

# Chapter 8

## TAX STABILIZATION

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### INTRODUCTION

This Master Plan recognizes that Durham does not need a conventional economic development plan concerned largely with employment issues. The permanent residents of the Town are well employed in terms of the percent that are working, the level of incomes, and the quality of jobs (see Chapter 1 – Demographics, Housing, and Growth Management). Rather, the pressing public economic issue is managing the Town's tax burden and stabilizing the Town's tax rate. In 1988, Durham's tax rate ranked 183 among the 234 communities in New Hampshire. A score of 1 indicates the lowest tax rate and a score of 234 indicates the highest tax rate in the state. This ranking has stayed consistent based on similar evaluations that were done in 1988 and 1993. The current tax rate creates both incentives and disincentives for those living here in Durham., These disincentives include the possibility of elderly residents, and people who no longer have children in the school system, moving out of the Town and being replaced by families that will place a larger burden on the school system, as well as other municipal services.

The array of factors accounting for Durham's high tax rate is complex, but there are several key factors:

- In terms of revenue, Durham has a very narrow commercial tax base which results in the tax burden being borne primarily by the owners of single-family homes and highly taxed waterfront properties (see Table 8.1). Of the relatively small number of commercial entities, few are large enough to offset the high proportion of residential uses.

- Durham takes pride in the school district’s excellent education system and has expended the sizable funds necessary to support the school system. However, Durham pays significantly more per student than do Lee and Madbury for the same schools, with the result being that Durham subsidizes school costs for Lee and Madbury. The funding formula for the school district must be carefully examined and changed so that each community pays the same per student for the same education in the same district. This change alone would have a dramatic effect on the stabilization of taxes in Durham.
- The University of New Hampshire owns the Town’s most valuable real estate. The Durham Town Assessor estimates that the University’s properties in Durham are equivalent to 55% of the Town’s assessed value, and the University pays no taxes. However, the University does make a payment in lieu of taxes for Oyster River School District (ORS D) students from Forest Park; and the University funds over 50% of the cost for fire services.
- With the exception of Heidelberg Harris and the Three Chimneys Inn, there has been virtually no significant fiscally beneficial commercial development in Durham for at least 10 years.
- Durham’s Zoning Ordinance has restricted commercial development more so than single-family development. This can be fiscally disadvantageous.

Durham is a residential community composed of about 1,700 single family dwellings and approximately 5,000 to 6,000 year-round residents supporting, in many ways, a daytime population of approximately 20,000 people.

Durham’s high level of taxes is harmful in that:

- It is expensive to live or establish a business in Durham compared to other communities;
- It is difficult to fund special projects relating to Town services, schools, public facilities, conservation, and recreation;
- The Town may be losing valuable members of the community, such as senior citizens and long-time residents whose children have graduated from high school and are no longer demanding higher cost services;
- It is inimical to fostering diversity in the Town as moderate income people cannot afford to live here; and

- Owners of open space may feel constrained to sell or develop their land earlier than they might otherwise do so because of the high taxes.

By fostering a better balance of uses including appropriate commercial development, the Town will benefit not only financially, but it will also have a more vibrant downtown, better shopping opportunities, better job opportunities, more interesting venues in Town, and a more dynamic cultural and intellectual environment. In essence, Durham will enhance its sense of place and community.

*The method of funding schools in New Hampshire is in flux and may change substantially. Nonetheless, this chapter continues to stress that those uses which are presently fiscally beneficial will generally remain so and that those uses which are presently fiscally disadvantageous will also generally remain so.*

## TAX SITUATION

Commercial development, *in general*, is acknowledged by many to be fiscally beneficial because the taxes received exceed the cost of services delivered. Residential development is often considered to be fiscally disadvantageous. The reason is that residential development – particularly single-family homes with three or more bedrooms – often generates public school students.

In Durham public education accounts for approximately two-thirds of the Town's tax bill. In 1999 taxes were apportioned as follows:

- 68.31% for the public schools<sup>1</sup>,
- 28.28% for Town services, and
- 7.41% for county services.

*(Source: 1999 Durham Annual Report)*

Durham derives a high percentage of its tax revenue from residential uses and a relatively low percentage from commercial use. In 1999, 89.3% of the property valuation in Town was in residential use and 10.4% was in commercial use (source: SOICC). In the above statistic commercial land uses do not include apartments or fraternities/sororities, these are considered residential uses. Approximately 0.43% of the Town's land area is in commercial land use and 11.8% is in residential land use. The vast majority of the Town's land area (73.6%) is classified in the

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<sup>1</sup> 21.44% of the taxes for public schools (68.31% total) was apportioned for school funding on a statewide basis.

agricultural and forest land use (source: Strafford Regional Planning Commission, 1993 aerial photos).

There is a misperception that residential development has a long term net positive financial impact on the town. This is demonstrated in the 1998 Master Plan telephone survey of 303 Durham residents, in which 75% of the interviewees said that single family housing development has a long-term net positive financial impact on the Town. Only 20% said that it did not. However, in the same survey 65% of the respondents listed economic and tax base development as moderate-to high-priority issues on which tax dollars should be spent.

## **MISSION AND VISION**

The mission of the Tax Stabilization chapter is to develop strategies to expand and diversify Durham’s tax base and to explore a wide range of methods to increase revenues and decrease costs in order to mitigate the tax burden upon residents without adversely impacting the character of the community.

The recommendations made in this chapter are intended to be measured and reasonable. While several proposals involve expanding areas zoned for commercial uses, other recommendations speak to fostering growth management and preserving open space, enacting strong design and performance standards, and circumscribing certain commercial uses. For example, presently the Office Research Zoning District permits unrestricted industrial uses; only precisely defined *light* industrial uses should be permitted and only in one area currently zoned Office Research.

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## **COMMERCIAL DEVELOPMENT**

### **BACKGROUND**

The Town must work diligently to diversify its tax base by attracting, retaining, and nurturing fiscally beneficial development, recognizing that not all commercial uses are fiscally beneficial. There is a wide range in the level of property value created and the demand for Town services among different types of commercial uses. The Town should pursue particular development commensurate with its potential fiscal contribution and not pursue development that would be fiscally disadvantageous, or socially or environmentally harmful. Table 8.1 shows that a high percentage of commercial development alone does not necessarily lead to

a low tax rate. Increasing Durham's percentage of commercial development through strategic land use changes is only one of several strategies the Town must undertake to stabilize the tax rate. Others strategies identified in the Master Plan should be pursued, which include protecting land from development via conservation acquisition, careful financial planning for the community, and working with the University to recognize fiscal contributions that can be made through joint projects and relations.

The Town has not attracted business growth in the past, perhaps in part due to fear that commercial development will destroy the character of Durham. *This chapter emphasizes that it is possible to achieve stability in Durham's taxes by fostering selected commercial development while maintaining Durham as a special place.* This can be accomplished by doing the following:

- carefully designating areas for business;
- selecting appropriate types of businesses; and
- developing and implementing strong but legally defensible design standards.

