



September 1, 2020

Planning Board
 Town of Hudson
 Attn: Brian Groth, Town Planner
 12 School Street
 Hudson, NH 03051

RE: Hudson Logistics Center – Site Plan, Subdivision and Conditional Use Permit Applications
 Fiscal Impact Report – Supplemental Responses

Dear Brian,

On behalf of the Applicant, Hillwood Enterprises, L.P., I am pleased to provide this response to comments on the fiscal impact report we prepared for the proposed Hudson Logistics Center. My response focuses on comments provided to the Planning Board by Mr. James Michaud, the Town’s Chief Assessor, and Mr. Russ Thibeault, peer review consultant for the Planning Board.

The main issues we were asked to address involve the estimated or projected revenue the development will provide, and the estimated cost of municipal services. The first part of this response addresses the revenue estimate and the second part, municipal service costs.

PROPERTY TAX REVENUE

We were asked to revise our estimate of the project’s assessed value by applying equalization ratios to bring the comparison communities and Hudson to a consistent year. We have done so. Our methodology can be found in **Attachment A**. We also were asked to report a breakdown of *total* tax revenue, including the county share. After equalizing the values and recalculating the tax revenue, we arrive at the following estimate:

Hudson Logistics Center Tax Revenue:	\$5,124,342
<i>Schools</i>	\$3,431,389
<i>Municipal</i>	\$1,402,372
<i>County</i>	\$290,582

**Numbers may not total due to rounding*

We believe the most important tax revenue component is that which directly supports the Town’s operating budget, i.e., the municipal share, \$1,402,372. Having been asked by Mr. Michaud to report all of the tax revenue, including the county share (which we originally omitted), we will do so in this supplemental memo.

We asked Mr. Michaud or Mr. Thibeault to review the equalization methodology presented in Attachment A. To the best of my knowledge, the methodology is acceptable to them. That said, I realize that questions remain about the comparability of the logistics centers in Londonderry to the proposal in Hudson. Since the Londonderry projects are smaller and the buildings are not as tall, the cubic volume in the F.W. Webb and UPS facilities is less than what would exist in Hudson. These differences could make my assessed value estimate in Hudson lower than it should be. However, I have worked with the closest comparables I could find in New Hampshire, and I would rather make a conservative estimate than an inflated one.

ESTIMATED SERVICE COSTS

Mr. Thibeault recommended that I present the estimate of municipal service costs as a range (high-low) rather than as a fixed number. He also suggested that I use a second fiscal impact methodology and compare the results to the model I used in our original report.

Proportional Valuation

First, I need to adjust our first estimate of municipal service costs. The revised, higher assessed value we arrive at once we equalize the values has an impact on the estimated service costs. This is because the Proportional Valuation (PV) model we used for this analysis is sensitive to the value of new development. PV is specifically used to estimate the impact of *nonresidential* development. It consists of three parts. First, it holds that what a community spends on services for nonresidential land uses (commercial and industrial) can be inferred from the proportion of the tax base that is comprised of commercial or industrial property. Second, after establishing what the community currently spends to serve nonresidential land uses, PV provides analysts with a tool for estimating what the community would spend to serve a new commercial or industrial project. In both steps – determining the existing condition and estimating the cost-of-services impact of a new development – the model has some built-in mechanisms to account for differences in scale of nonresidential projects. Third, after estimating the cost of services for a new project, PV provides working assumptions for dividing the new costs among municipal departments. The analyst has to decide how best to apply those assumptions, which means it is a judgment call based on available information.

Most of the scholarship on PV comes from the Center for Urban and Regional Policy (CURP) at Rutgers. We follow the Rutgers approach, which is one of the generally accepted fiscal impact models for commercial and industrial land uses. It calls for adjusting the straight proportional value when the nonresidential base is quite large or quite small relative to the overall assessed value of the community. This is where the concept of a *refinement coefficient* comes into play. In his memo to the Planning Board, Mr. Michaud asked why we used a coefficient of 0.740 as opposed to some other number. I apologize for being unclear. It is because 0.740 is based on the coefficients from CURP for the PV model. To avoid a lengthy technical report on the PV model here, I think the more important item is not the coefficient Mr. Michaud asked about. Instead, it was the *second* coefficient in our June 23, 2020 report – the one that appears in Row T of the chart we have recreated here in **Attachment B**. This number adjusts for scale for the *new project*.

