

# **Fiscal Impact Analysis**

## **Waterfront West Newburyport, MA**

**March 22, 2017**

**Prepared By  
Fougere Planning & Development, Inc.**

**Prepared For  
Newburyport Manager, LLC**

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## **Waterfront West Newburyport, MA**

### **FISCAL IMPACT ANALYSIS**

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#### **Introduction**

Newburyport Manager, LLC, an affiliate of New England Development, is proposing to redevelop a 5.6 acre waterfront site into a vibrant year round mixed use neighborhood marrying many land use elements presently existing in the adjoining downtown neighborhood. The proposal is to construct, in phases, up to 200 condominium units, 20,000 square feet of retail space and 100 hotel rooms. In addition, significant public amenities will be constructed including public walkways, overlooks, sitting areas and landscaping. The residents of the project will add their buying power to support other downtown merchants along with area businesses, strengthening the local economy, as a whole.

In order to understand the impacts of the proposed development on the community, this fiscal impact report will analyze potential revenue streams from the proposed residential, commercial and hotel development, along with impacts that may occur to individual city departments.

Table One outlines the specific project breakdown.

**Table One**  
**Waterfront West Redevelopment Breakdown**

<b>Condominiums</b>	<b>Unit Quantity</b>
Studio	12
One Beds	46
Two Beds	98
Three Beds	14
Townhomes	30
<b>Total</b>	<b>200</b>
<b>Retail/Service</b>	20,000 sq. ft.
<b>Hotel Rooms</b>	100

It should be noted that this development will be operated privately and as such all proposed access ways, lighting, and sidewalks will be maintained by the project including trash disposal. Public water and sewer will be provided. Browns Wharf is an existing public road and will remain so as part of this development project.

## **Local Trends**

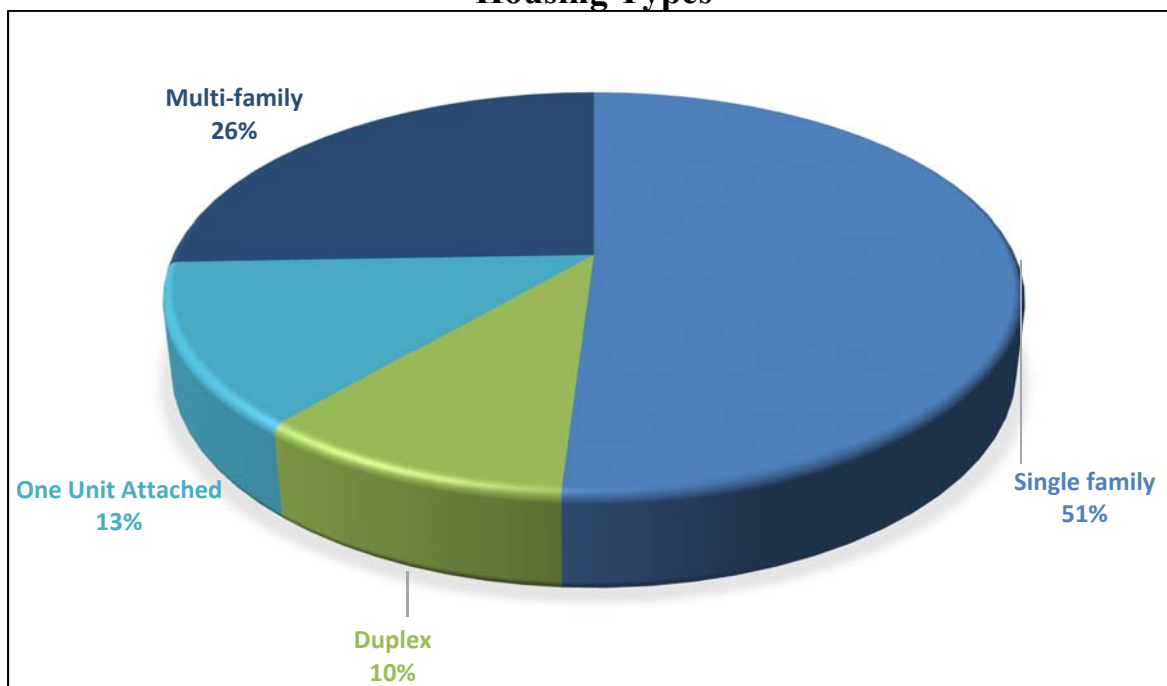
Census figures report that from 2000 to 2010 Newburyport's population increased from 17,189 to 17,416, showing a slight increase (1.3%) in population over the 10 year time period. The most recent population estimates from the US Census Bureau<sup>1</sup> report a population of 17,766.

