

Fiscal Impact Analysis Colonial Durham

Mill Plaza
Durham, NH
April 2, 2020



FOUGERE PLANNING & DEVELOPMENT, Inc.

Mark J. Fougere, AICP

253 Jennison Road Milford, New Hampshire 03055

phone: 603-315-1288

email: Fougereplanning@comcast.net

FISCAL IMPACT ANALYSIS

**Mill Plaza
Durham, NH**

April 2, 2020

1. Introduction

Fougere Planning and Development has been engaged by Colonial Durham to undertake this Fiscal Impact Analysis to outline potential General Fund revenue increases and demand for services to the Town of Durham from the proposal to redevelop the 10.3 acre Mill Plaza site from retail/commercial uses into a mixed use property with apartments. The project involves removing the rear 26,048 square feet commercial space and constructing 258 beds of apartment housing¹ and approximately 49,085 square feet of new retail/office/commercial support space. Based on Colonial Durham's commitments to the Town, an active onsite manager will be in place to oversee housing and leasing operations and it is Colonial Durham's intent to include strict behavior standards in all housing leases. In addition, while the apartments are not occupant-restricted, Colonial Durham intends to market to mature students, including those in the University's graduate programs. The existing Durham Marketplace, referenced as Building A on the submitted site plan, will remain (31,165 sq. ft.) and will remain largely intact with some architectural upgrades.

All on site drives and trash pickup will continue to be privately maintained; public water and sewer will service the property with connection and use fees at prevailing rate covering all costs of access and usage.

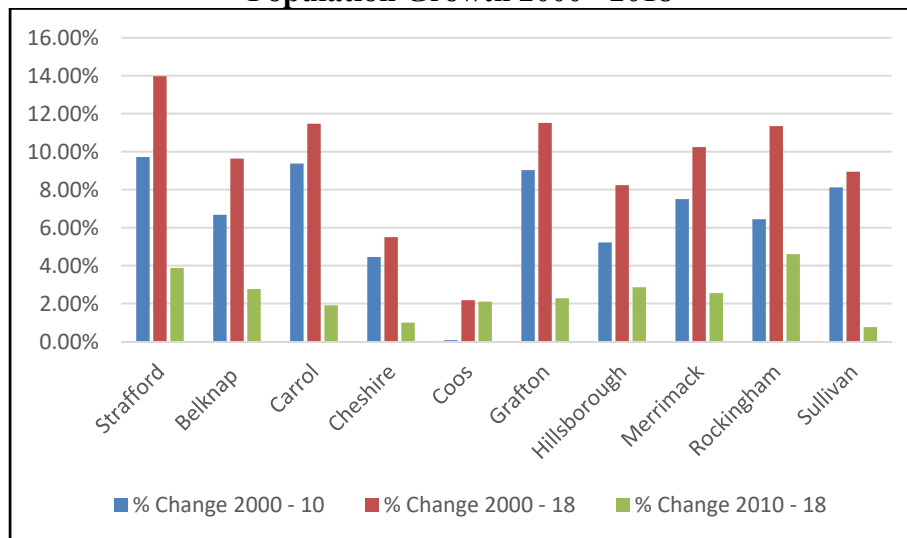
¹ A reduction of 72 beds from the 2018 proposal.

2. Regional and Local Trends

Given that Durham hosts the State's flagship University with a student population of over 15,000, along with its proximity to the seacoast, the area has enjoyed a robust economy for many years and has withstood recessionary pressures far better than many other areas of New Hampshire. The University of New Hampshire is the economic engine for the region, providing a steady and reliable provider of jobs and service demands that benefits the entire area. This influence can be found in a host of statistics:

- Strafford County had the highest population growth from 2000-2010 & 2000-18; in addition the County had the second highest growth since 2010; Figure One.

Figure One
Population Growth 2000 - 2018²



- There has been a significant decline in residential homes Days on Market (DOM) over the last 8 years; Table One.