Increasing the estimated value of the Hillwood development also increases the estimated cost of services. If you turn to Attachment B, you will see that the top part of the chart – down to Row P – has not changed. This is the analysis of Hudson's existing tax base and our estimate of what the Town currently spends to

serve nonresidential development, using the proportional valuation model.¹ The change happens in the lower part of the chart. The refinement coefficient changes because the project’s estimated value, adjusted for equalization, has changed. The revised estimate of service costs using proportional valuation is \$320,700, an increase of \$79,900 over our original projection (\$240,800). The cost-to-revenue ratio – 6 cents of spending for every \$1.00 in revenue – has not changed.

Modified Marginal Cost

A second option for estimating the impact of nonresidential development is a type of marginal cost analysis very similar to the approach Mr. Thibeault used when he reviewed the then-proposed Prologis-UPS facility in Londonderry (2014). This approach requires the analyst to take the following steps:

- Identify departments that are most likely to experience a direct impact from a proposed development;
- Determine the components of their budgets that may be directly affected by the project (since some types of costs are more sensitive to growth than others); and
- Using a method very similar to the PV model I explained above, allocate portions of these departmental budgets both to the existing nonresidential base and the new project. This procedure helps to determine how much of a community’s current spending on municipal services is necessary to support commercial and industrial development, and how much a new project might change the existing condition.

This second approach, as shown in **Attachment C**, produces an estimate of new service costs of \$503,690 (rounded). The projected revenue does not change, but the net revenue is less than the amount we arrive at with the PV model. The modified marginal cost approach produces a cost-to-revenue ratio of 10 cents of spending for every \$1.00 in revenue.

Summary

The following table compares the results of these two approaches to estimating municipal service costs. We provide these totals as the high and low estimate of fiscal impact.

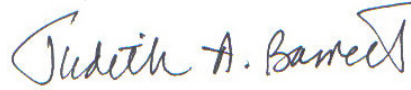
Estimated Costs and Net Revenue					
Revenue Component	Estimated Tax Revenue	Lower Range Costs	Net Revenue	Higher Range Costs	Net Revenue
Total Taxes	\$5,124,300	\$322,700	\$4,801,600	\$503,700	\$4,620,600
Municipal	\$1,383,600	\$322,700	\$1,060,900	\$503,700	\$879,900
<i>School/State</i>	<i>\$563,700</i>				
<i>School /Local</i>	<i>\$2,869,600</i>				
<i>County</i>	<i>\$307,500</i>				

¹ Mr. Michaud asked about the operating budget figure we used in our analysis, \$33,131,290. That is the sum of all the budget items in the budget spreadsheet we received from Hudson’s finance director on May 13, 2020. We have retained that number in our analysis. If we used the lower operating budget number Mr. Michaud mentioned in his memo, \$28,232,697, our cost projection would be lower as well. We usually do not include warrant article appropriations in this kind of analysis. If we did, and we adopted Mr. Michaud’s higher figure of \$34,105,621, it would have virtually no impact on this report. This is because the higher figure includes already-planned water and sewer projects that one would not include in a fiscal impact study.

Please let me know if you have any questions. I look forward to discussing this project at the Planning Board's meeting next week. I also want to thank Mr. Thibeault and Mr. Michaud for their ongoing and invaluable assistance.

Sincerely,

BARRETT PLANNING GROUP LLC

A handwritten signature in cursive script that reads "Judith A. Barrett". The signature is written in black ink and is positioned above the printed name and title.

Judith A. (Judi) Barrett
Owner and Managing Director

ATTACHMENT A
Equalized Value Analysis

	Equalization Adjustment	Original Estimate	Adjusted for Equalization
	Part. I. Londonderry Sites		0.981 EQ
F.W. Webb	Value per sq. ft.	\$60.08	\$61.24
	Land value per sq. ft.	\$3.38	\$3.44
UPS	Value per sq. ft.	\$62.92	\$64.14
	Land value per sq. ft.	\$4.04	\$4.12
Equalized Values (Average)	Value per sq. ft.		\$62.69
	Land value per sq. ft.		\$3.78
Application to Hudson Logistics Facilities	Hillwood Bldgs sq. ft.	2,602,400	\$163,140,889
	Hillwood Land (acres)	367.4	<u>\$60,480,531</u>
	Total		\$223,621,420
	Part II. Hudson Equalization		0.885 EQ
Revenue Projection	Equalized Value, Hudson (\$223,621,420/0.885)		\$252,679,571
	Existing tax rate		\$20.28
	Revised tax revenue estimate		\$5,124,300
	<i>Municipal</i>		\$1,383,600
	<i>Schools</i>		\$3,433,300
	<i>County</i>		\$307,500