A majority of Newburyport's housing stock consists of single family homes, with 2015 US Census data reporting 4,126 single family homes out of a total housing stock of 8,090 units; Figure One.

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<sup>1</sup> 2010-2014 American Factfinder

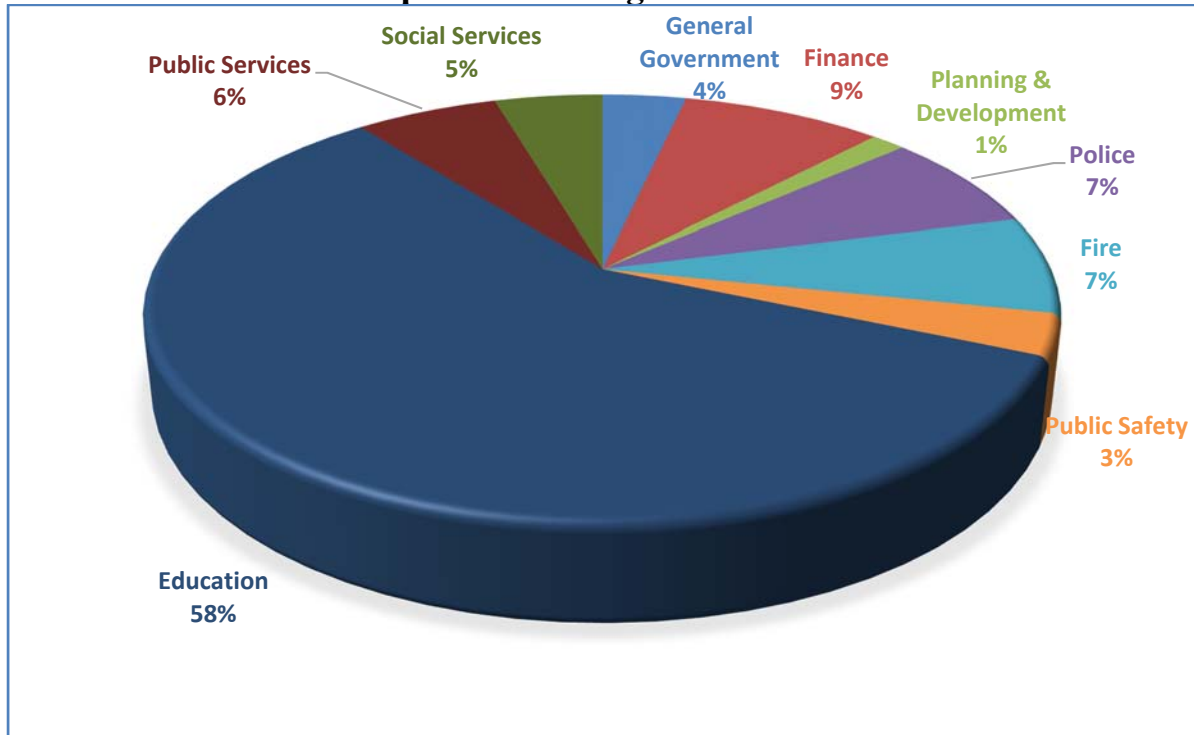
**Figure One  
Housing Types**



### **Budget History**

Newburyport's total operating budget for 2017 is \$61,711,835, which is an increase of 7.79% over the last four years. Public Safety and Education account for 59% of the total budget; (See Figure Two). These departments have the largest personnel and the most direct impact on municipal expenditures. Over the last four years, the Fire, Police and Education Department budget's increased 8.4%. Given the large budgetary impact these departments have on the community, and the fact that they will potentially experience the most direct measurable impact from the proposed development, these departments are the primary focus of this Report.