**Table 8.1. PROPERTY VALUATION PERCENTAGES AND EQUALIZED TAX RATES**

	Year	Percent Residential	Percent Commercial	Percent Other Uses	1999 Equalized Tax Rate
Dover	1999	73.1%	26.8%	0.1%	\$21.71
<b>Durham</b>	<b>1999</b>	<b>89.3%</b>	<b>10.4%</b>	<b>0.3%</b>	<b>\$26.73</b>
Exeter	1999	77.5%	22.5%	0.0%	\$23.76
Hanover	1999	80.7%	19.1%	0.2%	\$19.69
Lee	1999	88.7%	10.8%	0.5%	\$23.27
Madbury	1999	94.6%	4.6%	0.9%	\$21.98
Newington	1999	21.5%	78.5%	0.1%	\$11.69
Newmarket	1999	85.3%	14.5%	0.2%	\$24.28
Plymouth	1999	71.6%	27.4%	1.0%	\$30.94
Portsmouth	1999	58.5%	41.5%	0.0%	\$20.85
Somersworth	1999	75.3%	24.6%	0.0%	\$25.46
Stratham	1999	84.3%	15.5%	0.1%	\$17.51

Source: The State of New Hampshire, Dept. of Revenue Administration

***Commercial Development Appropriate for Durham***

Durham's strengths include its beautiful natural setting, the presence of UNH with the myriad benefits that come from hosting a large and vibrant university, the quality of the Oyster River School District, and the well-educated population. To a large degree, Durham is most attractive to the types of businesses which in turn are most desirable for the community. For example, MBNA, a credit card company, recently considered locating in Durham because of the presence of UNH and the reasons that students can work part time, they work flexible and late hours for relatively low wages, they are educated and speak well, and are computer literate. The types of businesses that find Durham attractive include:

- information-based business;
- offices;
- research and development;
- software design;
- high technology;
- high quality hospitality and tourism-oriented uses, such as bed and breakfasts, inns, hotels and conference centers; and
- recreation activities (e.g., golf course).

The Town should seek commercial development with the following features:

- does not pollute the environment;
- engenders community involvement, enrichment, and investment;
- has minimal impact on natural and cultural resources;
- is physically attractive;
- integrates well into its surroundings;
- produces manageable traffic impacts;
- has good access for commuters into Durham;
- capitalizes on the programs and activities at the University;
- places reasonable demands upon schools, public utilities and facilities; and
- maintains activity within an enclosed building.

Examples of commercial development appropriate for Durham include the following:

- Heidelberg Web Press is the largest single tax payer to Durham and many residents do not even know of its existence. The facility is tucked away near an off ramp of Route 4 in the northwest corner of Town far from residences. It is near the University and can take advantage of that institution’s resources. It is a clean industry that requires minimal Town services; police and fire are very rarely called to the site. The company employs workers from other communities so it is not generating spin-off residential development (in 1998 nine out of 155 workers lived in Durham).
- Three Chimneys Inn is a positive element in the Town from architectural, aesthetic, historical, social, and fiscal perspectives.
- The Mill Pond Offices on Newmarket Road are handsome and residential in appearance, and blend with the wooded character of Newmarket Road.

#### ***Inappropriate Commercial Development***

Durham is a special place. For the most part Durham has preserved its natural amenities and avoided the abysmal strip development that has eviscerated so many communities. Durham needs to reinforce that sense of place, or at a minimum not detract from it. Many uses are not appropriate for, and would not be welcome in Durham, including:

- “big box” retail;
- strip commercial;
- “heavy” manufacturing or processing industries;
- warehousing as a primary use and mini-warehouses;
- uses that generate significant truck traffic;
- unsightly development visible from a public way;
- development adversely impacting established neighborhoods;
- junkyards;
- contractor’s storage yards;
- uses that consume a significant amount of land or other limited local resources, or degrade the quality of the land, air, and water;
- excavation operations; and
- a proliferation of uses that primarily serve automobiles, such as body shops.

*To the extent legally possible, Durham should impose strong design and performance standards to optimize the quality of the development and ensure compatibility with the surrounding character. These standards*

would apply to landscaping, tree conservation, signage, lighting, screening of parking areas, buffering from residences, preservation of a certain amount open space, environmental impacts (smoke, dust, vibration, fumes, etc.), and basic architectural design. The level of review and stringency of standards should be tailored to each particular area based upon its visibility and proximity to sensitive resources.

***Loss of open space***

While many would prefer that the Town's beautiful open space not ever change, the Townspeople need to recognize that change will occur and that the Town needs to plan and manage for this change to minimize the impact on the natural, historic, and scenic resources of the community. Protecting land via conservation easements or acquisition (primarily by non-town agencies) has been shown to be fiscally advantageous to communities (see "Does Open Space Pay?" by Philip Auger), even though it essentially removes land from the tax rolls. However, just as additional development of commercial uses in Durham cannot be viewed as the only method to stabilize the Town's tax rate, neither can putting land in conservation. As stated earlier, a balanced multi-prong approach is required.

Commercial development may consume open space in visible, highly traveled areas along major corridors, but single-family development in Durham is the major force behind the loss of rural open space since the vast majority of undeveloped land in Durham is woods and fields not along major transportation corridors. Where commercial development is permitted to occupy the open space along these corridors, it should be done in such a fashion as to protect the feeling of the natural roadside. The conservation development design technique, as discussed in the Land Development Regulations chapter, is a tool that can be used to significantly reduce the impact of not only residential but also commercial development on the community. In addition to promoting the use of conservation development techniques, land that is developed for appropriate commercial use shall at least have a positive rather than negative fiscal impact.

Frequently, commercial development causes secondary residential development, which could be counterproductive by promoting sprawl, causing undue growth, and generating public school students. These secondary impacts, however, can be contained through growth management techniques and will be limited by the high cost of housing in Town. There is a high rate of cross commuting among communities, and independent of commercial growth in Durham, there will continue to be a high demand for housing in Durham caused by growth in the region, as



well as the other numerous attractive features of the community. In 1994 38.6% of the jobs in Durham were held by Durham residents and 61.4% were held by nonresidents (source: SOICC). This is consistent with the findings of the 1998 Master Plan telephone survey in which 40.3% of respondents said they work in Durham.

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## COMMERCIAL DEVELOPMENT RECOMMENDATIONS

### *Retail Use*

Most retail activity should be directed primarily to the downtown, to the extent feasible, and secondarily to Gasoline Alley. Only very special types of retail uses are appropriate elsewhere. The existing mixed use (retail/apartments) prevalent in the Central Business District, represents the most space-intense generator of tax revenue in Durham today, with assessment averaging \$15 per square foot of land and many lots as high as \$72 per square foot.

### *Office Use*

*It is striking that there is no high-end office/research and development park in a sophisticated university community such as Durham.* Office uses, including research and development, are highly desirable. Lack of adequate office space in Durham is perceived as a problem by residents and business people alike. Durham should work to encourage numerous types of office space, including incubator space for start-up businesses and quality, park-like settings for mature businesses. Office uses are the most flexible and variable in terms of market and by size, type, location, and design. Durham should closely regulate, particularly with regard to quantities of hazardous materials/hazardous waste in storage, certain types of research and development that involve use of toxic chemicals and other hazardous materials. The Code Enforcement Officer should pay particular attention to the code requirements for storage, use and disposal of hazardous materials, and the Town should include in its ordinance provision to retain expert assistance for the Town in this area at an applicant's expense. In the 1998 Master Plan Survey, 74% of the respondents supported office and industrial development, and these uses were further identified at the 1998 Master Plan public workshops as the most desirable uses to broaden the tax base.

Consider the potential tax revenue from a quality office park from the following hypothetical, but realistic, example:

Ten acres of land, attractive 2-1/2 story brick buildings with gable roofs placed in a well-landscaped and buffered setting, building

footprints occupying 20% of the gross acreage, building values of \$100/square foot, land value of 20% of buildings, tax rate of \$35.00. This FAR (Floor Area Ratio - ratio of total building square footage to total land area) of .5 would yield 217,800 square feet of buildings. Such a project at build-out would have a value of \$21.78 million which would pay annual gross taxes of \$762,300. However, there are typically costs to the community as a result of development that need to be factored in.

