

TECHNICAL MEMORANDUM

TO: Mr. Jeff Nutting
Interim Town Manager
Town of Lancaster, MA

DATE: January 20, 2022

SUBJECT: Fiscal Impact Analysis – 696 Fort Pond Road – **Initial DRAFT**

Introduction

RKG Associates, Inc. (RKG) was retained on behalf of the Town of Lancaster, Massachusetts to provide an independent analysis of the likely fiscal impacts associated with the potential development of two (2) state-of-the-art high bay warehouse distribution facilities to be located along 696 Fort Pond Road (refer to Figure 1).

Information on the conceptual Project, as provided by GFI Partners of Boston, Massachusetts (dba Ft. Pond Realty, LLC) shows the following development program:

Facility #1 – a +/- 700,00 square foot (SF) facility with 112 dock doors, 273 trailer storage spots, and 365 employee parking spots. The site would include secured fencing and a guard shack.

Facility #2 – a +/-210,000 SF facility with 79 loading docks, 92 trailer spaces, and 200 employee parking spaces.

The Project site is an assemblage of existing parcels which are currently listed as vacant land, totaling 141.17-acres. Based on the Town’s Fiscal Year 2021 valuation of the current property, valuations equal \$1,004,175 and result in tax receipts of \$20,063 (refer to Table 2).

Figure 1 – Preliminary Concept Rendering



Ft. Pond Realty, LLC has noted the two facilities would employ an estimated 600 employees with 500 employees in Facility #1, and another 100 in Facility #2. ¹ Both facilities would be served by public water through the Shirley Water District and sewer would be supplied via a private septic system.

The purpose of this analysis is to assist the Town in their ongoing consideration and review of the potential Project. The following summarizes the findings from this fiscal impact analysis with all estimates presented in FY 2021 dollars. A more detailed discussion of inputs and assumptions utilized in this analysis is presented throughout this memorandum.

Summary of Findings

Real Property Taxes – Estimated property taxes for the Project’s proposed buildings, prior to any costs or other adjustments, total \$1,364,097. This estimate reflects a FY 2021 tax rate of \$19.98 per \$1,000. Approximately 77% of these receipts are derived from the larger facility #1 with the remaining 23% from the smaller facility #2 (refer to Table 3).

Estimated Municipal Service Costs - Once adjusted for an estimated \$58,796 (refer to Table 6) in Town service costs, the resulting real property tax revenue is estimated at \$1,305,301. This does not include the loss of “as is” property taxes.

Loss of “as is” Real Property Taxes – The proposed development represents an assemblage of several parcels which are currently reported as vacant land and have property taxes totaling \$20,063 (refer to Table 2). As vacant land, there is no estimated loss of property tax receipts resulting from the demolition of existing and contributory building improvements. ²

One-Time Building Permit Fees – The estimated one-time building permit fees associated with the Project are \$1,564,592 (refer to Table 4).

Employment –Ft. Pond Realty, LLC, provided RKG Associates with estimated employment for the two facilities. A total of 600 full-time equivalent employees are estimated between the two facilities with 500 for Facility #1 and an additional 100 for Facility #2. ³

¹ These equate to an approximate 1,400/SF per employee for Facility #1 and 2,000/SF per employee for Facility #2. Both are within the range of other SF/employee metrics of distribution/warehouse facilities RKG is familiar with on other similar projects in Massachusetts.

² This analysis considers the estimated property taxes as a result of the new development **only**. While it is reasonable to assume that there may be some change in land value and resulting property taxes given the new improvements built thereon, RKG assumes at a minimum these will remain “as is”.

³ These equate to an approximate 1,400/SF per employee for Facility #1 and 2,000/SF per employee for Facility #2. Both are within the range of other SF/employee metrics of distribution/warehouse facilities RKG is familiar with at other similar projects in Massachusetts.

These FTE metrics are used to estimate the associated municipal service costs of the Project. Using the total of 600 FTEs, with a variable cost of \$97.99/FTE (refer to Table 6) total municipal expenditures are estimated at \$58,796 in total.

Vehicle Excise Tax –Ft. Pond Realty, LLC, noted Facility #1 will accommodate 112 dock doors and 273 trailer storage spots, while Facility #2 will accommodate 79 loading docks and 92 trailer spaces. It is unknown to what extent, if any, the tractor trailers associated with the Project may be registered in the Town of Lancaster. If any are, this would result in additional vehicle excise tax revenues to the Town.