**Figure Two**  
**Department Budget Allocation**



### **A. Methodology Approach**

There are a number of methodologies that are used to estimate the fiscal impacts of proposed developments. The Per Capita Multiplier Method is the most often used 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 per unit are a potential indicator of future revenue/cost impacts occasioned by growth. The advantage of this approach is its simplicity of implementation; however, its downside is that it calculates the “average” cost as being the expected cost. This is often not the case, and costs can be exaggerated—in some cases, significantly. To account for this, we have also used a Marginal Cost Approach methodology to estimate potential costs. In reviewing exclusively those town departments that may realize a measurable impact from the proposed development, a truer picture of anticipated costs impacts can be determined. Based upon experience and professional background, we find that for most new land uses many department budgets are not measurably impacted in any long term way.

Fougere Planning met with a number of key city department heads and officials during the development of this Report. The purpose of these meetings was to outline the fiscal impact approach, as well as to hear from local officials relative to their concerns about present service capacity and how the proposed development may impact their department. Specifically, meetings and/or discussions took place with the Planning Director, School Superintendent, Assessing Officials, Fire Chief and Marshal Murray.

## **Local Revenues From Development**

### **A) Property Taxes**

Local property taxes provide the bulk of municipal revenues for City of Newburyport, totaling 85.1% of all revenues to the General Fund<sup>2</sup>. Newburyport's present tax rate is \$13.45 per \$1,000 valuation. In order to estimate future property tax revenue from the proposed development, comparable properties were researched for the retail and hotel uses. Estimated selling price of the proposed condominiums were developed for each unit type. Based on this analysis, the Waterfront West project is anticipated to generate \$1,886,378 in yearly taxes; Table Two. These estimated values are based on today values and assumes full buildout of the project.

**Table Two**  
**Estimated Yearly Property Taxes**

<b>Condominiums</b>	Quantity	Avg. Price	Est. Assessment
Studio	12	\$315,000	\$3,591,000
One Beds	46	\$440,000	\$19,228,000
Two Beds	98	\$649,000	\$60,421,900
Three Beds	14	\$862,500	\$11,471,250
Townhomes	30	\$1,254,000	\$35,739,000
	200		\$130,451,150
<b>Retail/Service<sup>3</sup></b>	20,000 sq. ft.	\$140 sq. ft.	\$2,800,000
<b>Hotel</b>	100 Rooms	\$70,000	\$7,000,000
Total Estimated Project Value			\$140,251,150
Tax Rate	\$13.45		
<b>Estimated Yearly Property Taxes</b>			<b>\$1,886,378</b>

<sup>2</sup> Fiscal Year 2017.

<sup>3</sup> Retail and hotel estimated pricing based upon local assessment comparables, confirmed with City Assessor.

## B) Miscellaneous Yearly Revenues

*Motor Vehicle Excise Tax* - Another major revenue source for the community is motor vehicle excise taxes. In fiscal year 2017 the city is estimating \$2,405,000 from this revenue source<sup>4</sup>. To estimate excise tax income, an average car value of \$30,000 was used which is then discounted<sup>5</sup> by 50%. Table Three outlines the projected vehicle excise tax for the proposed project.

**Table Three**  
**Motor Vehicle Excise Tax**

# Vehicles <sup>6</sup>	Value	Total Value
200	\$30,000	\$6,000,000
50% x \$6,000,000 / 1,000		\$3,000
\$3,000 x \$25		<b>\$75,000</b>

*Community Preservation Surcharge* - The city of Newburyport has adopted the Community Preservation Act allowing the community to impose a 2% surcharge on property taxes. Based upon the projected taxes outlined in Table Four, an estimated CPA surcharge of \$29,490 was calculated; Table Four.

