



# Dascomb Road Project Fiscal Impact Analysis

146 Dascomb Road - Andover, Massachusetts

## All-Commercial Plan

Revenues								
Motor Vehicle Excise	5,700,797.87							5,700,797.87
Meals Taxes	570,251.91							570,251.91
Hotel/Motel Taxes	1,747,841.43							1,747,841.43
Penalties and Interest on Taxes and Excises	400,651.04							400,651.04
Payments in Lieu of Taxes	314,016.00							314,016.00
Fees	97,796.80							97,796.80
Charges for Services - Water	-	8,054,083.78						8,054,083.78
Charges for Services - Sewer	-		3,819,667.98					3,819,667.98
Departmental Revenue - School	446,507.39							446,507.39
Departmental Revenue - Library	1,953.89							1,953.89
Other Departmental Revenue	266,150.97							266,150.97
Utility Fees	-	135,641.40		97,772.22				233,413.62
Licenses and Permits	3,084,252.58							3,084,252.58
Special Assessments	4,268.05			1,348,736.48				1,352,994.53
Fines and Forfeits	308,378.00							308,378.00
Investment Income	72,163.23		18,571.52	17,742.66		3,054.40		111,531.81
Other	-	3,165.04		1,300.21				4,465.25
Intergovernmental	12,798,509.00							12,798,509.00
Real/Personal Property Taxes	126,291,942.30							126,291,942.30
Tax Titles	112,923.09							112,923.09
Other	-							-
Transfer from Bond Premium Stabilization	200,000.00						(200,000.00)	-
Offset								
DCS	521,759.79							521,759.79
Filter Services	107,089.13							107,089.13
Rentals	102,906.36							102,906.36
Off Duty Admin Fee	107,397.21							107,397.21
Cemeteries Interment Fees	69,025.00							69,025.00
Ambulance Fees	1,426,816.02							1,426,816.02
Fund and other	-			237,524.05	17,491,825.99	23,934,282.58		241,980.30
	154,753,337.26	8,211,461.74	5,285,219.55	237,524.05	17,491,825.99	23,937,336.98		41,980.30
Government	7,507,797.65			10,212,279.21	6,651,256.56	23,892,573.69		141,157.23
Community Services	1,975,774.96							-
Capital Maintenance	10,549,803.54							-
Library	15,553,538.78							-
Utilities	-	4,677,905.47						-

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# Executive Summary

The Lupoli Companies is petitioning the Planning Board to approve an all-commercial project at 146 Dascomb Road in Andover, Massachusetts. The project is in keeping with the spirit and intent of the bylaw, masterplan, and consistent with the uses identified as needs within the ID2 zoning district. The project's development program includes office space, a grocery store, retail space, restaurants, a fitness center and a hotel.

The purpose of this fiscal analysis is to estimate the net fiscal impact of the project on the Town of Andover to demonstrate compliance with the Planning Board's Special Permit criteria for projects within the ID2 zoning district. This document provides projections for revenue generated by the project and expenses incurred by the Town to support the project. Ultimately, all tax rates and assessed values are determined by the Town of Andover after construction. This document does not attempt to calculate precisely to the dollar. Instead, this report identifies the critical assumptions and calculates projections to reasonably determine that the Dascomb Road Project is either fiscally net positive, net neutral, or net negative for the Town of Andover.

The Site Plans identify the following mix of uses which were considered for this analysis:

**293,000 SF Office / Commercial**

**80,000 SF Retail (no single retailer may be larger than 25,000 SF)**

**20,000 SF Restaurants**

**35,000 SF Grocery Store**

**30,000 SF Fitness Center**

**66,000 SF Hotel (100 rooms)**

## Conclusion

When fully developed the project is projected to generate annual revenues to the Town of Andover in the amount of **\$3,191,500**.

When fully developed the project's impact on Town services is projected to be **\$162,890**.

The parcel under existing conditions generates **\$186,000** annually in real estate taxes, which is deducted from the new revenues to provide a "net new" revenue.

Based on the enclosed analysis, ***the Dascomb Road Project is a fiscally net positive project for the Town of Andover.*** The project will generate a ***net new surplus of \$2,842,610 annually.***

# Revenue Generated

The Dascomb Road Project will generate tax revenue to the Town of Andover through five revenue streams:

- One-Time Permitting Fees (excluded, see below)
- Real Estate Tax
- Meals Tax
- Room Occupancy Excise Tax

## One-Time Permitting Fees

The project will incur fees as it progresses through the Planning Board, Building Permit, and Utility Connection permitting, totaling an estimated \$1.2M. Based on feedback from the Town's Economic Peer Review agent, the one-time permitting fees do not usually contribute to the Town's general fund and, therefore, are excluded from this analysis.