Table One
Median Days on Market – All Home Sales³

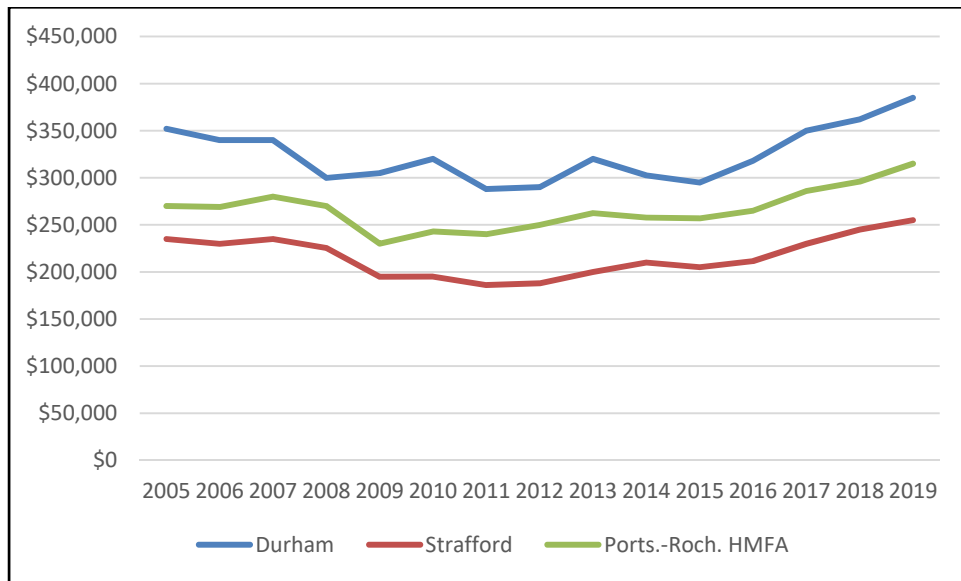
Durham	2012	2017	2020
DOM	71	23	8
Strafford			
DOM	104	41	11

² NH Office of Strategic Initiatives

³ NHMLS, 2020 last six months.

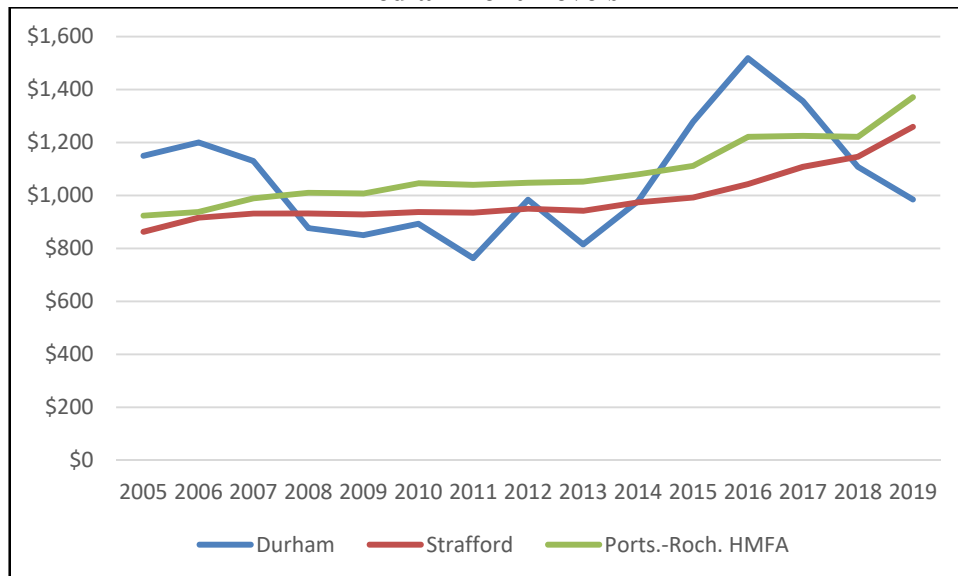
- Durham leads the Strafford County and region in median price point for all homes sales since 2005; Figure Two.

Figure Two
Median Price – All Home Sales 2005 - 2019⁴



- Median rent levels for the region remain strong; Figure Three.