**Table Four**  
**Community Preservation Surcharge**

Property Taxes	% CPA Surcharge	Surcharge <sup>7</sup>
<b>\$1,474,522</b>	<b>2%</b>	<b>\$29,490</b>

*Local Room Tax* - The City of Newburyport charges 4% local room tax. With the assumption of 58% occupancy<sup>8</sup> and a nightly rate of \$225, this tax is expected to generate \$190,530 a year in revenue.

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<sup>4</sup> 2017 Budget Overview

<sup>5</sup> This analysis was development through discussions with a number of town clerks to arrive at a conservative estimate of vehicle excise taxes.

<sup>6</sup> Estimated 1 vehicles per unit.

<sup>7</sup> For residential homes, the first \$100,000 of value is credited, CPA tax revenue basis is \$110,451,150.

<sup>8</sup> Assuming stabilization occupancy three years after opening, \$4,763,250 in gross revenues.

### C) Estimated Yearly Project Revenues

The proposed Waterfront West development is estimated to generate \$2,181,398 in local revenues from property tax, excise taxes, CPA Surcharges and room taxes; Table Five.

**Table Five**  
**Estimated Yearly Revenue**

<b>Condominiums</b>	Quantity	Avg. Price	Est. Assessment
Studio	12	\$315,000	\$3,591,000
One Beds	46	\$440,000	\$19,228,000
Two Beds	98	\$649,000	\$60,421,900
Three Beds	14	\$862,500	\$11,471,250
Townhomes	30	\$1,254,000	\$35,739,000
	200		\$130,451,150
<b>Retail/Service</b>	20,000 sq. ft.	\$140 sq. ft.	\$2,800,000
<b>Hotel</b>	100 Rooms	\$70,000	\$7,000,000
Total Estimated Project Value			\$140,251,150
2017 Tax Rate	\$13.45		
Estimated Yearly Property Taxes			\$1,886,378
CPA Tax	2%	\$1,474,522	\$29,490
Car Excise Taxes			\$75,000
Local Hotel/Room Tax <sup>9</sup>			\$190,530
<b>Total Taxes</b>			<b>\$2,181,398</b>

Additional one-time payment revenues will also be realized as part of the development, these will be detailed further below.

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<sup>9</sup> Local rooms tax 4%, 58% occupancy, \$225 night.



## **B. Municipal Service Costs**

Given the nature of the proposed development project, as will be seen in the analysis below, measurable impacts will be limited to a few key city departments including schools, police and fire departments. All onsite maintenance will be addressed by the development, including all private road repairs and trash removal.

### **Department Impacts**

#### **Police & Fire**

The Police and Fire Departments will experience some increased demand for services from the proposed project. For fiscal year 2017, the Police Department budget<sup>10</sup> was \$4,755,908 and the fire department \$4,559,462. To assess the degree of impact this project would have on these departments, comparable development projects were analyzed. Two years of emergency call data from Newburyport condominiums, mixed use buildings and retail establishments; along with data from two hotels located in Salem was obtained and averaged to determine the annual numbers of calls per unit and square foot. These ratios were then totaled to derive an average call volume per unit, which was then used to generate projected emergency calls for each Department.

Extrapolating from the comparable call data, modest increases are projected in the city's Police and Fire Department call volume. Annual Police calls are projected to increase by 1.3% (265 total calls or 5 calls per week), annual fire/ambulance calls are projected to increase by 1.9% (55 total calls or 1 call per week), creating marginal operational impacts; (See Table Six).

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<sup>10</sup> An allocation of \$30,000 was added to both the police and fire department budgets to account of benefit costs for each employee.

