

Review of Financial Impact of SLV 40B Project at Shingle Hill

Manchester Finance Committee

March 25, 2021

The Finance Committee has reviewed the financial impact of the proposed SLV 40B development on Shingle Hill in Manchester. Our review includes the Financial Impact Report performed by Fougere Planning and Development submitted by SLV as part of their LIP Application, as well as the peer review of that report provided by RKG on behalf of the Town.

We appreciate the industry standard assumptions made by Fougere and RKG in developing their rationales for estimating the financial impact to the Town, however, the Finance Committee is concerned with the real possibility that their estimates are materially low when compared with the current levels of service provided to MBTS residents.

SLV proposes to develop Shingle Hill on School Street as a 157-unit, 4-story multi-family building, consisting of a mix of 1BR, 2BR and 3BR units. In accordance with the State's requirements for a 40B project, 25% of the units will be rented as Affordable units and 100% of the units will count toward Manchester's affordable housing count.

SLV Multi-Family Development Unit Types

Unit Type	Market Rate	Affordable	Total
1BR	60	20	80
2BR	46	15	61
3BR	12	4	16
Totals	118	39	157

The findings of the financial impact reports by Fougere and RKG reflected only minor differences in their assessment of the estimated project revenues and expenses.

Estimated Valuation	Fougere Report	RKG Report
	\$44,211,000	\$44,211,000
Revenue		
Property Tax	\$517,268	\$517,268
Excise Tax	\$98,000	\$98,000
CPA Tax	\$7,759	\$0
As-is Property Tax	\$0	-\$15,032
Total	\$623,027	\$600,236
Expenses		
School	-\$429,840	-\$407,304
Police	-\$27,907	-\$27,907
Fire	-\$23,048	-\$23,048
DPW	-\$10,000	-\$10,000
Total	-\$490,795	-\$468,259
Net Annual Impact	\$132,232	\$131,977

In our review of the financial impact on the Town, the Finance Committee considered the current level and cost of services provided per resident and per dwelling unit. The primary services that would be impacted by the SLV project include the MERSD, police and fire. Since trash collection and site maintenance and plowing will be privately managed, the impact on DPW services is considered negligible.

The following are relevant data specific to Manchester-by-the-Sea in 2020.

- Dwelling Units: 2,544
- Residents: ~5,400
- MERSD Students (MBTS): 823
- SAC per Dwelling Unit: 32%
- MERSD Operating Expenses (MBTS): \$15.1 Million
- MERSD Cost per SAC: \$18,225
- 2020 Property Tax Rate: \$11.70 per \$1,000 assessed value

The SLV development will include 250 bedrooms for the proposed 157 dwelling units.

Unit Type	Market Rate	Affordable	Total	Bedrooms
1BR	60	20	80	80
2BR	46	15	61	122
3BR	12	4	16	48
	118	39	157	250

As a basis for gauging the potential impact of the project on town services, we estimated the increase in population that could result from the project. At a minimum, it is expected that there will be one resident per bedroom: 250 residents. It is reasonable to expect that couples may live in a certain number of units: assume 33% of the units have adult couples in a room, or 33% of 157 = 52. It is reasonable to expect that some units may have more than one school aged child per bedroom: assume 20% of the 2BR and 3BR units have one bedroom with two SAC, or 20% of 77 bedrooms = 15. In total, that 250 + 52 + 15 = 317 residents, or about 1.25 residents per bedroom. Alternatively, it is reasonable to expect there could be 1.5 residents per bedroom, which would result in 375 new residents. For the purposes of this assessment, we have used the estimate of 317 new residents, a population increase of roughly 6%.

MERSD Impact ~ \$911,200

The estimated number of school age children resulting from the project can be conservatively estimated to be 50 students. It is possible that the number could be higher than this, but our estimate is based on the actual number of MBTS students that attend MERSD schools. We also consider that the average

- Using MBTS data of 32% SAC per Dwelling Unit for 157 units: 50 SAC
- Impact Cost: 50 x \$18,225 = \$911,250

Similarly, our estimate of the impact on the Town’s finances in relation to additional responsibilities for the Police and Fire departments is based on the current cost and amount of service provided to the Town per resident.

Police Department Impact ~ \$104,000

- FY2021 Budget = \$1,762,757
- Cost on calls in 2021: \$475 per call
 - 3,738 calls for 5,400 residents
 - Estimate 219 added calls for 317 residents
 - Estimated increase: 219 calls at \$475 each = \$104,025

Fire Department Impact ~ \$83,600

- FY2021 Budget = \$1,464,186
- Cost on calls in 2021: \$1,100 per call
 - 1,293 calls for 5,400 residents
 - Estimate 76 added calls for 317 people
 - Estimated increase: 76 calls at \$1,100 each = \$83,600

Project Valuation

The proposed valuation provided in the Fougere report and echoed in the RKG report is \$44,211,000, based on the anticipated market and affordable rents that can be expected for the proposed project. We believe this estimate is slightly undervalued based on our assessment of a valuation of \$46,099,800. The difference translates to a higher expected revenue for the project of \$539,368, based on the FY2020 tax rate of \$11.70. Moreover, we concur with the recommendation in the RKG report that it would be helpful for Fougere to identify the market area comparables used in its valuation analysis.

We assess the project will be a net drag on the Town's finances by approximately \$476,000 per year. Our estimates are based on the actual costs the Town's residents bear for the primary services related to Police, Fire and School (MERSD) when forecasted to support the additional residents associated with the 157-unit SLV development. We believe the metrics associated with our current levels of service provided to MBTS residents are a more relevant basis for comparison than other 40B projects in other towns. Understanding this, the Finance Committee estimates that the 40B, as now proposed, will cost the town more than the revenues it is forecasted to provide.

	Fougere Report	RKG Report	Finance Committee
Estimated Valuation	\$44,211,000	\$44,211,000	\$46,099,800
Revenue			
Property Tax	\$517,268	\$517,268	\$539,368
Excise Tax	\$98,000	\$98,000	\$98,000
CPA Tax	\$7,759	\$0	\$0
As-is Property Tax	\$0	-\$15,032	-\$15,032
Total	\$623,027	\$600,236	\$622,336
Expenses			
School	-\$429,840	-\$407,304	-\$911,200
Police	-\$27,907	-\$27,907	-\$104,000
Fire	-\$23,048	-\$23,048	-\$83,600
DPW	-\$10,000	-\$10,000	\$0
Total	-\$490,795	-\$468,259	-\$1,098,800
Net Annual Impact	\$132,232	\$131,977	-\$476,464