/medical office and the hotel program components.

⁵ The estimated employment is a function of the average SF per employee metric that has been used in both the NEW analysis and the OLD analysis. As the program mix changes, in terms of SF by use/type, so follows the estimate of resulting employment.

indicated an approximate cost of \$17,000 per space for the garage, which is in the range of costs per space for other parking structures that RKG has reviewed.

- Discussions with the Town of Salem Assessor indicated that the proposed Tuscan Village garage, in terms of assessment value and subsequent property taxes, would be treated in a similar fashion to the parking deck(s) at the Rockingham Mall.
- The estimated Town taxes at \$6.60 per \$1,000 (adjusted for the existing taxes of -\$282,000), but not for municipal service costs, increase by 8% or approximately \$197,700, from \$2.38 million (OLD) to \$2.58 million (NEW).
 - The estimated net Town taxes, adjusted for existing taxes (and including the parking structure for the NEW plan), less associated costs for providing municipal services (commercial and residential), declined from \$692,100 (OLD) to \$599,100 (NEW), or approximately -13% or -\$93,000. This reflects increased municipal costs associated with an increase in the estimated FTE employment and the number of residential units, despite some offset by inclusion of the structured parking facility in total tax receipts (\$230,010).
- The estimated education taxes at \$10.42⁶ per \$1,000 (adjusted for existing taxes) of -\$445,300 increase by 8% or approximately \$312,100 from \$3.76 million (OLD) to \$4.08 million (NEW).
 - The estimated net education tax receipts, adjusted for estimated student costs, increase by 8%, from \$3.66 million (OLD) to \$3.96 million (NEW). Despite an increase in education costs (of 17%), reflecting the increase in the number of students, the net property taxes increase, reflecting the contribution of \$363,137 from the new parking facility.
- The estimated combined and overall net tax impacts are up approximately 5% or \$201,800 from \$4.35 million (OLD) to \$4.55 million (NEW).
- In summary, the estimated net fiscal impacts for the Town of Salem and for education remain positive for the NEW plan.

Other considerations of note include the following:

- The analysis for the NEW plan, as developed by RKG, does not include other potential revenue calculations as may be represented by building permit fees, vehicle excise taxes or impact fees, as examples. As a result, these have also been excluded in this reconciliation and are not a part of the OLD plan summaries presented in this memorandum.
- RKG has not allocated an estimate of FTE employment or any associated costs to proposed structured parking facility. RKG understands that this garage will be maintained by the Applicant and will be offered as an amenity, free of charge, to Tuscan Village tenants. While it is reasonable to assume that some municipal costs may be incurred, such as responses to locked cars, fender benders and the like, RKG considers these to be negligible on the whole.

⁶ This excludes the State property tax component of \$2.29 per \$1,000.

- The reduction in the retail component combined with the increase in the office component, may result in fewer impacts to public safety services, specifically police and medical calls, due in part to a likely reduction in the number of daily transient visitors and shoppers.
 - While daily traffic counts will increase for the on-site office use (depending on the mix of users), the NEW plan reflects an overall decrease of -380,100 SF of retail uses (precipitated by the loss of the anchor tenant) and an overall decline of -150,000 SF of the medical office uses. The amount of traffic and visitors associated with the new office uses will likely be less than what the retail or the medical office would have generated.
 - The increased “entertainment” uses within the Tuscan Village retail area, which was described to include restaurants, clubs and a cinema, may result in an increase in visitors and related traffic with peaks in the evening hours. Depending on the actual venues that are attracted to the site, public safety services may experience some increase in calls at certain times, or the requirement for special protocols such as separate police details, if and when large crowds are anticipated (e.g. new movie openings or for shows by certain entertainers).
 - The overall increase in the number of residential units, at 83 in total, may result in an incremental increase in calls for public safety services, particularly with the addition of more senior housing (20 units) and more assisted living (13 units).
 - Despite the changes in the proposed program mix, with the decline of retail/medical office SF and an increase in residential units, RKG considers the potential town staffing needs, as referenced in a prior AER analysis (dated August 11, 2017), to remain applicable. In that report, AER indicated a need for an additional 4.5 fire personnel and an additional 5 police personnel as a direct function of the then proposed 1.96 mSF Tuscan Village Phase II development. These estimates exclude any additional fire or police personnel that may be necessitated by existing staffing shortfalls.

The following tables present the summary comparisons and metrics that were developed for the NEW versus OLD analyses. These are then followed by the conceptual rendering of the NEW plan for the Tuscan Village 120 acres provided for this review.

- Table 2 presents the employment per SF, by type of use, and other metrics that were used in estimating the FTE employment and population. As noted previously, overall commercial employment (NEW) is up mostly reflecting the increased conventional office SF.