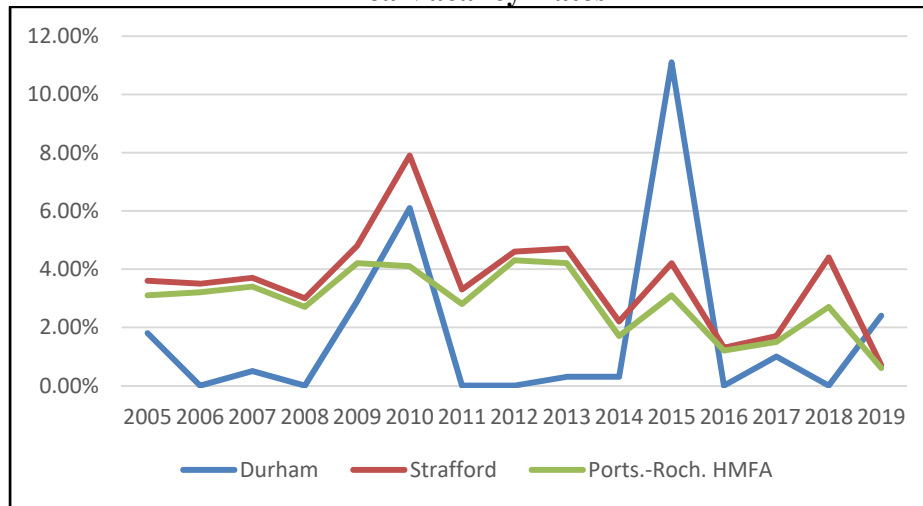
Figure Three
Median Rent Levels



⁴ Median price and rent levels: NHHFA

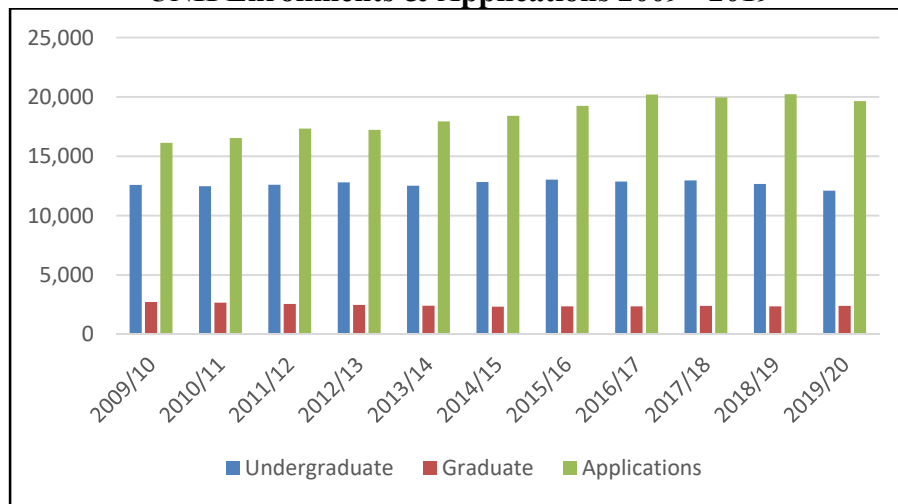
- Durham's vacancy remains strong, Figure Four. The 2015 peak outlier is from the addition of new units⁵ which were quickly absorbed by the market.

Figure Four
Area Vacancy Rates⁶



- UNH enrollments remain strong, with consistent higher application interest over the last five years compared to earlier in the decade; Figure Five.

Figure Five
UNH Enrollments & Applications 2009 - 2019



Census figures report that from 2000 to 2010 Durham's population increased from 12,664 to 14,638 over the 10 year period. The most recent Census⁷ data reports Durham's population to be 16,148, a 27.5% increase since 2000.