### ***Light Industry***

Durham should accommodate light industrial uses but only in one or two limited, highly buffered areas. It is critical to enact demanding performance standards to protect against negative environmental impacts. Sixty-three percent of the respondents in the 1998 Master Plan survey supported some light industry in Town.

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## **ZONING MAP**

Durham needs to expand somewhat the amount of land zoned for commercial purposes. Of the areas presently zoned for commercial use, much of the prime land is owned by UNH, is not accessible, or is not served by infrastructure. According to the Durham Planning Department (see table titled *Estimated Acreage of Developable Land for each Zoning District in Durham* in Chapter 9 – Land Development Regulations), there is limited vacant developable land in the three existing commercial zoning districts: there is no developable land in the Central Business District, 2% developable land in the Limited Business District, and 18% developable land in the Office and Research District. Admittedly, there is more opportunity for development than these numbers indicate considering opportunities for infill, redevelopment, and intensification of building within the Central Business and Limited Business Districts, and recognizing that certain commercial uses are permitted in the residential zones (e.g., office use within the Residence A District). In addition, residential uses in the commercial district use space that could otherwise be dedicated to commercial use.

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## **ZONING MAP RECOMMENDATIONS**

Revise the Zoning Map and Zoning Ordinance to be finely tuned and surgically drawn for each nonresidential area and each area close to the downtown, as discussed below. Several areas should be designated with a separate and distinct zoning district addressing uses, dimensional issues, and design issues (see discussion in the Downtown and Commercial Core chapter - Chapter 3). Design standards could be addressed in the Site Plan Regulations with references to specific zoning districts.

***Church Hill***

Main Street from Madbury Road to Newmarket Road. This is a sensitive historic area. Appropriate uses include small-scale offices, limited student housing, bed and breakfasts, antique stores, galleries and museums and other limited, low-impact retail uses.

***Gasoline Alley***

Route 108/Dover Road from Main Street to Bayview Road. This is a different market from downtown, but it must be developed in a compatible and preferably continuous manner. While small-scale, strongly pedestrian-oriented use would be desirable, it is recognized that this is an area of intense vehicular traffic subject to NHDOT control, and as such, vehicle compatible uses should be encouraged. Gasoline Alley should only include the North side of Schoolhouse Lane, with the provision that adequate buffering be incorporated to maintain its rural lane ambience.

Appropriate uses encompass a wide range of retail uses including gasoline stations, convenience stores, and drug stores, all with strong architectural controls. The present Limited Business District might be redrawn and revised to include only this area.

***Coe's Corner***

Dover Road/Route 108 from Bayview Road to the Route 4 interchange. This gateway to the Town center should be reserved for a limited range of well-designed, high-quality office and hospitality uses including a hotel/conference center with conditional use criteria (also allowing a restaurant as an accessory use), business and personal services with conditional use criteria, museums and art galleries with conditional use criteria, bed and breakfasts or inns, and senior housing. There is potential for high-value development at the Route 4 interchange and it would be unwise to preclude this development, provided strong design standards are put in place. Durham should encourage the development of handsome, landmark buildings at this location. New single-family dwellings should not be permitted in this district, except on the lots with frontage on the Oyster River.

***Route 108/Dover Road***

Dover Road/Route 108 from Route 4 to the Madbury town line. Create a Rural Office District from the Route 4/Dover Road juncture on the southerly side (see discussion of OR District in the Zoning Ordinance/Land Use Regulations section of this chapter). This district should only extend to the eastern property boundary of Map 11, Lot 3-2, thus buffering Johnson Creek. The character of this area – with the Evangelical Church, Police Station, Public Works Facility, and the office building presently housing an auctioneer and financial advisor – is recommended for nonresidential development but the goal is to maintain the sense of open space. Regulations should control the size of buildings, setbacks, the treatment of parking, lot frontage, lot size, preservation of open space, and spacing between curb cuts. Retail sales is inappropriate except, perhaps, for rural-type retail uses such as a nursery.

***Newmarket Road***

Small-scale office and tourism oriented uses are acceptable here provided they are set within the wooded milieu. Larger scale office and tourism uses *might* be permitted by performance based conditional use subject to strong buffering and traffic mitigation requirements, specifically on several larger, undeveloped lots in the southern portion of the road.

***Route 155A (Mast Road)***

Extend the current Office Research district to include land on the southerly side of Mast Road (presently zoned Residence B [RB]) and bounded by Mast Road, the Oyster River, Concord Road and the Railroad tracks, but excluding sensitive University land including the College

**Conditional Use - A**  
**performance based method**

Performance based zoning is a tool used to allow more flexibility in land uses for zoning districts. However, to ensure that these more flexible uses do not adversely impact the area in which they are proposed, specific criteria are specified that the use must meet or it will not be permitted in that location.

Durham's 1990 Zoning Ordinance has a conditional use permit provision that is performance based through the use of relatively general evaluation criteria on which every conditional use permit application is evaluated. Some of these criteria include: adequate access, appropriateness of landscaping, neighborhood impact due to noise, availability and adequacy of sewer, etc.

In addition to recommending that the Town Council be removed from the review process for conditional use permits, this Master Plan recommends that more precise performance based evaluation criteria be specified in the zoning ordinance for each conditional land use permitted in a zoning district. The criteria should be clearly measurable. For example, a specific larger minimum lot size may be required for some uses in a zone, or a specific buffer yard and landscaping treatment may be appropriate to separate types of uses.

Woods side (see discussion of OR zone in the Zoning Ordinance/Land Use Regulations section of this chapter).

***Route 4/Madbury Road***

Extend the Office Research District to replace the RB district located to the northeast of the Route 4 and Madbury Road intersection (see discussion of OR zone in the Zoning Ordinance/Land Use Regulations section of this chapter). While several other sections of this corridor would be attractive for business due to high visibility and would have little negative impact upon Town character, access is a difficult issue. The NHDOT carefully regulates curb cuts, especially for traffic generating uses on this major State thoroughfare. Transitional yards that buffer incompatible uses (e.g., residential and commercial development) should be established in the Town’s Zoning Ordinance, particularly for this location, but for all areas in Town where transitions from one use to another occur.

***Beech Hill/Technology Drive***

Rezone the land in the vicinity of Heidelberg Web Press from Old Concord Road north to the utility lines to a new designation - Office Research Light Industrial (ORLI) (see discussion of OR zone in the Zoning Ordinance/Land Use Regulations section of this chapter). This would be a continuation of the present OR District, but it would be made more restrictive by precluding general industrial uses.

***Mast Road Extension***

A number of lots located in the vicinity of Mast Road Extension and Spinney Lane (on the north side of Main Street/Concord Turnpike) are privately owned and zoned Office Research. This land is an island surrounded by University property, and it should remain taxable and be kept in private ownership. It does not appear that there is a viable market for office development here; rather this is one area that can be appropriately zoned primarily for multi-unit housing. Thus, a new multi-unit zoning designation should be created for this area; however, the flexibility for office uses to locate here should remain.

***Outlying areas***

Golf courses should be permitted as a performance-based conditional use in non-commercial areas. They have the added benefit of preserving open space and precluding residential subdivision.

Commercial zoning should not be expanded until strong design and performance standards are in place. However, restrictions against residential uses in commercial zones should be implemented soon.