**Table Six**  
**Projected Emergency Service Calls**

<b>Police</b>			<b>Police Calls Two Years</b>	<b>Avg. Call Per Year</b>	<b>Avg. Call Per Unit</b>	<b>Projected Yearly Calls</b>	<b>Total Calls</b>
<b>Project</b>	<b>Use Type</b>	<b>Units</b>					
124 Merrimac Street	Residential Condo	9	5	2.50	0.278		
126 Merrimac Street	Residential Condo	63	57	28.50	0.452		
28 - 32 Liberty Street	Residential Condo	5	9	4.50	0.900		
<b>Total Residential</b>		<b>77</b>		<b>35.50</b>	<b>0.461</b>		
<b>Proposed Residential</b>		<b>200</b>				<b>92</b>	
1 Merrimac Street	Retail	2,504	31	15.50	0.006		
36 Merrimac Street	Retail	6,846	81	40.50	0.006		
58 Merrimac Street	Retail/ 16 Resid. Units	8,355	29	14.50	0.002		
2 Market Square	Retail/11 Resid. Units	4,540	82	41.00	0.009		
11 Market Square	Retail/4 Resid. Units	4,927	36	18.00	0.004		
<b>Total Retail</b>	Retail & 31 Resid. Units	<b>27,172</b>		<b>129.50</b>	<b>0.005</b>		
<b>Proposed Retail</b>		<b>20,000</b>				<b>95</b>	
Hawthorne Hotel	Salem	89	159	79.50	0.893		
Salem Waterfront	Salem	86	112	56.00	0.651		
<b>Total Hotel</b>		<b>175</b>		<b>135.50</b>	<b>0.774</b>		
<b>Proposed Hotel</b>		<b>100</b>				<b>77</b>	
<b>Totals</b>							<b>265</b>
<b>Fire</b>							
<b>Project</b>	<b>Town</b>	<b>Units</b>	<b>Fire Calls Two Years</b>	<b>Avg. Call Per Year</b>	<b>Avg. Call Per Unit</b>	<b>Projected Yearly Calls</b>	
124 Merrimac Street	Residential Condo	9	4	2.00	0.222		
126 Merrimac Street	Residential Condo	63	8	4.00	0.063		
28 - 32 Liberty Street	Residential Condo	5	0	0.00	0.000		
<b>Total Residential</b>		<b>77</b>		<b>6.00</b>	<b>0.078</b>		
<b>Proposed Residential</b>		<b>200</b>				<b>16</b>	
1 Merrimac Street	Retail	2,504	3	1.50	0.001		
36 Merrimac Street	Retail	6,846	0	0.00	0.000		
58 Merrimac Street	Retail/ 16 Resid. Units	8,355	8	4.00	0.000		
2 - 10 Market Square	Retail/11 Resid. Units	4,540	5	2.50	0.001		
11 Market Square	Retail/4 Resid. Units	4,927	0	0.00	0.000		
<b>Total Retail</b>	Retail & 31 Resid. Units	<b>27,172</b>		<b>8.00</b>	<b>0.0003</b>		
<b>Proposed Retail</b>		<b>20,000</b>				<b>6</b>	
Hawthorne Hotel	Salem	89	4	2.00	0.022		
Salem Waterfront	Salem	86	7	3.50	0.041		
<b>Total Hotel</b>		<b>175</b>		<b>5.50</b>	<b>0.031</b>		
<b>Proposed Hotel</b>		<b>100</b>				<b>3</b>	
<b>Totals</b>							<b>21</b>