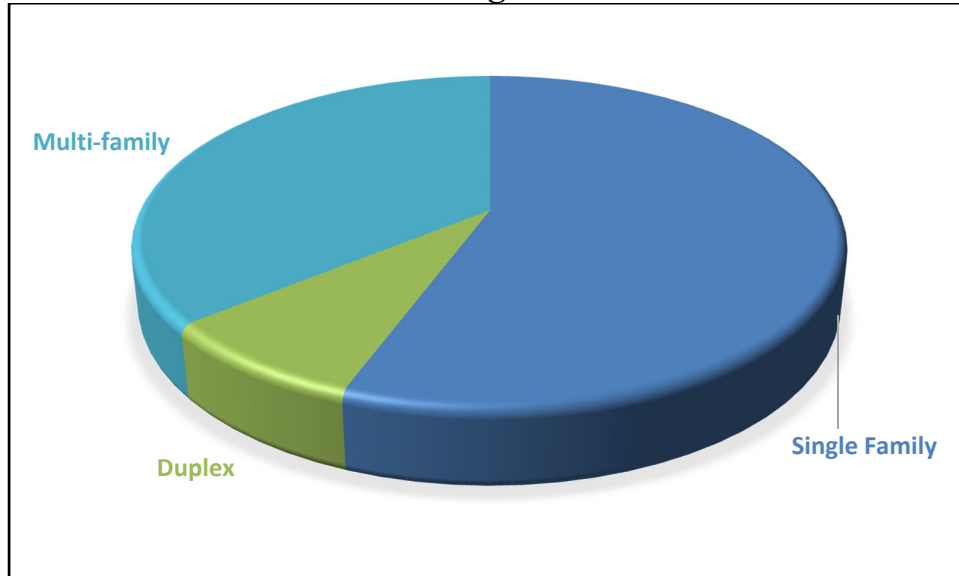
⁵ New Units included Madbury Commons 525 beds & The Lodges 460 beds.

⁶ NHHFA

⁷ 2013-2017 American Community Survey.

Approximately 55% of Durham’s housing stock consists of single family homes, with the Census data reporting 2,171 single family homes out of a total housing stock of 3,818 units; Figure Six.