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## ZONING ORDINANCE/LAND USE REGULATIONS

### BACKGROUND – RESIDENTIAL

#### *Senior Housing*

Senior housing is desirable because senior citizens add much to a community in terms of diversity, energy, perspective, and volunteerism. Durham has much to offer senior citizens. For instance UNH started the elder hostel program, although it is no longer involved with the program. Senior housing is desirable provided a development pays taxes in full (i.e., it is private, for profit housing). The two existing nonprofit senior housing developments in Town – Church Hill Apartments and Bagdad Wood Elderly Housing – make payments in lieu of taxes. Other than Forest Park, these are the only two properties in Town for which in-lieu-of-tax payments are made.

Church Hill Apartments pays a flat amount by agreement with the Town. Bagdad Wood Elderly Housing makes a payment equivalent to the non-school portion of taxes. In contrast, the proposed Spruce Wood senior development would be a for-profit operation paying taxes that would be fiscally beneficial to the Town. A fiscal impact model prepared for the Spruce Wood project during its Planning Board review process showed the 140 unit retirement community would generate an annual fiscal benefit of approximately \$322,000 for Durham. In addition, Brookside Common is an existing successful elderly housing complex in Durham. The Town should continue to allow senior housing

#### *Multi-Unit/Student Housing*

There are approximately 1,050 apartment/boarding house units in Durham (not including accessory apartments) with a total assessed valuation of approximately \$16,400,000. This is equal to 4.8% of Durham’s total non-exempt assessed value and 5.5% of Durham’s residential assessed value. The average assessed value per apartment/boarding house unit is about \$15,600. At a tax rate of \$37.21 this yields \$580 per unit in taxes. There are 16 fraternities and sororities in Durham, which house 574 residents, with a total valuation of \$6,489,800.

Multi-unit housing, often referred to in Durham as “student housing,” is not designated exclusively for students. Non-students, families, and children are not and cannot legally be excluded. However, the location, character, and number of bedrooms in projects targeted for students are, in most cases, not suitable for persons with children. Most apartment

projects oriented to students offer one and two bedroom units and generate very few Oyster River School District pupils.

Multi-unit housing can be fiscally beneficial, although it frequently results in high costs for police and fire services and can be injurious to the quality of life for neighboring residents. Housing can be developed for students:

a) on campus; b) outside of Town; or c) off-campus within Durham.

Under the first two options the Town will still have impacts such as traffic, but will gain no tax revenue. Under the third option, the Town can at least benefit fiscally. *An important element contributing to the quality of student housing is on-site management.*

Multi-unit housing must be carefully sited, planned, designed, and managed. Locating multi-unit housing under the Zoning Ordinance is difficult: it is not a desirable use in the residential zones and is not appropriate in some commercial zones since these are areas where the Town should encourage commercial development. As of 1998, approximately 41% of the UNH full-time equivalent students reside in on-campus housing. The University seeks to increase that to 60% by the Year 2010. The Town should coordinate with the University to ensure both parties can meet their goals.

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## **ZONING ORDINANCE/LAND USE REGULATIONS RECOMMENDATIONS**

1. The text of the Zoning Ordinance, Site Plan Regulations, Subdivision Regulations, and other Town land use regulations should be amended in various ways to encourage appropriate development.
2. Develop strong design and performance standards for all uses except single-, and two- -family properties. These standards should address landscaping, buffering, and the numerous other aspects of site planning discussed earlier. These would apply to permitted uses as well as performance based conditional uses.
3. Beyond the standards referred to immediately above, develop a well-defined special set of design and performance criteria for evaluation by the Planning Board in reviewing performance-based conditional use applications to ensure compatibility with the neighborhood and conservation of important natural, cultural, and scenic resources. The particular performance criteria may vary from one district to another.

4. Eliminate any involvement by the Town Council in review and approval of conditional uses. It is not appropriate for the legislative body to participate in reviewing proposed development.
5. Presently, uses that require site plan review are designated by asterisks with reference to RSA 676:4. This creates confusion for the applicant and the Planning Board. Eliminate the asterisks and specify in one location near the beginning of the Zoning Ordinance or in the Site Plan Regulations which uses require site plan review and which do not.
6. In the Zoning Ordinance, use one master matrix table for permitted and performance-based conditional uses and one for dimensions rather than listing permitted uses and dimensions separately in each district. This will make the Zoning Ordinance easier to use.
7. Whenever practical, zoning districts should be the same on both sides of the street.
8. Reduce the 1,200-foot separation requirement (stated in Section 9.03B of the Subdivision Regulations) for roads and driveways on Routes 4, 108, and 155A to 500 feet or another appropriate distance. This requirement unreasonably restrains development in many areas suited for commercial use. The NHDOT also regulates access points on these roads to ensure safe sight distance and congestion management.
9. Durham should encourage development of private, multi-unit housing designed for students in areas close to UNH facilities. In addition, multi-unit housing designed for students should be located away from residential neighborhoods and in clusters that would permit better monitoring by police and fire officials. Requirements should be put in place that stipulate any multi-unit development over a certain number of units, which is generally student housing, must have an on-site manager.
10. Provide density bonuses in the Zoning Ordinance to attract desirable uses.
11. Continue reduced parking requirements for senior housing.
12. In the Residence A and B Districts allow senior housing of up to 6 units in a multi-unit dwelling by right; allow senior housing of more than 6 units in a multi-unit dwelling by performance based conditional use.



13. In the Central Business District establish a maximum building height equivalent to three stories when residential uses occupy the second floor, but allow the height to increase to four stories if commercial/office uses are located on the first and second stories. Allow the following uses by right: restaurants including carry-out but excluding drive-through, multi-unit housing located on the second floor and higher floors, and recreational facilities.
14. The Office and Research (OR) District should be made more restrictive to specifically encourage office as well as research and development uses. The present district permits general industrial uses without limitation (e.g., assembly/manufacturing). The following uses should be eliminated from the OR District: assembly and manufacturing uses, unless they clearly fit within the intent of office use; all uses now permitted by conditional use; all residential and accessory uses; schools and daycare facilities except as an accessory to another permitted use; warehousing; and restaurants.
15. Create a new Office, Research, and Light Industry (ORLI) District to accommodate OR uses plus *light industrial* uses. Define in substantial detail what constitutes light industry and what does not. Light industry would, for example, allow production of handicrafts or fine arts; computers, computer components, electrical components, and electronic components; precision equipment and medical instruments; sporting goods; and games, toys, and novelty items. Light industry would not allow heavy type industries or operations that typically include production of primary commodities from raw materials; primary metal operations such as smelting, rolling, forging, die casting; manufacture of concrete, cement, plaster, asphalt; distillation of coal, tar, or wood; use of large amounts of Town water; release of toxic chemicals or large volumes of sewage into the Town system; and food manufacturing where significant waste materials are involved. The small area encompassing Technology Drive would be appropriate for ORLI due to its highly buffered location.

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## DEVELOPMENT PROCESS

## **BACKGROUND**

Businesses look for a stable, supportive, predictable business climate, including a user friendly Town Hall. While it may not be a fair or accurate image, in some quarters the review process and the Town, in general, are perceived as being unfriendly to business development. The Town should work to improve its image in the development community.

Presently, the Town Planner and Town Administrator assist parties who are interested in developing land or opening businesses in Durham. Neither has the time to play the role of economic development coordinator. It is also difficult for the Town Planner to advocate on behalf of an applicant when he must also critique the proposal. The current contact for downtown businesses is the Executive Director of the Durham MainStreet Program, Inc., who in many cases might also be willing and able to assist with development elsewhere in Town; however, private resources cannot take the place of public responsibility.