## Real Estate Tax

Real estate taxes are based on the assessed value of building and land by the Town of Andover's Assessor's Department. The Town utilizes the following commercial tax rate for FY2017 per \$1,000:

- **\$26.46** - Commercial/Industrial and Personal Property

According to the Town of Andover Assessor's Office website, the process of setting property assessment involves studying sales of property in Andover that occurred within specific time periods as well as categorizing properties that are "like" the property in question. The value of properties is then refined for location and features.

To identify properties "like" the future Dascomb Road Project, a list of assessed values has been compiled. The list includes commercial properties in Andover and regional overall project comparisons.

### Andover Medical Center Tower I - 321-325 Lowell St - Andover, Massachusetts Commercial Office Built in 2014



#### Assessors Information

Land	1.23 Ac
Building	30,240 SF
<b>Total Assessed Value</b>	<b>\$5,352,100</b>
<b>Assessed Value/SF</b>	<b>\$176.98</b>

**200 Minuteman – 200 Minuteman Rd – Andover, Massachusetts**  
Commercial Office Complex, Built in 1998



Assessors Information

Land	20.2 Ac
Building	193,512 SF
<b>Total Assessed Value</b>	<b>\$25,797,500</b>
<b>Assessed Value/SF</b>	<b>\$133.31</b>

**4 Corporate Drive – Andover, Massachusetts**  
Commercial Office Complex, Built in 2006



Assessors Information

Land	23.64 Ac
Building	197,203 SF
<b>Total Assessed Value</b>	<b>\$30,726,000</b>
<b>Assessed Value/SF</b>	<b>\$155.81</b>

**Thirty Four Park (Salvatore's) – 34 Park St – Andover, Massachusetts**  
Restaurant/Retail, Built in 1998



Assessors Information

Land	0.6 Ac
Building	12,396 SF
<b>Total Assessed Value</b>	<b>\$2,531,900</b>
<b>Assessed Value/SF</b>	<b>\$204.25</b>

**Whole Foods – 40 Railroad St – Andover, MA**



Assessors Information

Land	1.77 Ac
Size	45,239 SF
<b>Total Assessed Value</b>	<b>\$5,019,400</b>
<b>Assessed Value/SF</b>	<b>\$110.95</b>

**Market Street – Lynnfield, Massachusetts**

Commercial Component (retail, restaurants, grocery store), Built in 2013



Assessors Information

Land	63.7 Ac
Building	410,165 SF
<b>Total Assessed Value</b>	<b>\$197,916,000</b>
<b>Assessed Value/SF</b>	<b>\$482.53</b>

**Tuscan Village – Salem, New Hampshire**

Mixed-Use Project, Info from Tuscan Village Fiscal and Service Impact, Aug 11, 2017



Assessors Information

Land	63.7 Ac
Building	1,961,500 SF
<b>Total Assessed Value (Projected)</b>	<b>\$379,990,170</b>
<b>Assessed Value/SF (Projected)</b>	<b>\$193.72</b>

**Legacy Place – Dedham, Massachusetts**

Commercial Component (retail, restaurants, grocery store), Built in 2009



Assessors Information

Land	17.4 Ac
Building	452,016 SF
<b>Total Assessed Value</b>	<b>\$97,689,200</b>
<b>Assessed Value/SF</b>	<b>\$216.12</b>

Assumptions

Based on the in-town and regional comparisons above, the projected assessment values are as follows:

**Commercial - \$200 / SF (inclusive of land value)**

The assessed value for the Market Street project in Lynnfield seems to be an outlier. The project is geographically located between Tuscan Village and Legacy Place and the development will be comparable or greater quality. The mix of uses, including retail and restaurant uses, will be attractive to office tenants and is expected to yield higher rent than the stand-alone office parks.

Dascomb Road Project Projected Property Value

524,000 SF of Commercial x \$200/SF =	\$104,800,000
<b>TOTAL PROJECTED ASSESSED VALUE =</b>	<b>\$104,800,000</b>

Projected Real Estate Tax Revenue

Applying the Town of Andover’s Tax Rates as of today:

\$26.46 – Commercial/Industrial and Personal Property

\$104,800,000 x \$26.46/\$1,000 =	\$2,773,008
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<b>TOTAL PROJECTED REAL ESTATE TAX REVENUE =</b>	<b>\$2,773,008/year</b>
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## Meals Tax

The Commonwealth of Massachusetts imposes a sales tax on meals sold by or brought from restaurants or any part of a store. Individual communities can also establish a local sales tax on meals. The Town of Andover participates in the local sales tax option on meals at a rate of 0.75%.