Local Option Tax – The Town of Lancaster receives a local option sales tax from purchased meals within the community. During the construction phase of the Project, it is possible that contractors and other workers may purchase taxable meals from local establishments in the short term. Also, there may be ongoing purchases from the permanent employment associated with the Project. While neither impact has been specifically quantified in this report, both the temporary construction employment and new ongoing employment resulting from the Project could offer additional tax receipts to the Town.

Community Preservation Act (CPA) – Although not a revenue source available to the Town of Lancaster as part of general fund receipts, the community has enacted a one (1) percent Community Preservation Act (CPA) tax which can be used for specific purposes. Applying this one percent to the estimated unadjusted real property tax of the Project, at \$1,364,097, results in an annual estimated CPA tax receipt of \$13,641.

The summary reconciliation of revenues and costs of the proposed Project are presented in detail in Table 1.

Table 1 – Summary of Net Fiscal Impacts – 696 Fort Pond Road

Fiscal Impact Reconciliation - Potential Project - 696 Fort Pond	Whse #1	Whse #2	TOTAL
Estimated Property Taxes	\$1,049,412	\$314,685	\$1,364,097
less Town Costs	(\$48,997)	(\$9,799)	(\$58,796)
General Government	(\$5,042)	(\$1,008)	(\$6,050)
Police	(\$24,649)	(\$4,930)	(\$29,579)
Fire	(\$14,250)	(\$2,850)	(\$17,100)
Public Works	(\$5,056)	(\$1,011)	(\$6,067)
TOTAL NET Fiscal Impact	\$1,000,415	\$304,886	\$1,305,301
Estimated CPA Tax	\$10,494	\$3,147	\$13,641

Source : RKG (2022)

Fiscal Impact Methodology

There are several approaches available for determining fiscal impacts; all based on the same general assumptions. First, current local operating costs and revenues are the best basis for determining future costs and revenues.

Second, the proposed development is at full build-out and/or occupancy. This latter assumption allows a comparison of the financial effect of the entire project on municipal costs and revenues. While many projects are constructed over a multi-month period, municipal costs and revenues generally occur in equal proportions, therefore this steady-state approach does not detract from the appropriateness or accuracy of this method. It should also be noted that fiscal impact analysis is only concerned with local public costs and expenditures and removes all revenues that come from outside sources such as state and federal aid.

Fiscal impact analysis, as applied in this memorandum, encompasses the identification and comparison of both municipal service costs related to the Project, and the potential public revenues resulting from the development, most of which is generated from property tax payments.

Detailed Analysis

Site and “as is” Condition

The proposed Project is situated in the Town of Lancaster, Massachusetts, and is an assemblage of several parcels currently reported as vacant land and totaling 141.17-acres. The assemblage has an FY 2021 valuation of \$1,004,175 and property tax receipts of \$20,063 (Table 2).

Table 2 – Potential Development – “As Is” FY 2021 Valuations

Potential Project - 696 Fort Pond Road - Lancaster, MA	Acres	FY 2021 Value	Value per Acre	FY 2021 Taxes (1)
Parcel 005-0032.0	25.17	\$188,775	\$7,500	\$3,772
Parcel 005-0032.A	44.00	\$297,500	\$6,761	\$5,944
Parcel 005-0027.0	72.00	\$517,900	\$7,193	\$10,348
TOTAL	141.17	\$1,004,175	\$7,113	\$20,063

Source : Lancaster, MA Assessor and RKG (2022)

(1) FY 2021 tax rate of \$19.98 per \$1,000

Revenues

This section describes ongoing revenues and one-time fees to the Town of Lancaster. Real property tax receipts serve as the single largest source of ongoing revenues to the Town once the Project is constructed and occupied.

Ft. Pond Realty, LLC, estimates construction costs for the two facilities at \$75/SF for a total construction cost of +/- \$68,273,100. RKG’s review of Marshall & Swift Valuation Services cost estimation data indicates that construction costs in the range of \$33.50/SF to \$102/SF may be appropriate for warehousing and distribution facilities. ⁴ The valuation of \$75/SF as offered by Ft. Pond Realty, LLC, is in line with other similar projects RKG is aware of throughout Massachusetts. ⁵ As such, RKG considers the estimate provided by Ft. Pond Realty, LLC to be reasonable.

Utilizing the estimated construction costs as a proxy for valuation (the cost-based approach to valuation) the estimated value of the facilities totals \$68,273,100, with:

- Facility #1 – at \$52,523,100 against 700,308 SF
- Facility #2 – at \$15,750,000 against 210,000 SF

RKG notes that these estimates are initial estimates as derived from a cost-based approach to valuation. It is typical for local assessing departments to move to an income-based approach to valuation as the facilities are fully built, stabilized, and lease terms become known.