In the 1998 Master Plan Survey, 69% of Durham residents supported using tax dollars to promote economic and tax base development.

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## **DEVELOPMENT PROCESS RECOMMENDATIONS**

1. The Town should determine for itself what type of development is appropriate for Durham and under what circumstances, and which type of development is not appropriate; communicate this to the development community; and give enthusiastic support to desired development and convey early on to other applicants that particular proposals are not appropriate.
2. The Town should work to retain existing businesses, foster their growth, and ensure that as they grow and seek new sites they will remain in Durham.
3. The Town should develop a brochure to help broaden and expand the tax base that provides information about the Town, the development review process, available land, and Town resources. This brochure should feature selling points that would attract high-quality business.
4. The Town should explore hiring a full- or part-time economic development specialist and/or creating an economic development authority or corporation with an executive director. Alternatively, work with the Town's Economic Development Committee to identify one or more knowledgeable people who could volunteer to guide

prospects through the process; provide a roadmap for applicants; and work to coordinate approvals from various boards and offices.

5. The town should institutionalize the Economic Development Committee as a permanent committee with full recognition by the Council and regular terms (unless it is subsumed by a new development authority). Precisely define the roles and responsibilities of the Committee.
6. The town should institute a business visitation and recognition program for existing businesses in Town, so that these businesses feel welcome and have a forum for discussions with Town officials.

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## **PACKAGING PARCELS**

### **BACKGROUND**

There is very limited suitable land for larger scale, high-value development. When looking for sites, most business owners prefer turnkey situations, that is, land which is properly zoned, available for purchase, has water and sewer, has few topographical obstacles, has good road access, and will not encounter opposition for approvals from neighbors.

Surprisingly, UNH owns only about 13% of the land in Town. There is a misconception among some that the University owns much more than that. On the other hand, the lands and buildings that UNH owns constitute more than 50% of the total valuation of all of the property in Town.

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## **PACKAGING PARCELS RECOMMENDATIONS**

1. The Town must develop a formal relationship with UNH to bring businesses to Durham through a research park jointly developed by the Town and University on University land. This approach would provide opportunities for UNH faculty and students and tax revenue for the Town. Statutory authority for this form of taxation exists at the Pease Tradeport. The University has indicated recently that it would be receptive to a long term lease (or possible sale) of certain UNH lands to private office/research companies that would then be taxable. A potential location for such a concept is on the south side of Mast Road (Route 155A).

2. The Town should work with UNH (and possibly Heidelberg Web Press) to identify land and develop an office park.

The Town should identify and inventory suitable parcels of land that meet the criteria stated in the Background section and package that land for sale and development up front.

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## **INFRASTRUCTURE**

### **BACKGROUND**

There is limited potential commercial land that is served by water and sewer. These utilities are currently available along the entire length of Main Street /Concord Turnpike; on Technology Drive; in the area bounded by Main Street, the B&M Railroad line, Route 4, and Dover Road; and along Dover Road from Main Street to Route 4/Durham Bypass. As of December 31, 1998 there was \$647,925 in the Community Development Expendable Trust Fund (UDAG) which could be used to extend water and sewer where appropriate.

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## **INFRASTRUCTURE RECOMMENDATIONS**

1. The Town should develop a policy for extending water and sewer for fiscally beneficial development. This policy could include, depending upon the location, the project, fiscal benefit, desirability of project and available financing:
  - installing the utilities up front,
  - committing to installing the utilities once a developer comes forward,
  - paying for the cost of looping or additional pipe size beyond what is needed by the developer, and/or
  - reimbursing the developer proportionately from future tie-ins, and
  - the developer paying to install the utilities.
2. The Town should determine if it is worthwhile for it to extend water and sewer along certain corridors and develop a policy for extensions. Corridors that should be evaluated include Route 155A, Main Street, and Route 108.

3. The Town should only contribute public funds for the extension of water or sewer services for development that is fiscally beneficial. The potential for additional fiscally advantageous or disadvantageous development due to a utility extension should be assessed by the Town when it considers whether to extend utilities for a fiscally beneficial use.

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## **DURHAM BUSINESS PARK**

### **BACKGROUND**

The establishment of the Durham Business Park land on Route 4 was born out of an expensive legal settlement, and the Town incurred more costs than expected. The Town has sought an unrealistic price for about 7 acres of developable land, out of 29.6 total acres. Two appraisals set the value of the land at about \$25,000 per developable acre.

The Town must package this property as a turnkey opportunity as much as possible while being cognizant of the provisions of the NH Shoreland Protection Act and Durham's Shoreland Protection Act and while being sensitive to the potential impacts upon the Oyster River and Johnson Creek. Town water and sewer service is in place and wetlands have been identified. Odor from the treatment plant is not a significant problem; there is detectable odor only a few times a year.

The NHDOT has stipulated that a traffic light must be installed for development beyond 20,000 square feet. However, a 1998 traffic study commissioned by the Town concluded that 32,000 square feet of office/research space could be accommodated without requiring a traffic light on Route 4. The estimated cost for full traffic signalization is over \$400,000, according to the 1998 traffic study. The Town could use the proceeds from the sale of the property toward payment for the traffic light with the balance coming from the Community Development Expendable Trust Fund. However, the traffic light option was not recommended by the Town's traffic consultant because the traffic light would be over capacity within five years.

A second option the Town should explore is creating access to the business park via Old Piscataqua Road (past Jackson's Landing) at an estimated cost of \$450,000, according to the 1998 traffic study. Creating access via Old Piscataqua Road, rather than installing a traffic signal on

Route 4, is the preferred option by the NHDOT. In the past, the NHDOT has offered to share the construction costs of the Old Piscataqua Road option. In addition to the cost, problems with this option include abutter concerns; traffic incompatibilities with the ice rink and playground at Jackson’s Landing; and the traffic impacts on the Coe’s corner intersection.

A third approach is to accommodate development up to 32,000 square feet and not install a traffic light or construct the new access via Old Piscataqua Road. This would help to get the project started and clarify the position of this property in the marketplace.

A fourth approach, and the recommended approach, is for the Town to pursue development of up to 32,000 square feet of office/research space on a portion of the site, thus not necessitating the installation of a traffic signal or access via Old Piscataqua Road. For the remainder of the site the Town should pursue a combination of selling a conservation easement, providing a one-time financial gain for the Town, and development of recreational ball-fields as recommended in the Recreation Chapter. This approach provides additional tax revenue, protects the natural features of the site, and satisfies some of the recreational needs of the Town.

A basic cost/benefit analysis was prepared to evaluate the fiscal implications of options two and four cited above. The Town may wish to conduct a more detailed analysis; however it is likely to come to the same conclusion. This cost/benefit analysis is summarized in Table 8.2 and includes assumptions on up-front costs to the Town, tax revenues generated, additional families and homes generated by the development, ORSD student generation and related school costs, potential revenue from a conservation easement, and impacts on Town services. More difficult impacts to quantify such as environmental and social impacts were not included in the analysis.