### Assumptions

Within the Dascomb Road Project PUD Master Plan it is anticipated that there will be approximately 6 restaurants:

- 3 Café/Casual Restaurants (averaging \$1M revenue/year)
- 3 Fine Dining/Family Restaurants (averaging \$3M revenue/year)

3 café/casual restaurants x \$1M/yr x 0.75% local meals tax = \$22,500/year

3 fine dining restaurants x \$3M/yr x 0.75% local meals tax = \$67,500/year

**TOTAL PROJECTED LOCAL MEALS TAX REVENUE = \$90,000/year**

## Room Occupancy Tax

The Commonwealth of Massachusetts imposes a room occupancy excise tax of 5.7% on rooms rented for \$15 or more per day. Individual communities can also exercise an option to levy up to an additional 6%. The Town of Andover exercises the full 6% local room occupancy tax in addition to the Commonwealth of Massachusetts' rate.

### Assumptions

The Dascomb Road Project PUD Master Plan anticipates one high-end hotel containing 100 rooms.

Average Projected Room Rate per Night = \$200

Average Projected Occupancy Rate = 75%

100 rooms x 75% Occupancy x \$200/night x 6% local room occupancy tax

**TOTAL PROJECTED ROOM OCCUPANCY TAX REVENUE = \$328,500/year**

## Revenue Summary

One-Time Permitting Fees (\$1.2M)	Excluded from Analysis
Annual Real Estate Tax Revenue	\$2,773,008
Annual Meals Tax Revenue	\$90,000
Annual Room Occupancy Tax Revenue	\$328,500
<b>TOTAL ANNUAL TAX REVENUE</b>	<b>\$3,191,508</b>

# Expenditure Assumptions

## Methodology

The previous iteration of this analysis utilized a “straight line” methodology where the cost of town services to support the development were determined by using a per capita approach.

Based on feedback from the Town’s Economic Peer Review agent, this analysis utilizes a “marginal cost” methodology. This methodology reviews the Town’s general fund expenditures (FY2016) and calculates the proportion of assessment values by property type (i.e. commercial vs. residential). As RKG Associates identifies in their January 22, 2018 letter, the residential assessment town-wide represents 84% of the total assessment (excluding personal property). Whereas, non-residential is 16% of the total assessment. RKG Associates continues:

*“In this manner, if a “town cost” were \$1.00, then \$0.84 would be residential and \$0.16 would be commercial. In addition, only those expenditures which are likely to vary with an incremental change in population or commercial development are considered (Police, Fire, and Public Works Spending). The other municipal service costs are considered “fixed” and will not vary significantly because of small changes in population or employment. Applying this approach results in an estimated municipal service cost of \$4,771 per household and **\$91 per employee.**”*

Using the marginal cost methodology explained above, expenditures to support employees of the Dascomb Road Project will be accounted for in this analysis as follows:

Calculate # of Projected Employees

Assess \$91 per Employee

## Employment

Organizations including the United States Green Building Council (USGBC), Institute of Transportation Engineers (ITE), and the *Planner's Estimating Guide: Projecting Land-Use and Facility Needs* estimate the number of employees based on the proposed uses as follows:

<u>Use</u>	<u>Rate</u>	<u>SF/Units</u>	<u>Proj. Employees</u>
Office - Over 100,000 SF	1 emp/221 SF	293,000 SF	1,326
Community Retail	1 emp/383 SF	80,000 SF	209
Grocery	1 emp/938 SF	35,000 SF	37
Fitness Club	1 emp/2,500 SF	30,000 SF	12
Restaurant High Turnover Sit Down	1 emp/100 SF	10,000 SF	100
Restaurant Quality Sit Down	1 emp/134 SF	10,000 SF	75
Hotel	1 emp/2,000 SF	66,000 SF	33
<b>TOTAL PROJECTED EMPLOYEES</b>			<b>1,792</b>

## Cost of Town Services

### Assumptions

The cost of Town Services was calculated to be \$91 per employee utilizing the marginal cost methodology described above. The cost of Town Services to support the Dascomb Road Project is calculated as follows:

Projected # of Employees x \$91/Employee

1,792 Employees x \$91 / Employee

**TOTAL PROJECTED COST OF SERVICES      \$163,072**