Figure Six
Housing Stock

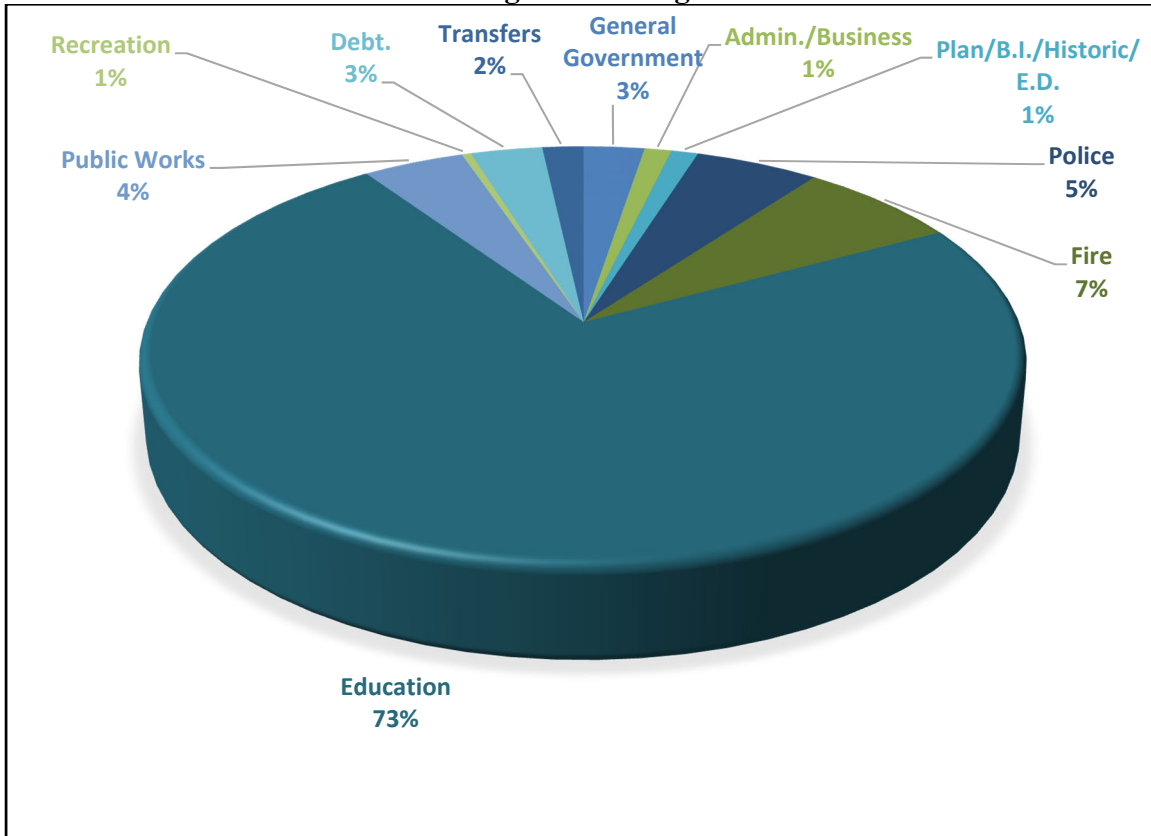


3. Budgets

As outlined in Figure Seven, Education is the largest municipal budget line item, followed by fire and police departments. Given the proposed use, cost impact considerations will be focused primarily on emergency service departments. Figure Seven outlines the percentage breakdown of the budget.

Given the large presence UNH has in Durham, the State of New Hampshire provides funding to the community to offset costs. Half of the Fire Departments operating budget (\$2,189,000); along with contributions towards offsetting police costs and payments towards shared expense occurring annually (\$190,000) and Debt Service (\$153,750). All these monies are collected as General Fund revenues and are not earmarked to specific departments.

**Figure Seven
Budget Percentages**



4. Fiscal Methodology Approach

Fiscal Impact Analysis can have many connotations, this analysis will follow the classic definition of fiscal impact as follows *“A projection of the direct, current public costs and revenues associated with residential or nonresidential growth to the local jurisdiction in which the growth is taking place⁸. ”*

There are a number of methodologies that are used to estimate fiscal impacts of proposed development projects. The Per Capita/Unit Multiplier Method is the most often used analysis to determine municipal cost allocation. This method is the classic “average” costing method for projecting the impact of population growth on local spending patterns and is used to establish the costs of existing services for new development. The basic premise of this method is that current revenue/cost ratios per person and/or per unit is a potential indicator of future revenue/cost impacts occasioned by growth. The advantage of this approach is its simplicity of implementation; however, the downside of this

⁸ Burchell.

approach is that the methodology calculates the “average” cost as being the expected cost, which is often not the case, and costs can be exaggerated—in some cases significantly. For most new land uses, many department budgets are not measurably impacted in any long term way. To account for this, we have also used a Marginal Cost Approach methodology to estimate potential costs. It should be noted that as a “student housing” development, many department impacts typically seen with traditional residential housing developments will not be seen.

At this time, a “level of service” exists in Durham to serve the community. This existing service level, for the most part, addresses the needs of the community through existing tax collections. As new development occurs, pressures are placed on some departments to address increased demands, while other departments see little if any measurable impacts. In reviewing the potential impacted departments specifically, a truer picture of anticipated costs impacts can be determined.

Given the nature of the proposed development project, as will be seen by the analysis below, few significant impacts will be felt by most town departments. Solid waste generated by the project will be removed by a private hauler. Any water and sewer expenses will be offset through user fees. All onsite driveways will be private and all maintenance expense will be paid for by the project owner. As the project will be student housing, no impacts to the local school district will occur. This is not to infer that no costs will occur as a result of this project. Measurable operational influences will be felt by a few departments, most noticeable the Police and Fire Departments.