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**Table 8.2. COST BENEFIT ANALYSIS OF BUSINESS PARK OPTIONS**

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**Construct Piscataqua  
Road Access**

**Limited Development-  
Conservation-Recreation**

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	(See option #2 above)	(See option #4 above)
Square footage of buildings	90,000	32,000
Market value of buildings	\$6,750,000	\$2,400,000
Cost of improvements (by Town)	\$450,000	\$5,000
Revenue from sale of property	\$200,000	\$65,000
Additional ORSD students	27.7	9.8
Annual Additional school costs	\$224,098	\$79,884
Annual Additional municipal costs	\$150,072	\$53,304
Annual Taxes generated	\$450,405	\$159,980
Annual Other Revenue	\$11,133	\$3,950
<b>Annual Fiscal Benefit</b>	<b>\$87,368</b>	<b>\$30,742</b>

*Note: The school costs were based upon the best information available at the time with respect to the State-wide property tax. Only those figures listed as "annual" were used to calculate the annual fiscal benefit.*

It is worth noting that the first option, installation of a traffic signal, would likely have approximately the same fiscal impact as the Piscataqua Road access option (option 2) since it costs approximately the same. The third option, developing 32,000 square feet, would have a slightly less benefit than option 4 since it does not include revenue from the sale of a conservation easement.

Table 8.2 indicates that either the Piscataqua Road option or the limited development option has an excellent return on the Town’s investment. Thus, it comes down to the Town looking beyond the fiscal implications and focusing on other factors. The limited development-recreation-conservation option has the added unquantified social benefit of providing a needed recreational service and conservation of important resources. The Old Piscataqua Road option has an opportunity cost of using the Community Development Expendable Trust Fund, and the traffic and social impacts outlined above. Thus, the preferred option is number four, the limited development-recreation-conservation option.

*The costs the Town has sunk into the business park property in the past are not relevant to the pricing of the property. If indeed the property can yield a favorable return in future tax revenues in relation to one-time, up-front and future ongoing expenses (for regular Town services), then the Town should take steps to package the property, including some provision for access. The Town must then market the land based upon actual market value.*

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## **BUSINESS PARK RECOMMENDATION**

The Town should package the Durham Business Park to make it viable for limited development under the following scenario: pursue development of up to 32,000 square feet of office/research space on a portion of the site, and for the remainder of the site, the Town should pursue a combination of selling a conservation easement and developing recreational ball fields. Offer the property at an appropriate price based on market value. The property should be listed with a qualified real estate broker.

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## UNIVERSITY

### BACKGROUND

The Town of Durham and the University are partners in a myriad of ways. Our interests are intertwined and our fortunes rise and fall together:

- The two water and sewer systems are interconnected.
- The Town and University share fire service.
- Our police and public works departments coordinate efforts.
- Durham residents use many University facilities, some at no cost and some at a subsidized cost.
- Many faculty members live in Durham and send their children to Oyster River Schools.
- The quality of our downtown and our natural environment attracts or fails to attract students and faculty.
- UNH faculty and staff serve on numerous Town boards.
- UNH students and staff shop in Durham.
- There had been a longstanding Town-Gown Committee, but it was disbanded by the Town Council several years ago.

For the most part it appears that in each service area Durham has a more or less fair arrangement, that is, it does not seem that the Town is subsidizing the University or that the University is failing to pay its way in any substantial manner in terms of direct costs and benefits. Separate police departments patrol the Town and University, respectively. Separate public works departments maintain roads and infrastructure. Costs for fire service are allocated based on the number of calls. The only in-lieu-of-taxes payment the University makes is for a percentage of the school costs for Forest Park, which is the only development at UNH that generates public school students. This is a voluntary payment based on a formula of the number of pupils from the development. The Town must be vigilant and work with the University so as to ensure it continues to make this payment in perpetuity.



However, there may be some areas in which the University should arguably provide more to the Town, such as in helping to provide penalties for incidents at off-campus sites where it is likely that many students from both on-campus residences and residences outside of Town are being disruptive; and assisting in the cost of transportation infrastructure due to the amount of traffic brought into the community by the University.

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## **UNIVERSITY RECOMMENDATIONS**

1. Create and maintain a formal Town-Gown committee.
2. Explore ways for the Town and University police to share resources during the summer or modify allocation of resources to increase efficiency and save costs for both; develop a policy under which UNH would provide more police assistance in off-campus incidents largely involving students.
3. University functions that are primarily business activities should either pay taxes or make payments in lieu of taxes. Examples include the New England Center Restaurant and Hotel, private businesses at the Memorial Union Building, and the Dairy Bar.
4. Encourage the University to refrain from acquiring significantly more land that would be removed from the tax rolls of the Town.
5. To offset cost of infrastructure provided by the Town, encourage the University to structure arrangements with private retailers and businesses on University land such that the entities will make payments in lieu of taxes to the Town. Pursue appropriate legislation which would effectuate this.
6. Work with the University to establish common objectives in terms of the development of student housing both on campus and in Town. Emphasize the Town's desire that the University refrain from building housing for married students and families unless there is an explicit arrangement that the University will pay the full costs of educating any students generated for the public school district. Recognize the University has a role in providing student housing on campus, and the Town has a role to ensure off-campus housing is provided in appropriate locations.

7. Encourage the University to cooperate with the Town in the extension of infrastructure to serve fiscally beneficial uses.
8. Continue to coordinate with UNH on services and explore ways to improve cooperation.
9. As appropriate, encourage the University to lease space or land owned by private taxable entities, such as space within the downtown area, for University purposes rather than building on University land.

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## SINGLE-FAMILY DEVELOPMENT

### BACKGROUND

The Town should seek to restrain the growth of single-family development. Preserving open space that would otherwise be developed for single family-homes is fiscally beneficial in almost all instances, except for some of the most expensive subdivisions.

School taxes must be paid for all land uses, including open space and nonresidential uses (except for nonprofit developments), whether or not they generate students in the Oyster River Schools. The ratio of student-generating residential uses to non-student-generating uses in a community, along with myriad other factors including value of new homes, mean number of school children generated by new homes, value of nonresidential property, and school costs affects the school portion of the tax rate. Holding these other factors constant, an *increase* in the ratio of non-student-generating uses to student-generating uses from the present overall ratio in the Town will have a restraining influence on the tax rate. Correspondingly, a *decrease* in this ratio will tend to push the tax rate even higher. Surprisingly, 68% of the households surveyed in the 1998 Master Plan Survey do not have any students in the Oyster River Schools.

A build-out analysis of single-family subdivisions was conducted under the present Zoning Ordinance and it projects complete build-out for Durham in the year 2028, with 410 additional Oyster River students by the year 2010 and 853 by the year 2020 (see Chapter 1 – Demographics, Housing, and Growth Management). This analysis assumes 0.73 students generated for each new single family home. The 1997-98 total enrollment in the school district was 2,265. This represents an increase within Durham alone of 38% over 20 years.

Based on an analysis of “developable lands” in Durham (see Chapter 9 – Land Development Regulations), there is significant land available for single-family development (estimated at 2,200 acres) and there is very limited developable land available for commercial development (estimated at 265 acres). Without taking measures to facilitate commercial development, the present proportion of single-family to commercial uses will shift more out of balance, potentially driving tax rates higher.

Single-family development is expensive not only because of the costs of educating children, but also because new development will continue to occur further from the center of Town in a low density, sprawled manner, unless changes are made to Durham’s Zoning Ordinance. This form of development is inefficient and increases the Town’s expenses for services – fire, police, road maintenance, other public works maintenance, and a percentage of the Oyster River School District school bus service.

In spite of the impending changes in education funding at the State level, single-family development will generally remain fiscally disadvantageous for the Town in relation to most types of commercial development, though less so than formerly.

In the “rural service area,” defined as the area south of the Oyster River and east of Johnson’s Creek, the Town should decrease density for single-family development based on the carrying capacity of the land. The conservation development design approach in Chapter 9 – Land Development Regulations achieves this goal. As part of this approach, a defined percentage of open space needs to be designated for perpetual protection; and there should not be a minimum lot size, but instead a maximum density for these developments.