Table 2 – Comparison of Selected Input Metrics

Employment / 1,000 SF	AER Factors	NEW	OLD	NEW vs OLD
retail	2	919	1,909	(990)
entertainment (1)	3	345	-	345
conventional office	4	2,300	250	2,050
medical office	5	1,000	1,750	(750)
hotel per key	0.38	61	51	10
Total		4,625	3,960	665
% Δ NEW vs OLD				16.78%
Residential Units		NEW	OLD	NEW vs OLD
village		75	300	(225)
outparcel		275	-	275
assisted living		165	152	13
senior		20	-	20
Total		535	452	83
% Δ NEW vs OLD				18.36%
Hotel Keys		160	135	25
				18.52%
Students per Unit		NEW	OLD	NEW vs OLD
Apts. - (village,outparcel)	0.1992	70	60	10
% Δ NEW vs OLD				16.67%

Source: AER, Town of Salem and RKG (2018)

(1) RKG input of three employees per 1,000 SF - similar to Hub on Causeway (new Boston Gardens)

- Table 3 presents the change in Town and Education costs. Under the NEW plan, Town costs are up due to an increase in estimated employment and additional households. The estimated education costs are also up slightly because of potentially for more students under the NEW plan.

Table 3 – Comparison of Costs

Program Components	Costs per Employee at \$320 (AER)		
	NEW	OLD	NEW vs OLD
retail/entertainment	\$ (404,480)	\$ (610,944)	\$ 206,464
conventional office	\$ (736,000)	\$ (79,936)	\$ (656,064)
medical office	\$ (320,000)	\$ (560,000)	\$ 240,000
hotel	\$ (19,456)	\$ (16,416)	\$ (3,040)
Total	\$ (1,479,936)	\$ (1,267,296)	\$ (212,640)
% Δ NEW vs OLD			16.78%
	Costs per Unit at \$940 (AER)		
	NEW	OLD	NEW vs OLD
village	\$ (70,500)	\$ (282,000)	\$ 211,500
outparcel	\$ (258,500)	\$ -	\$ (258,500)
assisted living	\$ (155,100)	\$ (142,880)	\$ (12,220)
senior	\$ (18,800)	\$ -	\$ (18,800)
Total	\$ (502,900)	\$ (424,880)	\$ (78,020)
% Δ NEW vs OLD			18.36%
	Costs per Student at \$1,740 (AER) (2)		
	NEW	OLD	NEW vs OLD
	\$ 121,313	\$ 103,982	\$ 17,330
Total	\$ 121,313	\$ 103,982	\$ 17,330
% Δ NEW vs OLD			16.67%

Source: AER, Town of Salem and RKG (2018)

(2) AER costs reflect transportation and student support services, only

- Table 4 (on the following page) presents the estimated changes, by program component, for the NEW plan versus the OLD plan. As previously noted, the overall SF of the program mix increases by 121,450 SF (as in Table 1).
 - The estimated assessed value of the NEW plan exceeds that of the OLD plan, reflecting a different program mix (SF), but mostly reflecting the inclusion of the proposed 2,050-space structured parking facility which was **not included** in the OLD plan. The estimated assessed value under the NEW plan exceeds the OLD plan by approximately \$29.96 million. This includes the adjustment to remove the existing land value prior to development of approximately -\$42.73 million.
 - The estimated Town taxes under the NEW plan exceed the OLD plan by approximately \$197,700, prior to adjustments for service costs (Table 1).
 - The estimated education taxes under the NEW plan exceed the OLD by approximately \$312,100, prior to adjustments for student costs (Table 1).
- The phasing schedule in Table 4 is offered as a possible example of the timing of construction and delivery dates for Tuscan Village Phase II by program mix. This reflects RKG's understanding that the Applicant has indicated a three-year delivery. The actual and final timing and phasing should be further verified by the Applicant.