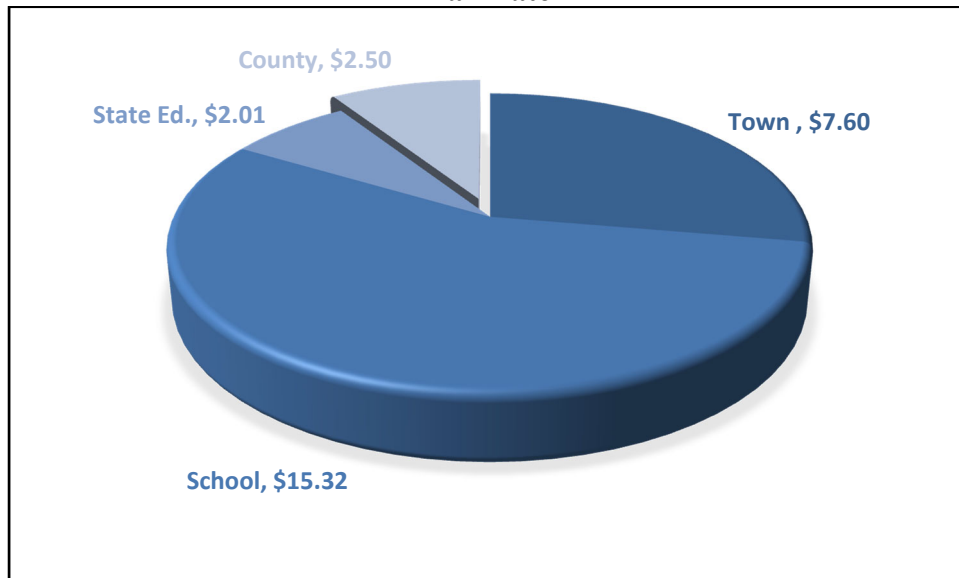
The Report will outline General Fund revenues and municipal service costs. All data, tax rates and costs are assumed to be in FY2019. It should be noted the costs outlined are “estimates” and no actual costs will be realized without review and approval by appropriate department heads, administrators and town elected officials. It is likely that few real costs will be realized from this development.

5. Local Revenues

A) Property Taxes

Local property taxes provide the bulk of municipal revenues for New Hampshire communities. The 2019 combined Tax Rate for Durham is \$27.43, Figure Eight outlines the breakdown of the various components of the tax rate. For purposes of this Report, a tax rate of **\$24.93** will be used which excludes the County Tax Rate. In 2019, Durham had one of the highest tax rates in New Hampshire, ranking 210 out of 260 communities⁹.

Figure Eight
Tax Rate



To gain a firm understanding of state of Durham’s real estate market, the Consultant met with Town Assessor Mr. James White in the summer of 2018, as well as a follow up conversation recently. Mr. White noted the town’s current strong market with a number of high value recent sales and that, based on a recent town wide reassessment, the tax rate decreased in the community. Mr. White also noted even during the “great recession” the local market remained robust. This experience bows well should economic conditions change as a result of the current health emergency being felt throughout the country. The proposed project was discussed and Mr. White provided assessment information on a number of comparable developments that would be appropriate to estimate future assessed values.

⁹ NHDRA

Based on these discussions, five downtown comparable projects were selected and an average assessed value of \$166.56 per square foot was calculated; Table Three. All of these properties have been developed since 2010. The existing Mill Plaza was assessed at \$163.32 per square foot.

Table Three
Comparable Mixed Use Properties

5 Mill Road	Unit Cost/Sq. Ft.
Mill Plaza 55,116 sq. ft.	\$163.32
Area Mixed Use Comps	Unit Cost/Sq. Ft.
1 Madbury - 31,255 sq. ft.	\$186.63
17-21 Madbury (Commons) - 170,345 sq. ft.	\$231.80
10 Pettee Brook Lane 34,646 sq. ft.	\$180.23
49 Main Street 13,847 sq. ft.	\$234.78
2-10 Jenkins 25,336 sq. ft.	\$178.87
Total Average 275,399 sq. ft.	\$202.46

Based upon a review of comparable mixed use properties, an estimated project value of \$40,628,077 was calculated, generating \$1,012,858 in yearly local property tax revenue¹⁰; Table Four. At buildout, the town's commercial assessment will increase by 8.2%.¹¹

Table Four
Estimated Project Value and yearly Taxes

	Sq. Ft.	Unit Cost/Sq. Ft.	Value
Existing Space - Façade Improvements	31,165	\$163.32	\$5,089,868
New Commercial	49,085	\$202.46	\$9,937,749
New Residential	126,447	\$202.46	\$25,600,460
		Total Estimated Value	\$40,628,077
		Mun./Local-State Ed. \$24.93	\$1,012,858
		Existing Taxes ¹²	\$224,419

Table Five breaks down the estimated revenues allocated to the Town and School District; increasing town property tax revenues by 3.3% and School/State revenues by 3.4%¹³.