<b>Ambulance Project</b>			<b>Amb. Calls Two Years</b>	<b>Avg. Call Per Year</b>	<b>Avg. Call Per Unit</b>	<b>Projected Yearly Calls</b>
124 Merrimac Street	Residential Condo	9	0	0.00	0.000	
126 Merrimac Street	Residential Condo	63	13	6.50	0.103	
28 - 32 Liberty Street	Residential Condo	5	0	0.00	0.000	
<b>Total Residential</b>		<b>77</b>		6.50	<b>0.084</b>	
<b>Proposed Residential</b>		<b>200</b>				<b>17</b>
1 Merrimac Street	Retail	2,504	8	4.00	0.002	
36 Merrimac Street	Retail	6,846	0	0.00	0.000	
58 Merrimac Street	Retail/ 16 Resid. Units	8,355	3	1.50	0.000	
2 - 10 Market Square	Retail/11 Resid. Units	4,540	1	0.50	0.000	
11 Market Square	Retail/4 Resid. Units	4,927	0	0.00	0.000	
<b>Total Retail</b>	Retail & 31 Resid. Units	<b>27,172</b>		6.00	<b>0.0002</b>	
<b>Proposed Retail</b>		<b>20,000</b>				<b>4</b>
Hawthorne Hotel	Salem	89	32	16.00	0.180	
Salem Waterfront	Salem	86	11	5.50	0.064	
<b>Total Hotel</b>		<b>175</b>	43	21.50	<b>0.123</b>	
<b>Proposed Hotel</b>		<b>100</b>				<b>12</b>
<b>Totals</b>						<b>34</b>

A meeting was held with both the Fire Chief LeClaire and Marshal Murray to discuss the project and gain an understanding of any concerns that may be present. The projected emergency call data was reviewed and discussed, along with potential budget impacts to the departments. Potential budgetary impacts and details are set forth below.

## Police Department

The Marshal was comfortable with the projected 1.3% increase in calls and feels the representative projects used provide a reasonable estimate of potential impacts on the department. The Marshal did state that he believes he is presently understaffed given current demand on services and the numerous development projects<sup>11</sup> that are in the pipeline. The Waterfront West project by itself will not have a great measurable impact, but the cumulative impacts all of the proposed projects will impact the Department. Marshal

<sup>11</sup> Projects presently under review or approved by the City include 84 unit apartment complex adjacent to the train station, Hillside apartments, 40 units and eight townhomes located on Route 1.

Murray believes that additional foot/bike patrols will be necessary to service this new neighborhood, especially in the summer.

Given these concerns and to account for the projects impact, the cost of one patrol officer will be included in the analysis. A patrol officer, including expenses associated with overtime and benefits totals approximately \$93,000 a year; for this Report \$100,000 in estimated costs will be accounted for.

### **Fire Department**

The Fire Chief also supported the projected call estimates and thought they were reasonable. The Chief has also seen increased demands on his Department and has similar concerns with the cumulative impacts from a number of proposed projects that are on the horizon. The Chief would like to add four additional staff to account for the increased impacts that he has seen. Based on these concerns that this project is one of many other developments approved or proposed in the City, the Report will also account for one fire staff position and will also carry a \$100,000 cost impact.

### **Other Departments/Revenues:**

#### **Building**

Building Department costs were not included in this analysis because they are not permanent annual impacts and will be offset by building permit fees. The project will be phased limiting significant impacts of inspection demands.

#### **Public Works**

All roads within the development will be private and maintained by the development. Solid waste will be handled by a private contractor with no expense incurred by the City. No new city streets are planned.

## **Other Departments**

It is not anticipated that measurable impacts will occur to other city departments and therefore no other costs were analyzed. To be conservative, a \$10,000 cost will be carried to account for potential other impacts.

## School Department

The City of Newburyport public schools presently have an enrollment of 2,295 students housed in four schools (two elementary, one middle, and one high school). The 2017 Public School budget<sup>12</sup> was \$27,824,600, which is an increase of 4% over 2016 expenditures.