*Numbers may not total due to rounding

ATTACHMENT B
Proportional Valuation Analysis, Updated

	Input	Original 6/23/20	Revised 9/1/20
A	Municipal Operating. Budget	\$33,131,300	\$33,131,300
B	Non-Residential Real Property Value	\$384,101,400	\$384,101,400
C	Total Real Property Assessed Value	\$3,128,960,800	\$3,128,960,800
D	Ratio (C / D)	0.123	0.123
E	Non-Residential Parcels	714	714
F	Total Parcels	9,662	9,662
G	Average Value: Non-Residential Parcel (B / E)	\$538,000	\$538,000
H	Average Value: All Parcels (C / F)	\$323,800	\$323,800
I	Ratio (G / H)	1.66	1.66
J	Refinement Coefficient	0.740	0.740
K	Non-Residential Expenditures (A * D * J)	\$3,009,600	\$3,009,600
L	Residential Expenditures (A – K)	\$30,121,600	\$30,121,600
	Estimated Expenditure by Function for Nonresidential Development		
M	Public Safety (Police, Fire, EMS, Inspections) 45%	\$1,354,300	\$1,354,300
N	Public Works (Roads, Drainage, Equipment Maintenance) 30%	\$902,900	\$902,900
O	Other (Admin & Finance, Other Services) 25%	<u>\$752,400</u>	<u>\$752,400</u>
P	Total (K)	\$3,009,600	\$3,009,600
	Impact of Proposed Facility		
Q	Estimated Assessed Value	\$221,824,400	\$252,679,571
R	Ratio, New Value to Total Existing Nonresidential Value (Q / B)	0.58	0.66
S	Ratio, New Value to Existing Average Nonresidential Value (Q / G)	412.35	469.70
T	Refinement Coefficient	0.1386	0.163
U	Increased Cost of Services (P * R* T)	\$240,800	\$322,700
	Estimated Expenditure by Function for Proposed Facility*		
W	Public Safety (Police, Fire, EMS, Inspections)	\$168,600	\$225,900
X	Public Works (Roads, Drainage, Equipment Maintenance)	\$24,100	\$32,300
Y	Other (Admin & Finance, Assessor, Other Services)	\$48,200	\$64,500
	Development Tax Revenue	\$4,243,500	\$5,124,300
	Cost-revenue ratio	0.06	0.06

ATTACHMENT C
Modified Marginal Cost

Part I. Services Potentially Affected by Hudson Logistics Center

	Budget Component/Department	FY20 Budget & Adjustments²	Variable Cost	Variable Budget
A	Administration	\$633,290	10%	\$63,300
B	Assessing	\$431,642	10%	\$43,200
C	Public Works	\$4,128,976	10%	\$412,900
D	Land Use	\$724,147	10%	\$72,400
E	Police	\$8,379,220	50%	\$4,189,600
F	Fire	\$6,661,477	50%	\$3,330,700
G	Recreation	\$491,959	5%	\$24,600
H	Shared Costs	\$2,643,923	10%	\$264,400
I	Total Variable Costs			\$8,401,100
J	Allocable to Nonresidential Development (%) ³			9.08%
K	Allocable to Nonresidential Development (\$)			\$763,160
L	Hudson Logistics Center est. value percent of existing nonresidential assessed value			66%
M	Est. costs allocable to Hudson Logistics Center			\$503,700

² Figures are from “FY20 Actual v Budget” (Excel), from Finance Department, May 13, 2020. Police, Fire, other departmental budgets include amounts reported by Town for union contracts settled.

³ From Attachment B, Proportional Valuation. 9.08% is the PV-adjusted nonresidential share of total municipal expenditures (Rows K and L).