Table Five
Town & School Revenue

Town Tax Revenue	\$308,773
School/State Revenue	\$704,085

¹⁰ Additional town revenue may be realized from motor vehicle registrations.

¹¹ Commercial assessment \$383,921,700, net increase is assessment \$31,626,077.

¹² At a tax rate of \$24.93 (no County taxes).

¹³ Town/School/State Tax Effort, DRA Tax Rate Calculation 2019.

The redevelopment of the Mill Plaza will generate over four times the taxes presently being paid by the existing retail center. Given the communities limited nonresidential tax base and significant exempt valuation (over 1 billion dollars), the addition of this new property tax revenue to the community is significant.

6. Municipal Service Costs

Police & Fire

The Police and Fire Departments are projected to experience some measurable impact from the proposed project. For fiscal year 2019, the Police Department budget was \$3,365,480 (UNH funding \$140,000) and the Fire Department budget was \$4,147,075 (UNH funding \$2,026,762). To assess the degree of impact this project would have on these departments, emergency calls to the existing Mill Plaza and similar developments with 1,800 beds of student housing were analyzed. Emergency call data was obtained from the police and fire departments and averaged to determine the numbers of calls annual per project and per square foot. These ratios were then totaled to derive a total average call volume per square foot, which was then used to generate projected emergency calls for each Department; Table Six.

Extrapolating from the comparable call data, increases in call volume are projected to the City's Police and Fire Departments. Annual Police calls are projected to increase by 22 new calls per year, annual fire calls are projected to increase by 21 new calls per year (2,416 total department calls in 2019). A meeting was held during the summer of 2018 with Police Chief Kurz, Deputy Chief Kelly and Captain Holmstock along with Fire Chief Emanuel to discuss the project and the estimated emergency call increases. Follow up discussions have taken place recently with the Police Chief¹⁴.

¹⁴ Attempts to reach the Fire Chief have been unsuccessful; although it should be noted that major issues were not raised by the Chief in 2018 and the impacts on the Department have decreased with the smaller project program.

Table Six
Average Calls: Police-Fire¹⁵

Mill Plaza - Existing	Sq. Ft.	Beds	Police Calls	Calls/ Sq.Ft.	Fire Calls	Calls/Sq.Ft.
Front Plaza	30,183		16		3	
Rear Plaza	23,920		12		3	
The Cottages	237,310	619	38	0.00016	33	0.00014
Madbury Commons	168,657	525	31	0.00018	30	0.00018
Orien	83,047	172	22	0.00026	15	0.00018
Davis Square	26,972	98	7	0.00026	2	0.00007
The Lodges	181,006	460	37	0.00020	16	0.00009
Total Average	696,992		135	0.00019	96	0.00014
Redevelopment Mill Plaza			Police Calls		Fire Calls	
258 beds/new commercial	175,532		34		24	
Existing Calls Rear Plaza			-12		-3	
Total New Emergency Calls			22		21	

Police Department

In discussions with the Chief, he noted that the Department takes a very proactive position relative to off campus student housing, seeking to stem bad behavior and recurring problems. The Department's Problem Oriented Policing (POP) Officer program has proven very effective in addressing these matters. As noted in the Town Report, *"The department has remained very engaged with the management teams of all off-campus student rental companies, as well as individual owners, to ensure that the demands upon the department and the community are not excessive."* The department tracks calls to apartment complexes and generates weekend reports; those properties that see an uptick in calls receive an outreach call and/or visit from the POP Officer. The department has even gone as far as calling parents of students who been arrested, driving "home" the need for good behavior.