Under these inputs and assumptions, the estimated real property tax from the Project, prior to any adjustments, is offered in Table 3, which also notes potential CPA tax receipts.

Table 3 – Estimated FY 2021 Real Property Tax (unadjusted) – Lancaster, MA

Potential Project - 696 Fort Pond Road - Lancaster, MA	SF	Costs per SF	Estimated Valuation	FY 2021 Taxes (1)	FY 2021 CPA Tax (at 1%)
Distribution Warehouse #1	700,308	\$75	\$52,523,100	\$1,049,412	\$10,494
Distribution Warehouse #2	210,000	\$75	\$15,750,000	\$314,685	\$3,147
TOTAL	910,308	\$75	\$68,273,100	\$1,364,097	\$13,641

Source: Ft. Pond Realty, LLC and RKG (2022)
(1) FY 2021 tax rate of \$19.98 per \$1,000

One-Time Fees – From RKG’s recent work in the Town of Lancaster, building permit fees were calculated using a formula reflecting the total SF of the Project. Total square footage is then multiplied by \$125/SF and then divided by 1,000. The resulting factor was then multiplied by the Town’s permit fee of \$13.75 per \$1,000. The estimated one-time building permit fees total \$1,564,592 for both facilities (Table 4). Building permit

⁴ Marshall & Swift Valuations Services, February 2020, section 14, page 23 – distribution warehouse class S (*latest data available for this section*).

⁵ These projects range in size from approximately 39,730 SF to 1.23 million SF *with local assessment records indicating valuations* ranging from \$35/SF to \$87/SF. Further, RKG’s recent fiscal impact analysis (October 2021) of the proposed approximate 1.2 million SF distribution/logistics facility in Lancaster, by Capital Group Properties, LLC, was estimated to have a valuation of \$85/SF (as based on construction costs for the latter).

fees are typically levied to cover Town costs associated with providing building permit fees and inspectional services as opposed to any ongoing revenue stream as may be applicable to the general fund.

Table 4 – Estimated One-Time Building Permit Fees – Lancaster, MA

Town of Lancaster, MA - Estimated Building Permit Fees	Estimated One-Time Permit Fees		
	Whse #1	Whse #2	TOTAL
Total SF	700,308	210,000	910,308
multiplied by \$125/SF	\$87,538,500	\$26,250,000	\$113,788,500
divided by 1,000	\$87,539	\$26,250	\$113,789
Permit Fee at \$13.75 / \$1,000	\$1,203,654	\$360,938	\$1,564,592

Source : Town of Lancaster, MA and RKG (2022)

Municipal Service Costs

In RKG’s recent work in the Town, a review of Lancaster’s FY 2021 general fund expenditures ⁶ was conducted and costs indexed in proportion to the Town’s assessment values by property type. For example, the residential assessment town-wide represents approximately 88% of the total assessed value while commercial and industrial uses represent approximately 12% (excluding personal property). In this manner, for every \$1.00 of municipal service costs \$0.88 would be allocated to residential uses and \$0.12 would be allocated to commercial and industrial (i.e., non-residential) uses.

As the conceptual Project is comprised of two warehouse/distribution facilities, this analysis will focus on the non-residential component of these expenditures. The resulting estimates of Town costs and variable costs are presented in Table 5, noting the following:

- FY 2021 general fund budget, in total, of \$7,745,390 – excluding education.
- Application of a 12% allocation for non-residential uses indicate expenditures of \$929,447 – excluding education (which is not applicable for non-residential).
- Dividing the \$929,447 by the estimated town wide employment of 1,942 (MA ES-202 data for 2020) results in an average cost per FTE of \$478.60 for the listed departments.

While RKG did not perform a detailed review of all individual departmental budgets, we note that typically for each impacted department there are fixed costs and variable costs (as highlighted in Table 5). ⁷ Variable costs are those that fluctuate with changes

⁶ As provided by the Massachusetts Department of Revenue - Division of Local Services.

⁷ RKG understands that “Other Public Safety” represented costs for a regional dispatch center for handling emergency calls. While it is possible that the proposed Project may add to this call volume, RKG considers such calls to be nominal and has not included this in the fiscal impact analysis.

in employment and/or households and include costs such as salaries, staffing, training, equipment, and other materials.