The following are examples of the projected fiscal impact for particular single-family developments in Durham in 1999. A relatively simple proportionate valuation model was used for this assessment. The model uses the most up-to-date information with respect to the State funding formula for educational funding. As expected, the results from the model show that some of the recent higher value, lower student-generating, single-family developments are fiscally beneficial in terms of school costs.

*Johnson Creek Subdivision*

(Shearwater Street, Razorbill Circle, Cormorant Circle)

Average assessed value of homes	\$204,257
Average number of ORSD students per home	0.79

Average tax revenue per home (includes vehicles)	\$7,959
Average school costs per home	\$6,545
Average county costs per home	\$549
Average municipal services costs per home	\$3,442
<b>Fiscal impact of each home</b>	<b>-\$2,577</b>

*Carriage Trail Subdivision*  
(Surrey Lane, Carriage Way)

Average assessed value of homes	\$220,452
Average number of ORSD students per home	1.18
Average tax revenue per home (includes vehicles)	\$8,562
Average school costs per home	\$9,212
Average county costs per home	\$593
Average municipal services costs per home	\$3,715
<b>Fiscal impact of each home</b>	<b>-\$4,958</b>

*Deer Meadow Subdivision*  
(Deer Meadow Road, Fox Hill Road)

Average assessed value of homes	\$353,856
Average number of ORSD students per home	0.46
Average tax revenue per home (includes vehicles)	\$13,526
Average school costs per home	\$5,376
Average county costs per home	\$952
Average municipal services costs per home	\$5,962
<b>Fiscal impact of each home</b>	<b>+\$1,236</b>

The fiscal impact model shows that the “break even” point for a typical residential subdivision in Durham requires a house to be valued at \$465,000 as per the table below. However, as indicated in Chapter 1 – Demographics, Housing, and Growth Management, the average new home is valued at approximately \$250,000 (equalized), which creates a fiscal impact of -\$2,000 on the community.

*Break-even home cost*

Average assessed value of homes	\$465,000
Average number of ORSD students per home	.73
Tax revenue per home (includes vehicles)	\$15,412
School costs per home	\$7,486
County costs per home	\$1,088
Municipal services costs per home	\$6,817
<b>Fiscal impact</b>	<b>+\$22</b>

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## **SINGLE-FAMILY DEVELOPMENT RECOMMENDATIONS**

1. Explore various growth management techniques to restrain large increases in single-family development including enacting a new land/resource based Zoning Ordinance for conservation-based development as specified in the Land Development Regulations Chapter, "Residential Development and Subdivision Design" section.
2. As appropriate, exclude single-family, two-family, and three-family housing in office and commercial zoning districts.
3. Pursue conservation easements and outright purchase of conservation land (particularly by a third party) as a tool to stabilize the tax base since single-family homes generally cost more in services than the tax revenue they generate.

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## **PUBLIC SCHOOLS**

### **BACKGROUND**

The only public school issue discussed in this chapter is the funding formula for the constituent towns of the Oyster River School District. For the 1997-1998 school year, even though Durham contributed only 43.5% of the students to the Oyster River School District the Town paid 52.4% of the total contribution by the three towns.

There are approximately twelve methods used in New Hampshire to apportion school expenses among member communities in a cooperative school district; however the three basic ones are as follows:

Method 1: By assessment - assessing each community’s burden based on the respective total assessments of each town. This approach would be equivalent to simply setting the same school tax rate for all properties in the three towns (due to equalization effective rates may differ among towns).

Method 2: By number of students – Allocating total cost proportionately based on the number of students living in each district. This approach would result in different school tax rates among the communities depending upon the total valuation in each community and the number of students in each community.

Method 3: By a combination of assessment and number of students – The Oyster River School District uses this method which is based upon 50% by assessment and 50% by number of students. The largest proportion of other cooperative school districts in New Hampshire use this approach, although the percentages vary.

For the Oyster River School District, the respective payments break down as follows:

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**Table 8.3. OYSTER RIVER SCHOOL DISTRICT FINANCIAL CONTRIBUTIONS**

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	<b>1996 Total Equalized Valuation</b>	<b>Proportion Equalized Valuation</b>	<b>1996-1997 Average Students</b>	<b>Proportion Average Students</b>	<b>Proportion Actually Contributed*</b>
<b>Durham</b>	\$348,273,777	59.9%	910.5	43.2%	51.5%
Lee	\$165,299,368	28.4%	872.2	41.3%	34.9%
Madbury	\$67,599,015	11.6%	327.4	15.5%	13.6%
<b>TOTAL</b>	\$581,172,160	100.0%	2,110.1	100.0%	100.0%

\* This does not factor in foundation aid received by each community which is as follows: Durham - \$123,107; Lee - \$322,358; Madbury - \$121,965)

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## SCHOOL DISTRICT FUNDING NEEDS

1998-99 School Operating Budget:		\$19,070,475
Less Adjusted Revenues:		\$ 2,139,497
Adjusted Net Assessment:		\$16,930,978
Equalized value	50%	\$ 8,465,489
Average Membership	50%	\$ 8,465,489
Adjusted Net Assessment:	100%	\$16,930,978

## ASSESSMENT FOR EACH COMMUNITY

### *Durham*

% Valuation	x	Net Assessment	
59.9%	x	\$8,465,489	= \$5,073,037
% Students	x	Net Assessment	
43.2%	x	\$8,465,489	= \$3,652,826
<b>Total Assessment (excluding foundation aid)</b>			<b>= \$8,725,863</b>

### *Lee*

% Valuation	x	Net Assessment	
28.4%	x	\$8,465,489	= \$2,407,789
% Students	x	Net Assessment	
41.1%	x	\$8,465,489	= \$3,499,170
<b>Total Assessment (excluding foundation aid)</b>			<b>= \$5,906,959</b>

### *Madbury*

% Valuation	x	Net Assessment	
11.6%	x	\$8,465,489	= \$ 984,663
% Students	x	Net Assessment	
15.4%	x	\$8,465,489	= \$1,313,493
<b>Total Assessment (excluding foundation aid)</b>			<b>= \$2,298,156</b>

**Table 8.4. COST/PAYMENT PER PUPIL FOR EACH ORSD TOWN**

	Payment to School District	Number of Students (ADM)	Payment per Student
<b>Durham</b>	\$8,725,863	910.5	\$9,584
<b>Lee</b>	\$5,906,959	872.2	\$6,772
<b>Madbury</b>	\$2,298,156	327.4	\$7,019

Factoring in foundation aid would skew these percentages very slightly, but foundation aid provided by the State should not be considered in evaluating the fairness of the district’s funding formula.

If one considers the three Oyster River towns to be as one community in regard to schooling, then it is appropriate that the same tax rate be used throughout the district (method 1 above). Within the City of Dover, for instance, every property owner throughout that city pays the same rate regardless of differences among neighborhoods in assessed property values and number of students living in each neighborhood.

On the other hand, if one considers the school district as three separate, autonomous communities each electing to enter into a joint arrangement, then each community should contribute only its respective costs for educating its own students (method 2 above).

The founders of the Oyster River Cooperative District perhaps believed that both method 1 and method 2 had some validity, or perhaps the arrangement was driven by compromise or political necessity in the course of negotiations among the three towns in 1954. Thus, a composite formula was adopted. At that time Durham, the largest community, needed extra students to meet a certain economy of scale (this may no longer be the case).