Table 4 – Comparison of Programs

FISCAL IMPACT ANALYSIS - TUSCAN VILLAGE (June 2018) - MAY 2018 plan vs DEC 2017 plan			Estimated Development Program (\$F) - TUSCAN VILLAGE										Comparative Impacts / Metrics of NEW Development Program vs OLD Development Program - TUSCAN VILLAGE													
NEW vs OLD SF Metrics [2017 Plan]	OLD Total	Year	NEW Total	2018				2019				2020				AER \$ Assess./SF (or RKG) [1]	NEW (unadjusted)	OLD (unadjusted)	Local Town Tax Rates			Local School Tax Rates				
				1	2	3	4	1	2	3	4	1	2	3	4				NEW vs OLD	NEW	OLD	NEW vs OLD	NEW	OLD	NEW vs OLD	
		NEW - Reflects memo of May 25,		ASSUMED CONSTRUCTION PHASING	ASSUMED DELIVERY DATE	RKG Input or assumption (not in AER analysis metrics)																				
350,000	Anchor Retail	350,000	Anchor Retail	-													\$ 175	\$ 61,250,000	\$ (61,250,000)	\$ -	\$ 404,250	\$ (404,250)	\$ -	\$ 638,225	\$ (638,225)	
(30,100)	Other Retail	592,600	Other Retail	562,500		112,500	112,500	112,500	112,500	112,500	562,500						\$ 350	\$ 196,875,000	\$ 207,410,000	\$ (10,535,000)	\$ 1,299,375	\$ 1,368,906	\$ (69,531)	\$ 2,051,438	\$ 2,161,212	
-	Tuscan Retail	12,000	Tuscan Retail	12,000		6,000	6,000	12,000									\$ 200	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 15,840	\$ 15,840	\$ -	\$ 25,008	\$ 25,008	
4,000	Tuscan Hotel	130,000	Tuscan Hotel	134,000				26,800	26,800	26,800	26,800	26,800	134,000				\$ 150	\$ 20,100,000	\$ 19,500,000	\$ 600,000	\$ 132,660	\$ 128,700	\$ 3,960	\$ 209,442	\$ 203,190	
	keys	135	keys	160				32	32	32	32	32	160													
512,550	Office	62,450	Office	575,000				95,833	95,833	95,833	287,500	95,833	95,833	95,833	287,500	\$ 125	\$ 71,875,000	\$ 7,806,250	\$ 64,068,750	\$ 474,375	\$ 51,521	\$ 422,854	\$ 748,938	\$ 81,341	\$ 667,596	
(150,000)	Medical Office	350,000	Medical Office	200,000				33,333	33,333	33,333	100,000	33,333	33,333	33,333	100,000	\$ 150	\$ 30,000,000	\$ 52,500,000	\$ (22,500,000)	\$ 198,000	\$ 346,500	\$ (148,500)	\$ 312,600	\$ 547,050	\$ (234,450)	
(224,500)	Residential Village	288,500	Residential Village	64,000		21,333	21,333	21,333	64,000							\$ 185	\$ 11,840,000	\$ -	\$ 11,840,000	\$ 78,144	\$ -	\$ 78,144	\$ 123,373	\$ -	\$ 123,373	
	units	300	units	75		25	25	25	75																	
268,500	Residential Outparcel	-	Residential Outparcel	268,500				53,700	53,700	53,700	53,700	53,700	268,500				\$ 120	\$ 32,220,000	\$ 33,600,000	\$ (1,380,000)	\$ 212,652	\$ 221,760	\$ (9,108)	\$ 335,732	\$ 350,112	\$ (14,380)
	units		units	275				55	55	55	55	55	275													
52,000	Assisted Living	128,000	Assisted Living	180,000				60,000	60,000	60,000	180,000					\$ 160	\$ 28,800,000	\$ 19,520,000	\$ 9,280,000	\$ 190,080	\$ 128,832	\$ 61,248	\$ 300,096	\$ 203,398	\$ 96,698	
	units	152	units	165				55	55	55	165															
30,000	Senior Housing Duplexes		Senior Housing Duplexes	30,000					15,000	15,000	30,000					\$ 115	\$ 3,450,000	\$ -	\$ 3,450,000	\$ 22,770	\$ -	\$ 22,770	\$ 35,949	\$ -	\$ 35,949	
	units		units	20					10	10	20															
9,000	Maintenance Garage	9,000	Maintenance Garage	18,000				18,000	18,000							\$ 85	\$ 1,530,000	\$ -	\$ 1,530,000	\$ 10,098	\$ -	\$ 10,098	\$ 15,943	\$ -	\$ 15,943	
	Structured Parking		Structured Parking																							
	spaces	-	spaces	2,050												\$ 17,000	\$ 34,850,000	\$ -	\$ 34,850,000	\$ 230,010	\$ -	\$ 230,010	\$ 363,137	\$ -	\$ 363,137	
121,450	TOTAL SF [OLD]	1,922,550	TOTAL SF [NEW]	2,044,000				30,000	64,000	210,000	656,000	562,500	134,000	387,500		\$ 433,940,000	\$ 403,986,250		\$ 2,864,004	\$ 2,666,309		\$ 4,521,655	\$ 4,209,537			
Source: AER, Town of Salem and RKG (2018)												less pre-development				\$ (42,731,500)	\$ (42,731,500)		\$ (282,028)	\$ (282,028)		\$ (445,262)	\$ (445,262)			
(1) Estimated construction costs for structured parking at \$17,000/pace												NET				\$ 391,208,500	\$ 361,254,750	\$ 29,953,750	\$ 2,581,976	\$ 2,384,281		\$ 197,695	\$ 4,076,393	\$ 3,764,274	\$ 312,118	
(2) AER included \$2.39 per \$1,000 as State school component, RKG has excluded												variance							8.29%			8.29%		8.29%		