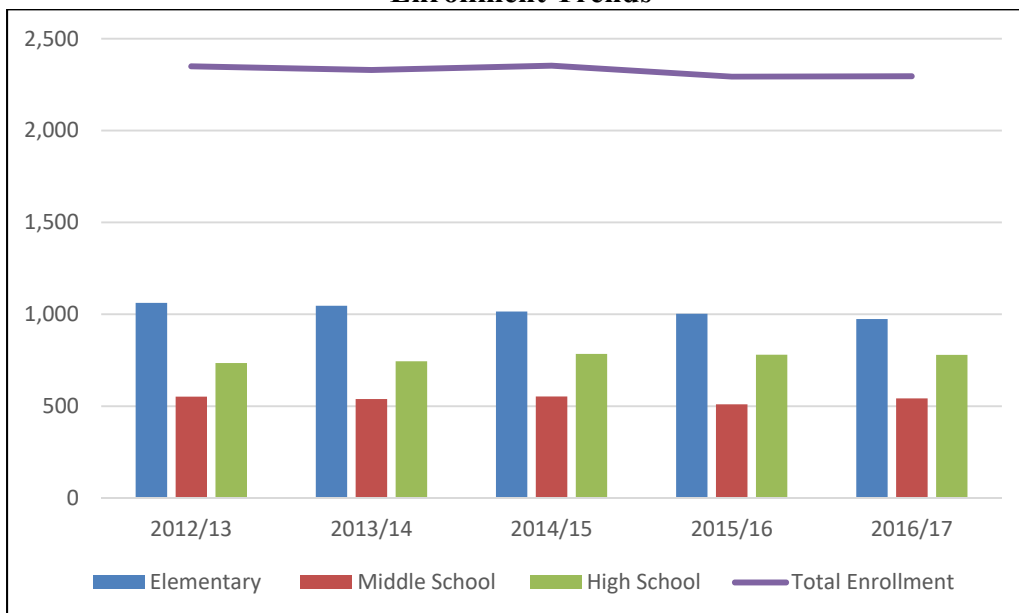
### Enrollment History

Overall school enrollment has declined slightly over the last six years, decreasing 2.3% during this time period (-54 students); Table Seven and Figure Three.

**Table Seven**  
**Enrollment Trends 2012-2017**

	2012/13	2013/14	2014/15	2015/16	2016/17	% Change	Enrollment Change
<b>Elementary</b>	1,062	1,046	1,015	1,003	974	-8.29%	- 88
<b>Middle School</b>	552	539	553	510	542	-1.81%	- 10
<b>High School</b>	735	744	784	780	779	5.99%	+ 44
<b>Total Enrollment</b>	2,349	2,329	2,352	2,293	2,295	-2.30%	- 54

**Figure Three**  
**Enrollment Trends**



<sup>12</sup> Includes School Department, Essex Tech School and Whittier VO Tech School

## Projected School Enrollment Estimates

To gain an understanding of Newburyport's potential school related fiscal impact, the anticipated number of school children that may be generated by the proposed development was analyzed. The proposed residential development will have a mix of studio, one bedroom, two bedroom and three bedroom units; Table Eight. The studio and one bedroom units typically do not generate school children and the analysis looks at the impact from the 142 two and three bedroom units.

**Table Eight  
Bedroom Mix Breakdown**

Condominiums	Quantity
Studio	12
One Beds	46
Two Beds	98
Three Beds	14
Townhomes (3 bed)	30
Total	200

To estimate the number of school age children (SAC) that may live at Waterfront West, Fougere Planning gathered information from local sources. According to City of Newburyport School Department data, of 94 waterfront/downtown condominiums units it was determined that only 3 school age children reside within four complexes; Table Nine. Given this data, a two/three bedroom per unit school age children (SAC) multiplier was calculated; .034 SAC per unit.

**Table Nine  
Local School Enrollments**

Comp Condos	# Units	1 Beds	2 Beds	3 Beds	SAC
58 Merrimac St	16	5	11	0	
124 Merrimac St.	9	0	6	3	
126 Merrimac St.	63	0	63	0	
28/32 Liberty St.	6	2	3	0	
Totals	94	7	83	3	3
SAC per 2/3 Bedroom					.034

Based on these findings, the .035 SAC multiplier was applied to the proposed 98 two bedroom units resulting in an estimated 3 school age children. To account for school children in the three bedroom units, a .30 SAC was used resulting in an estimated 13 school children. In total, the development is estimated to have 17 school age children (range of 14 – 20) residing at Waterfront West; Table Ten.