From Durham’s perspective, method 2 from above (by number of students) is the correct approach. Durham, Lee, and Madbury are not one community. While there is one school district and one school board, the communities are separate in most every other way; we have separate town councils/selectmen, separate ordinances, and distinct communities; and each community has no control over how the other develops. Under the present blended formula, the Town of Durham is effectively subsidizing Lee and Madbury.



Various issues need to be examined as the communities in the Oyster River School District deliberate school funding issues in addition to the issue of tax rate. Some of the issues include: the impact of the Gordon Allen lawsuit in Hillsboro County, the outcome of which would require the cost allocation to be based exclusively on 100% of the assessed valuation, State law governing cooperative school districts, costs and benefits to the present district's economies of scale, and educational quality.

Because Durham does not control development in Lee and Madbury, Durham gets penalized for the growth of single-family development in those towns, even if Durham establishes a greater amount of fiscally beneficial commercial development.

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## **PUBLIC SCHOOLS RECOMMENDATIONS**

1. The Town is encouraged to closely examine the school funding issue to ensure that the District maintains its outstanding education system at the lowest possible cost.
2. The Town should work to change the school funding formula to one based entirely on the per pupil (number of students) method.
3. The Town should conduct an in-depth, independent analysis of the benefits and burdens of continuing in the Oyster River School District.

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## **TOWN FISCAL MANAGEMENT**

### **BACKGROUND**

#### *Town Services*

This chapter recognizes that cutting government costs is difficult, but avoiding unnecessary increases is not. Historically, the Town portion of tax expenditures has risen annually at 4.5%; while school costs have risen at a rate almost double the Town's portion (8.4%).

**Table 8.5. SCHOOL AND TOWN PORTION OF DURHAM’S UNEQUALIZED TAX RATE: 1990-1998**

Year	Town Tax	Annual Change	Percent Change	School District Tax	Annual Change	Percent Change
1990	\$7.30	X	X	\$13.41	X	
1991	\$6.92	-\$0.38	-5.2%	\$13.12	-\$0.29	-2.2%
1992	\$6.69	-\$0.23	-3.3%	\$13.60	\$0.48	3.7%
1993	\$8.71	\$2.02	30.2%	\$18.51	\$4.91	36.1%
1994	\$8.37	-\$0.34	-3.9%	\$20.05	\$1.54	8.3%
1995	\$10.09	\$1.72	20.5%	\$21.62	\$1.57	7.8%
1996	\$9.53	-\$0.56	-5.6%	\$22.07	\$0.45	2.1%
1997	\$9.85	\$0.32	3.4%	\$23.72	\$1.65	7.5%
1998	\$9.84	-\$0.01	-0.1%	\$24.68	\$0.96	4.0%
<b>Average</b>		<b>\$0.32</b>	<b>4.5%</b>		<b>\$1.41</b>	<b>8.4%</b>

The following figures were prepared to better understand the implications of changes to Town services. Assuming a Town portion of the tax rate of \$10/\$1000 valuation, the new valuation needed to pay for various Town operating and capital expenses is shown below (the last three capital expenses assume borrowing for 25 years at 5.5%).

Item	Annual Cost	Needed Valuation to Support Costs
Add one staff person	\$40,000	\$4,000,000
Add one automobile	\$ 3,000	\$ 300,000
Extend sewer at a cost of \$50,000	\$ 3,700	\$ 370,000
Improve road at a cost of \$100,000	\$ 7,500	\$ 750,000
Purchase land for \$250,000	\$18,600	\$1,860,000

**Bond Rating**

Durham’s current Moody’s bond rating is Aa3. This is considered a good rating for a municipality but the Town should seek to upgrade it if possible. Moody’s A ratings starting at the highest level are as follows: Aaa, Aa1, Aa2, Aa3, A1, A2, A3.

### ***Fund Balance***

There is currently no policy in place regarding the amount of fund balance Durham should retain, or the appropriate use of the fund balance. The Town's fund balance can too easily be buffeted by political influences. The Town should establish a standard percentage for the fund balance or at least principles that it will follow to achieve and demonstrate predictability and stability. The Town should maintain this percentage to the extent practical and deviate only if there is a sound financial reason. While there seems to be no set rule regarding percentage of fund balance that a municipality should retain, the New Hampshire Department of Revenue recommends the fund balance be maintained between 5% and 10% of all appropriations including the school, Town, and county.

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## **TOWN FISCAL MANAGEMENT RECOMMENDATIONS**

1. Durham should develop a financial plan for the community that is clearly linked to the Capital Improvements Plan (CIP) and this Master Plan. The Durham Business Management Department generated numerous fiscal recommendations in a draft financial plan that should be pursued and finalized in a financial plan. These include the following:
  - determine an appropriate level for the fund balance;
  - develop a policy of when it is appropriate to use excess unreserved fund balance to offset tax rate increases;
  - exercise controls over expenditures;
  - continue aggressive exploration of outside revenue sources including State and Federal grants;
  - manage expenditure growth not to exceed estimated increases in property valuations;
  - control employee benefit costs through alternate benefit plans for Town employees; for example, investigate the possible cost and quality of service benefits which could result from a combination of high-deductible catastrophic insurance and a self-insurance plan for health benefits;
  - continue funding capital reserve funds, such as the vehicle fund;
  - continue CIP process recognizing limits for debt service and recognizing the impacts of projects on out year budgets; and
  - explore opportunities for outsourcing Town services.

2. Work to upgrade Durham’s bond rating to reduce borrowing costs.
3. Recreate a budget committee(s) to look carefully at Town budget issues. Develop a sustainable financial plan for the Town’s various funds (water fund, sewer fund, vehicle fund, parking fund, etc.)
4. Conduct a full revaluation of the Town more often in order to learn of untaxed improvements, to identify under-assessed properties, and to rectify inequities in a more timely manner (additions, new structures, remodeling).
5. The Town should not be diffident about exploring opportunities for outsourcing. Potential areas include plowing of roads, handling of payroll, and operation of the sewage treatment plant.
6. The Town must take a very hard look whenever it considers significant new expenditures such as new Town staff, vehicles, open space and recreation land, extension of water and sewer services, and construction of Town facilities. The Town should try to balance these expenditures in light of new valuation and the likely effect on the tax rates.
7. The Town must take a very hard look whenever it considers the purchase of private property, thereby removing that property from the tax rolls and incurring additional debt. The benefit of removing a property from the tax roles should outweigh the taxes lost. The Town should seek effective use of its significant holdings prior to acquiring additional property, if practical.
8. The Town should explore opportunities to generate revenue from certain Town resources – notably Wagon Hill Farm – in a prudent, environmentally sensitive manner. For example, it may be possible to sell or lease less sensitive portions of this property with suitable covenants to protect the resources. One intriguing suggestion is to lease the house for an antique and artisan center.
9. Encourage a higher degree of independence by residents, where appropriate. For example, encourage residents of a cul-de-sac to own and maintain the central landscape island and other green space associated with their development.
10. Explore fee-for-service where appropriate, such as having citizens assume more responsibility for solid waste with a “pay as you throw” type of program.

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## CONCLUSION

*Durham is at a critical juncture.* If the Town is not successful in this tax stabilization effort through the Master Plan, it is feared that tax rates will continue to grow at untenable rates. This would place an enormous burden on residents and create a spiraling problem as fiscally beneficial uses are further discouraged from remaining in Town or relocating into Town. Under this scenario the Town will increasingly attract mainly young families with children who move here for the school system and then move out when their children finish school. Senior residents, empty nesters, and businesses will avoid Durham due to prohibitive tax rates and the problem will be exacerbated. The Town must act now to avoid this pending scenario.