For many years Fougere Planning has been using the tracking of emergency calls to land uses as an important metric to measure real impacts to an emergency service departments. The Durham Police Department should be applauded for using a reliable measuring tool to actively engage a problem. We have not seen this metric methodology used in other communities where we have undertaken such studies.

¹⁵ Two years of call data from Departments and 2017 Town Report.

The Chief and other Officers reviewed the call data (22 new calls) for the proposed project and felt that the findings were a true expectation of what could occur. The department added a new police officer in 2018 and the Chief did not believe additional staffing (or costs) would be necessary with this change in land use. An average officer with benefits costs approximately \$100,000 and to be conservative, this Report will account for \$50,000 in police costs based upon the proposed development and the potential for incremental hiring needs.

Fire Department

A projected increase of 21 new calls is anticipated for the Fire Department. Although Durham is served by a private ambulance company, the department does respond to those calls. Ambulance calls are included in the estimated new department calls. This increase call volume projection represents less than a 1% increase (.009%) in overall calls. In addition to emergency calls, the department will also be undertaking yearly inspections of the new housing units and commercial properties.

Given the large variety of calls the department can receive, the Chief was not comfortable estimating the impact to his department. To account for some cost to the Fire Department, the Department's budget was divided by the total calls to arrive at a cost per call of \$1,463 as outlined in Table Seven. This average cost approach generates an estimated yearly Fire Department impact of \$38,038. This is a very conservative cost estimate, given that 50% of the department's budget is paid by the State.

**Table Seven
Fire Department Impact**

Department	FY 2019 Budget	Calls	Cost/call	Est. Calls	Annual Cost
Fire	\$4,147,075	2,416	\$1,716	21	\$36,036

Other Departments

As noted previously, all driveways and vehicle aisles within the development will be private and water/sewer expenses will be addressed through connection and user fees. Any costs to the Building Department will be offset by the estimated \$240,000 building

permit fee¹⁶. Given the type of mixed use development proposed no other measurable impacts are anticipated to other town departments. A predominant population of student renters is very unlikely to generate school age children, as confirmed by the school department's review of over 1,800 similar student housing units¹⁷. To be conservative, we will account for \$10,000 potential miscellaneous town related costs (DPW, recreation, possible school enrollments).

¹⁶ Estimated construction cost range \$30-\$50,000,000, lower cost estimated: permit \$8/\$1,000.

¹⁷ The school department reviewed the five noted student housing projects listed in Table 5 in 2020.

SUMMARY

**Table Eight
Fiscal Findings**

Gross Local Property Tax Revenue	\$1,012,858
Municipal Costs	
Police	-\$50,000
Fire	-\$36,036
Misl.	-\$10,000
Total Estimated Costs	-\$96,036
Net Positive Fiscal Impact	+ \$916,822

Based upon the report's findings, gross yearly local tax revenues generated by the proposed project will total \$1,012,858. The anticipated yearly fiscal impact to the Town of Durham is estimated to be \$916,822, resulting with a yearly positive fiscal impact from the proposed Mill Plaza redevelopment of approximately **\$916,822** (Town \$308,773 & School \$704,085).

Key findings supporting this conclusion include:

- ✚ An estimated \$916,822 yearly positive fiscal impact will occur to the community, with actual positive revenue exceeding this figure.
- ✚ Tax revenue will increase 4 times current payments being made, increasing from \$224,419 to \$1,012,858.
- ✚ Durham has a very high tax rate and this redevelopment project will greatly enhance revenues to the community, and could, depending on municipal budgeting, result in a reduction in the prevailing tax rates.
- ✚ The town's commercial assessment will increase by 8.2%
- ✚ Town tax revenues will increase by 3.3% and school/state revenues will increase 3.4%.
- ✚ The region is economically strong, with UNH providing a steady and reliable driver for the area.
- ✚ Calls to the Police Department are projected to increase by less than 1%.
- ✚ Calls to the Fire Department will realize less than a 1% increase in call volume.
- ✚ The proposed project will include private drives and trash collection.