**Table Ten**  
**Estimated School Age Children**

	Type	# Units	SAC Per Unit	Total SAC
<b>Estimated SAC</b>	2 Beds	98	.034	3.3
	3 Bed	44	.30	13.2
	<b>Total SAC</b>			<b>17</b>

Given the projects high end market niche and its mixed use focus, the low number of school children from the proposed development is expected. A majority of residents will most likely be young professionals or older empty nest groups.

To fully understand current school operations a meeting was arranged with School Superintendent Susan Viccaro to discuss the current state of the City’s school system and the proposed development project. She noted that all of the schools are near capacity at this time, with not a lot of room to accommodate a large number of students. The Superintendent was not surprised by the low number of children presently living within the noted condominium complexes and agreed, that given the proposed price point of the housing units and the mixed use nature of the project that the 17 school children projected for the development was reasonable.

Superintendent Viccaro indicated that at this time the average grade size at the high school is larger than those in the lower grades. She believes that over time, additional capacity will be created once the current high school students graduate. One of the reasons for the increased growth rate in high school can be traced to the local charter school, where many of the children once reaching 9<sup>th</sup> grade move over to Newburyport High. She also noted that the Department is aware of other proposed housing unit developments and will be monitoring those projects if they come online.



To account for the projected cost of the 17 students at full buildout, Massachusetts Department of Education reporting data has been used. The Actual Net School Spending for students in 2015 was \$31,716,784, which equates to \$13,832 per student. If Chapter 70 aid is accounted for the per pupil cost decreases to \$12,173. For this Report, the conservative higher cost figure has been used to estimate a total student cost of \$235,144; Table 11.

**Table 11**  
**School Department Impact**

<b>Department</b>	<b>Budget<sup>13</sup></b>	<b>2015 Enrollment</b>	<b>Cost Per Student</b>	<b>Est. SAC</b>	<b>Annual Cost</b>
Schools	\$31,716,784	2,293	\$13,832	17	\$235,144

It is not expected that all of the potential students will appear in the school system simultaneously. Based on the expected five to seven year construction buildout of the project, the rate of students coming into the school system will be added slowly and can be monitored to determine if any trends develop.

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<sup>13</sup> MDE 2015 Actual Net School Spending, does not include \$1,659 per student Chapter 70 Aid.

## FISCAL SUMMARY

Table 12 summarizes the fiscal impact from the proposed development showing gross revenues of \$2,181,398, municipal costs of \$445,144 and a yearly gross positive fiscal impact of \$1,736,254. Waterfront West will increase the tax base of Newburyport by 3.6% and increase property tax revenue by 4.4%<sup>14</sup>, with only a 1.7% increase in the City's population.

Fougere Planning is not suggesting that budgets should be increased to offset the noted costs, but these findings should be viewed as potential costs and future budget increases will be addressed by Town officials.

**Table 12**  
**Estimated Annual Fiscal Impact**

Gross Rev. Taxes, Excise Taxes, CRA & Hotel	<b>\$2,181,398</b>
Estimated Municipal Costs	
Police	-\$100,000
Fire	-\$100,000
Other Departments	-\$10,000
Schools	-\$235,144
Total Costs	-\$445,144
Net Annual Positive Fiscal Impact	<b>+\$1,736,254</b>

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<sup>14</sup> FY2017 Property tax levy of \$49,043,832 (Budget Overview Document)

## Summary of Findings

- The proposed development project will result in a net annual positive fiscal impact of \$1,736,254. Anticipated costs total \$445,144 at full buildout.
- Manageable increased emergency call volume will occur to emergency service departments, with police calls increasing 1.3% a year and fire department calls increasing 1.9%.
- An estimated 17 school age children are anticipated to reside at the Waterfront West. Capacity exists to accommodate the anticipated students. Enrollment history of lower grade levels has been declining while the high school has seen an increase over the last five years.
- Waterfront West will increase the City's tax base by 3.6% and increase property tax revenues by 4.4%
- Limited measurable impacts are foreseen to other city departments.
- Positive economic benefits will be created from both the construction activity and the enlargement of the downtown fabric, adding year round residents who will strengthen the local economy.