While no two communities are the same, it is RKG’s experience that these variable costs typically comprise about 10% of general government expenditures, 25% of public works expenditures, and 70% of public safety (police and fire) expenditures. Applying these variable cost adjustments to the full budget costs of the impacted departments results in an estimated cost of \$97.99 per new employee (as highlighted in Table 5).

Table 5 - Municipal Service Costs per Employee - Lancaster, MA

Town of Lancaster Expenditures - FY 2021	General Fund Expenditure		Benchmark per	Variable \$/FTE
	Total	Non-Residential	FTE (1)	
General Government	\$1,631,850	\$195,822	\$100.84	\$10.08
Police	\$1,139,724	\$136,767	\$70.43	\$49.30
Fire	\$658,878	\$79,065	\$40.71	\$28.50
Other Public Safety	\$300,934	\$36,112	\$18.60	
Public Works	\$654,588	\$78,551	\$40.45	\$10.11
Human Services	\$166,070	\$19,928	\$10.26	
Culture and Recreation	\$407,803	\$48,936	\$25.20	
Fixed Costs	\$1,525,246	\$183,030	\$94.25	
Intergovernmental	\$141,622	\$16,995	\$8.75	
Other Expenses	\$0	\$0	\$0.00	
Debt Service	\$1,118,675	\$134,241	\$69.13	
TOTAL	\$7,745,390	\$929,447	\$478.60	\$97.99

Source : MA DoR - Division of Local Services and RKG (2022)

Impacted Departments

(1) Benchmarked against 1,942 town wide FTE's as reported by MA ES-202 data (2020)

Variable costs among the impacted departments totals \$97.99/FTE – which has been used in this analysis to estimate municipal costs represented by the employment for each potential distribution facility component of the Project (Table 6).

Table 6 – Estimated Variable Town Costs – 696 Fort Pond Road

Estimated Variable Municipal Costs	FY 2021 Estimated Town Costs		
	Whse #1	Whse #2	TOTAL
General Government	\$5,042	\$1,008	\$6,050
Police	\$24,649	\$4,930	\$29,579
Fire	\$14,250	\$2,850	\$17,100
Public Works	\$5,056	\$1,011	\$6,067
TOTAL	\$48,997	\$9,799	\$58,796

Source : MA DoR - Division of Local Services and RKG (2022)

Town Department Outreach

RKG contacted various Town department heads to garner any input, concerns, or issues they may have regarding potential impacts on their respective departments which could arise from the Project. Summaries of those conversations are provided below.⁸

Assessing – RKG spoke with the Lancaster Principal Assessor Bobbi-Jo Williams regarding the initial estimated valuation of the Project at \$75/SF and reflective of a cost-based approach to valuation. Ms. Williams indicated that the Town typically contracts with Regional Resource Group (RRG) in Leominster, MA, in assessing commercial properties, once permitted, built, and stabilized (an income-based approach to valuation) and did not offer an opinion regarding the \$75/SF initial estimate, deferring to RRG if and when appropriate.

Police – RKG spoke with Acting Police Chief Everett Moody about our approach to estimating costs to the Police department. Chief Moody indicated that this was a reasonable approach, and he did not anticipate any extraordinary additional expense to his department unless the Project necessitated the hiring of additional personnel. Of particular concern was if this potential Project, along with the 1.2 million SF facility proposed by Capital Group Properties, LLC and its associated retail and residential components, were both constructed, the combination of the two would likely constrain current staffing capacities.⁹

General Government – RKG spoke with Interim Town Manager Jeff Nutting regarding the Project and any impacts or concerns that may be reflected in the overall general government budget. Mr. Nutting did not indicate any issues were apparent and noted from his prior experience working in Franklin, Massachusetts where the Franklin Industrial Park was constructed, that commercial and industrial properties more often impact public safety departments as opposed to the general government. Mr. Nutting cited some likely increases in police and fire call activity, particularly if the Project runs more than one-shift per day. Overall, Mr. Nutting concurred with the RKG approach to estimating some costs for general government as prudent and reasonable.

⁸ RKG was unable to speak with representatives of the Fire Department and the Public Works Department.

⁹ RKG notes that this Project is estimated to render an annual net positive fiscal benefit to the Town of \$1,305,142. Further, the prior Project, offered by Capital Group Properties, LLC, was estimated to result in an annual net positive fiscal benefit of \$1,695,142. If both are realized, the combined estimated annual net positive fiscal benefit to the Town exceeds \$3.0 million.